



June 16, 2004

VIA EMAIL: [secretary@cftc.gov](mailto:secretary@cftc.gov)

Ms. Jean A. Webb  
Secretary of the Commission  
Commodity Futures Trading Commission  
3 Lafayette Centre  
1155 21st Street, N.W.  
Washington, D.C. 20581

RE: Rule Certification

Dear Secretary Webb:

In accordance with Commission Regulation 40.6(a)(2) and (3), HedgeStreet, Inc. ("HedgeStreet") hereby files with the Commission the amendments described below and set forth in the attached Exhibit A to HedgeStreet's Rules as currently in effect. HedgeStreet intends to implement these amendments on June 21, 2004. No substantive opposing views were expressed to HedgeStreet with respect to these amendments. HedgeStreet hereby certifies that HedgeStreet's Rules, as amended by these amendments, comply with the Commodity Exchange Act, as amended, and the Commission's regulations adopted thereunder.

#### **SUMMARY DESCRIPTION OF AMENDMENTS TO RULES**

##### **General Amendments**

HedgeStreet has amended the terminology of the instruments traded on the market as well as the manner in which members may acquire such instruments. Previously, HedgeStreet Contracts were referred to as "Bundles". HedgeStreet has changed the name of "Bundles" to Hedgelet Pair or Pair. Throughout the HedgeStreet Rules, any reference to "Bundle" has been amended with the term Hedgelet Pair or Pair. In addition, "Purchase of Contract Bundles" was used to refer to "Subscription". Throughout the HedgeStreet Rules, any reference to "Purchase of Contract Bundles" has been amended with the term "Subscription". Both of these amended terms have been incorporated and defined into Chapter 1 of HedgeStreet Rules. For those rule amendments affecting the contract market, HedgeStreet has denoted those rule changes with a "DCM" next to the rule number. For those rule amendments affecting the clearing organization, HedgeStreet has denoted those rule changes with a "DCO" next to the rule number.

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## **Chapter 1 – DCM/DCO**

HedgeStreet has amended the Definitions Section of its Rules to further clarify certain terminology used by HedgeStreet in relation to the market.

## **Chapter 2**

### **Rule 2.3(a) - DCM**

HedgeStreet has increased the number of members on the board of directors from five to seven members. HedgeStreet has also changed the authority of appointing board members from the Chief Executive Officer to the shareholders of HedgeStreet.

### **Rule 2.3(b) - DCM**

HedgeStreet has amended this rule to allow the shareholders to have the authority to dismiss any and all board members.

### **Rule 2.3(c), (d) – DCM/DCO**

HedgeStreet has amended both rules to appoint the President, and not the Chief Executive Officer, the Chief Operating Officer of the Exchange.

## **Chapter 3**

### **Rule 3.1(a)(i),(ii) - DCM**

HedgeStreet has amended these rules to reference that the applicant must understand and agree to the HedgeStreet Membership Agreement.

### **Rule 3.1(b) – DCM**

HedgeStreet amended this rule to more accurately reflect the manner in which an individual/entity applies for membership on HedgeStreet. HedgeStreet also amended this rule to stipulate that an entity member may only designate one authorized representative.

### **Rule 3.1(c) - DCM**

HedgeStreet added this rule to ensure that the member understands that as of the submission of its application it is bound to abide by all Rules and policies of HedgeStreet.

### **Rule 3.1(d) - DCM**



HedgeStreet amended this rule to ensure that the member understands that its account must be approved and funded before a member is permitted to trade on HedgeStreet. In addition, HedgeStreet amended these rules to clarify the privileges of all members, including the privilege that all members will be able to request access to the FIX Gateway as long as they are willing to pay HedgeStreet any and all charges associated with said access.

**Rule 3.1(f) - DCM**

HedgeStreet amended this rule to clarify that a member or member representative may only trade in one HedgeStreet account.

**Rule 3.2(a) - DCM**

HedgeStreet amended this rule to define the required time frame in which a member is to notify HedgeStreet of changes to member information.

**Rule 3.2(c) - DCM**

HedgeStreet added this rule to inform members that they should check the "Exchange Notices" section of the HedgeStreet website for important membership information.

**Rule 3.3 - DCM**

HedgeStreet amended this rule to define the manner in which HedgeStreet and members will communicate information to each other.

**Rule 3.4 - DCM**

HedgeStreet amended this rule to clarify that only one authorized representative is currently permitted per entity member account.

**Rule 3.5(c)-(d)-DCM/DCO**

HedgeStreet amended this rule to detail banking and transaction fees that may be charged to the member by HedgeStreet.

**Chapter 4**

All of the additions to the HedgeStreet Rules under this Chapter 4 relate to the implantation of a market maker program. HedgeStreet is implementing a market maker program in order to enhance liquidity on the market.

**Rule 4.1(a) - DCO**



HedgeStreet added this rule to give a summary of the market maker obligations and requirements, including the requirement that any line of credit must be provided by a financial institution that is subject to all Bank Secrecy Act (“BSA”) requirements.

**Rule 4.1(b) - DCM**

HedgeStreet added this rule to allow HedgeStreet to terminate the designation of a market maker for any reason. HedgeStreet believes it needs broad discretion to terminate market maker status in order to be able to protect the market. A terminated market maker may still be a member of HedgeStreet, and its status as a member may not be suspended or terminated without going through the procedures set forth in Chapter 9 of the Rules. [

**Rule 4.2 - DCM**

HedgeStreet added this rule to stipulate the obligations and requirements of a market maker that is an entity member and its responsibility to designate an authorized representative to act on its behalf and to monitor all trading activities of said authorized representative. HedgeStreet has also stipulated when the activities of the authorized representative of the market maker may be withdrawn or suspended by HedgeStreet.

**Rule 4.3 - DCM**

HedgeStreet added this rule to stipulate the manner in which HedgeStreet appoints market makers and the qualifications necessary in order to be designated as a market maker.

**Rule 4.4 - DCM**

HedgeStreet added this rule to stipulate the benefits of becoming a market maker.

**Rule 4.5 - DCM**

HedgeStreet added this rule to stipulate additional market maker obligations.

**Rule 4.6 - DCM**

HedgeStreet added this rule to stipulate that the market maker will be obligated to establish a line of credit in an amount of at least \$1,000,000 at a United States financial institution, subject to all BSA requirements and, approved by HedgeStreet. Since HedgeStreet requires that all transactions be fully funded, requiring market makers to have a ready source of trading capital ensures that market makers will be able to fund liquidity in the market.

**Chapter 5**



**Rule 5.1 - DCM**

HedgeStreet amended this rule in order to clarify certain requirements prior to trading on HedgeStreet.

**Rule 5.2(a) - DCM**

HedgeStreet amended this rule in order to clarify the manner in which members are able to access the HedgeStreet market on-line.

**Rule 5.2(b) – DCM/DCO**

HedgeStreet amended this rule in order to clarify that an applicant is not a member of HedgeStreet until the applicant's membership is approved by HedgeStreet and the applicant's account is funded with the requisite amount.

**Rule 5.3 – DCO**

HedgeStreet amended this rule to clarify the subscription and redemption process.

**Rule 5.4(a) - DCO**

HedgeStreet amended this rule to clarify the manner in which members may trade individual contracts comprising the Hedgelet Pair on HedgeStreet.

**Rule 5.4(b) - DCO**

HedgeStreet amended this rule to clarify the checks that are conducted prior to contract orders being entered in the HedgeStreet order book, including the availability of funds or contracts prior to being placed in the order book.

**Rule 5.4(d) - DCO**

HedgeStreet amended this rule to stipulate the trade execution process if a member's order is not immediately matched once placed in the order book.

**Rule 5.5 - DCO**

HedgeStreet amended this rule to clarify the process by which a member enters an order in the order book.

**Rule 5.6 – DCM/DCO**

HedgeStreet amended this rule to clarify the disputed order process.

**Rule 5.10 - DCO**

HedgeStreet amended this rule to clarify the modification and cancellation of order process.

**Rule 5.12 – DCO**



HedgeStreet has amended this rule to clarify that a member may cancel an order while the market is closed but may not modify or enter an order while the market is closed. Orders cancelled by a member while the market is closed will be deleted from the order book and not appear at the next market open.

#### **Rule 5.13 – DCM/DCO**

HedgeStreet has amended this rule to clarify all activities that are prohibited on the market or relating to membership on HedgeStreet.

### **Chapter 6**

#### **Rule 6.2 - DCO**

HedgeStreet has amended this rule to clarify the process of settling Hedgelet contracts at expiration.

#### **Rule 6.3 - DCO**

HedgeStreet has amended this rule to clarify the process of settling member withdrawal requests, including adding a statement informing members that they should go to HedgeStreet Rule 3.5(d) for a list of all applicable fees and costs related to the withdrawal of member funds from a HedgeStreet account.

### **Chapter 7**

#### **Rules 7.1 and 7.2 - DCM**

HedgeStreet has amended these rules to include new terminology adopted in Chapter 1.

### **Chapter 8 – DCM/DCO**

HedgeStreet has amended this Chapter to clarify the manner in which member funds will be invested, including, but not limited to, HedgeStreet's obligation to pay interest at a floating rate to member accounts that maintain a certain cash account balance. Both the floating rate and the amount to be maintained in the cash account balance in order for interest to be paid to a member will be determined in HedgeStreet's discretion.

### **Chapter 10**

#### **Rule 10.1 - DCM**



HedgeStreet amended this rule to include a defined term and clarify that the limitation of liability extends to systems and informational errors.

### **Chapter 12 - DCM**

HedgeStreet added this rule to state those common terms to all HedgeStreet contracts. HedgeStreet intends to submit the terms and conditions of all contracts to the Commission in this Chapter under separate cover.

\* \* \*

Should you have any questions regarding concerning the above or enclosed attachment, please do not hesitate to contact me.

Sincerely,

Stephanie Ford  
Vice President, Legal & Compliance

Submitted December 19, 2003

~~APPENDIX A~~

EXHIBIT AHEDGESTREET, INC.

RULES

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# RULES OF HEDGESTREET, INC.

## INTRODUCTION

The Commodity Exchange Act (“CEA”) requires that HedgeStreet and other contract markets and derivatives clearing organizations adopt rules governing the way they conduct their business. Those rules generally must be filed with the Commodity Futures Trading Commission (“Commission”) and generally cannot be amended without giving notice to the Commission, which can reject proposed rules and proposed amendments to existing rules. The following rules are the rules of HedgeStreet (“Rules”). ~~The Rules are intended to that~~ inform you of how the HedgeStreet market (the “Market”) operates and of your rights and obligations as a Member of the Market. Please remember that these Rules may be amended in the future, and if they are amended, Members will be required to abide by the Rules as amended. HedgeStreet will notify all Members any time there is an amendment to the Rules.

## CHAPTER 1 DEFINITIONS

### RULE 1.1 DEFINITIONS.

When used in these Rules:

#### **CONTRACT**

(a) ~~“Class” means all Hedgelets with the right to receive \$10 from HedgeStreet within two days of Expiration if, and only if, the Contract’s Payout Criterion encompasses the Expiration Value at Expiration~~ same Underlying.

~~CONTRACT BUNDLE or BUNDLE means a group of Contracts representing all mutually exclusive, collectively exhaustive Payout Criteria.~~

(b) ~~EXPIRATION~~ “Expiration” or EXPIRATION “Expiration DATE” means the date established by these Rules on which the Expiration Value of ~~the~~ each Hedgelet Contract Bundle and its Contracts is determined,

(c) ~~EXPIRATION VALUE~~ “Expiration Value” means the rate, level, amount, measure, or other value of the Underlying at Expiration.

(d) “Fixed Payout Hedgelet Contract” means the right to receive \$10 from HedgeStreet on the Settlement Date if, and only if, the Hedgelet Contract’s Payout Criterion encompasses the Expiration Value at Expiration.

(e) “Hedgelet Contract,” “Hedgelet,” or “Contract” means a Fixed Payout Hedgelet Contract.

(f) “Hedgelet Pair” or “Pair” means two Fixed Payout Hedgelet Contracts representing all mutually exclusive, collectively exhaustive Payout Criteria.

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(g) “Last Trading Date” means the last date on which a member may trade a Contract on the Market

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(h) “Market Maker” means a Member that is granted the privileges in exchange for assuming certain responsibilities as set forth in Chapter 4 of these Rules for the purpose of creating liquidity for certain Classes of Contracts.

(i) ~~MEMBER~~“Member” means an individual or entity which has been approved by HedgeStreet to trade on the Market and which is bound by these ~~rules~~Rules as they may be amended from time to time.

(j) ~~PAYOUT CRITERION~~“Payout Criterion” of a Hedgelet Contract means the Expiration Value or range of Expiration Values that will cause that Hedgelet Contract to be “in-the-money.”

(k) “Redemption” or “Selling Both” means selling a Hedgelet Pair to HedgeStreet for \$10 less any Redemption fees specified elsewhere in these Rules.

(l) “Series” means all Hedgelets of the same Class having identical terms, including Payout Criterion and Expiration Date.

(m) “Settlement Value” means the amount paid to the accounts of holders of in-the-money Contracts. The Settlement Value of a Fixed Payout Hedgelet Contract is \$10.

(n) “Settlement Date” means the date on which money is paid to the account of a Member who has the right to receive money pursuant to a Fixed Payout Hedgelet Contract. Unless otherwise specified in these Rules, the Settlement Date is the same day as the ~~the~~ Expiration Date.

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(o) ~~SOURCE AGENCY~~“Source Agency” means the agency that publishes the Underlying economic indicator for an economic indicator Hedgelet Contract.

(p) “Subscription” or “Buying Both” means purchasing a Hedgelet Pair from HedgeStreet for \$10 less any Subscription fees specified elsewhere in these Rules.

(q) ~~UNDERLYING~~“Underlying” means the index, rate, risk, measure, instrument, differential, indicator, value, contingency, ~~event~~, occurrence, or extent of an occurrence ~~upon the~~ Expiration Value of which determines whether a Hedgelet Contract ~~Bundle and its Contracts are~~ based ~~is~~ in-the-money at Expiration.

## CHAPTER 2 ~~CHAPTER 1~~—MARKET GOVERNANCE

### RULE 2.1 ~~RULE 1.1~~—POWERS OF HEDGESTREET’S BOARD OF DIRECTORS

The board of directors of HedgeStreet has the power to manage and direct HedgeStreet including but not limited to the power to define groups of people who may access the secure portions of HedgeStreet’s website, the power to amend, adopt, or repeal these Rules, and the

power to oversee the business conduct of Members and impose penalties for violation of these Rules.

RULE 2.2 ~~RULE 1.2~~—RESTRICTIONS ON WHO MAY BE MEMBERS OF THE BOARD, MEMBERS OF DISCIPLINARY COMMITTEES, MEMBERS OF ARBITRATION OR OVERSIGHT PANELS, OR TEN PERCENT OR GREATER OWNERS

Commission Regulation 1.63 prohibits certain individuals who have been charged with, or have been found to have committed, disciplinary offenses (as defined in that section) within the past three years from serving on the HedgeStreet board of directors or any disciplinary committee of HedgeStreet. HedgeStreet will not permit any individual subject to disqualification under Commission Regulation 1.63(b) from serving on its board of directors, any of its disciplinary committees (including serving as compliance officer or hearing officer), oversight panels, or arbitration panels. Additionally, HedgeStreet will not permit any individual subject to disqualification under Commission Regulation 1.63(b) to own 10% or more of HedgeStreet or to serve as a HedgeStreet hearing officer. An amended version of Commission Regulation 1.63 is a Rule of HedgeStreet and is included for your information in Chapter ~~9~~11 of these Rules.

RULE 2.3 ~~RULE 1.3~~—OFFICERS OF HEDGESTREET

(a) HedgeStreet has a seven member board of directors elected by a majority vote of all shareholders of HedgeStreet. Each director serves a two year term.

(b) ~~(a)~~—HedgeStreet has a chief executive officer, president, secretary, and treasurer. These officers are appointed and may be dismissed (with or without cause) by majority vote of the board of directors or the shareholders.

(c) ~~(b)~~—The chief executive officer of HedgeStreet must be a member of the board of directors ~~and is the chief operating officer of the exchange~~. In the absence of the chairman, the chief executive officer will perform the chairman's duties. In the event of a disagreement between the chief executive officer and the board or the chairman of the board as to an exchange matter, the chairman and/or board shall control.

(d) ~~(e)~~—Subject to the direction of the board of directors and the chief executive officer, the president will manage the day-to-day business of the exchange and ~~is the chief operating officer of the exchange~~. In the absence of the chief executive officer, the president will perform the chief executive officer's duties.

(e) ~~(d)~~—The treasurer of HedgeStreet will be responsible for all funds and stock of HedgeStreet and in general perform all duties incident to the office of treasurer and such other duties as from time to time may be assigned by the chief executive officer or the board of directors.

(f) ~~(e)~~—The secretary of HedgeStreet will keep the minutes of the meetings of the board and in general perform all duties incident to the office of secretary and such other duties as from time to time may be assigned by the chief executive officer or the board of directors.

RULE 2.4 ~~RULE 1.4~~—EMERGENCY RULES

(a) HedgeStreet may adopt emergency ~~rules~~Rules in response to the emergencies that are described in paragraph (c) of this Rule. In the event of one of those emergencies, the board of directors may, without giving prior notice to, or securing prior approval from, the Commission, adopt a temporary emergency rule to address the emergency. Adoption of a temporary emergency rule requires the affirmative vote of two-thirds of the members of the board at a meeting of the board at which a quorum is present. HedgeStreet may count a member of the board of directors who abstains from voting on a temporary emergency rule to determine whether a quorum exists.

(b) Any temporary emergency rule adopted under this Rule may authorize HedgeStreet to act as the board of directors deems necessary or appropriate to meet the emergency, and those actions may adversely affect your ability to trade on the Market. Therefore, the chance of an emergency is one of the risks you should consider when deciding whether to trade on the Market.

(c) For the purposes of this Rule, an “emergency” is:

(i) any activity that manipulates or attempts to manipulate the Market;

(ii) any actual, attempted, or threatened corner, squeeze, or undue concentration of positions;

(iii) any circumstance that may materially affect the performance of the ~~Contract Bundles~~Hedgelet Pairs originated by, or the Contracts traded on, HedgeStreet;

(iv) any action taken by the United States, any foreign government, any state or local governmental body, any other contract market or board of trade, or any other exchange, market, facility, or trade association (foreign or domestic) that may have a direct impact on trading on HedgeStreet;

(v) any circumstances that may have a severe, adverse impact upon the physical functions of HedgeStreet including, for example, natural disasters such as fire or flood, terrorist acts such as bomb threats, physical plant breakdowns such as plumbing, heating, or air conditioning problems, system breakdowns such as power, telephony, cable, trading systems, or computer systems failures or interruptions to communications, the network, or the Internet;

(vi) the imposition of any injunction or other restraint by any government agency, court, or arbitrator that may affect the ability of a Member to perform on Contracts;

(vii) any circumstance in which it appears that a HedgeStreet Member or any other person is in such operational condition, or is conducting business in such a manner, that such person cannot be permitted to continue in business without jeopardizing the safety of HedgeStreet Members or HedgeStreet itself; and

(viii) any other unusual, unforeseeable, and adverse circumstance which, in the opinion of the governing board, requires immediate action and threatens or may threaten such

Submitted December 19, 2003

things as the fair and orderly trading in, or the liquidation of or delivery pursuant to, ~~Contract Bundles Hedgelet Pairs~~ or Contracts traded on HedgeStreet.

(d) If deemed necessary to combat perceived market threats caused by an emergency, a HedgeStreet official authorized to do so may suspend trading on the Market during the duration of the emergency or take any other action that the official thinks is necessary or appropriate. The official will order an end to the action taken in response to the emergency as soon as the official determines that the emergency has sufficiently abated to permit the Market to function properly.

(e) HedgeStreet will make every effort practicable to notify the Director of the Division of Market Oversight, his ~~delegates~~ delegates, and/or other persons designated by the Commission's Regulations that HedgeStreet intends to implement, modify, or terminate a temporary emergency rule pursuant to Rule ~~1.42.4~~(a) or an action in response to an emergency pursuant to Rule ~~1.42.4~~(d) prior to the implementation, modification, or termination of the rule or action. If it is not possible to notify the Commission prior to the implementation, modification, or termination of the rule or action, HedgeStreet will notify the Commission of the implementation, modification, or termination of the rule or action at the earliest possible time, and in no event more than 24 hours after implementation, modification, or termination.

(f) Any time that HedgeStreet takes action in response to an emergency, either under Rule ~~1.42.4~~(a) or Rule ~~1.42.4~~(d), HedgeStreet will document its decision-making process and reasons for taking emergency action.

#### RULE 2.5 ~~RULE 1.5~~—COMMITTEES AND SUBCOMMITTEES

(a) The HedgeStreet board of directors may create, appoint members of the board to serve on, and delegate powers to, committees and subcommittees.

(b) A majority of any committee or subcommittee will constitute a quorum, and a majority of a quorum is necessary for committee or subcommittee action. A committee or subcommittee may act by unanimous consent in writing, including by electronic mail, without a meeting.

#### RULE 2.6 ~~RULE 1.6~~—VOTING BY INTERESTED BOARD MEMBERS

Commission regulations governing contract markets, such as HedgeStreet, exempt those markets from Commission Regulation 1.69. However, Core Principle 15 of Section 5(d) of the CEA requires that contract markets have adequate procedures to prevent conflicts of interest. Therefore, HedgeStreet has adopted an amended version of Commission Regulation 1.69 as a Rule of HedgeStreet. Commission Regulation 1.69 prohibits a member of the HedgeStreet board of directors or any disciplinary or oversight committee or subcommittee from taking part in any deliberations or voting on any matter in which the board, committee, or subcommittee member has an interest or has a relationship with a named party in interest. Regulation 1.69 also requires disclosure by board, committee, or subcommittee members of interests and relationships in certain circumstances. HedgeStreet board, committee, and subcommittee members shall not deliberate or vote on any matter in which the board, committee, or subcommittee member has an interest or has a relationship with a named party in interest and shall disclose such interests in

accordance with Regulation 1.69. Regulation 1.69 as amended to be made applicable to HedgeStreet is a Rule of HedgeStreet and is included in Chapter 911 of these Rules.

RULE 2.7 ~~RULE 1.7~~—INDEMNIFICATION OF DIRECTORS, OFFICERS, AND OTHERS

HedgeStreet will indemnify to the full extent authorized by law any person who was or is a party or is threatened to be made a party to any threatened, pending, or completed action, suit, or proceeding, whether civil, criminal, administrative, or investigative in nature, by reason of the fact that such person is or was a director, officer, employee, or agent of HedgeStreet or is or was serving at the request of HedgeStreet as a director, officer, employee, or agent of HedgeStreet against expenses, including attorneys' fees, judgments, fines, and amounts paid in connection with such action, suit, or proceeding. Such indemnification shall not be deemed exclusive of any other rights to which a person may be entitled under any agreement or as a matter of law or otherwise. HedgeStreet may purchase and maintain insurance on behalf of any person who is or was a director, officer, employee, or agent of HedgeStreet against any liability asserted against such person and incurred by such person in any such capacity, or arising out of such person's status as such, whether or not HedgeStreet would have the power to indemnify such person against such liability under the provisions of this Rule. However, no person shall be indemnified from liability for fraud, bad faith, willful misconduct, or gross negligence. Further, no person shall be indemnified against a civil penalty imposed by the Commission under Section 6b of the CEA.

RULE 2.8 ~~RULE 1.8~~—PROHIBITION ON USE OF MATERIAL, NON-PUBLIC INFORMATION

(a) Commission Regulation 1.59 prohibits employees and members of the board of directors of HedgeStreet from using or disclosing material, non-public information gained through their employment or board service in certain circumstances. This Rule ~~1-8~~ prohibits the use and disclosure forbidden by Commission Regulation 1.59. As amended, a form of Regulation 1.59 is a Rule of HedgeStreet and is set forth in Chapter 911 of these Rules for your information.

(b) No member of the board of directors or any committee established by the board of directors or these Rules will use or disclose material, non-public information obtained as a result of participation on the board of directors or such committee for any purpose other than the performance of official duties as a board or committee member.

(c) No employee, consultant, or member of the board of directors or any committee of HedgeStreet will disclose to any other person material, nonpublic information obtained as a result of such person's employment for purposes inconsistent with such person's official duties.

(d) No employee, consultant, or member of the board of directors or any committee of HedgeStreet will trade for such person's account, or for or on behalf of any other account, in any commodity interest on the basis of any material, non-public information obtained through special access related to the performance of such person's duties as an employee, consultant, or member of the board of directors or committee.

Submitted December 19, 2003

(e) For purposes of this Rule, the terms “material information,” “non-public information,” “linked exchange,” “commodity interest,” and “related commodity interest” have the same meanings as they do in Commission Regulation 1.59.

(f) Any director, officer, or employee of HedgeStreet who violates any provision of this Rule will be required to indemnify HedgeStreet for any losses, damages, or costs caused by that violation.

### CHAPTER 3 ~~CHAPTER 2~~—MEMBERS

#### RULE 3.1 ~~RULE 2.1~~—APPLICATIONS, CLASSIFICATIONS, AND PRIVILEGES

(a) To be eligible to become a HedgeStreet Member:

(i) if you are an individual, you must reside in the United States and have a bank account or bank accounts in the United States that you will use to fund your HedgeStreet account at the HedgeStreet settlement bank and to receive funds from your HedgeStreet account, and you must certify that you are old enough to enter into a legally enforceable contract, that you have read and understand the HedgeStreet Risk Disclosure Statement and Membership Agreement, that you agree to be bound by these Rules, and that you will trade only for yourself and will not trade as an intermediary for any other person or entity;

(ii) if you are an entity, you must be organized in the United States, have a bank account or bank accounts in the United States that you will use to fund your HedgeStreet account at the HedgeStreet settlement bank and to receive funds from your HedgeStreet account, and you must certify that you are validly organized, in good standing, and authorized by your governing body and, if relevant, documents of organization, to trade commodities, futures and options contracts, that you have read and understand the HedgeStreet Risk Disclosure Statement and Membership Agreement, that you agree to be bound by these Rules, and that the individual(s) authorized to trade your account will trade only for you and will not trade for him/herself or as an intermediary for any other entity or person.

(b) In order to become a Member, you must complete and submit the HedgeStreet ~~Member Application Form~~ on-line membership application, provide HedgeStreet with any other information HedgeStreet may request, and fund your HedgeStreet account via wire transfer from a U.S. bank by transferring to the customer segregated funds account at HedgeStreet settlement bank in's settlement bank an amount ~~initial deposit of at least \$500. no less than \$500 in funds from your bank account at an institution located in the U.S.~~ If you are a Member applicant but not an individual, you must designate an individual ~~or individuals who are~~ is authorized to trade in your account. ~~You may apply to add additional authorized individuals after HedgeStreet approves your application.~~

(c) Submission of your membership application to HedgeStreet constitutes your agreement to be bound by these Rules and other policies of HedgeStreet.

~~(d) (e)~~ If your application to be a Member is accepted, and after you provide approved by HedgeStreet and the HedgeStreet settlement bank confirms to HedgeStreet that you have deposited with an appropriate unique password the funds required in paragraph (b) of this Rule,

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which you will constitute your agreement to be bound by these Rules and other policies a Member of HedgeStreet, you and will have the following privileges, which HedgeStreet may revoke, amend, or expand in accordance with, or by amending, these Rules:

- (i) to maintain a HedgeStreet account;
  - (ii) to purchase ~~Contract Bundles~~ Subscribe for Hedgelet Pairs from HedgeStreet using the funds in your HedgeStreet account and to ~~redeem Contract Bundles by selling complete Contract Bundles back;~~
  - (iii) to Redeem Hedgelet Pairs in your HedgeStreet account to HedgeStreet;
  - ~~(iv) (iii)~~—to buy Contracts on the Market using the funds in your HedgeStreet account;
  - ~~(v) (iv)~~—to sell Contracts in your HedgeStreet account on the Market;
  - ~~(vi) (v)~~—to view “real-time” the same best bids to buy and offers to sell the Contracts traded on the Market as are available to all other Members;
  - ~~(vii) to receive access to the Market via the FIX Gateway at your request, as long as you are willing to pay any and all fees or charges incurred for such access;~~
  - ~~(viii) (vi)~~—to view the current trading volume and open interest for the Contracts traded on the Market; and
  - ~~(ix) (vii)~~—to view all non-secure parts of the HedgeStreet website, including these Rules, and descriptions of the ~~Contract Bundles~~ Hedgelet Pairs and Contracts traded on the Market as well as all secure parts of the HedgeStreet website outlined above in Rule 3.1(d)(i) – (vii).
- (e) ~~(d)~~—HedgeStreet may in its sole discretion approve, deny, or condition any Member application as HedgeStreet deems necessary or appropriate.
- (f) ~~(e)~~—~~Members~~ No Member and no Member’s authorized representatives ~~representative~~ may ~~not~~ maintain and/or trade more than one HedgeStreet account.

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### RULE 3.2 ~~RULE 2.2~~—MEMBER OBLIGATIONS

(a) As a Member, you and/or your authorized ~~representatives~~ representative must comply with these Rules, relevant provisions of the Commodity Exchange Act, and relevant Commission regulations. You must also cooperate promptly and fully with HedgeStreet, its agents, and/or the Commission in any investigation, call for information, inquiry, audit, examination, or proceeding. Additionally, you must update your e-mail address within 24 hours after it has changed and update all other information provided in your application for membership within fourteen ~~five~~ days after that information has changed. If you fail into satisfy these obligations, HedgeStreet may revoke or suspend your privileges in full or in part. You may also be subject to civil or criminal prosecution.

(b) As a Member, you consent to allow HedgeStreet to provide all information HedgeStreet has about you, including your trading activity, to the Commission or any other regulatory or self-regulatory body, law enforcement authority, or judicial tribunal, including (as may be required by information sharing agreements or other contractual, regulatory, or legal provisions) foreign regulatory or self-regulatory bodies, law enforcement authorities, or judicial tribunals.

(c) As a Member, you and/or your authorized representative are required to review the "Exchange Notices" section of the HedgeStreet website to make yourself aware of material changes to these Rules or other notices that may affect your rights and obligations as a Member of HedgeStreet.

RULE 3.3 ~~RULE 2.3.~~ COMMUNICATIONS BETWEEN HEDGESTREET AND MEMBERS

You must provide HedgeStreet with your current electronic mail address and immediately (and in any event within 24 hours) update that address whenever it changes. All communications between HedgeStreet and you, including confirmation of all transactions executed in your account, will be transmitted by electronic mail and/or posted on the HedgeStreet website. You will be responsible for promptly reviewing and, if necessary, responding to all electronic ~~mail sent by~~ communications from HedgeStreet.

RULE 3.4 ~~RULE 2.4.~~ AUTHORIZED REPRESENTATIVES

Members other than natural persons must apply for authorization for ~~all representatives~~ the representative who will access their accounts. Only Member representatives authorized by HedgeStreet and the Member may enter and execute transactions on the Market. Before ~~any~~ any Member ~~representatives~~ representative may enter orders or execute trades on the Market, they must acknowledge having read and understood these Rules and agree to comply with these Rules.

RULE 3.5 ~~RULE 2.5.~~ DUES, FEES, AND EXPENSES PAYABLE BY MEMBERS

(a) Members are not required to pay dues.

(b) Members are charged fees for trading Hedgelet Contracts. The fee for ~~Contract~~ trading Hedgelet Contracts ranges from \$.05 to \$.025 per Contract, depending on the size of the trade, with a minimum per trade fee of \$5.00, as follows:

Number of Contracts Traded	Fee
1 to 100	Fixed \$5 Fee (not per contract)
101 to 1,000	\$.05 per contract
1,001 to 10,000	\$.04 per contract
10,001 to 100,000	\$.03 per contract
100,001 +	\$.025 per contract

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(c) Members are charged fees for ~~Contract~~ settlement of Hedgelet Contracts at Expiration and for ~~redeeming Contract Bundles~~ Redemption of Hedgelet Pairs to HedgeStreet. Fees for ~~Contract settlement and Bundle redemption~~ of Hedgelet Contracts will range from \$.30 to \$.10-30 per in-the-money Contract or ~~Bundle with no minimum~~. The same fees will apply per Hedgelet Pair Redeemed. The fees are as follows:

<u>Number of Contracts Settled/Bundles Pairs Redeemed</u>	<u>Fee per in-the-money Contract/Bundle Pair Redemption</u>
1 to 1,000	\$.30
1,001 to 10,000	\$.25
10,001 to 100,000	\$.15
100,001 +	\$.10

(d) HedgeStreet or its settlement bank will also deduct from your account expenses incurred in connection with your trading or account activity, such as fees for wire transfers, check processing via e-ValuCheck, as follows:

<u>Transfer Type</u>	<u>Fee</u>
<u>New Bank Account Set-Up Fee</u>	<u>\$10</u>
<u>Each E-Value Check (EVC) Deposit</u>	<u>\$1.75</u>
<u>Wire Transfer Deposit greater than \$10,000 w/Email</u>	<u>\$0</u>
<u>Wire Transfer Deposit less than \$10,000 w/Email</u>	<u>\$75</u>
<u>Wire Transfer Deposit greater than \$10,000 w/out Email</u>	<u>\$25</u>
<u>Wire Transfer Deposit less than \$10,000 w/out Email</u>	<u>\$100</u>
<u>Automated Clearing House (ACH) Withdrawal</u>	<u>\$2.00</u>
<u>Wire Transfer Withdrawal (exception)</u>	<u>\$75</u>
<u>Check Withdrawal (exception)</u>	<u>\$100</u>
<u>Bounced check (exception)</u>	<u>\$25</u>

(e) If HedgeStreet determines in the future to impose dues or additional fees, HedgeStreet will notify you of any dues or additional fees that will be imposed at least 30 days before they take effect.

#### CHAPTER 4 MARKET MAKERS

##### RULE 4.1 REGISTRATION OF MARKET MAKERS

(a) In order to become a Market Maker you must already be a Member of HedgeStreet in good standing. A Member shall file a written Market Maker application with HedgeStreet and submit with its application verification that a line of credit has been established with a United

States Financial Institution that is subject to the all requirements under the Bank Secrecy Act ("BSA"). HedgeStreet shall consider such factors as business reputation, financial resources and trading activity in relevant futures, options or related cash markets in determining whether to approve a Market Maker application.

**Deleted:** a letter of credit issued by a AAA-rated bank in an amount to be determined by HedgeStreet

(b) The designation of any Market Maker may be suspended or terminated by HedgeStreet at any time and for any reason.

#### RULE 4.2 MARKET MAKER REPRESENTATIVES

(a) Like other Members that are not natural persons, quotations and orders for entity Market Makers may be submitted to HedgeStreet only by the Market Maker's authorized representative, and that authorized representative may not trade for his or her own account or the account of any other Member.

(b) A Market Maker may be required to submit evidence of the authority of the authorized representative to act on behalf of the Market Maker and such other information about the authorized representative as HedgeStreet may request. A person may be conditionally approved as the authorized representative of a Market Maker subject to any conditions HedgeStreet may consider appropriate in the interests of promoting a fair and orderly market.

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(c) HedgeStreet may withdraw or suspend the registration of the authorized representative of any Market Maker if HedgeStreet determines that:

(i) the authorized representative has caused the Market Maker to fail to comply with the Rules of HedgeStreet;

(ii) the authorized representative is not properly performing the responsibilities of an authorized representative of a Market Maker;

(iii) the authorized representative has failed to comply with the conditions set forth in paragraph (b) of this Rule; or

(iv) it is the best interests of maintaining a fair and orderly market to do so.

(d) If HedgeStreet suspends the registration of an authorized representative, the Market Maker must ensure that the authorized representative does not submit any quotes or orders into the HedgeStreet system.

(e) The registration of an authorized representative will be withdrawn upon the written request of the Market Maker for which the authorized representative is registered. Such written request shall be submitted in a manner prescribed by HedgeStreet. Until such written request is received, or the authorized representative's registration is suspected or withdrawn pursuant to paragraph (c) of this Rule, a Market Maker will be responsible for all order entry and trading activity of the authorized representative.

#### RULE 4.3 APPOINTMENT OF MARKET MAKERS

(a) HedgeStreet shall appoint Market Makers to certain Classes of Contracts (“Designated Classes”) traded on HedgeStreet. In making such appointments, HedgeStreet shall consider (i) the financial resources available to the Market Maker, including a line of credit established with a United States financial institution subject to all of the BSA requirements, and (ii) the Market Maker’s experience in market making in futures, options and other derivative products.

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(b) No appointment of a Market Maker to a Designated Class shall be made without the Market Maker’s consent to such appointment, provided that refusal to accept appointment to a Designated Class may be deemed sufficient cause for denial, suspension, or termination of registration as a Market Maker.

(c) HedgeStreet may suspend or terminate any appointment of a Market Maker to a Designated Class and may appoint more than one Market Maker to the same Designated Class.

(d) HedgeStreet may periodically conduct an evaluation of any Market Maker to determine whether it has fulfilled performance standards relating to, among other things, quality of the markets, competitive market making, observance of ethical standards, and administrative soundness. If the Market Maker fails to meet minimum performance standards, HedgeStreet may, among other things, (i) suspend, terminate or restrict the Market Maker’s appointment to a particular Designated Class, (ii) restrict the Market Maker from appointments to additional Designated Class(es), and (iii) suspend, terminate or restrict the Market Maker’s registration as such.

#### RULE 4.4 BENEFITS OF BECOMING A MARKET MAKER

(a) Market Makers will have access to HedgeStreet via the FIX gateway for an additional fee to be determined by HedgeStreet on a case-by-case basis. HedgeStreet will provide a guaranteed throughput per day with a specified peak amount of orders that may be traded per second to all Market Makers.

(b) Market Makers shall receive reduced trading fees as an incentive for fulfilling the obligations of a market maker.

(c) Market Makers shall have access to a designated group of operational specialists at HedgeStreet who handle issues relating to Market Makers.

#### RULE 4.5 OBLIGATIONS OF MARKET MAKERS

(a) General – Transactions of Market Makers should constitute a course of dealings reasonably calculated to contribute to the maintenance of a fair and orderly market, and Market Makers shall not make bids or offers or enter into transactions that are inconsistent with such a course of dealings. Ordinarily, Market Makers shall be obligated to do the following:

(i) trade for the proprietary account of the market maker only – customer accounts may not be traded on HedgeStreet.

(ii) maintain two-sided displayed quotes at a predefined spread ("Spread") for a Series of Contracts for a certain period of time throughout the trading day. In ordinary market conditions, quotes must be made within a maximum Spread. This Spread will be set at the time a Series is opened for trading and will be set in accordance with the maximum loss a Market Maker may incur by quoting within the Spread. In fast market conditions, Market Makers will be permitted to widen their Spreads to a level that will be set at the time a Series is opened for trading.

(b) A Market Maker has a continuous obligation to engage, to a reasonable degree under the existing circumstances, in dealings for the account of the Market Maker when there exists, or it is reasonably anticipated that there will exist, a lack of price continuity or a temporary disparity between the supply of and demand for quotations in a Series of a Designated Class to which the Market Maker is appointed. Without limiting the foregoing, a Market Maker is expected to perform the following activities in the course of maintaining a fair and orderly market:

(i) To post bid and ask quotations in all Designated Classes to which the Market Maker is appointed that, absent changed market conditions, will be honored by the Market Maker.

(ii) To update quotations in response to changed market conditions in all Designated Classes to which the Market Maker is appointed

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RULE 4.6 LINE OF CREDIT

(a) No Market Maker shall effect any transaction as a Market Maker on HedgeStreet unless a line of credit of not less than \$1,000,000 has been established by such Market Maker at a United States financial institution, subject to all BSA requirements, and approved by HedgeStreet for the purpose of establishing an immediate source of funding for the Market Maker's account at HedgeStreet in order to finance its trading in that account. (Like other Members of HedgeStreet, a Market Maker may not place an order unless it has the funds in its HedgeStreet account necessary to fulfill its obligations under that order.)

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**CHAPTER 5 ~~CHAPTER 3~~—METHOD FOR MEMBERS TO PURCHASE/SUBSCRIBE FOR AND REDEEM CONTRACT/HEDGELET BUNDLES/PAIRS AND TRADE HEDGELET CONTRACTS**

**RULE 5.1 ~~RULE 3.1~~—PRIOR REVIEW OF RISK DISCLOSURE STATEMENT AND THESE RULES AND ACCEPTANCE OF TERMS OF MEMBERSHIP AGREEMENT IS REQUIRED**

You may not purchase a Contract Bundle/Subscribe for Hedgelet Pairs or trade Hedgelet Contracts on the Market until you have received, read, and understood, and accepted the HedgeStreet Risk Disclosure Statement and, these Rules, and the HedgeStreet membership agreement, and have certified that you have done so.

RULE 5.2 ~~RULE 3.2~~—ACCESS TO HEDGESTREET

(a) ~~After you submit your~~ During the HedgeStreet membership application to become a Member process, HedgeStreet ~~you will assign you~~ be required to choose a user identification (“ID”) and an ~~initial~~ initial password. You will be required to enter the ID and ~~initial~~ initial password ~~the first~~ to log onto and access secure portions of the HedgeStreet website. Each time you ~~log on~~ submit your unique user ID and password to HedgeStreet. ~~You will then be prompted to change the initial password to a unique password known only by you. By submitting your unique password to log onto HedgeStreet, you affirm that you understand and agree to be bound by these Rules and other policies of HedgeStreet, and you become a Member. You will then as amended.~~

(b) After your membership application has been approved by HedgeStreet and you have deposited the requisite amount of funds into your account as specified under Rule 3.1(b), you become a Member. As a Member, you will be able to access the Market, execute trades, and otherwise access information regarding, or perform functions in, your account using your ID and unique password.

(c) ~~(b)~~—For account security and audit trail purposes, HedgeStreet will maintain logs of your IP address when you are logged into the HedgeStreet website.

(d) ~~(e)~~—You will be responsible for protecting your ID and password from improper disclosure, and you may not knowingly or negligently permit any person not authorized by HedgeStreet and by you to use your ID and password to access the secure portion of the HedgeStreet website. You are required to immediately notify HedgeStreet if you know, or if you have reason to believe, that your ID and/or password have been disclosed to any person not authorized by HedgeStreet and you to use your ID and/or password. You will have reason to believe that your ID and/or password have been disclosed to an unauthorized person 12 hours after a trade is executed by that person in your account.

(e) ~~(d)~~—You will be liable for all costs and any losses that you may incur from transactions executed on HedgeStreet by any person, authorized or not, using your ID and password. HedgeStreet will not be responsible in any way for unauthorized transactions in your account.

(f) ~~(e)~~—You are responsible for contracting with an Internet service provider through which you will access the HedgeStreet website and for having a backup service provider if you think it is necessary. You are also responsible for maintaining an Internet connection speed adequate for your needs. HedgeStreet will not be responsible in any way for any orders delayed or trades missed or not executed in a timely fashion because of failure of your Internet service provider or slowness of your Internet connection speed. No communication from you will be deemed to have been received by HedgeStreet until that communication is logged by the HedgeStreet server.

~~RULE 3.3. PURCHASING AND REDEEMING CONTRACT BUNDLES~~

RULE 5.3 SUBSCRIPTION FOR AND REDEMPTION OF FIXED PAYOUT HEDGELET PAIRS

(a) You will be able to ~~purchase Contract Bundles~~ Subscribe for Fixed Payout Hedgelet Pairs from HedgeStreet for \$10.00. Each ~~Contract Hedgelet Bundle Pair~~ will contain Fixed Payout Hedgelet Contracts representing all possible, mutually exclusive movements in the Underlying for the ~~Contract Hedgelet Bundle Pair~~.

(b) After logging onto the secure portion of the HedgeStreet website, you will input your ~~Contract Bundle purchase Hedgelet Pair Subscription~~ order. The Market will check your HedgeStreet account balance to determine whether you have ~~enough~~ sufficient available funds in your account to complete the order. If you do have enough available funds in your account to complete the order, HedgeStreet will debit your account in the amount necessary to pay for your ~~Contract Bundle purchase Hedgelet Pair Subscription~~, credit that money to the HedgeStreet settlement account, and place into your account one of each of the Contracts that make up the ~~Contract Hedgelet Bundle Pair~~. If you do not have enough available funds in your account to complete the order, HedgeStreet will cancel your order.

(c) HedgeStreet will purchase ~~Contract Bundles~~ Hedgelet Pairs you wish to ~~redeem~~ Redeem for \$10 per ~~Contract Hedgelet Bundle Pair~~. To ~~redeem~~ Redeem a ~~Contract Hedgelet Bundle Pair~~, you must have in your account each Fixed Payout Hedgelet Contract that makes up the ~~Contract Hedgelet Bundle Pair~~. You will input your ~~redemption~~ Redemption order, and HedgeStreet will check your account to ensure that you have the appropriate number of Fixed Payout Hedgelet Contracts for the number of ~~Contract Hedgelet Bundles Pairs~~ you wish to ~~redeem~~ Redeem. If you do have the correct number of Fixed Payout Hedgelet Contracts, HedgeStreet will credit \$10 per ~~Contract Hedgelet Bundle Pair~~ you ~~redeem~~ Redeem to your account and delete from your account the Fixed Payout Hedgelet Contracts that make up the ~~Contract Hedgelet Bundles Pairs~~ you have redeemed. If you do not have the correct number of Fixed Payout Hedgelet Contracts in your account for the number of ~~Contract Hedgelet Bundles Pairs~~ you wish to ~~redeem~~ Redeem, HedgeStreet will cancel your order.

RULE 5.4 ~~RULE 3.4. TRADING CONTRACTS~~

(a) You will be able to trade the Contracts ~~that make up Contract Bundles~~ on the Market by entering bids to purchase or offers to sell those Contracts. After logging into the secure portion of the HedgeStreet website, you will input your ~~trade~~ orders into the HedgeStreet trading system.

(b) ~~When~~ Before your ~~trade~~ order is ~~matched by an order from another Member(s)~~ accepted by the Market, the Market performs the following checks:

(i) if your ~~trade~~ order is to sell a ~~Contract~~ one or more Fixed Payout Hedgelet Contracts, HedgeStreet will check your account to ensure you have the number of Contracts you are attempting to sell. If you do, HedgeStreet will ~~execute~~ place your order on the trade Market and “block” the Fixed Payout Hedgelet Contracts you are attempting to sell. Such Contracts will

remain blocked and unavailable for any other purpose until the order is modified or cancelled. If you do not have the necessary Fixed Payout Hedgelet Contracts in your account, HedgeStreet will cancel your trade order prior to placing it in the order book.

(ii) if your trade order is to purchase a Contract one or more Fixed Payout Hedgelet Contracts, HedgeStreet will check your account to ensure you have enough the funds necessary to complete the purchase. If you do have the necessary funds in your account, HedgeStreet will execute place your order on the tradeMarket and "block" the funds in your account necessary to complete the purchase. Such funds will remain blocked and unavailable for any other purpose unless the order is modified or cancelled. If you do not have the necessary funds in your account, HedgeStreet will cancel your trade order prior to placing it in the order book.

(c) Upon trade execution, HedgeStreet will debit the account of the buyer(s) and credit the account of the seller(s) of the Contract, adjust the Contracts in your account and the account of the other Member(s) in accordance with the matched trade, and inform you by electronic mail that the trade has been executed.

Deleted: , as relevant.

(d) If your trade order is placed on the market and not immediately matched by an order from another Member, it will rest on the market until it is matched and executed in accordance with the procedures in paragraphs (b) and (c) of this Rule, until you cancel it, or until it is cancelled by HedgeStreet upon the Expiration of the BundleSeries or otherwise in accordance with these Rules.

#### RULE 5.5 ~~RULE 3.5~~—ORDER ENTRY

(a) You will enter orders to purchase Contract Bundles Hedgelet Pairs or trade Contracts by electronic transmission over the Internet, and HedgeStreet will maintain an electronic record of your order entries.

(b) You will enter an order to purchase or redeem a Contract Bundle through e-mail communication with Subscriptions or Redemptions by indicating to HedgeStreet in the manner required by supplying HedgeStreet with the following information regarding your Contract Bundle purchase or redemption order: (i) the UnderlyingSeries for the Contract Bundle; (ii) the month the Contract Bundle will expire; and (iii) the number of Contract Bundles, the Hedgelet Pairs you wish to purchase or redeem.

(c) You will enter an order to trade a Contract through the Contract trading screen, which will require you one or more Contracts by indicating to complete text, pull-down, and/or check boxes supplying HedgeStreet with the following information regarding your trade order in the manner required by HedgeStreet: (i) order type (i.e., buy or sell); (ii) the Underlying for the Series of Contract; (iii) the month the Contract will expire; (iv) the price at which you want to buy or sell the Contract; and (v) the number of Contracts you want to buy or sell; and (vi) the Payout Criterion for the Contract.

(d) Upon entry of an order to purchase Subscribe for or redeem Redeem a Contract Hedgelet Bundle Pair or to trade a Contract one or more Contracts, you will be required to confirm the order before it is accepted by sent to HedgeStreet. One If the order is accepted

by HedgeStreet after the checks described in Rule 5.5(b), HedgeStreet will send to you by electronic mail an order confirmation number. You will be responsible for any and all order entries confirmed for your account and accepted by HedgeStreet.

(e) HedgeStreet's trading system will keep an electronic record of all ~~Contract Bundles purchased and redeemed~~ Subscriptions and Redemptions for Hedgelet Pairs, all orders to trade Contracts, and all executed Contract ~~trade orders~~ trades, and the record kept by HedgeStreet will include all of the terms identified in paragraphs (b) and (c) of this Rule as well as the date and time, to the nearest tenth of a second, that the transaction was completed.

RULE 5.6 ~~RULE 3.6~~—DISPUTED ORDERS

(a) If you believe that an order to ~~purchase~~Subscribe for or ~~redeem~~Redeem a ~~Contract Hedgelet Bundle Pair~~ or to trade a ~~Contract one or more Contracts~~ was incorrectly executed or rejected by HedgeStreet you may request review of the order by providing the confirmation number for the order and stating the grounds for your disagreement with the handling of the order.

(b) Upon receipt of a request for review of an order and the accompanying confirmation number, HedgeStreet will review its electronic audit trail to determine if the HedgeStreet trading system correctly interpreted and executed your order.

(c) If the review described in paragraph (b) of this Rule reveals that the HedgeStreet trading system made a mistake, the order will be cancelled and the accounts of all Members that were party to the order will be returned to their state before the trade was executed.

(d) If the review described in paragraph (b) of this Rule reveals that the HedgeStreet trading system did not make a mistake, HedgeStreet will inform you of its determination that the order was properly handled, the evidence supporting that determination, and that an adjustment will not be made.

(e) You may appeal a determination under paragraph (d) of this Rule to a HedgeStreet compliance officer through the electronic mail address provided on the HedgeStreet website. You will be required to provide a response to the evidence described in paragraph (d) of this Rule that the order was properly handled, and you may provide any other information you wish to disclose. If your appeal does not contain a response to the evidence described in paragraph (d), it will be rejected. The compliance officer will decide your appeal no later than 10 days after its receipt, and that decision will be final.

(f) HedgeStreet will document in writing all requests for review of orders received by HedgeStreet, the time and manner in which HedgeStreet reviewed its electronic audit trail in response to the request, the outcome of that review, and the action or actions taken by HedgeStreet in response to that review, including the results of any appeal filed under paragraph (e) of this Rule 3.6(d) and the review conducted by the compliance officer in deciding that appeal.

RULE 5.7 ~~RULE 3.7~~—ACCEPTABLE ORDERS

(a) You may only enter limit orders to trade Contracts on the Market.

(b) For the purpose of this Rule, a “limit order” is an order to buy or sell the number of Contracts you specify at the price you specify, or a better price if a better price is available.

RULE 5.8 ~~RULE 3.8~~—PRIORITY OF ORDERS

The Market’s trading algorithms execute all trades by matching orders according first by price and then time priority. This means that orders entered at different prices will be executed in order of price, from best to worst, regardless of what time they were placed on the Market, and orders placed on the Market at the same price will be executed in order of time, from oldest to most recent.

RULE 5.9 ~~RULE 3.9~~—FILLING ORDERS TO TRADE CONTRACTS

The HedgeStreet trading system will fill all orders to trade Contracts on an “or better” basis. This means that if you place an order to buy a Contract or Contracts at a price higher than the price of the best sell offer on the market, the system will fill your order at the better sell offer price(s) until all available sell offers under or equal to your limit price are filled or until your buy order is completely filled. Likewise, if you enter a sell order at a price lower than the price of the best buy offer, the system will fill your order at the better buy offer price(s) until all available buy offers over your limit price are filled or your sell order is completely filled. If your order is only partially filled, the unfilled portion of your order will be placed in the order book as a resting order at the limit price you specified. Should a better order subsequently be placed in the system, the unfilled portion of your original order will be executed at its limit price.

RULE 5.10 ~~RULE 3.10~~—MODIFICATION AND CANCELLATION OF TRADE ORDERS

(a) You can either cancel or modify an order you have placed on the Market if it has not yet been executed. All your pending orders will be listed on your account page. To modify a pending order, select the order to be changed and, using the prompts, (1) cancel the order, (2) ~~amend~~ modify the order, or (3) leave the order unchanged. If you choose to cancel the order and the order has not been executed, the HedgeStreet system will withdraw the order from the order book and confirm the cancellation of the order. If you choose to amend the order, you will be shown the details of the existing order and be allowed to change any part of the order except the Underlying. You will then be given a new order confirmation number and be informed that the system will treat the modified order as a new order, causing the amended order to lose its original time priority.

(b) HedgeStreet will attempt to modify or cancel your ~~trade~~ order as soon as possible after you enter a modification or cancellation order. However, the order may be executed before HedgeStreet is able to cancel or modify it. If your order has been filled in whole or in part, ~~it will not be cancelled or modified~~ you may modify or cancel only that portion of the order (if any) that has not been executed.

RULE 5.11 ~~RULE 3.11~~—VIEWING THE MARKET AND EXECUTED ORDERS

HedgeStreet will allow its Members to view the current best bid and offer on the Market. HedgeStreet will also allow Members to view the last executed order to trade Contracts.

~~RULE 5.12~~ ~~RULE 3.12.~~—HOURS FOR PURCHASING AND REDEEMING CONTRACT BUNDLES  
~~THE SUBSCRIPTION AND REDEMPTION OF HEDGELET PAIRS AND TRADING HEDGELET CONTRACTS~~

The Market will be open for execution of your orders from 9:00 a.m. to 8:00 p.m. Eastern Standard Time Monday through Friday (each, a “Trade Day”), with the exception of Market holidays, which will be announced on the HedgeStreet website at least 30 calendar days in advance. You may access account information and cancel any open orders while the Market is closed, but you may not enter or modify orders unless the Market is open.

~~RULE 5.13~~ ~~RULE 3.13.~~—PROHIBITED TRANSACTIONS AND ACTIVITIES

(a) You are prohibited from entering orders on the Market if there are insufficient funds or Contracts in your account to satisfy such orders if they are executed.

(b) You are prohibited from attempting to enter into any trade on the Market that has been directly or indirectly prearranged. In other words, you may not agree with another Member that one of you will enter a trade and the other will attempt to match that trade by timing the orders or otherwise.

Deleted: trade

(c) You are prohibited from attempting to enter into or entering into any trade on the Market that does not result in a change in beneficial ownership, that is designed to unnaturally inflate trading volume, that in any way attempts to circumvent the Market’s order processing, trade ordering, and trade execution systems, or otherwise to circumvent exposure of the order to open and competitive bidding on the Market, or that has some other illegitimate purpose.

(d) You are prohibited from entering into any trade designed or used to cause any price for a Contract other than a true and bona fide price to be reported, registered, or recorded by the Market.

(e) You are prohibited from trading in, transferring, assigning, or otherwise disposing of ~~HedgeStreet Contract Bundles~~Hedgelet Pairs or Contracts other than as provided for in these Rules.

(f) You are prohibited from agreeing to transfer or from transferring the benefit of any position in any ~~HedgeStreet Contract Bundle~~Hedgelet Pair or Contract to another person other than through a transaction executed through the Market.

(g) You are prohibited from trading for a person or entity other than yourself or the Member for whom you are an authorized representative.

(h) You are prohibited from engaging in any activity that presents a risk of harm to HedgeStreet, its members, or the public.

(i) You are prohibited from engaging in any activity that adversely affects the integrity of the Market or its underlying systems.

(j) You are prohibited from failing to abide by an arbitration decision or award handed down under Chapter 8~~10~~ of these Rules.

(k) You are prohibited from intentionally providing erroneous or fraudulent information to HedgeStreet on your membership application or otherwise.

(l) ~~(k)~~—You are prohibited from engaging in any activity that is intended to, or has the effect of, manipulating the market in violation of Sections 6(c) and 9(a)(2) of the CEA and from engaging in any other activity that would violate the CEA or the Commission’s Regulations.

**CHAPTER 6 CHAPTER 4—SETTLING CONTRACT BUNDLE PURCHASES HEDGELET PAIR SUBSCRIPTIONS AND REDEMPTIONS, CONTRACT TRADES, CONTRACTS AT EXPIRATION, AND MEMBER WITHDRAWAL REQUESTS**

**RULE 6.1 RULE 4.1—SETTLING CONTRACT BUNDLE PURCHASES HEDGELET PAIR SUBSCRIPTIONS AND REDEMPTIONS AND CONTRACT TRADES**

(a) HedgeStreet will maintain, on its system, a record of each Member’s account balances and Contracts. HedgeStreet will also maintain a “HedgeStreet settlement account,” which will reflect funds used by Members to ~~purchase Contract Bundles~~ Subscribe for Hedgelet Pairs, as well as funds paid by HedgeStreet to redeem ~~Contract Hedgelet Bundles Pairs~~. HedgeStreet will also maintain a “HedgeStreet proprietary account,” which will be credited with all fees debited from Member accounts due to trades and expiration settlements. All settlements among these accounts on the HedgeStreet system will be instantaneous.

(b) All funds in Member accounts and in the HedgeStreet settlement account will be maintained in an account at the HedgeStreet settlement bank that is designated as a customer segregated funds account under the CEA and the Commission’s Regulations. Because those funds will be commingled at the settlement bank, transfers among Member accounts and transfers between Member accounts and the HedgeStreet settlement account will not be transmitted to the settlement bank. Such records will only be maintained on the HedgeStreet system. However, once every settlement bank business day, HedgeStreet will send to its settlement bank by batch mode electronic transmission instructions for the settlement bank to transfer fees credited by HedgeStreet to the HedgeStreet proprietary account on its system from the customer segregated funds account at the settlement bank to the HedgeStreet proprietary account at the settlement bank.

(c) The settlement bank will complete the transfer in the settlement instructions described in paragraph (b) of this Rule and notify HedgeStreet of its completion.

**RULE 6.2 RULE 4.2—SETTLING CONTRACTS AT EXPIRATION**

(a) ~~When the Contract Bundle and its a Series of Fixed Payout Hedgelet Contracts expire, expires, the Fixed Payout Hedgelet Contract whose Payout Criterion matches encompasses~~

the Expiration Value of the Underlying will settle in-the-money for \$10.00. ~~All~~The other Contracts in the Fixed Payout Hedgelet Contract Bundle in the Hedgelet Pair will settle out-of-the-money for \$00.00.

(b) On the Settlement Date, HedgeStreet will notify all members which Contract is in-the-money and which Contract is out-of-the-money and immediately settle the Fixed Payout Hedgelet Contracts by debiting HedgeStreet's settlement account in an amount equal to \$10.00 multiplied by the total number of outstanding in-the-money Fixed Payout Hedgelet Contracts and credit those funds to the accounts of the Members holding the in-the-money Fixed Payout Hedgelet Contracts at a rate of \$10.00 per such Contract. HedgeStreet will also delete all expired Contracts of the expiring Series from the accounts of Members.

**Deleted:** Expiration

**Deleted:** HedgeStreet will send confirmation to all Members holding Contracts of the expiring Series that the Contracts have been settled.

(c) If you believe there has been an error in settlement, you must report that error to HedgeStreet immediately. Your report must state why you believe there has been an error in settlement. If HedgeStreet receives notice of a settlement error before the end of the fifth Trading Day following settlement, HedgeStreet will review that report and will correct that any error that HedgeStreet determines has been made. If HedgeStreet does not receive notice of an error of settlement before the end of the fifth Trading Day following settlement, then (i) settlement will be final and (ii) you agree that HedgeStreet shall not be responsible to you in any fashion for an uncorrected error in settlement.

**RULE 6.3 ~~RULE 4.3~~—SETTLING MEMBER WITHDRAWAL REQUESTS**

Within one settlement bank business day of when a Member requests to withdraw funds from its HedgeStreet account, HedgeStreet will transmit such request to its settlement bank in electronic batch mode transmission. The settlement bank will process that request and send those funds to the destination account at a bank in the United States specified bank account registered with HedgeStreet by the Member (unless the Member has unsatisfied outstanding obligations on HedgeStreet, in which case HedgeStreet may retain such balances as necessary to satisfy such obligations or until the Member otherwise satisfies such obligations). You should refer to Rule 3.5(d) for all fees and costs associated with withdrawal of funds from your HedgeStreet account.

**CHAPTER 7 ~~CHAPTER 5~~—ADJUSTMENTS NECESSITATED BY MATERIAL CHANGES IN THE UNDERLYING**

**RULE 7.1 ~~RULE 5.1~~—ADJUSTMENTS**

In the event that, during the term of a Contract Series, changes beyond the control of HedgeStreet occur in the way the Underlying is calculated or an Expiration Value for the Underlying is unavailable or undefined in light of intervening events, HedgeStreet may adjust the terms of outstanding Contracts Series as it deems appropriate in its discretion to achieve fairness to holders of Contracts of the affected series Series. In addition, if the outcome of the underlying event is unclear, HedgeStreet may, at its sole discretion, delay settlement of the Series until the outcome is clear to HedgeStreet as determined by reasonable means. While it is impossible to provide in advance for all possible events that could require an adjustment to be made,

~~Submitted December 19, 2003~~

HedgeStreet will abide by any guidelines that may be established in this Chapter for making Contract adjustments.

RULE 7.2 ~~RULE 5.2~~—GOVERNMENT ACTIONS

Any change in instructions, order, ruling, directive, or law issued or enacted by any court or agency of the Federal Government of the United States that conflicts with the ~~rules~~Rules contained in this Chapter shall take precedence, immediately become a part of these Rules, and be effective for all currently ~~listed~~traded and newly listed ~~Contract months~~Series.

CHAPTER 8 ~~CHAPTER 6~~—INVESTMENT OF MEMBER ACCOUNT FUNDS

Member funds on deposit with HedgeStreet and funds in the HedgeStreet settlement account (i.e., the account containing the funds paid by Members to purchase ~~contract bundles~~Fixed Payout Hedgelet Pairs from HedgeStreet and which are to be used to pay Members holding in-the-money ~~contracts~~Fixed Payout Hedgelet Contracts at expiration) will be segregated as customer funds in accordance with the Commission's Regulations. HedgeStreet may invest such funds subject to the limitations and conditions set forth in Commission Regulation 1.25. HedgeStreet will pay interest to Members' accounts at a floating rate to be determined by HedgeStreet on funds in Members' HedgeStreet accounts in excess of an amount to be determined by HedgeStreet. HedgeStreet will retain all profit from investment of Member funds not paid to Members in accordance with the preceding sentence.

CHAPTER 9 ~~CHAPTER 7~~—RULE ENFORCEMENT

RULE 9.1 ~~RULE 7.1~~—MONITORING THE MARKET

HedgeStreet's trading system will record and store for a period of not less than 5 years in a searchable, read-only database a record of all data entered into the HedgeStreet trading system, including the Member's identity and the information in Rule ~~3-5-5.5~~. Programs are run on this data by HedgeStreet and by an organization with which HedgeStreet has entered into an agreement to provide certain market surveillance and trade practice surveillance services, and those programs will alert HedgeStreet or its market/trade practice surveillance services provider when potentially unusual trading activity takes place. HedgeStreet or its services provider will initiate investigations upon receipt of notice of unusual trading activity, and HedgeStreet will review and further investigate any reports of such activity provided by its market surveillance services provider. HedgeStreet will also investigate any time it has other reason to believe that inappropriate activity of any sort is taking place on the Market or its website.

RULE 9.2 ~~RULE 7.2~~—INVESTIGATIONS, HEARINGS, AND APPEALS

(a) HedgeStreet has a compliance department consisting of one or more compliance officers. Compliance officers investigate unusual trading activity or other activity that compliance officers have reasonable cause to believe could constitute a violation of these Rules. HedgeStreet retains hearing officers, who adjudicate findings by compliance officers that are disputed by Members. Hearing officers and compliance officers may not communicate regarding a matter brought before the hearing officer without informing the Member who is the subject of the communication of its substance and allowing the Member an opportunity to

respond. Compliance officers and hearing officers may compel testimony, subpoena documents, and require statements under oath from any Member or its authorized representative. Compliance officers, hearing officers, and employees or agents of HedgeStreet working under their supervision, may not be a Member or an authorized representative of a Member or trade, directly or indirectly, in any commodity interest traded on or subject to the rules of any registered contract market.

(b) Upon the conclusion of any investigation by a compliance officer, the officer will draft a document detailing the facts that led to the opening of the investigation, the facts that were found during the investigation, and the compliance officer's analysis and conclusion. If the compliance officer concludes that there is reasonable cause to believe a Member has violated HedgeStreet's ~~rules~~Rules or other applicable statutes or regulations, the compliance officer will submit by electronic mail to the Member whose activity is the subject of the investigation a report that will include:

- (i) the reason the investigation was begun;
- (ii) the charges or a summary of the charges;
- (iii) the response, if any, or a summary of the response;
- (iv) a summary of the investigation conducted;
- (v) findings and conclusions as to each charge, including which of these Rules the Member or its authorized representative violated, if any; and
- (vi) the penalty, if any, proposed by the compliance officer.

(c) The Member whose activity is the subject of the investigation may contest the compliance officer's findings by forwarding a response to those findings by electronic mail to the compliance officer within 15 days. The Member has a right to examine the evidence relied upon by the compliance officer. The Member's response must contain a detailed response to the findings and conclusions as to each charge and any other information the Member thinks is relevant.

(d) If the findings of the compliance officer are not contested by the Member, HedgeStreet will deem those findings admitted by the Member and impose the penalty (if any) proposed by the compliance officer. The Member will be notified of the imposition of any penalty by electronic mail.

(e) If the findings of the compliance officer are contested, the compliance officer's report and the Member's response will be submitted to a HedgeStreet hearing officer. The hearing officer will conduct a telephonic hearing with the compliance officer and the Member within 20 days of receipt of the Member's response contesting the compliance officer's finding and/or proposed sanction and, within 20 days after that hearing, issue findings, which will be delivered to the Member by electronic mail. Prior to the hearing, the parties may (but need not) submit proposed findings, briefs, and exhibits (including affidavits), and during the hearing the parties may present witnesses. The telephonic hearing will be recorded, and all information submitted

by the parties (including the compliance officer's report and the Member's response) as well as the recording of the hearing, will be preserved by the hearing officer, along with the hearing officer's findings, as the record of the proceedings (the "hearing record"). The findings of the hearing officer will contain the following information:

- (i) a brief description of the allegations;
- (ii) a brief summary of the evidence received;
- (iii) findings and conclusions;
- (iv) a declaration of any penalty to be imposed on the Member as the result of the findings and conclusions;
- (v) the effective date and duration of that penalty; and
- (vi) a statement that the Member has the right to appeal any adverse decision by the hearing officer to the HedgeStreet board of directors, but must do so within 15 days.

(f) Either the Member or the compliance officer may appeal the decision of the hearing officer within 15 days by filing an appeal by electronic mail with the HedgeStreet board of directors and forwarding a copy to the other parties to the appeal. Any penalties will be stayed pending appeal unless the hearing officer determines that a stay pending appeal would likely be detrimental to the exchange, other Members, or the public. The board of directors will review the hearing record and any information submitted by the compliance officer and the Member on appeal and issue its decision, which shall be final. The member shall be notified of the decision by electronic mail. The hearing record, any information submitted on appeal, and the board's decisions shall be preserved as the record on appeal. The decision will contain the information listed in paragraph (e) of this Rule, except for (e)(vi), and will also contain:

- (i) a statement that any person aggrieved by the action may have a right to appeal the action pursuant to Part 9 of the Commission's Regulations, within 30 days of service; and
- (ii) a statement that any person aggrieved by the action may petition the Commission for a stay pursuant to Part 9 of the Commission's Regulations, within 10 days of service.

#### RULE 9.3 ~~RULE 7.3~~—SETTLEMENT OF INVESTIGATIONS

(a) HedgeStreet may enter into settlements with any Member or its authorized representative who is the subject of an investigation. The Member, its authorized representative, or a compliance officer may initiate a settlement offer. Any settlement offer shall be forwarded to a HedgeStreet hearing officer with a recommendation by the compliance officer that the proposed settlement be accepted, rejected, or modified. A settlement offer may be withdrawn at any time before it is accepted by the hearing officer.

(b) The hearing officer may accept, reject, or offer a modification to the proposed settlement, and the decision of the hearing officer will be final.

(c) Any settlement under this Rule will be written and will state:

(i) the charges or a summary of the charges;

(ii) the response, if any, or a summary of the response;

(iii) a summary of the investigation conducted;

(iv) findings and conclusions as to each charge, including each act the person charged was found to have committed or omitted, be committing or omitting, or be about to commit or omit, and each of these Rules that such act or practice violated, is violating, or is about to violate; and

(v) any penalty imposed and the penalty's effective date.

(d) Failed settlement negotiations, or withdrawn settlement offers, will not prejudice a Member or otherwise affect subsequent procedures in the rule enforcement process.

RULE 9.4 ~~RULE 7.4.~~—NOTICE AND PUBLICATION OF DECISION

(a) HedgeStreet will provide to the person charged and to the Commission a copy of an adverse investigation report, appeal determination, or settlement within 30 days after it becomes final in accordance with the provisions of Commission Regulation 9.11.

(b) HedgeStreet will publish the outcome of all disciplinary proceedings and settlements on its website.

RULE 9.5 ~~RULE 7.5.~~—PENALTIES

As a result of a disciplinary proceeding or as part of a settlement, HedgeStreet may impose one or more of the following penalties:

(a) a letter of warning, censure, or reprimand;

(b) suspension of membership status or privileges for a specified period, including partial suspension of such privileges (for example, suspension of trading privileges in particular types of Contracts or of placement of certain types of orders); and

(c) revocation of membership status or privileges, including partial revocation of such privileges (for example, revocation of trading privileges in particular types of Contracts or of placement of certain types of orders).

RULE 9.6 ~~RULE 7.6.~~—SUMMARY SUSPENSION

(a) HedgeStreet may summarily suspend or restrict a Member (or its authorized representative's) privileges if the chairman and the chief executive officer believe suspension or restriction is necessary to protect the commodity futures markets, HedgeStreet, the public, or other Members. If either the chief executive officer or the chairman or an entity with whom the

chief executive officer or chairman is associated has a financial, personal, or other direct interest in the matter that is the basis of the summary action, the chief executive officer and/or chairman will not make any decision with respect to summary action and that decision will instead be made by a member of the board of directors chosen by a compliance officer to act in the place of the chief executive officer and/or chairman.

(b) Whenever practicable HedgeStreet will notify the Member whose privileges are to be summarily suspended by electronic mail before the action is taken. If prior notice is not practicable, the Member shall be served with notice by electronic mail at the earliest opportunity. This notice shall:

- (i) state the action taken or to be taken;
- (ii) briefly state the reasons for the action;
- (iii) state the time and date when the action became or becomes effective and its duration; and
- (iv) state that any person aggrieved by the action may petition the Commission for a stay of the effective date of the action pending a hearing pursuant to Part 9 of the Commission's Regulations, within 10 days of service.

(c) The Member whose privileges are to be summarily suspended shall be given an opportunity for appeal under the procedures outlined in Rule ~~7-29.2~~(f) of these Rules. The decision affirming, modifying, or reversing the summary suspension shall be furnished by electronic mail to the suspended Member and the Commission no later than one business day after it is issued. The decision shall contain:

- (i) a description of the action taken and the reasons for the action;
- (ii) a brief summary of the evidence received during the appeal process;
- (iii) findings and conclusions;
- (iv) a determination as to whether the summary action that was taken should be affirmed, modified, or reversed;
- (v) a declaration of any action to be taken against the suspended Member as the result of that determination;
- (vi) the effective date and duration of that action;
- (vii) a determination of the appropriate relief based on the findings and conclusions;
- (viii) a statement that any person aggrieved by the action may have a right to appeal the action pursuant to Part 9 of the Commission's Regulations, within 30 days of service; and

(ix) a statement that any person aggrieved by the action may petition the Commission for a stay pursuant to Part 9 of the Commission's Regulations, within 10 days of service.

RULE 9.7 ~~RULE 7.7.~~ REPRESENTATION BY COUNSEL

A Member has the right to retain and be represented by counsel during any and all proceedings under this ~~chapter~~Chapter.

**CHAPTER 10** ~~CHAPTER 8~~—LIMITATION OF LIABILITY; TIME PERIOD IN WHICH TO BRING ACTIONS; GOVERNING LAW; ARBITRATION

RULE 10.1 ~~RULE 8.1.~~—LIMITATION OF LIABILITY

(a) AS A MEMBER YOU AGREE THAT NEITHER HEDGESTREET NOR ITS OFFICERS, DIRECTORS, AGENTS AND/OR EMPLOYEES (COLLECTIVELY REFERRED TO AS "HEDGESTREET PARTIES") SHALL HAVE ANY RESPONSIBILITY FOR COMPLIANCE BY MEMBER WITH ANY LAW OR REGULATION GOVERNING MEMBER'S CONDUCT. MOREOVER, YOU ALSO AGREE THAT ~~NEITHER NO~~ HEDGESTREET NOR ITS OFFICERS, DIRECTORS, AGENTS OR EMPLOYEES PARTY SHALL BE LIABLE IN ANY MANNER WHATSOEVER FOR ANY LOSS OR DAMAGE SUSTAINED BY MEMBER, INCLUDING ANY CONSEQUENTIAL LOSS, LOSS OF PROFIT OR LOSS OF TRADING OPPORTUNITY, AS A RESULT OF ANY ACTUAL OR PROPOSED TRANSACTIONS OR AS A DIRECT OR INDIRECT RESULT OF ANY SERVICES PROVIDED BY HEDGESTREET PARTIES (INCLUDING, WITHOUT LIMITATION, ANY FAILURE IN HEDGESTREET'S SYSTEMS OR ANY INACCURATE INFORMATION PROVIDED BY A HEDGESTREET PARTY), ~~UNLESS SUCH PERSONS ARE THE RELEVANT HEDGESTREET PARTY IS DETERMINED BY FINAL RULING OF AN ARBITRATION PROCEEDING TO HAVE ACTED OR FAILED TO ACT IN A MANNER THAT IS GROSSLY NEGLIGENT, RECKLESS, OR FRAUDULENT. FOR THE AVOIDANCE OF DOUBT, NOTHING IN THIS RULE IS INTENDED TO LIMIT THE LIABILITY OF ANY PERSON AS MAY BE PROVIDED IN THE CEA, THE REGULATIONS OF THE COMMISSION, OR BY ACTS OF WILLFUL OR WANTON MISCONDUCT OR FRAUD.~~

(b) AS A MEMBER, YOU AGREE THAT YOU MAY NOT BRING ANY ACTION AGAINST A HEDGESTREET, ~~ITS OFFICERS, DIRECTORS, AGENTS OR EMPLOYEES,~~ PARTY UNLESS YOU BRING SUCH ACTION WITHIN 2 YEARS OF THE FIRST OCCURRENCE OR LACK OF OCCURRENCE OF THE ACT OR OMISSION COMPLAINED OF.

(c) AS A MEMBER, YOU AGREE THAT ANY ACTION YOU BRING AGAINST ~~A HEDGESTREET, ITS OFFICERS, DIRECTORS, AGENTS OR EMPLOYEES~~ PARTY WILL BE GOVERNED BY ILLINOIS LAW, WITHOUT REGARD TO STATUTES, PRECEDENT, LEGAL DOCTRINE, OR CONTRACTUAL PROVISIONS THAT WOULD REQUIRE THE APPLICATION OF THE LAWS OF A DIFFERENT JURISDICTION.

(d) AS A MEMBER, YOU AGREE THAT ANY ACTION YOU BRING AGAINST A HEDGESTREET, ITS OFFICERS, DIRECTORS, AGENTS OR EMPLOYEES, PARTY OR AGAINST ANOTHER HEDGESTREET MEMBER WILL BE RESOLVED BY BINDING ARBITRATION, IN ACCORDANCE WITH THE RULES OF THIS CHAPTER AND OTHER RULES OF HEDGESTREET, IF APPLICABLE.

RULE 10.2 ~~RULE 8.2~~—ARBITRATION OF MEMBER-MEMBER DISPUTES

Any dispute, controversy, or claim between or among Members arising out of or relating to transactions on HedgeStreet shall be submitted to binding arbitration in Cook County, Illinois before, and according to the arbitration rules of, National Futures Association. The decision of the arbitrator or arbitrators will be final, and judgment upon that decision may be entered in any court of competent jurisdiction. Unless the arbitrator or arbitrators find that one of the parties has acted in bad faith, each party will pay its own expenses.

RULE 10.3 ~~RULE 8.3~~—ARBITRATION OF HEDGESTREET-MEMBER DISPUTES

Any dispute, controversy, or claim brought against HedgeStreet by any Member shall be submitted to binding arbitration in Cook County, Illinois before, and according to the arbitration rules of, National Futures Association. The decision of the arbitrator or arbitrators will be final, and judgment upon that decision may be entered in any court of competent jurisdiction. Unless the arbitrator or arbitrators find that one of the parties has acted in bad faith, each party will pay its own expenses. Upon request of either party the arbitrator or arbitrators will make a finding as to whether HedgeStreet has acted in a manner that is grossly negligent, reckless, or fraudulent.

RULE 10.4 ~~RULE 8.4~~—FAILURE TO ABIDE BY ARBITRATION DECISION

It will be a violation of the HedgeStreet Rules for a Member to fail to pay an award or otherwise satisfy or abide by a judgment in arbitration, and HedgeStreet may take disciplinary action against any such Member, including suspension or revocation of Membership.

RULE 10.5 ~~RULE 8.5~~—CHANGE IN ARBITRATION PROCEDURE

HedgeStreet will file all changes to its arbitration procedure with the Commission.

**CHAPTER 11 ~~CHAPTER 9~~—COMMISSION REGULATIONS THAT HAVE BEEN ADAPTED TO BE PART OF THE RULES**

The following Rules are adaptations of regulations adopted by the Commission. They must be followed by Members and HedgeStreet itself, and any violation of these regulations will be a punishable violation of the Rules.

RULE 11.1 ~~RULE 9.1~~—ACTIVITIES OF SELF-REGULATORY ORGANIZATION EMPLOYEES AND GOVERNING MEMBERS WHO POSSESS MATERIAL, NON-PUBLIC INFORMATION (ADAPTED FROM COMMISSION REGULATION 1.59)

(a) Definitions. For purposes of this Rule:

(1) Self-regulatory organization means “self-regulatory organization,” as defined in Commission regulation 1.3(ee), and includes the term “clearing organization,” as defined in Commission regulation 1.3(d).

(2) Governing board member means a member, or functional equivalent thereof, of the board of governors of a self-regulatory organization.

(3) Committee member means a member, or functional equivalent thereof, of any committee of a self-regulatory organization.

(4) Employee means any person hired or otherwise employed on a salaried or contract basis by a self-regulatory organization, but does not include:

(i) Any governing board member compensated by a self-regulatory organization solely for governing board activities; or

(ii) Any committee member compensated by a self-regulatory organization solely for committee activities; or

(iii) Any consultant hired by a self-regulatory organization.

(5) Material information means information which, if such information were publicly known, would be considered important by a reasonable person in deciding whether to trade a particular commodity interest on a contract market. As used in this Rule, “material information” includes, but is not limited to, information relating to present or anticipated cash, futures, or option positions, trading strategies, the financial condition of members of self-regulatory organizations or members of linked exchanges or their customers or option customers, or the regulatory actions or proposed regulatory actions of a self-regulatory organization or a linked exchange.

(6) Non-public information means information which has not been disseminated in a manner which makes it generally available to the trading public.

(7) Linked exchange means:

(i) any board of trade, exchange or market outside the United States, its territories or possessions, which has an agreement with a contract market in the United States that permits positions in a commodity interest which have been established on one of the two markets to be liquidated on the other market;

(ii) any board of trade, exchange or market outside the United States, its territories or possessions, the products of which are listed on a United States contract market or a trading facility thereof; or

(iii) any securities exchange, the products of which are held as margin in a commodity account or cleared by a securities clearing organization pursuant to a cross-margining arrangement with a futures clearing organization which clears the products of any of the foregoing markets.

(8) Commodity interest means any commodity futures or commodity option contract traded on or subject to the rules of a contract market or linked exchange, or cash commodities traded on or subject to the rules of a board of trade which has been designated as a contract market.

(9) Related commodity interest means any commodity interest which is traded on or subject to the rules of a contract market, linked exchange, or other board of trade, exchange or market, other than the self-regulatory organization by which a person is employed, and with respect to which:

(i) Such employing self-regulatory organization has recognized or established intermarket spread margins or other special margin treatment between that other commodity interest and a commodity interest which is traded on or subject to the rules of the employing self-regulatory organization; or

(ii) Such other self-regulatory organization has recognized or established intermarket spread margins or other special margin treatment with another commodity interest as to which the person has access to material, nonpublic information.

(10) Pooled investment vehicle means a trading vehicle organized and operated as a commodity pool within Commission Regulation 4.10(d), and whose units of participation have been registered under the Securities Act of 1933, or a trading vehicle for which Commission Regulation 4.5 makes available relief from regulation as a commodity pool operator, i.e., registered investment companies, insurance company separate accounts, bank trust funds, and certain pension plans.

(b) Employees of self-regulatory organizations; Self-regulatory organization rules.

(1) HedgeStreet must maintain in effect ~~rules~~Rules which have been submitted to the Commission pursuant to Section 5c(c) of the Act and Commission Regulations 38.4(a) or 39.4(a) and 40.5 that, at a minimum, prohibit:

(i) Employees of HedgeStreet from trading, directly or indirectly, in any commodity interest traded on or cleared by HedgeStreet or in any related commodity interest;

(ii) Employees of HedgeStreet from trading directly or indirectly in any commodity interest traded on or cleared by contract markets or clearing organizations other than HedgeStreet and in any commodity interest traded on or cleared by a linked exchange if the employee has access to material non-public information concerning such commodity interest.

(c) Members of HedgeStreet's governing boards and committees and HedgeStreet consultants; HedgeStreet's ~~rules~~Rules. HedgeStreet must maintain in effect ~~rules~~Rules which have been submitted to the Commission pursuant to Section 5c(c) of the Act and Commission Regulations 38.4(a) or 39.4(a) and 40.5 which provide that no member of HedgeStreet's governing board or of a committee of HedgeStreet and no HedgeStreet consultant shall use or disclose, for any purpose other than the performance of such person's official duties as a governing board or committee member or consultant, material, non-public information obtained

as a result of such person's participation on any committee or governing board of HedgeStreet or as a consultant of HedgeStreet.

(d) Prohibited conduct.

(1) No person who is an employee of, a member of the governing board of, or a member of any committee of, or a consultant of HedgeStreet shall:

(i) Trade for such person's own account, or for or on behalf of any other account, in any commodity interest on the basis of any material, non-public information obtained through special access related to the performance of such person's official duties as an employee, board or committee member, or consultant; or

(ii) Disclose for any purpose inconsistent with the performance of such person's official duties as an employee, board or committee member, or consultant, any material, non-public information obtained through special access related to the performance of such duties.

(2) No person shall trade for such person's own account, or for or on behalf of any account, in any commodity interest, on the basis of any material, non-public information that such person knows was obtained in violation of paragraph (d)(1) from an employee of, a member of the governing board of, a member of any committee, or a consultant of a self-regulatory organization.

RULE 11.2 ~~RULE 9.2~~ SERVICE ON SELF-REGULATORY ORGANIZATION  
GOVERNING BOARDS OR COMMITTEES BY PERSONS WITH  
DISCIPLINARY HISTORIES (ADAPTED FROM COMMISSION REGULATION  
1.63)

(a) Definitions. For purposes of this section:

(1) Self-regulatory organization means a "self-regulatory organization" as defined in Commission Regulation 1.3(ee), and includes a "clearing organization" as defined in Commission Regulation 1.3(d), except as defined in paragraph (b)(6) of this Rule.

(2) Disciplinary committee means any person or committee of persons, or any subcommittee thereof, that is authorized by a self-regulatory organization to issue disciplinary charges, to conduct disciplinary proceedings, to settle disciplinary charges, to impose disciplinary sanctions or to hear appeals thereof.

(3) Arbitration panel means any person or panel empowered by a self-regulatory organization to arbitrate disputes involving such organization's members or their customers.

(4) Oversight panel means any panel authorized by a self-regulatory organization to review, recommend or establish policies or procedures with respect to the self-regulatory organization's surveillance, compliance, rule enforcement or disciplinary responsibilities.

(5) Final decision means:

(i) A decision of a self-regulatory organization which cannot be further appealed within the self-regulatory organization, is not subject to the stay of the Commission or a court of competent jurisdiction, and has not been reversed by the Commission or any court of competent jurisdiction; or,

(ii) Any decision by an administrative law judge, a court of competent jurisdiction or the Commission which has not been stayed or reversed.

(6) Disciplinary offense means:

(i) Any violation of the rules of a self-regulatory organization except those rules related to;

(A) Decorum or attire,

(B) Financial requirements, or

(C) Reporting or recordkeeping unless resulting in fines aggregating more than \$5,000 within any calendar year;

(ii) Any rule violation described in subparagraphs (a)(6)(i) (A) through (C) of this Rule which involves fraud, deceit or conversion or results in a suspension or expulsion;

(iii) Any violation of the Act or the regulations promulgated thereunder;

(iv) Any failure to exercise supervisory responsibility with respect to acts described in paragraphs (a)(6)(i) through (iii) of this Rule when such failure is itself a violation of either the rules of a self-regulatory organization, the Act or the regulations promulgated thereunder; or

(v) A disciplinary offense must arise out of a proceeding or action which is brought by a self-regulatory organization, the Commission, any federal or state agency, or other governmental body.

(7) Settlement agreement means any agreement consenting to the imposition of sanctions by a self-regulatory organization, a court of competent jurisdiction or the Commission.

(b) HedgeStreet must maintain in effect ~~rules~~Rules which have been submitted to the Commission pursuant to Section 5c(c) of the Act and Commission Regulations 38.4(a) or 39.4(a) and 40.5 that render a person ineligible to serve on its disciplinary committees, arbitration panels, oversight panels or governing board who:

(1) Was found within the prior three years by a final decision of a self-regulatory organization, an administrative law judge, a court of competent jurisdiction or the Commission to have committed a disciplinary offense;

(2) Entered into a settlement agreement within the prior three years in which any of the findings or, in the absence of such findings, any of the acts charged included a disciplinary offense;

(3) Currently is suspended from trading on any contract market, is suspended or expelled from membership with any self-regulatory organization, is serving any sentence of probation or owes any portion of a fine imposed pursuant to either:

(i) A finding by a final decision of a self-regulatory organization, an administrative law judge, a court of competent jurisdiction or the Commission that such person committed a disciplinary offense; or,

(ii) A settlement agreement in which any of the findings or, in the absence of such findings, any of the acts charged included a disciplinary offense.

(4) Currently is subject to an agreement with the Commission or any self-regulatory organization not to apply for registration with the Commission or membership in any self-regulatory organization;

(5) Currently is subject to or has had imposed on him within the prior three years a Commission registration revocation or suspension in any capacity for any reason, or has been convicted within the prior three years of any of the felonies listed in section 8a(2)(D) (ii) through (iv) of the Act; or

(6) Currently is subject to a denial, suspension or disqualification from serving on the disciplinary committee, arbitration panel or governing board of any self-regulatory organization as that term is defined in section 3(a)(26) of the Securities Exchange Act of 1934.

(c) No person may serve on a disciplinary committee, arbitration panel, oversight panel or governing board of HedgeStreet if such person is subject to any of the conditions listed in paragraphs (b) (1) through (6) of this Rule.

(d) HedgeStreet shall submit to the Commission a schedule listing all those rule violations which constitute disciplinary offenses as defined in paragraph (a)(6)(i) of this Rule and to the extent necessary to reflect revisions shall submit an amended schedule within thirty days of the end of each calendar year. HedgeStreet must maintain and keep current the schedule required by this section, post the schedule in a public place designed to provide notice to members and otherwise ensure its availability to the general public.

(e) HedgeStreet shall submit to the Commission within thirty days of the end of each calendar year a certified list of any persons who have been removed from its disciplinary committees, arbitration panels, oversight panels or governing board pursuant to the requirements of this regulation during the prior year.

(f) Whenever HedgeStreet finds by final decision that a person has committed a disciplinary offense and such finding makes such person ineligible to serve on that self-regulatory organization's disciplinary committees, arbitration panels, oversight panels or governing board, HedgeStreet shall inform the Commission of that finding and the length of the

ineligibility in any notice it is required to provide to the Commission pursuant to either section 17(h)(1) of the Act or Commission Regulation 9.11.

RULE 11.3 ~~RULE 9.3~~—VOTING BY INTERESTED MEMBERS OF SELF-REGULATORY ORGANIZATION GOVERNING BOARDS AND VARIOUS COMMITTEES  
(ADAPTED FROM COMMISSION REGULATION 1.69)

(a) Definitions. For purposes of this section:

(1) Disciplinary committee means any person or committee of persons, or any subcommittee thereof, that is authorized by HedgeStreet to issue disciplinary charges, to conduct disciplinary proceedings, to settle disciplinary charges, to impose disciplinary sanctions, or to hear appeals thereof in cases involving any violation of the ~~rules~~Rules of HedgeStreet except those cases where the person or committee is authorized summarily to impose minor penalties for violating ~~rules~~Rules regarding decorum, attire, the timely submission of accurate records for clearing or verifying each day's transactions or other similar activities.

(2) Family relationship of a person means the person's spouse, former spouse, parent, stepparent, child, stepchild, sibling, stepbrother, stepsister, grandparent, grandchild, uncle, aunt, nephew, niece or in-law.

(3) Governing board means HedgeStreet's board of directors, board of governors, board of managers, or similar body, or any subcommittee thereof, duly authorized, pursuant to a rule of HedgeStreet that has been approved by the Commission or has become effective pursuant to Section 5c(c) of the Act and Commission Regulations 38.4(a) or 39.4(a) and 40.5 to take action or to recommend the taking of action on behalf of HedgeStreet.

(4) Oversight panel means any panel, or any subcommittee thereof, authorized by HedgeStreet to recommend or establish policies or procedures with respect to HedgeStreet's surveillance, compliance, rule enforcement, or disciplinary responsibilities.

(5) Member's affiliated firm is a firm in which the member is a "principal," as defined in Commission Regulation 3.1(a), or an employee.

(6) Named party in interest means a person or entity that is identified by name as a subject of any matter being considered by a governing board, disciplinary committee, or oversight panel.

(7) Self-regulatory organization means a "self-regulatory organization" as defined in Commission Regulation 1.3(ee) and includes a "clearing organization" as defined in Commission Regulation 1.3(d), but excludes registered futures associations for the purposes of paragraph (b)(2) of this section.

(8) Significant action includes any of the following types of HedgeStreet actions or rule changes that can be implemented without the Commission's prior approval:

(i) Any actions or rule changes which address an "emergency" as defined in Commission Regulation 40.1; and,

(ii) Any changes in margin levels that are designed to respond to extraordinary market conditions such as an actual or attempted corner, squeeze, congestion or undue concentration of positions, or that otherwise are likely to have a substantial effect on prices in any contract traded or cleared at HedgeStreet; but does not include any rule not submitted for prior Commission approval because such rule is unrelated to the terms and conditions of any contract traded at HedgeStreet.

(b) HedgeStreet ~~rules~~Rules. HedgeStreet shall maintain in effect ~~rules~~Rules that have been submitted to the Commission pursuant to Section 5c(c) of the Act and Commission Regulations 38.4(a) or 39.4(a) and 40.5 to address the avoidance of conflicts of interest in the execution of its self-regulatory functions. Such ~~rules~~Rules must provide for the following:

(1) Relationship with named party in interest—

(i) Nature of relationship. A member of HedgeStreet's governing board, disciplinary committee or oversight panel must abstain from such body's deliberations and voting on any matter involving a named party in interest where such member:

(A) Is a named party in interest;

(B) Is an employer, employee, or fellow employee of a named party in interest;

(C) Is associated with a named party in interest through a "broker association" as defined in Commission Regulation 156.1;

(D) Has any other significant, ongoing business relationship with a named party in interest, not including relationships limited to executing futures or option transactions opposite of each other or to clearing futures or option transactions through the same clearing member; or

(E) Has a family relationship with a named party in interest.

(ii) Disclosure of relationship. Prior to the consideration of any matter involving a named party in interest, each member of a HedgeStreet governing board, disciplinary committee or oversight panel must disclose to the appropriate HedgeStreet staff whether he or she has one of the relationships listed in paragraph (b)(1)(i) of this Rule with a named party in interest.

(iii) Procedure for determination. HedgeStreet must establish procedures for determining whether any member of its governing board, disciplinary committees or oversight committees is subject to a conflicts restriction in any matter involving a named party in interest. Taking into consideration the exigency of the committee action, such determinations should be based upon:

(A) Information provided by the member pursuant to paragraph (b)(1)(ii) of this Rule; and

(B) Any other source of information that is held by and reasonably available to HedgeStreet.

(2) Financial interest in a significant action—

(i) Nature of interest. A member of a HedgeStreet governing board, disciplinary committee or oversight panel must abstain from such body's deliberations and voting on any significant action if the member knowingly has a direct and substantial financial interest in the result of the vote based upon either exchange or non-exchange positions that could reasonably be expected to be affected by the action.

(ii) Disclosure of interest. Prior to the consideration of any significant action, each member of a HedgeStreet governing board, disciplinary committee or oversight panel must disclose to the appropriate HedgeStreet staff the position information referred to in paragraph (b)(2)(iii) of this Rule that is known to him or her. This requirement does not apply to members who choose to abstain from deliberations and voting on the subject significant action.

(iii) Procedure for determination. HedgeStreet must establish procedures for determining whether any member of its governing board, disciplinary committees or oversight committees is subject to a conflicts restriction under this section in any significant action. Such determination must include a review of:

(A) Gross positions held at HedgeStreet in the member's personal accounts or "controlled accounts," as defined in Commission Regulation 1.3(j);

(B) Gross positions held at HedgeStreet in proprietary accounts, as defined in Commission Regulation 1.17(b)(3), at the member's affiliated firm;

(C) Gross positions held at HedgeStreet in accounts in which the member is a principal, as defined in Commission Regulation 3.1(a);

(D) Net positions held at HedgeStreet in "customer" accounts, as defined in Commission Regulation 1.17(b)(2), at the member's affiliated firm; and

(E) Any other types of positions, whether maintained at HedgeStreet or elsewhere, held in the member's personal accounts or the proprietary accounts of the member's affiliated firm that the self-regulatory organization reasonably expects could be affected by the significant action.

(iv) Bases for determination. Taking into consideration the exigency of the significant action, such determinations should be based upon:

(A) The most recent large trader reports and clearing records available to HedgeStreet;

(B) Information provided by the member with respect to positions pursuant to paragraph (b)(2)(ii) of this Rule; and

(C) Any other source of information that is held by and reasonably available to HedgeStreet.

(3) Participation in deliberations.

(i) Under the ~~rules~~Rules required by this section, a HedgeStreet governing board, disciplinary committee or oversight panel may permit a member to participate in deliberations prior to a vote on a significant action for which he or she otherwise would be required to abstain, pursuant to paragraph (b)(2) of this Rule, if such participation would be consistent with the public interest and the member recuses himself or herself from voting on such action.

(ii) In making a determination as to whether to permit a member to participate in deliberations on a significant action for which he or she otherwise would be required to abstain, the deliberating body shall consider the following factors:

(A) Whether the member's participation in deliberations is necessary for the deliberating body to achieve a quorum in the matter; and

(B) Whether the member has unique or special expertise, knowledge or experience in the matter under consideration.

(iii) Prior to any determination pursuant to paragraph (b)(3)(i) of this Rule, the deliberating body must fully consider the position information which is the basis for the member's direct and substantial financial interest in the result of a vote on a significant action pursuant to paragraph (b)(2) of this Rule.

(4) Documentation of determination. HedgeStreet's governing boards, disciplinary committees, and oversight panels must reflect in their minutes or otherwise document that the conflicts determination procedures required by this section have been followed. Such records also must include:

(i) The names of all members who attended the meeting in person or who otherwise were present by electronic means;

(ii) The name of any member who voluntarily recused himself or herself or was required to abstain from deliberations and/or voting on a matter and the reason for the recusal or abstention, if stated; and

(iii) Information on the position information that was reviewed for each member.

**CHAPTER 12 TERMS OF HEDGELET CONTRACTS TRADED ON HEDGESTREET**

The following Rules set forth the terms of the Hedgelet Contracts traded on HedgeStreet. You should not trade any Hedgelet unless you are certain that you completely understand its terms. Additional information with respect to each Hedgelet can be found on the home page for the specific Hedgelet Contract.

**Submitted December 19, 2003**

**RULE 12.1 TERMS THAT ARE UNIFORM ACROSS CONTRACTS.**

There are certain terms that are uniform across Hedgelets.

- (a) The minimum unit of trading for each Hedgelet is one Contract.
- (b) All Contract prices are quoted in U.S. dollars and cents per Contract.
- (c) The minimum quote increment for each Contract is \$.01 per Contract.