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RISK DISCLOSURE DOCUMENTS

EAGLE MARKET MARKERS, INC.
RISK DISCLOSURE STATEMENTS

Disclosure Documents

Enclosed in this booklet are the following Risk Disclosure Statements which must be read, understood and acknowledged on the signature page of the Customer Agreement contained in the New Account Documents.

Risk Disclosure Statement for Futures and Options and Regulation 1.46(d) (1) Disclosure 1

GLOBEX® Customer Information and Risk Disclosure Statement 3

Project A Customer Information Statement 5

Definition of Bona Fide Hedging Transactions and Positions 8

You should retain this Booklet for your records

Risk Disclosure Statement for Futures and Options

This brief statement does not disclose all of the risks and other significant aspects of trading in futures and options. In light of the risks, you should undertake such transactions only if you understand the nature of the contracts (and contractual relationships) into which you are entering and the extent of your exposure to risk. Trading in futures and options is not suitable for many members of the public. You should carefully consider whether trading is appropriate for you in light of your experience, objectives, financial resources and other relevant circumstances.

Futures

1. Effect of Leverage' or Gearing'

Transactions in futures carry a high degree of risk. The amount of initial margin is small relative to the value of the futures contract so that transactions are leveraged' or geared'. A relatively small market movement will have a proportionately larger impact on the funds you have deposited or will have to deposit: this may work against you as well as for you. You may sustain a total loss of initial margin funds and any additional funds deposited with the firm to maintain your position. If the market moves against your position or margin levels are increased, you may be called upon to pay substantial additional funds on short notice to maintain your position. If you fail to comply with a request for additional funds within the time prescribed, your position may be liquidated at a loss and you will be liable for any resulting deficit.

2. Risk-reducing orders or strategies

The placing of certain orders (e.g. stop-loss' orders, where permitted under local law, or stop-limit' orders) which are intended to limit losses to certain amounts may not be effective because market conditions may make it impossible to execute such orders. Strategies using combinations of positions, such as spread' and straddle' positions may be as risky as taking simple long' or short' positions.

Options

3. Variable degree of risk

Transactions in options carry a high degree of risk. Purchasers and sellers of options should familiarize themselves with the type of option (i.e. put or call) which they contemplate trading and the associated risks. You should calculate the extent to which the value of the options must increase for your position to become profitable, taking into account the premium and all transaction costs.

The purchaser of options may offset or exercise the options or allow the options to expire. This exercise of an option results either in a cash settlement or in the purchaser acquiring or delivering the underlying interest. If the option is on a future, the purchaser will acquire a futures position with associated liabilities for margin (see the section of Futures above). If the purchased options expire worthless, you will suffer a total loss of your investment which will consist of the option premium plus transactions cost. If you are contemplating purchasing deep-out-of-the-money options, you should be aware that the change of such options becoming profitable ordinarily is remote.

Selling (writing' or granting') an option generally entails considerably greater risk than purchasing options. Although the premium received by the seller is fixed, the seller may sustain a loss well in excess of that amount. The seller will be liable for additional margin to maintain the position if the market moves unfavorably. The seller will also be exposed to the risk of the purchaser exercising the option and the seller will be obligated to either settle the option in cash or to acquire or deliver the underlying interest. If the option is on a future, the seller will acquire a position in a future with associated liabilities for margin (see the section on Futures above). If the option is covered' by the seller holding a corresponding position in the underlying interest or a future or another option, the risk may be reduced. If the option is not covered, the risk of loss can be unlimited.

Certain exchanges in some jurisdictions permit deferred payment of the option premium, exposing the purchaser to liability for margin payments not exceeding the amount of the premium. The purchaser is still subject to the risk of losing the premium and transactions costs. When the option is exercised or expires, the purchaser is responsible for any unpaid premium outstanding at that time.

Additional risks common to futures and options

4. Terms and conditions of contracts

You should ask the firm with which you deal about the terms and conditions of the specific futures or options which you are trading and associated obligations (e.g. the circumstances under which you may become obligated to make or take delivery of the underlying interest of a futures contract and, in respect of options, expiration dates and restrictions on the time for exercise). Under certain circumstances the specifications of outstanding contracts (including the exercise price of an option) may be modified by the exchange or clearing house to reflect changes in the underlying interest.

5. Suspension or restriction of trading and pricing relationships

Market conditions (e.g. liquidity) and/or the operation of the rules of certain markets (e.g. the suspension of trading in any contract or contract month because of price limits or 'circuit breakers') may increase the risk of loss by making it difficult or impossible to effect transactions or liquidate/offset positions. If you have sold options, this may increase the risk of loss.

Further, normal pricing relationships between the underlying interest and the future, and the underlying interest and the option may not exist. This can occur when, for example, the futures contract underlying the option is subject to price limits while the option is not. The absence of an underlying reference price may make it difficult to judge 'fair' value.

6. Deposited cash and property

You should familiarize yourself with the protections accorded money or other property you deposit for domestic and foreign transactions, particularly in the event of a firm insolvency or bankruptcy. The extent to which you may recover your money or property may be governed by specific legislation or local rules. In some jurisdictions, property which had been specifically identifiable as your own will be pro-rated in the same manner as cash for purposes of distribution in the event of a shortfall.

7. Commission and other charges

Before you begin to trade, you should obtain a clear explanation of all commission, fees and other charges for which you will be liable. These charges will affect your net profit (if any) or increase your loss.

8. Transactions in other jurisdictions

Transactions on markets in other jurisdictions, including markets formally linked to a domestic market, may expose you to additional risk. Such markets may be subject to regulation which may offer different or diminished investor protection. Before you trade you should enquire about any rules relevant to your particular transactions. Your local regulatory authority will be unable to compel the enforcement of the rules of regulatory authorities or markets in other jurisdictions where your transaction have been effected. You should ask the firm with which you deal for details about the types of redress available in both your home jurisdiction and other relevant jurisdictions before you start to trade.

9. Currency risk

The profit or loss in transactions in foreign currency-denominated contracts (whether they are traded in your own or another jurisdiction) will be affected by fluctuations in currency rates where there is a need to convert from the currency denomination of the contract to another currency.

10. Trading facilities

Most open-outcry and electronic trading facilities are supported by computer-based component systems for the order-routing, execution, matching, registration or clearing of trades. As with all facilities and systems, they are vulnerable to temporary disruption or failure. Your ability to recover certain losses may be subject to limits on liability imposed by the system provider, the market, the clearing house and/or member firms. Such limits may vary: you should ask the firm with which you deal for details in this respect.

11. Electronic trading

Trading on an electronic trading system may differ not only from trading in an open-outcry market but also from trading on other electronic trading systems. If you undertake transactions on an electronic trading system, you will be exposed to risk associated with the system including the failure of hardware and software. The result of any system failure may be that your order is either not executed according to your instructions or is not executed at all.

12. Off-exchange transactions

In some jurisdiction, and only then in restricted circumstances, firms are permitted to effect off-exchange transactions. The firm with which you deal may be acting as your counterparty to the transaction. It may be difficult or impossible to liquidate an existing position, to assess the value, to determine a fair price or to assess the exposure to risk. For these reasons, these transactions may involve increased risks. Off-exchange transactions may be less regulated or subject to a separate regulatory regime. Before you undertake such transactions, you should familiarize yourself with applicable rules and attendant risk.

Disclosure Pursuant to Commodity Futures Trading Commission Rule 1.46(e)(1)

If you maintain separate accounts in which, pursuant to Commodity Futures Trading Commission Rule 1.46(d)(6), offsetting positions are not closed out, we hereby advise you that, if held open, offsetting long and short positions in the separate accounts may result in the charging of additional fees and commissions and the payment of additional margin, although offsetting positions will result in no additional market gain or loss.

EAGLE MARKET MARKERS, INC.

GLOBEX[®] CUSTOMER INFORMATION and RISK DISCLOSURE STATEMENT

GLOBEX is a world-wide automated order entry and matching system for futures and options. It is not a regulated futures exchange. Participating U.S. and foreign exchanges will list their contracts for trading on the system. Each exchange that list futures and options for trading through GLOBEX will have sole control to determine the hours that the instruments may be traded and the rules that will apply to such trading, subject to review by the relevant regulatory authority. Before trading through GLOBEX, you should understand that certain features of GLOBEX make trading through the system different than pit trading and that such differences may affect order entry. The following paragraphs highlight some of these features. For further explanation, you should confer with your brokerage firm.

ORDERS MATCH ELECTRONICALLY

Orders entered through GLOBEX will not be executed on the floor of an exchange in a trading pit. Such orders will be electronically matched.

RISK FACTOR: Possible System Failure

GLOBEX has been designed to provide an efficient and dependable system for entering and matching orders. It includes backup facilities that will enable the system to continue operations through certain types of system failure. However, as with any automated system, it is possible that service could be interrupted by a system failure. In that event, depending on the type of failure, it may not be possible, for some period of time, to enter new orders, execute existing orders or to cancel orders that were previously entered.

RISK FACTOR: Limitation of Liability

Each participating exchange has adopted provisions that limit the liability of the exchange and others. These provisions limit the amount of damages that you can collect, if any. The text of these provisions is set forth at the end of this Statement.

TRADING SESSIONS

Participating exchanges may have trading sessions in addition to their GLOBEX Trading Session. The Trading Day shall consist of two Trading Sessions beginning with the GLOBEX Trading Session and ending with the Regular Trading Hours ("RTH") Session.

The settlement prices shall be determined based on the close of the RTH Session. You should be aware that not all contracts that are listed during RTH will be listed for trading through GLOBEX. Also, not necessarily all options months and strike prices that are listed during RTH will be listed for trading through GLOBEX. For future information on the trading sessions and contracts offered by participating exchanges, you should confer with your brokerage firm.

SINGLE PRICE OPENING

GLOBEX will calculate an opening price by finding an equilibrium based on all bids and offers entered into the system prior to the opening. Orders entered prior to the open may or may not be executed on the open.

Risk Factor: For a brief period prior to the open, orders entered into the system for execution at the opening may not be cancelled.

ORDER TYPES

The GLOBEX system will not accept orders (such as market orders) that do not specify a limit price. A customer may, however, obtain the effect of a market order by specifying a limit price that betters the current market price. Such a "price or better" order will be filled against standing orders in the system, at the price of the standing orders, until the customer's order is filled or his limit price is reached.

The GLOBEX system will not accept contingency orders including MIT and STOP orders. Unless otherwise prohibited by exchange rules, a firm may accept contingency order from customers. In such cases, the orders will be handled manually by a terminal operator entering a limit order (or series of limit orders) when the contingent event occurs. For example, in the case of a stop order, once the stop has been elected the terminal operator would enter a limit order (or series of limit orders) until the order is completely filled.

Risk Factor: There is no guarantee that a "price or better" order will be filled, particularly if a previously entered "price or better" order was filled against the standing orders. Further, if the customer fails to specify a limit on a contingent order there is no guarantee that the order will be filled at a price comparable to the contingency price.

ORDER PRIORITY

GLOBEX will match orders based first on price and second on time of entry, with orders at the same price being matched so that the order received first at the host computer is matched first.

Risk Factor: In the event of a GLOBEX host computer failure, all orders that were previously entered into the system will lose their time priority. Each firm will be responsible to re-enter the orders, at which time matching will be based on price and the time that the orders were re-entered to the host.

Unless the customer and broker agree otherwise, it will be presumed that all orders other than limit orders are being entered for the RTH Session rather than the Electronic Trading Hours ("ETH") Session. A limit order that does not contain a Trading Session designation will be cancelled if not filled during the Session in which it was received or, if it was received between Trading Sessions, during the next Session. A limit order may specify one of the following Trading Session designations:

- (a) ETH only – The order will be cancelled if not filled during the GLOBEX Trading Session.
- (c) RTH only – The order will be cancelled if not filled during the RTH Session.
- (d) Cancel after RTH – If the order is received during Electronic Trading Hours, it is available for execution during that GLOBEX Session and the immediately following RTH Session. If the order is received after the close of a GLOBEX Session, the order is available for execution during the next RTH Session. In either case, the order is cancelled if not filled by the end of the RTH Session.

An Open or Good-Till-Cancelled ("GTC") limit order will, in the absence of a specific designation limiting its scope, remain in force during ETH and RTH Sessions until executed or cancelled. An open limit order may be restricted by including on the following designations.

- (a) ETH/Open – The order will remain in force during GLOBEX Sessions only until executed or cancelled.
- (c) RTH/Open – The order will remain in force during RTH Session only until executed or cancelled.

CONTROLLING LAW

Trade execution for all contracts listed by U.S. exchanges will be conducted in the United States and the rights and liabilities growing out of such execution are subject to U.S. law. Trade execution of instruments listed on GLOBEX by non-U.S. exchanges are subject to the laws of the country of the listing exchange.

EXCHANGE RULES

You should be aware that trading an exchange's contracts through GLOBEX is subject to the rules and regulations of that exchange including the following provision adopted by the Chicago Mercantile Exchange ("CME" or "Exchange"):

LIMITATION OF LIABILITY – EXCEPT AS PROVIDED IN CME RULE 579, AND EXCEPT IN INSTANCES WHERE THERE HAS BEEN A FINDING OF WILLFUL OR WANTON MISCONDUCT, IN WHICH CASE THE PARTY FOUND TO HAVE ENGAGED IN SUCH CONDUCT CANNOT AVAIL ITSELF OF THE PROTECTIONS IN THIS RULE, NEITHER THE EXCHANGE (INCLUDING ITS SUBSIDIARIES AND AFFILIATES), P-M-T LIMITED PARTNERSHIP ("PMT"), GLBX CORPORATION, REUTERS (EXCEPT AS OTHERWISE PROVIDED BY ANY AGREEMENT WITH REUTERS), MEMBERS, CLEARING MEMBERS, OTHER PERSONS ACTING AS AGENTS IN CAUSING ORDERS OF OTHERS TO BE ENTERED INTO THE GLOBEX SYSTEM, NOR ANY OF THEIR RESPECTIVE OFFICERS, DIRECTORS OR EMPLOYEES SHALL BE LIABLE TO ANY PERSON, INCLUDING BUT NOT LIMITED TO A CUSTOMER, FOR ANY LOSSES, DAMAGES, COSTS OR EXPENSES (INCLUDING, BUT NOT LIMITED TO, LOSS OF PROFITS, LOSS OF USE, DIRECT, INDIRECT, INCIDENTAL OR CONSEQUENTIAL DAMAGES), ARISING FROM (i) ANY FAILURE OR MALFUNCTION, INCLUDING BUT NOT LIMITED TO ANY INABILITY TO ENTER OR CANCEL ORDERS, OF THE GLOBEX SYSTEM OR ANY EXCHANGE SERVICES OR FACILITIES USED TO SUPPORT THE GLOBEX SYSTEM, OR (ii) ANY FAULT IN DELIVERY, DELAY, OMISSION, SUSPENSION, INACCURACY OR TERMINATION, OR ANY OTHER CAUSE, IN CONNECTION WITH THE FURNISHING, PERFORMANCE, MAINTENANCE, USE OF OR INABILITY OR INABILITY TO USE ALL OR ANY PART OF THE GLOBEX SYSTEM OR ANY EXCHANGE SERVICES OR FACILITIES USED TO SUPPORT THE GLOBEX SYSTEM. THE FOREGOING SHALL APPLY REGARDLESS OF WHETHER A CLAIM ARISES IN CONTRACT, TORT, NEGLIGENCE, STRICT LIABILITY OR OTHERWISE. THE FOREGOING SHALL NOT LIMIT THE LIABILITY OF ANY MEMBER, CLEARING MEMBER, OTHER PERSON ACTING AS AGENT IN CAUSING ORDERS OF OTHERS TO BE ENTERED INTO THE GLOBEX SYSTEM OR ANY OF THEIR RESPECTIVE OFFICERS, DIRECTORS OR EMPLOYEES FOR ANY ACT, INCIDENT, OR OCCURRENCE WITHIN THEIR CONTROL.

THERE ARE NO EXPRESS OR IMPLIED WARRANTIES OR REPRESENTATIONS PROVIDED BY THE EXCHANGE (INCLUDING IT SUBSIDIARIES AND AFFILIATES), PMT, GLBX CORPORATION OR REUTERS, RELATING TO THE GLOBEX SYSTEM OR ANY EXCHANGE SERVICES OR FACILITIES USED TO SUPPORT THE GLOBEX SYSTEM, INCLUDING BUT NOT LIMITED TO WARRANTIES OF MERCHANTABILITY AND WARRANTIES OF FITNESS FOR A PARTICULAR PURPOSE OR USE.

ANY DISPUTE ARISING OUT OF THE USE OF THE GLOBEX SYSTEM OR EXCHANGE SERVICES OR FACILITIES USED TO SUPPORT THE GLOBEX SYSTEM IN WHICH THE EXCHANGE (INCLUDING ITS SUBSIDIARIES AND AFFILIATES), PMT, GLBX CORPORATION OR ANY OF THEIR RESPECTIVE OFFICERS, DIRECTORS OR EMPLOYEES IS A PARTY SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH THE LAWS OF THE STATE OF ILLINOIS. ANY ACTIONS, SUITS OR PROCEEDINGS AGAINST ANY OF THE ABOVE MUST BE BROUGHT WITHIN TWO YEARS FROM THE TIME THAT A CAUSE OF ACTION HAS ACCRUED, AND ANY PARTY BRINGING SUCH ACTION CONSENTS TO JURISDICTION IN THE U.S. DISTRICT COURT FOR THE NORTHERN DISTRICT OF ILLINOIS AND THE CIRCUIT COURT OF COOK COUNTY, ILLINOIS, AND WAIVES ANY OBJECTION TO VENUE. THIS PROVISION SHALL IN NO WAY CREATE A CAUSE OF ACTION AND SHALL NOT AUTHORIZE AN ACTION THAT WOULD OTHERWISE BE PROHIBITED BY CME RULES.

NOTWITHSTANDING ANY OF THE FOREGOING PROVISIONS, THIS RULE SHALL IN NO WAY LIMIT THE APPLICABILITY OF ANY PROVISION OF THE COMMODITY EXCHANGE ACT OR THE CFTC'S REGULATIONS.

GLOBAL CONTROL CENTER-LIMITATION OF LIABILITY

The exchange shall provide employees in the GLOBEX Control Center ("GCC") to perform certain services for members and clearing members with respect to GLOBEX. Such employees may not always be available to assist members and clearing members. The Exchange shall be liable when such employees negligently: 1) cancel or fail to cancel orders resting in the GLOBEX system; 2) deactivate a GLOBEX terminal, in which case only those orders that were resting in the system at the time of deactivation may be the basis for allowable claim; 3) fail to deactivate a GLOBEX terminal pursuant to a clearing member's instructions, in which case those orders that were entered or matched after the instruction was received by the GCC, but before the GCC has had a reasonable period of time to act upon such instruction, shall not form the basis for allowable claim; and 4) issue passwords to unauthorized persons in violation of a clearing member's instructions.

The liability of the Exchange for the above shall be limited as follows:

* \$10,000 for any single claim; and

* \$100,000 for all claims arising out of the negligent actions or failures to act on all GCC employees on any single day.

A single claim shall mean a loss resulting from all actions or failures to act as described above that were performed negligently by all GCC employees with respect to a single order entered through GLOBEX, or multiple orders entered through GLOBEX for a single customer. Such claim may be brought by the member or clearing member who (or whose customer) was damaged.

If the number of allowed claims arising out of the negligent actions or failures to act of all GCC employees on a single day cannot be fully satisfied because of the above limitations, all such claims shall be limited to a pro rata share of the maximum per day amount.

A claim against the Exchange for the negligent actions or failures to act enumerated above of the GCC employees shall only be allowed if such claim is brought pursuant to and in accordance with this provision.

(The remainder of the provision, which has been omitted, addresses the procedure for arbitrating a claim pursuant to provision.)

PROJECT A® CUSTOMER INFORMATION STATEMENT BEFORE YOU TRADE THROUGH PROJECT A

Project A is an electronic order entry facility developed by Ceres Trading Limited Partnership ("Ceres"), a Delaware limited partnership. As general partner of Ceres, the Chicago Board of Trade ("CBOT®") will develop and list for trading on Project A, futures contracts, options on futures contracts, as well as other nonregulated financial products. Since trading electronically through Project A differs in many respects from open outcry pit trading, this document is provided to highlight many of the differences. Please thoroughly review this document and the Rules and Regulations of the CBOT prior to trading through Project A.

Order Matching

Orders entered through the Project A trading system will be matched electronically in accordance with the Project A trade matching algorithm. The trade matching algorithm is a distributed allocation scheme which gives time priority to orders that make the market, *i.e.*, orders that better the bid or offer. Time priority is also given to orders at the market or within one tick of the market provided no resting orders are at that price. Time priority remains as long as the order remains in the system.

Example:

<u>Bid Quantities</u>			<u>Price</u>	<u>Offer Quantities</u>		
			12	100(t ₁)	10(t ₂)	10(t ₃)
			11	50(t ₁)		
10(t ₃)	10(t ₂)	10(t ₁)	10			
		5	9			

(t) = time priority

Bids entered at 10 or above will have time priority. Bids entered at 9 will not have time priority because they are resting orders at that price. Offers entered as 12 or below will have time priority.

Allocating fills to resting orders is a three step process which takes place only after priority orders are filled. First each resting order at that price will receive a one lot allocation. If there is insufficient quantity to give each resting order a one quantity fill, fills will be allocated based on random allocation. Second, after the one lot fills are completed, the remaining orders are filled based on the percentage of the total quantity that is represented by that order. Third, after the quantity allocation is complete, any remaining quantity will be allocated to the largest order. If two or more orders tie for the largest order, the remainder will be randomly allocated as evenly as possible between/among the tied orders. The following is an example.:

Example:

<u>Bid Quantities</u>		<u>Price</u>	<u>Offer Quantities</u>
		11	10(t ₁) 50
		10	70(t ₁)
		9	← ----
50	5	9	
	40	8	(t) = time priority

An offer is entered a 9 for 30 contracts. This will result in a match of 30 contracts at 9. The allocation is computed as follows:

$$\begin{aligned} 5 \text{ Lot: } & 1 + [5/(50 + 5)] * 28 = 3 \\ 50 \text{ Lot: } & 1 + [50/(50 + 5)] 1 * 28 + 1 \text{ remainder} = 27 \end{aligned}$$

One consequence of the trades matching algorithm is that in a situation where a broker and his customer each have entered a limit order into the system at the same limit price, the broker's order may share in the allocation between the tied orders.

Opening Price

A three stage process is utilized to establish an equilibrium opening price. This is the price between the sell pressure and the buy pressure where the largest volume of trading will occur. You should be aware that beginning one (1) minute prior to the market opening, orders may not be cancelled. The market opening process is as follows:

Step 1: Using the bids and offers entered into the system, the "price overlap" is calculated. The price overlap (if any) is defined as the price range at which some trades could occur or the price range in which there are bids and offers at the same price. If, at a given price within the price overlap, the quantity offered is greater than the quantity bid at the price then there is "sell pressure". Vice versa for "buy pressure."

Step 2: The equilibrium range (if any) is determined, i.e. the price range within the price overlap where buy pressure changes to sell pressure.

Step 3: The Equilibrium Opening Price ("EOP"), the price (may not be unique) within the equilibrium range which has the largest possible trade volume, is then calculated by the system. If the EOP is not unique, then an average EOP is calculated. If the average EOP price produces a fraction of a tick, then the EOP is rounded in the direction of the prior day's settlement price. If there is no previous day settle (only on the first day of trading for a new contract) then the rounding should be to the next highest tick.

If there is no equilibrium range, the EOP will be determined by taking the highest (lowest) price within the price overlap if there is only buy (sell) pressure. If there is no price overlap during the entire pre-open session, the market will open with the highest bid price and the lowest offer price and the opening price will be the price at which the first trade is made during that session.

Market Close

For each CBOT futures and options contract listed on Project A, the Board of Directors shall determine the trading hours subject to member approval. At the time designated as the end of the trading session, the system will no longer accept new orders and will stop matching orders. The settlement price for each contract will be determined using the same methods and criteria as are currently used for contracts traded in the pit.

Order Types

The Project A system only accepts limit orders and orders to hit the bid or take the offer. One of the following trading session designations may be used to automatically cancel an order:

- Good for Session ("GFS") – The order will be cancelled at the conclusion of the Project A session in which it was entered. An undesignated order will be considered a GFS order and automatically cancelled at the conclusion of the Project A session.
- Day Open – The order will be cancelled, if not executed, at the conclusion of the Project A trading for that Trading Day.
- Good-Till-Cancelled ("GTC") Open – The order will be eligible for execution for the current and all subsequent Project A trade sessions until executed or cancelled.
- An undesignated order will be considered a GFS order and automatically cancelled at the conclusion of the Project A session in which it was entered

Give-Up Orders

Give-up trades through Project A will be cleared by the member firm entering the trade and subsequently transferred to the carrying member firm via the OTIS system pursuant to Regulation 444.01.

Spread Orders

The Project A system will designate certain spreads to be traded at a differential.

Option Volatility Trading

Options contracts and/or combinations involving both futures and options contracts may trade through Project A by means of quoting the implied volatility for the underlying futures contract. The implied volatility transaction quote will be assigned a price by the system in accordance with a standard option pricing model.

Limitation of Liability

Project A is a multi-functional electronic system designed for efficient, dependable order matching. Numerous features have been designed into the system to prevent system failure. However, as with any electronic system it is possible that service could be interrupted. In that event, depending on the type of failure, it may not be possible to access the system to enter new orders, and/or modify or cancel orders previously entered.

The CBOT has adopted a regulation which limits the liability of the CBOT and Ceres for any such system failure. This regulation limits the amount of damages, if any, that you may collect as a result of a system failure. The text of the regulation follows. Please take time to review it carefully.

9B.21 Project A Limitation of Liability – Except in instances where there has been a finding of willful or wanton misconduct, in which case the party found to have engaged in such conduct cannot avail itself to the protections in this provision, neither the Exchange (including its subsidiaries and affiliates), the Clearing House, Ceres Trading Limited Partnership, members, clearing members, or other persons acting as agents nor any of their officers, directors or employees, shall be liable for any loss, damage or cost (including attorneys fees and court costs), whether direct, indirect, special, incidental, consequential, lost profits or otherwise of any kind, regardless of whether any of them has been advised of or otherwise aware of the possibility of such damages, arising out of the use or performance of the Project A system, any component(s) thereof, or any fault, failure, malfunction or other alleged defect in the Project A system, including any inability to enter or channel orders in the Project A system, or any fault in delivery, delay, omission, suspension, inaccuracy or termination, or any other cause in connection with the furnishing, performance, maintenance, use of or inability to use all or any part of the Project A system, including but not limited to, any failure or delay in transmission of orders or loss of orders resulting from malfunction of the Project A system, disruption of common carrier lines, loss of power, acts or failures to act of any third party, natural disasters or any and all other causes.

The foregoing shall apply regardless of whether a claim arises in contract, tort, negligence, strict liability or otherwise. The foregoing limitations are cumulative and shall not limit or restrict the applicability of any other limitation or any rule, regulation or bylaw of the Exchange of the Clearing House. The foregoing shall not limit the liability of any member, clearing member, or other persons acting as agent or any of their respective officers, directors or employees for any act, incident, or occurrence within their control.

There are no express or implied warranties or representation provided by the Exchange (including its subsidiaries and affiliates), the Clearing House, Ceres Trading Limited Partnership, members, clearing members, or their agents, relating to the Project A system or any Exchange services or facilities used to support the Project A system, including, but not limited to, warranties of merchantability and warranties of fitness for a particular purpose or use.

If any of the foregoing limits on the Exchange (including its subsidiaries and affiliates), the Clearing House, Ceres Trading Limited Partnership, members, clearing members or other persons acting as agents or any of their officers, directors or employees liability should be deemed to be invalid, ineffective, or unenforceable and a third party sustains a loss, damage or cost (including attorney's fees and court costs) resulting from use of the Project A system, the entire liability of the Exchange (including its subsidiaries and affiliates), the Clearing House, Ceres Trading Limited Partnership, members, clearing members and their agents or any of their officers, directors or employees shall not exceed the brokerage commissions and any other charges actually paid by the third party for services in connection with the Project A trading system.

Notwithstanding any of the foregoing provisions, this provision shall in no way limit the applicability of any provision of the Commodity Exchange Act, as amended, and Regulations thereunder.

CFTC REGULATION 1.3(Z) BONA FIDE HEDGING TRANSACTIONS and POSITIONS

(1) GENERAL DEFINITION.

Bona fide hedging transactions and provisions shall mean transactions or positions in a contract for future delivery on any contract market, or in a commodity option, where such transactions or positions normally represent a substitute for transactions to be made or positions to be taken at a later time in a physical marketing channel, and where they are economically appropriate to the reduction of risks in conduct and management of a commercial enterprise, and where they arise from:

- (i) The potential change in the value of assets which a person owns, produces, manufactures, processes, or merchandises or anticipates owning, producing, manufacturing, processing, or merchandising,
- (ii) The potential change in the value of liabilities which a person owes or anticipates incurring, or
- (iii) The potential change in the value of services which a person provides, purchases or anticipates providing or purchasing.

Notwithstanding the foregoing, no transactions or positions shall be classified as bona fide hedging for purposes of section 4a of the Act (Commodity Exchange Act, as amended) unless their purpose is to offset price risks incidental to commercial cash or spot operations and such positions are established and liquidated in an orderly manner in accordance with sound commercial practices and unless the provisions of paragraphs (z)(2) and (3) of this section and Sections 1.47 and 1.48 of the regulations have been satisfied.

(2) ENUMERATED HEDGING TRANSACTIONS.

The definition of bona fide hedging transactions and positions in paragraph (1) of this section includes, but is not limited to, the following specific transactions and positions:

- (i) **Sales** of any commodity for future delivery on a contract market which do not exceed in quantity:
 - (A) Ownership or fixed-price purchase of the same cash commodity by the same person; and
 - (B) Twelve months' unsold anticipated production of the same commodity by the same person provided that no such position is maintained in any future during the five last trading days of that future.
- (ii) **Purchases** of any commodity for future delivery on a contract market which do not exceed in quantity;
 - (A) The fixed-price sale of the same cash commodity by the same person;
 - (B) The quantity equivalent of fixed-price sales of the cash products and by-products of such commodity by the same person; and
 - (C) Twelve months' unfilled anticipated requirements of the same cash commodity for processing, manufacturing, or feeding by the same person, provided that such transactions and positions in the five last trading days of any one future do not exceed the person's unfilled anticipated requirements of the same cash commodity for that month and for the next succeeding month.
- (iii) Offsetting sales and purchases for future delivery on a contract market which do not exceed in quantity that amount of the same cash commodity which has been bought and sold by the same person at unfixed prices basis different delivery months of the contract market, provided that no such position is maintained in any future during the last five trading days of that future
- (iv) Sale and purchases for future delivery described in paragraphs (z)(2)(i), (z)(2)(ii), and (z)(2)(iii) of this section may also be offset other than by the same quantity of the same cash commodity, provided that the fluctuations in value of the position for future delivery are substantially related to the fluctuations in value of the actual or anticipated cash position, and provided that the positions in any one future shall not be maintained during the five last trading days of that future.

(3) NON-ENUMERATED CASES.

Upon specific request made in accordance with section 1.47 of the regulations, the Commission may recognize transactions and positions other than those enumerated in paragraph (2) of this section as bona fide hedging in such accounts and under such terms and conditions as it may specify in accordance with the provisions of section 1.47. Such transactions and positions may include, but are not limited to, purchases or sales for future delivery on any contract market by an agent who does not own or who has not contracted to sell or purchase the offsetting cash commodity at a fixed price, *provided* that the person is responsible for the merchandising of the cash position which is being offset.

ACCOUNT NUMBER

CUSTOMER NAME

ACCOUNT EXECUTIVE