



May 12, 2005

Ms. Jean A. Webb  
Office of the Secretariat  
Commodity Futures Trading Commission  
Three Lafayette Center  
1155 21<sup>st</sup> Street, NW  
Washington, DC 20581

2005 MAY 12 PM 4:30

RECEIVED  
C.F.T.C.

**RE: Certification: Amendments to a) certain terms of the Silver Fixed Payout Hedgelet Contracts and Variable Payout Hedgelet Contracts and b) the Payout Criteria of the NAR Housing Price Fixed Payout Hedgelet Contracts and NAR Housing Price Variable Payout Hedgelet Contracts – Submission pursuant to CFTC Regulation §40.6**

Dear Secretary Webb:

In accordance with Commission Regulation §40.6, HedgeStreet, Inc. (“HedgeStreet”) hereby files with the Commission amendments to existing terms and conditions of the following Contracts:

- a) Silver Fixed Payout and Variable Payout Hedgelet Contracts – adding specifications representing that the Underlying is quoted in cents (in U.S. Currency);
- b) All NAR Housing Price Fixed Payout and NAR Housing Price Variable Payout Hedgelet Contracts – adjusting terms in the Payout Criteria representing that the Cap and Floor are rounded to the nearest thousand and five-thousand, respectively;
- c) Bi-Annual Variable Payout NAR San Diego Contracts – adjustment of the current Dollar Multiplier; and
- d) Quarterly Variable Payout NAR San Francisco Contracts – replacement of the current Dollar Multiplier.

The terms and conditions of the aforementioned Contracts are defined in Exhibit A in accordance with Commission Regulation §40.6. The rule deletions are stricken out and the amendments or additions are underlined. HedgeStreet intends to make these amendments effective on Friday, May 13, 2005.

No substantive opposing views were expressed to HedgeStreet with respect to these additions and amendments.

HedgeStreet hereby certifies that the Contracts and the clearing of the Contracts, including all rules defining the terms and conditions of said Contracts contained herein, complies with the Act and the Commission Regulations adopted thereunder.

Should you have any questions, please contact the undersigned at [sford@hedgestreet.com](mailto:sford@hedgestreet.com) or (650) 638-3511.

Sincerely,

Stephanie Ford  
Vice President, Legal & Compliance

## EXHIBIT A

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

RULE 12.1 – 12.28 [unchanged]

#### RULE 12.29 SILVER CONTRACTS

(a) [unchanged]

(b) UNDERLYING - The Underlying for this Class of Contracts is the price, cents per troy ounce (in US ~~dollars~~ Currency), of Silver as calculated by HedgeStreet. HedgeStreet will calculate the Underlying by applying a proprietary algorithm to a sampling of executed trade prices<sup>5</sup> in the Silver Futures Contracts (“SFC”) traded on the COMEX Division of the New York Mercantile Exchange (“NYMEX”<sup>®6</sup>). The SFC trade prices that will be used to calculate the Underlying will be taken from the January, March, May, July, September, or December SFC delivery months. The specific delivery month that will be used will depend on the date on which the Underlying is being calculated. For instance, each day that the Underlying is calculated that is after the fifth business day before the end of February and before the fourth business day before the end of April, the May SFC trade prices will be used. Each day that the Underlying is calculated that is after the fifth business day before the end of April and before the fourth business day before the end of June, the July SFC trade prices will be used. This process will repeat itself, so that on the fourth business day before the end of each January, March, May, July, September, and December, the SFC trade prices to be used in calculating the Underlying will move to the next succeeding month listed.

(c) - (o) [unchanged]

RULE 12.30 – 12.36 [unchanged]

#### RULE 12.37 SILVER VARIABLE PAYOUT CONTRACTS

(a) [unchanged]

(b) UNDERLYING – The Underlying for this Class of Contracts is the price, cents per troy ounce (in US ~~dollars~~ Currency), of Silver as calculated by HedgeStreet. HedgeStreet will calculate the Underlying by applying a proprietary algorithm to a sampling of executed trade prices<sup>11</sup> in the Silver Futures Contracts (“SFC”) traded on the COMEX Division of the New York Mercantile Exchange (“NYMEX”<sup>®12</sup>). The SFC trade prices that will be used to calculate the Underlying will be taken from the January, March, May, July, September, or December SFC delivery months. The specific delivery month that will be used will depend on the date on which the Underlying is being calculated. For instance, each day that the Underlying is calculated that is after the fifth business day before the end of February and before the fourth business day before the end of April, the May SFC trade prices will be used. Each day that the Underlying is calculated that is after the fifth business day before the end of April and before the fourth business day before the end of June, the July SFC trade prices will be used. This process will

<sup>5, 11</sup> *Supra*, at fn 1

<sup>6, 12</sup> *Supra*, at fn 2.

repeat itself, so that on the fourth business day before the end of each January, March, May, July, September, and December, the SFC trade prices to be used in calculating the Underlying will move to the next succeeding month listed.

(c) - (o) [unchanged]

#### RULE 12.38 NAR CHICAGO HEDGELET CONTRACTS

(a) - (e) [unchanged]

(f) PAYOUT CRITERION – The two Contracts in each of the Hedgelet Pairs will have Payout Criteria which are mutually exclusive of each other, while being collectively exhaustive. The Payout Criterion for each Contract in the Hedgelet Pair will be set by HedgeStreet at the time the Fixed Payout Contracts are initially issued. For the Fixed Payout Hedgelet Contract, the Payout Criteria for the Contracts will be set as follows;

##### (i) QUARTERLY NAR CHICAGO CONTRACTS

(1) Hedgelet Pair 1: One Contract will have a Payout Criterion of greater than  $X + 3,300$  (rounded to the nearest thousand), and one Contract will have a Payout Criterion of less than or equal to  $X + 3,300$  (rounded to the nearest thousand).

##### (ii) BI – ANNUAL NAR CHICAGO CONTRACTS

(1) Hedgelet Pair 1: One Contract will have a Payout Criterion of greater than  $X + 8,800$  (rounded to the nearest thousand), and one Contract will have a Payout Criterion of less than or equal to  $X + 8,800$  (rounded to the nearest thousand).

(iii) In each case above, “X” is measured in dollars and ~~rounded to the nearest thousandth~~ and equals the last Preliminary NAR Chicago Housing Price, as reported by the Source Agency.

(iv) [unchanged]

(g) – (o) [unchanged]

#### RULE 12.39 NAR LOS ANGELES HEDGELET CONTRACTS

(a) - (e) [unchanged]

(f) PAYOUT CRITERION – The two Contracts in each of the Hedgelet Pairs will have Payout Criteria which are mutually exclusive of each other, while being collectively exhaustive. The Payout Criterion for each Contract in the Hedgelet Pair will be set by HedgeStreet at the time the Fixed Payout Contracts are initially issued. For the Fixed Payout Hedgelet Contract, the Payout Criteria for the Contracts will be set as follows;

##### (i) QUARTERLY NAR LOS ANGELES CONTRACTS

(1) Hedgelet Pair 1: One Contract will have a Payout Criterion of greater than  $X + 23,800$  (rounded to the nearest thousand), and one Contract will have a Payout Criterion of less than or equal to  $X + 23,800$  (rounded to the nearest thousand).

(ii) BI –ANNUAL NAR LOS ANGELES CONTRACTS

(1) Hedgelet Pair 1: One Contract will have a Payout Criterion of greater than  $X + 45,900$  (rounded to the nearest thousand), and one Contract will have a Payout Criterion of less than or equal to  $X + 45,900$  (rounded to the nearest thousand).

(iii) In each case above, “X” is measured in dollars and ~~rounded to the nearest thousandth and~~ equals the last Preliminary NAR Los Angeles Housing Price, as reported by the Source Agency.

(iv) [unchanged]

(g) – (o) [unchanged]

RULE 12.40 NAR MIAMI HEDGELET CONTRACTS

(a) - (e) [unchanged]

(f) PAYOUT CRITERION – The two Contracts in each of the Hedgelet Pairs will have Payout Criteria which are mutually exclusive of each other, while being collectively exhaustive. The Payout Criterion for each Contract in the Hedgelet Pair will be set by HedgeStreet at the time the Fixed Payout Contracts are initially issued. For the Fixed Payout Hedgelet Contract, the Payout Criteria for the Contracts will be set as follows;

(i) QUARTERLY NAR MIAMI CONTRACTS

(1) Hedgelet Pair 1: One Contract will have a Payout Criterion of greater than  $X + 12,900$  (rounded to the nearest thousand), and one Contract will have a Payout Criterion of less than or equal to  $X + 12,900$  (rounded to the nearest thousand).

(ii) BI –ANNUAL NAR MIAMI CONTRACTS

(1) Hedgelet Pair 1: One Contract will have a Payout Criterion of greater than  $X + 28,200$  (rounded to the nearest thousand), and one Contract will have a Payout Criterion of less than or equal to  $X + 28,200$  (rounded to the nearest thousand).

(iii) In each case above, “X” is measured in dollars and ~~rounded to the nearest thousandth and~~ equals the last Preliminary NAR Miami Housing Price, as reported by the Source Agency.

(iv) [unchanged]

(g) – (o) [unchanged]

## RULE 12.41 NAR NEW YORK HEDGELET CONTRACTS

(a) - (e) [unchanged]

(f) PAYOUT CRITERION – The two Contracts in each of the Hedgelet Pairs will have Payout Criteria which are mutually exclusive of each other, while being collectively exhaustive. The Payout Criterion for each Contract in the Hedgelet Pair will be set by HedgeStreet at the time the Fixed Payout Contracts are initially issued. For the Fixed Payout Hedgelet Contract, the Payout Criteria for the Contracts will be set as follows;

### (i) QUARTERLY NAR NEW YORK CONTRACTS

(1) Hedgelet Pair 1: One Contract will have a Payout Criterion of greater than  $X + 9,900$  (rounded to the nearest thousand), and one Contract will have a Payout Criterion of less than or equal to  $X + 9,900$  (rounded to the nearest thousand).

### (ii) BI –ANNUAL NAR NEW YORK CONTRACTS

(1) Hedgelet Pair 1: One Contract will have a Payout Criterion of greater than  $X + 21,300$  (rounded to the nearest thousand), and one Contract will have a Payout Criterion of less than or equal to  $X + 21,300$  (rounded to the nearest thousand).

(iii) In each case above, “X” is measured in dollars and ~~rounded to the nearest thousandth and~~ equals the last Preliminary NAR New York Housing Price, as reported by the Source Agency.

(iv) [unchanged]

(g) – (o) [unchanged]

## RULE 12.42 NAR SAN DIEGO HEDGELET CONTRACTS

(a) - (e) [unchanged]

(f) PAYOUT CRITERION – The two Contracts in each of the Hedgelet Pairs will have Payout Criteria which are mutually exclusive of each other, while being collectively exhaustive. The Payout Criterion for each Contract in the Hedgelet Pair will be set by HedgeStreet at the time the Fixed Payout Contracts are initially issued. For the Fixed Payout Hedgelet Contract, the Payout Criteria for the Contracts will be set as follows;

### (i) QUARTERLY NAR SAN DIEGO CONTRACTS

(1) Hedgelet Pair 1: One Contract will have a Payout Criterion of greater than  $X + 26,000$  (rounded to the nearest thousand), and one Contract will have a Payout Criterion of less than or equal to  $X + 26,000$  (rounded to the nearest thousand).

### (ii) BI –ANNUAL NAR SAN DIEGO CONTRACTS

(1) Hedgelet Pair 1: One Contract will have a Payout Criterion of greater than  $X + 58,400$  (rounded to the nearest thousand), and one Contract will have a Payout Criterion of less than or equal to  $X + 58,400$  (rounded to the nearest thousand).

(iii) In each case above, "X" is measured in dollars and ~~rounded to the nearest thousandth~~ and equals the last Preliminary NAR San Diego Housing Price, as reported by the Source Agency.

(iv) [unchanged]

(g) – (o) [unchanged]

#### RULE 12.43 NAR SAN FRANCISCO HEDGELET CONTRACTS

(a) - (e) [unchanged]

(f) PAYOUT CRITERION – The two Contracts in each of the Hedgelet Pairs will have Payout Criteria which are mutually exclusive of each other, while being collectively exhaustive. The Payout Criterion for each Contract in the Hedgelet Pair will be set by HedgeStreet at the time the Fixed Payout Contracts are initially issued. For the Fixed Payout Hedgelet Contract, the Payout Criteria for the Contracts will be set as follows;

##### (i) QUARTERLY NAR SAN FRANCISCO CONTRACTS

(1) Hedgelet Pair 1: One Contract will have a Payout Criterion of greater than  $X + 21,500$  (rounded to the nearest thousand), and one Contract will have a Payout Criterion of less than or equal to  $X + 21,500$  (rounded to the nearest thousand).

##### (ii) BI –ANNUAL NAR SAN FRANCISCO CONTRACTS

(1) Hedgelet Pair 1: One Contract will have a Payout Criterion of greater than  $X + 39,400$  (rounded to the nearest thousand), and one Contract will have a Payout Criterion of less than or equal to  $X + 39,400$  (rounded to the nearest thousand).

(iii) In each case above, "X" is measured in dollars and ~~rounded to the nearest thousandth~~ and equals the last Preliminary NAR San Francisco Housing Price, as reported by the Source Agency.

(iv) [unchanged]

(g) – (o) [unchanged]

#### RULE 12.44 NAR CHICAGO VARIABLE PAYOUT CONTRACTS

(a) - (e) [unchanged]

(f) PAYOUT CRITERION – The Payout Criterion for each Contract will be set by HedgeStreet at the time the Variable Payout Contracts are initially issued. For the Variable Payout Hedgelet Contract, the Payout Criteria for the Contracts will be set as follows;

(i) QUARTERLY VARIABLE PAYOUT NAR CHICAGO

CONTRACTS

- (1) CAP – The Cap shall be  $X + 17,300$  (rounded to the nearest five-thousand).
- (2) FLOOR – The Floor shall be  $X - 18,100$  (rounded to the nearest five-thousand).
- (3) [unchanged]

(ii) BI –ANNUAL VARIABLE PAYOUT NAR CHICAGO

CONTRACTS

- (1) CAP – The Cap shall be  $X + 27,200$  (rounded to the nearest five-thousand).
- (2) FLOOR – The Floor shall be  $X - 19,300$  (rounded to the nearest five-thousand).
- (3) [unchanged]

(iii) In each case, “X” equals the last Expiration Value of the Preliminary NAR Chicago Housing Price, ~~rounded to the nearest five-thousandth~~, as reported by the Source Agency.

(iv) [unchanged]

(g) – (o) [unchanged]

RULE 12.45 NAR LOS ANGELES VARIABLE PAYOUT CONTRACTS

(a) - (e) [unchanged]

(f) PAYOUT CRITERION – The Payout Criterion for each Contract will be set by HedgeStreet at the time the Variable Payout Contracts are initially issued. For the Variable Payout Hedgelet Contract, the Payout Criteria for the Contracts will be set as follows;

(i) QUARTERLY VARIABLE PAYOUT NAR LOS ANGELES

CONTRACTS

- (1) CAP – The Cap shall be  $X + 33,300$  (rounded to the nearest five-thousand).
- (2) FLOOR – The Floor shall be  $X + 7,900$  (rounded to the nearest five-thousand).
- (3) [unchanged]

(ii) BI –ANNUAL VARIABLE PAYOUT NAR LOS ANGELES

CONTRACTS

- (1) CAP – The Cap shall be  $X + 56,100$  (rounded to the nearest five-thousand).

(2) FLOOR – The Floor shall be  $X + 29,600$  (rounded to the nearest five-thousand).

(3) [unchanged]

(iii) In each case, “X” equals the last Expiration Value of the Preliminary NAR Los Angeles Housing Price, ~~rounded to the nearest five-thousandth~~, as reported by the Source Agency.

(iv) [unchanged]

(g) – (o) [unchanged]

#### RULE 12.46 NAR MIAMI VARIABLE PAYOUT CONTRACTS

(a) - (e) [unchanged]

(f) PAYOUT CRITERION – The Payout Criterion for each Contract will be set by HedgeStreet at the time the Variable Payout Contracts are initially issued. For the Variable Payout Hedgelet Contract, the Payout Criteria for the Contracts will be set as follows;

##### (i) QUARTERLY VARIABLE PAYOUT NAR MIAMI CONTRACTS

(1) CAP – The Cap shall be  $X + 19,200$  (rounded to the nearest five-thousand).

(2) FLOOR – The Floor shall be  $X + 4,600$  (rounded to the nearest five-thousand).

(3) [unchanged]

##### (ii) BI – ANNUAL VARIABLE PAYOUT NAR MIAMI CONTRACTS

(1) CAP – The Cap shall be  $X + 36,800$  (rounded to the nearest five-thousand).

(2) FLOOR – The Floor shall be  $X + 14,500$  (rounded to the nearest five-thousand).

(3) [unchanged]

(iii) In each case, “X” equals the last Expiration Value of the Preliminary NAR Miami Housing Price, ~~rounded to the nearest five-thousandth~~, as reported by the Source Agency.

(iv) [unchanged]

(g) – (o) [unchanged]

#### RULE 12.47 NAR NEW YORK VARIABLE PAYOUT CONTRACTS

(a) - (e) [unchanged]

(f) PAYOUT CRITERION – The Payout Criterion for each Contract will be set by HedgeStreet at the time the Variable Payout Contracts are initially issued. For the Variable Payout Hedgelet Contract, the Payout Criteria for the Contracts will be set as follows;

(i) QUARTERLY VARIABLE PAYOUT NAR NEW YORK  
CONTRACTS

- (1) CAP – The Cap shall be  $X + 18,700$  (rounded to the nearest five-thousand).
- (2) FLOOR – The Floor shall be  $X - 4,700$  (rounded to the nearest five-thousand).
- (3) [unchanged]

(ii) BI –ANNUAL VARIABLE PAYOUT NAR NEW YORK  
CONTRACTS

- (1) CAP – The Cap shall be  $X + 33,500$  (rounded to the nearest five-thousand).
- (2) FLOOR – The Floor shall be  $X + 2,700$  (rounded to the nearest five-thousand).
- (3) [unchanged]

(iii) In each case, “X” equals the last Expiration Value of the Preliminary NAR New York Housing Price, ~~rounded to the nearest five-thousandth~~, as reported by the Source Agency.

(iv) [unchanged]

(g) – (o) [unchanged]

RULE 12.48 NAR SAN DIEGO VARIABLE PAYOUT CONTRACTS

(a) - (e) [unchanged]

(f) PAYOUT CRITERION – The Payout Criterion for each Contract will be set by HedgeStreet at the time the Variable Payout Contracts are initially issued. For the Variable Payout Hedgelet Contract, the Payout Criteria for the Contracts will be set as follows;

(i) QUARTERLY VARIABLE PAYOUT NAR SAN DIEGO  
CONTRACTS

- (1) CAP – The Cap shall be  $X + 42,500$  (rounded to the nearest five-thousand).
- (2) FLOOR – The Floor shall be  $X + 2,000$  (rounded to the nearest five-thousand).
- (3) [unchanged]

(ii) BI –ANNUAL VARIABLE PAYOUT NAR SAN DIEGO  
CONTRACTS

- (1) CAP – The Cap shall be  $X + 82,300$  (rounded to the nearest five-thousand).
- (2) FLOOR – The Floor shall be  $X + 21,200$  (rounded to the nearest five-thousand).
- (3) DOLLAR MULTIPLIER – The Dollar Multiplier shall be 0.0001666666667.

(iii) In each case, “X” equals the last Expiration Value of the Preliminary NAR San Diego Housing Price, ~~rounded to the nearest five-thousandth~~, as reported by the Source Agency.

(iv) [unchanged]

(g) – (o) [unchanged]

#### RULE 12.49 NAR SAN FRANCISCO VARIABLE PAYOUT CONTRACTS

(a) - (e) [unchanged]

(f) PAYOUT CRITERION – The Payout Criterion for each Contract will be set by HedgeStreet at the time the Variable Payout Contracts are initially issued. For the Variable Payout Hedgelet Contract, the Payout Criteria for the Contracts will be set as follows;

##### (i) QUARTERLY VARIABLE PAYOUT NAR SAN FRANCISCO CONTRACTS

- (1) CAP – The Cap shall be  $X + 36,000$  (rounded to the nearest five-thousand).
- (2) FLOOR – The Floor shall be  $X - 400$  (rounded to the nearest five-thousand).
- (3) DOLLAR MULTIPLIER – The Dollar Multiplier shall be 0.0002857142857  
0.00025.

##### (ii) BI –ANNUAL VARIABLE PAYOUT NAR SAN FRANCISCO CONTRACTS

- (1) CAP – The Cap shall be  $X + 55,700$  (rounded to the nearest five-thousand).
- (2) FLOOR – The Floor shall be  $X + 14,900$  (rounded to the nearest five-thousand).
- (3) [unchanged]

(iii) In each case, “X” equals the last Expiration Value of the Preliminary NAR San Francisco Housing Price, ~~rounded to the nearest five-thousandth~~, as reported by the Source Agency.

(iv) [unchanged]

(g) – (o) [unchanged]