



RECEIVED
COMMODITY FUTURES TRADING COMMISSION
DECEMBER 14 2006
11:31 AM
U.S. DEPARTMENT OF COMMERCE

December 14, 2006

VIA EMAIL: secretary@cftc.gov

Ms. Eileen Donovan
Acting Secretary of the Commission
Commodity Futures Trading Commission
3 Lafayette Centre
1155 21st Street, N.W.
Washington, D.C. 20581

RE: Certification: HedgeStreet Makes Certain Corrections to the NAR Variable Payout Contract Rules and Removes Bi-Annual NAR Variable Payout Contracts from the HedgeStreet Rulebook – Submission pursuant to Commission Regulation §40.6(a)

Dear Acting Secretary Donovan:

Pursuant to Section 5c(c)(1) of the Commodity Exchange Act, as amended (“Act”), §40.6(a) of the regulations promulgated by the Commodity Futures Trading Commission (the “Commission”) under the Act, HedgeStreet, Inc. (“HedgeStreet”) hereby certifies with the Commission amendments to the NAR Variable Payout Contract Rules in order to correct certain errors contained in Rules 12.44 - 12.49. Even though the NAR Variable Payout Contracts are not currently trading on the exchange, HedgeStreet is ensuring that the relevant Rules are corrected in the HedgeStreet Rulebook. The amendments to the NAR Variable Payout Contracts are defined in Exhibit A. The rule deletions are stricken out and the amendments and/or additions are underlined.

HedgeStreet intends to implement these rule additions on Friday, December 15, 2006.

Should you have any questions regarding the above, please do not hesitate to contact Stephanie Ford by telephone at (650) 638-3511 or by email at sford@hcdgestreet.com.

Sincerely,

Stephanie Ford
Vice President, Legal & Compliance

cc: Clarissa Manansala – HedgeStreet, Inc.



EXHIBIT A

Amendment to Rules 12.44(f)(ii), (m), 12.45(f)(ii), (m), 12.46(f)(ii), (m),
12.47(f)(ii), (m), 12.48(f)(ii), (m), 12.49(f)(ii), (m)

(The following new Rule additions are underlined and deletions are stricken out)

RULE 12.44 NAR CHICAGO VARIABLE PAYOUT HEDGELETS

(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 $X + \$20,000$.

(2) **FLOOR** – The Floor shall be X .

(3) **DOLLAR MULTIPLIER** – The Dollar Multiplier shall be 0.001.

(4) In each case, “X” equals the last Expiration Value of the Preliminary NAR Chicago Housing Price rounded to the nearest five-thousand dollars (\$5,000) as reported by the Source Agency.

~~(ii) BI ANNUAL VARIABLE PAYOUT NAR CHICAGO CONTRACTS~~

~~(1) **CAP** – The Cap shall be $X + \$25,000$.~~

~~(2) **FLOOR** – The Floor shall be X .~~

~~(3) **DOLLAR MULTIPLIER** – The Dollar Multiplier shall be 0.001.~~

~~(4) In each case, “X” equals the last Expiration Value of the Preliminary NAR Chicago Housing Price rounded to the nearest five thousand dollars (\$5,000) as reported by the Source Agency.~~

~~(iii)~~ (ii) [except for renumbering, this rule is unchanged]



(g) - (l) [unchanged]

(m) SETTLEMENT VALUE – The Settlement Value is the amount paid to a member holding either a Short or Long Variable Payout Hedgelet Contract on Settlement Date. The Settlement Value of a Variable Hedgelet Contract will range between \$0 and \$1020, depending on where the Underlying closes in relation to the Variable Hedgelet's pre-defined Cap and Floor.

(n) - (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 $X + \$30,000$.

(2) FLOOR – The Floor shall be X .

(3) DOLLAR MULTIPLIER – The Dollar Multiplier shall be 0.001.

(4) In each case, "X" equals the last Expiration Value of the Preliminary NAR Los Angeles Housing Price rounded to the nearest five-thousand dollars (\$5,000) as reported by the Source Agency.

~~(ii) BI ANNUAL VARIABLE PAYOUT NAR LOS ANGELES CONTRACTS~~

~~(1) CAP – The Cap shall be $X + \$50,000$.~~

~~(2) FLOOR – The Floor shall be X .~~

~~(3) DOLLAR MULTIPLIER – The Dollar Multiplier shall be 0.001.~~



~~(4) In each case, "X" equals the last Expiration Value of the Preliminary NAR Los Angeles Housing Price rounded to the nearest five thousand dollars (\$5,000) as reported by the Source Agency.~~

~~(iii)-(ii) [except for renumbering, this rule is unchanged]~~

~~(g) - (l) [unchanged]~~

~~(m) SETTLEMENT VALUE – The Settlement Value is the amount paid to a member holding either a Short or Long Variable Payout Hedgelet Contract on Settlement Date. The Settlement Value of a Variable Hedgelet Contract will range between \$0 and \$1030, depending on where the Underlying closes in relation to the Variable Hedgelet's pre-defined Cap and Floor.~~

~~(n) - (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 + \$20,000.~~

~~(2) FLOOR – The Floor shall be X.~~

~~(3) DOLLAR MULTIPLIER – The Dollar Multiplier shall be 0.001.~~

~~(4) In each case, "X" equals the last Expiration Value of the Preliminary NAR Miami Housing Price rounded to the nearest five-thousand dollars (\$5,000) as reported by the Source Agency.~~

~~(ii) BI-ANNUAL VARIABLE PAYOUT NAR MIAMI CONTRACTS~~

~~(1) CAP – The Cap shall be X + \$50,000.~~

~~(2) FLOOR – The Floor shall be X.~~



(3) ~~DOLLAR MULTIPLIER~~—The Dollar Multiplier shall be 0.001.

(4) In each case, “X” equals the last Expiration Value of the Preliminary NAR Miami Housing Price rounded to the nearest five thousand dollars (\$5,000) as reported by the Source Agency.

~~(iii)~~-(ii) [except for renumbering, this rule is unchanged.]

(g) - (l) [unchanged]

(m) SETTLEMENT VALUE – The Settlement Value is the amount paid to a member holding either a Short or Long Variable Payout Hedgelet Contract on Settlement Date. The Settlement Value of a Variable Hedgelet Contract will range between \$0 and \$1020, depending on where the Underlying closes in relation to the Variable Hedgelet’s pre-defined Cap and Floor.

(n) - (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 $X + \$20,000$.

(2) FLOOR – The Floor shall be X.

(3) DOLLAR MULTIPLIER – The Dollar Multiplier shall be 0.001.

(4) In each case, “X” equals the last Expiration Value of the Preliminary NAR New York Housing Price rounded to the nearest five-thousand dollars (\$5,000) as reported by the Source Agency.

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

~~(5) CAP—The Cap shall be $X + \$40,000$.~~



(6) ~~FLOOR~~—The Floor shall be X.

(7) ~~DOLLAR MULTIPLIER~~—The Dollar Multiplier shall be 0.001.

(8) ~~In each case, “X” equals the last Expiration Value of the Preliminary NAR New York Housing Price rounded to the nearest five thousand dollars (\$5,000) as reported by the Source Agency.~~

~~(iii)-(ii)~~ [except for renumbering, this rule is unchanged].

(g) - (l) [unchanged]

(n) ~~SETTLEMENT VALUE~~ – The Settlement Value is the amount paid to a member holding either a Short or Long Variable Payout Hedgelet Contract on Settlement Date. The Settlement Value of a Variable Hedgelet Contract will range between \$0 and ~~\$1020~~, depending on where the Underlying closes in relation to the Variable Hedgelet’s pre-defined Cap and Floor.

(n) - (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 + \$25,000.

(2) ~~FLOOR~~ – The Floor shall be X.

(3) ~~DOLLAR MULTIPLIER~~ – The Dollar Multiplier shall be 0.001.

(4) In each case, “X” equals the last Expiration Value of the Preliminary NAR San Diego Housing Price rounded to the nearest five-thousand dollars (\$5,000) as reported by the Source Agency.

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



(5) ~~CAP~~—The Cap shall be $X + \$50,000$.

(6) ~~FLOOR~~—The Floor shall be X .

(7) ~~DOLLAR MULTIPLIER~~—The Dollar Multiplier shall be 0.001.

(8) ~~In each case, “X” equals the last Expiration Value of the Preliminary NAR San Diego Housing Price rounded to the nearest five thousand dollars (\$5,000) as reported by the Source Agency.~~

~~(iii)~~ (ii) [except for renumbering, this rule is unchanged].

(g) - (l) [unchanged]

(m) ~~SETTLEMENT VALUE~~ – The Settlement Value is the amount paid to a member holding either a Short or Long Variable Payout Hedgelet Contract on Settlement Date. The Settlement Value of a Variable Hedgelet Contract will range between \$0 and ~~\$1025~~, depending on where the Underlying closes in relation to the Variable Hedgelet’s pre-defined Cap and Floor.

(n) - (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 $X + \$40,000$.

(2) ~~FLOOR~~ – The Floor shall be X .

(3) ~~DOLLAR MULTIPLIER~~ – The Dollar Multiplier shall be 0.001.

(4) In each case, “X” equals the last Expiration Value of the Preliminary NAR San Francisco Housing Price rounded to the nearest five-thousand dollars (\$5,000) as reported by the Source Agency.



~~(ii) BI ANNUAL VARIABLE PAYOUT NAR SAN FRANCISCO CONTRACTS~~

~~(5) CAP—The Cap shall be $X + \$50,000$.~~

~~(6) FLOOR—The Floor shall be X .~~

~~(7) DOLLAR MULTIPLIER—The Dollar Multiplier shall be 0.001.~~

~~(8) In each case, “X” equals the last Expiration Value of the Preliminary NAR San Francisco Housing Price rounded to the nearest five thousand dollars (\$5,000) as reported by the Source Agency.~~

~~(iii)-(ii)~~ [except for renumbering, this rule is unchanged].

(g) - (l) [unchanged]

(m) SETTLEMENT VALUE – The Settlement Value is the amount paid to a member holding either a Short or Long Variable Payout Hedgelet Contract on Settlement Date. The Settlement Value of a Variable Hedgelet Contract will range between \$0 and \$~~10,40~~ depending on where the Underlying closes in relation to the Variable Hedgelet’s pre-defined Cap and Floor.

(n) - (o) [unchanged]