tZERO DIRECT SYSTEM RULEBOOK

BY ACCESSING, OR ENTERING ANY ORDER INTO, THE tZERO DIRECT SYSTEM AND WITHOUT ANY NEED FOR ANY FURTHER ACTION, UNDERTAKING OR AGREEMENT, A PARTICIPANT, AND ITS AUTHORIZED USERS AGREE (I) TO BE BOUND BY, AND COMPLY WITH, THE RULES OF THE tZERO EXCHANGE, THE RULES OF THE tZERO CLEARINGHOUSE, ANY APPLICABLE CONTRACT RULES AND APPLICABLE LAW, IN EACH CASE TO THE EXTENT APPLICABLE TO IT OR THEM; AND (II) TO BECOME SUBJECT TO THE JURISDICTION OF tZERO WITH RESPECT TO ANY AND ALL MATTERS ARISING FROM, RELATED TO, OR IN CONNECTION WITH, THE STATUS, ACTIONS OR OMISSIONS OF SUCH PARTICIPANT AND/OR ITS AUTHORIZED USERS.

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CHAPTER I
DEFINITIONS

1.1. Defined Terms

Unless otherwise specifically provided in the Rules or the context otherwise requires, the terms defined in this Rule 1.1 shall for all purposes of the Rules have the meanings specified herein.

"**Account**" shall have the meaning ascribed to it in Rule 3.3.

"**Affiliate**" an "**Affiliate**" of, or a Person "**Affiliated**" with, another Person is a Person who, directly or indirectly, Controls, is Controlled by, or is under common Control with, such other Person.

"**API**" means an application programming interface, which is a set of programming code that queries data, parses responses, and sends instructions between one software and another.

"**Appeals Panel**" means a panel comprised of three (3) individuals from the Regulatory Oversight Committee, with one individual acting as chairman, which will consider appeals in accordance with Chapter 7.

"**Applicable Law**" means, with respect to any Person, any statute, law, regulation, Rule or ordinance of any governmental or self-regulatory authority applicable to such Person, including without limitation the Commodity Exchange Act, CFTC Regulations, and the NFA rules.

"**Authorized User**" means any natural person who is authorized by a Participant to place Orders on its behalf. Without limitation, an Authorized User may include an employee of a Participant that is an entity, and an advisor authorized by a Participant to trade on its behalf.

"**Board of Directors**" means the Board of Directors of tZERO.

"**Business Day**" means any day other than a Saturday, Sunday or any other day on which banking institutions in New York, New York are authorized or required by law, regulation or executive order to be closed.

"**CEA**" means the Commodity Exchange Act as in effect from time to time.

"**CFTC**" means the Commodity Futures Trading Commission, and includes any successor agency or authority.

"**CFTC Regulation**" means any rule, regulation, order or directive and any interpretation thereof or guidance thereon issued from time to time by the CFTC.

"**Chief Compliance Officer**" means the individual appointed by the Board of Directors from time to time to serve as chief compliance officer of tZERO. For the avoidance of doubt, the Chief Compliance Officer shall serve as, and the responsibilities of the Chief

Compliance Officer shall include, the responsibilities of the chief regulatory officer under Part 38 and the responsibilities of a chief compliance officer under Part 39 of the CFTC Regulations.

"**Chief Executive Officer**" means the individual appointed by the Board of Directors from time to time to serve as chief executive officer of tZERO.

"**Chief Financial Officer**" means the individual appointed by the Board of Directors from time to time to serve as chief financial officer of tZERO.

"**Chief Risk Officer**" means the individual appointed by the Board of Directors from time to time to serve as chief risk officer of tZERO.

"**Clearing Privileges**" means the ability of the Participant to clear transactions through the tZERO Clearinghouse.

"**Closed Contract Position**" shall mean (a) any combination of long and short Open Contract Positions that have been offset against each other or (b) any Open Contract Position that has been offset by the tendering or receipt (as applicable) of a notice of payment.

"**Compliance Department**" means the Officers and employees of tZERO who are responsible for maintaining the compliance integrity of tZERO Exchange and the tZERO Clearinghouse.

"**Contracts**" means any contracts or transactions that tZERO may approve from time to time for trading on tZERO Exchange and clearing through tZERO Clearinghouse.

"**Contract Rules**" means the rules with respect to a particular Contract that govern the terms of, and the applicability of these Rules to, trading in such Contract.

"**Control**" means the power to exercise a controlling influence over the management or policies of a Person. Any Person who owns beneficially, directly or indirectly, more than 20% of the voting power in the election of directors of a corporation (or the election or appointment of the governing body of an Entity that is not a corporation), or more than 25% of the voting power in the election of directors of any other corporation (or other governing body) which directly or through one or more Affiliates owns beneficially more than 25% of the voting power in the election of directors of such corporation (or other governing body), shall be presumed to control such corporation or other entity absent a determination that it does not exercise a controlling influence. The terms "controlling" or "controlled" shall have meanings correlative to the foregoing.

"**Director**" means a member of tZERO Board of Directors.

"**Disciplinary Panel**" shall have the meaning ascribed to it in Rule 7.6.

"**Entity**" means on a specified date any Person other than a natural person (e.g., a corporation, partnership, sole proprietorship or trust).

"**Expiration Time**" means, in the case of a Fully-Collateralized Contract, the date specified time on a specified designated date established by tZERO as the expiration, or termination, of such Fully-Collateralized Contract.

"**Fully-Collateralized Contracts**" means Contracts with respect to which each party's obligations are fully paid at the time the Contracts are entered into, and with respect to which no further amounts are due, either for margin, settlement amounts or otherwise.

"**Incentive Program Participant**" means any Participant that has been appointed by tZERO to perform certain market-making functions or otherwise to provide liquidity with respect to one or more specified Contracts pursuant to an agreement between such Participant tZERO.

"ISV" means an independent software vendor.

"**Marketable Limit Order**" means a Contract executed when entered to the extent that there is an opposite Standing Limit Order open in tZERO Direct System.

"**NFA**" means the National Futures Association, and includes any successor organization.

"**Novation**" means the process by which a party to a transaction transfers all of its rights, liabilities, duties and obligations under the transaction to a new legal party other than the counterparty to the transaction. The transferee accepts all of the transferor's rights, liabilities, duties and obligations under the transaction. A Novation is valid as long as the transferor and the remaining party to the transaction are given notice, and the transferor, transferee and remaining party to the transaction consent to the transfer.

"**Officer**" shall have the meaning ascribed to it in Rule 2.4.

"**Open Contract Positions**" shall mean any Contract submitted by a Participant to the tZERO Clearinghouse, and accepted by the tZERO Clearinghouse, for clearing that has not been designated as a Closed Contract Position, including (a) any long or short position in such Contract without a matching position that such first position can be offset against; (b) any long or short position in such Contract with a matching position that such first position can be offset against but that is held open by such Participant under an approved hedge program; and (c) any long or short position in such Contract with a matching position that such first position can be offset against but that is held open under the applicable Contract Rules which defer offset until Contract expiration or another specified date.

"**Order**" means any order to buy or sell a Contract on or subject to the Rules.

"**Original Margin**" means the amount and type of assets required to be on deposit with the tZERO Clearinghouse pursuant to the applicable Contract Rules, in order to establish a position in the relevant Contract.

"**Participant**" means any Person that has been granted, and continues to have, Trading Privileges and/or Clearing Privileges, or otherwise remains subject to the jurisdiction of tZERO Exchange and/or the tZERO Clearinghouse under these Rules.

"**Payout Condition**" means that the condition to the obligation of a Seller to pay the Settlement Amount under a Fully-Collateralized Contract has occurred on the Expiration Time.

"**Person**" means any natural person, association, partnership, limited liability company, joint venture, trust or corporation.

"**Position Accountability Level**" means the size of positions in a Contract above which a Participant holding the positions is required to submit reports to tZERO Exchange.

"**Public Director**" has the meaning ascribed to it in Rule 2.5(b), provided that such definition shall be amended from time to time as may be necessary to conform to any amendments or modifications to the term "Public Director" set forth in CFTC Regulations as the CFTC may adopt from time to time.

"**Purchaser**" means the Participant that is the purchaser under a Contract. The Purchaser is the holder of a long position in such Contract.

"tZERO" means the Exchange and Clearinghouse, collectively.

"**tZERO Clearinghouse**" means tZERO DCO, LLC, a Delaware limited liability company.

"**tZERO Direct System**" means the proprietary order entry and execution system used by tZERO Exchange for the placement and execution of Orders or the collection and transmission of information relating to Contracts. Participants (and their Authorized Users) will access the tZERO Direct System directly via the internet.

"**tZERO Exchange**" means tZERO DCM, LLC, a Delaware limited liability company.

"**Regulatory Services Agreement**" shall have the meaning ascribed to it in Rule 2.11.

"**Regulatory Oversight Committee**" means the committee of the Board of Directors constituted in accordance with Rule 2.3.

"**Responsible Agent**" shall have the meaning ascribed to it in Rule 3.7(a).

"**Rulebook**" means the tZERO Direct System Rulebook.

"**Rules**" means the tZERO Direct System rules, as outlined in this Rulebook and as may be amended from time to time.

"**Seller**" means the Participant that is the seller under a Contract. The Seller is the holder of a short position in such Contract.

"**Settlement Amount**" means, in the case of a Fully-Collateralized Contract, the fixed amount required to be paid by the Seller to the Purchaser on the Settlement Date if the Payout Condition is satisfied.

"**Settlement Bank**" means a depository approved by tZERO as an acceptable location for depositing and holding Participant funds.

"**Settlement Date**" means the date established under the terms of a Contract as the date on which settlement of amounts owed with respect to such Contract must be paid.

"**Standing Limit Order**" means a Contract that will be executed when entered to the extent that there is an opposite Order open in the tZERO Direct System.

"**Trading Day**" means any day on which tZERO Exchange is open and available for the trading of Contracts and the tZERO Clearinghouse is open and available for the clearing of Contracts.

"**Trading Hours**" means, with respect to any Contract, the hours during which tZERO Exchange is regularly open for the trading of such Contract.

"**Trading Privileges**" means the ability of the Participant to enter into transactions on tZERO Exchange.

"**Underlying**" means the index, asset, rate, risk, measure, instrument, differential, indicator, value, contingency, occurrence, or extent of an occurrence that shall determine the amount payable or deliverable under a Contract traded on tZERO Exchange.

"**USD**" means United States dollar.

"**User ID**" shall have the meaning ascribed to it in Rule 4.2.

"**Variation Margin**" shall means the amount of cash or other collateral that a Participant is required to pay to the tZERO Clearinghouse based on fluctuations in the value of a Contract.

1.2. Rules of Interpretation

For all purposes of these Rules, except as otherwise expressly provided herein or unless the context otherwise requires:

(a) the terms defined in these Rules include the plural as well as the singular and *vice versa*;

(b) words importing gender include all genders;

(c) any reference to a Chapter or Rule refers to a Chapter or Rule of these Rules;

(d) any reference to these Rules refers to these Rules, including all Appendices hereto, and the words herein, hereof, thereto, hereto and hereunder and words of similar import refer to these Rules and their appendices as a whole and not to any particular Chapter, Rule or any other subdivision;

(e) references to days, months and years refer to calendar days, months and years, respectively;

(f) all references herein to "including" shall be deemed to be followed by the words "without limitation";

(g) any term used herein that is defined in the CEA or CFTC Regulations shall have the meaning assigned to it therein;

(h) in the event of a conflict between these Rules and the CEA or CFTC Regulations, the applicable provision of the CEA or CFTC Regulation shall govern;

(i) any term defined in the UCC and not otherwise defined herein shall have the meaning assigned to it therein; and

(j) all references herein to a time of day refer to local time in New York, New York.

1.3. Effect of Titles

The titles of these Rules have been inserted for convenience of reference only and shall not affect the meaning of these Rules.

1.4. Amendment of Rules

New Rules may be adopted, and existing Rules may be amended or repealed, by the Board of Directors. All such new Rules, amendments or repeals shall become effective on such date (after any required filing with, or approval thereof by, the CFTC) as may be determined by tZERO.

1.5. Contract Rules

Notwithstanding any provision of these Rules to the contrary, the Contract Rules with respect to a particular Contract shall govern the applicability of these Rules to trading in such Contract and, in the event of any conflict between these Rules and the Contract Rules, the Contract Rules shall govern with respect to trading in the relevant Contract.

CHAPTER II
GOVERNANCE

2.1. Authority of the tZERO Board of Directors

There will be a single Board of Directors of tZERO, which will serve as the Board of each of tZERO Exchange and the tZERO Clearinghouse and will have the authority to take actions either collectively or separately with respect to the tZERO Exchange and the tZERO Clearinghouse. The Board of Directors of tZERO has the power and authority to manage and direct the business and activities of tZERO including but not limited to the power to establish the standards for Participant eligibility and access to the secure portions of tZERO's website, the power to amend, adopt, or repeal these Rules, and the power to oversee the business conduct of Participants and impose penalties for violation of these Rules. The business and affairs of tZERO shall be managed by the Board of Directors in accordance with Applicable Law and the Board of Directors shall have all power and authority provided to a Board of Directors under Applicable Law. Notwithstanding the foregoing, the Board of Directors may, from time to time, delegate any or all aspects of the management of the day-to-day business and affairs of tZERO to the Chief Executive Officer.

The number of directors on the Board of Directors shall be five (5), at least two (2) of whom shall be Public Directors (or such other percentage of the Board of Directors as may be required by CFTC Regulations, as amended from time to time, *provided* that the number of Public Directors shall at all times equal no less than 35% of the entire Board of Directors). Any vote made by the Board of Directors that results in a tie will require that the Board of Directors reconvene to reconsider the matter until such tie is broken. The number of directors may be increased or decreased from time to time by a vote of the Board of Directors, provided that there are at all times at least five Directors.

The Board of Directors has the power and authority to call for review, and to affirm, modify, suspend or overrule, any and all decisions and actions of standing committees of the Board of Directors formed pursuant to Rule 2.2(a) and officers of tZERO appointed pursuant to Rule 2.4 (other than the Regulatory Oversight Committee).

2.2. Standing Committees

(a) Unless otherwise determined by the Board of Directors, the Board of Directors shall initially have one standing committee: the "Regulatory Oversight Committee". The Regulatory Oversight Committee shall have the authority granted to a regulatory oversight committee under Applicable Law and by the Board of Directors. The Board of Directors may create such additional standing committees of the Board of Directors as it may from time to time deem necessary or advisable. Members of such committees must be members of the Board of Directors. Each standing committee shall assist in the supervision, management and control of the affairs of tZERO within its particular area of responsibility and shall have the scope and authority granted to it by the Board of Directors.

(b) Except as otherwise specifically provided in these Rules, the members of standing committees shall be appointed by the chairperson of the Board of Directors, subject to approval by the Board of Directors. Each appointee shall serve for one (1) year or until the due appointment of his or her successor or his or her resignation or removal, with or without cause, by a majority vote of the Board of Directors. Subject to approval by the Board of Directors, the chairperson of the Board of Directors shall designate the chairperson of each standing committee.

(c) Subject to the authority of the Board of Directors, each standing committee shall determine the manner and form in which its proceedings shall be conducted, and may act at a meeting or without a meeting, and through a quorum composed of a majority of all its members then in office, inclusive of *ex officio* members. Except as otherwise specifically provided in these Rules, the decision of a majority of those present at a meeting at which a quorum is present, or the decision of a majority of those participating when at least a quorum participates, shall be the decision of the standing committee. Any or all members of any standing committee may participate in any meeting thereof by telephone or video conference or similar communications equipment by means of which all members participating in such meeting can hear and, if applicable, see each other.

(d) In the event of the absence or disqualification of any member of a standing committee from any meeting thereof, each of the following individuals, in the order of their availability, may appoint another qualified individual to act at the relevant meeting in the place of any such absent or disqualified member: (i) the chairperson of the Board of Directors; or (ii) the chairperson of the standing committee in question.

(e) tZERO may create additional committees or panels, for such purposes as may be necessary or advisable, as determined by the Board of Directors from time to time. Members of each such committee may be members of the Board of Directors, Participants, Authorized Users or such other individuals as may be qualified to serve on such committee. At least 35% of the members of each such committee designated by the Board of Directors shall be Public Directors (or individuals that would qualify as Public Directors if they were directors of tZERO). Any such committee or panel may serve indefinitely or for specified, limited periods of time, as determined by the Board of Directors.

2.3. Regulatory Oversight Committee

The Regulatory Oversight Committee of the Board of Directors shall consist solely of Public Directors, who shall be members of the Board of Directors, and shall be appointed from time to time by the chairperson of, and approved by, the Board of Directors. The Regulatory Oversight Committee shall oversee tZERO's regulatory compliance program on behalf of the Board of Directors. It shall make such recommendations to the Board of Directors as will, in its judgment, best promote the interests of tZERO, *provided* that, for the avoidance of doubt, any dissenting opinions from one or more members of the Regulatory Oversight Committee shall be reported to the Board of Directors along with any such recommendation. The Regulatory Oversight Committee shall also have such other powers and perform such other duties as the Board of Directors may delegate to it from time to time.

Without limiting the generality of the foregoing, the Regulatory Oversight Committee shall have authority to: (a) monitor tZERO's regulatory program for sufficiency, effectiveness and independence; (b) oversee all facets of tZERO's regulatory program, including trade practice and market surveillance, audits, examinations, and other regulatory responsibilities with respect to Participants (including ensuring compliance with financial integrity, financial reporting, sales practice, recordkeeping, and other requirements), and the conduct of investigations; (c) review the size and allocation of the regulatory budget and resources, and the number, hiring and termination, and compensation of regulatory personnel; (d) supervise tZERO's Chief Compliance Officer, who will report directly to the Regulatory Oversight Committee; (e) prepare

an annual report assessing tZERO's self-regulatory program for the Board of Directors and the CFTC, which sets forth the regulatory program's expenses, describes its staffing and structure, catalogues disciplinary actions taken during the year, and reviews the performance of disciplinary committees and panels; (f) recommend changes that would ensure fair, vigorous, and effective regulation; (g) review regulatory proposals and advise the Board of Directors as to whether and how such changes may impact regulation; and (h) exercise any other functions expressly assigned to it in these Rules or under Applicable Law.

2.4. Officers

(a) tZERO has appointed a Chief Executive Officer, Chief Compliance Officer and Chief Financial Officer and may appoint other such officers from time to time as determined by the board of directors (each individually an "**Officer**"). These Officers are appointed and may be dismissed (with or without cause) by majority vote of the Board of Directors. An individual may hold multiple Officer positions simultaneously, as determined by the Board of Directors.

(b) The Chief Executive Officer of tZERO may be (but shall not be required to be) a Director of tZERO. In the absence of the chairperson, the Chief Executive officer will perform the chairman's duties. In the event of a disagreement between the Chief Executive Officer and the Board of Directors or the chairperson as to a tZERO matter, the chairperson and/or Board of Directors shall control. Subject to the direction of the Board of Directors, the Chief Executive Officer will manage the overall business tZERO.

(c) The Chief Compliance Officer of tZERO will be responsible for managing the day-to-day regulatory compliance functions of tZERO. The Chief Compliance Officer will also keep the minutes of the meetings of the Directors.

(d) The Chief Financial Officer of tZERO will be responsible for all funds and other financial assets of tZERO and in general perform all duties incident to the office of Chief Financial Officer and such other duties as from time to time may be assigned by the Chief Executive Officer or the Board of Directors. If the function of the office of the Chief Financial Officer is outsourced to a service provider, the Chief Executive Officer shall be responsible for oversight of this function.

(e) The Board of Directors of tZERO may also appoint a Chief Risk Officer. The Chief Risk Officer of tZERO will be responsible for managing the tZERO Clearinghouse operations.

2.5. Eligibility

(a) No Person may serve as an Officer or Director of tZERO, or serve on any disciplinary committee, arbitration panel or oversight panel of tZERO or as the Chief Compliance Officer if such Person:

(i) was found within the past three (3) years by a final decision of a self-regulatory organization, an administrative law judge, a court of competent jurisdiction or the CFTC to have committed a violation of Applicable Law;

(ii) entered into a settlement agreement within the past three (3) years in which any of the findings or, in absence of such findings, any of the acts charged included a violation of Applicable Law;

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

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

(B) a settlement agreement in which any of the findings or, in the absence of such findings, any of the acts charged included a violation of Applicable Law;

(iv) is currently subject to an agreement with the CFTC or any self-regulatory organization not to apply for registration with the CFTC or membership in any self-regulatory organization;

(v) is currently subject to or has had imposed on him or her within the past three years a CFTC registration revocation or suspension in any capacity for any reason, or has been convicted within the past three years of any of the felonies listed in Section 8a(2)(D)(ii) through (iv) of the CEA;

(vi) is currently 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; or

(vii) is subject to a statutory disqualification under Sections 8a(2) and 8a(3) of the CEA.

(b) To qualify as a "**Public Director**", an individual must be found, by action of the Board of Directors, on the record, to satisfy the requirements of a "public director" under Appendix B to Part 38 of the CFTC Regulations.

(c) In addition to the requirements of Rule 2.5(a) and (b), the Chief Compliance Officer appointed by tZERO must be an individual who (i) is knowledgeable about futures trading and futures market operations as well as CFTC Regulations; and (ii) reports directly to the Regulatory Oversight Committee.

2.6. Emergency Rules

(a) In the event of an Emergency, as described in paragraph (c) of this Rule 2.6, the Chief Executive Officer or any individual designated by the Chief Executive Officer may place into immediate effect a temporary emergency rule, which may remain in effect for up to thirty (30) calendar days, to undertake actions necessary or appropriate to respond to the Emergency, provided

that, as soon as reasonably practicable within such thirty (30) calendar day period, the Board of Directors considers and approves such action and, if it disapproves such action, the temporary emergency rule shall be terminated. Should the Emergency persist for longer than thirty (30) calendar days, such temporary emergency rules may be extended for additional thirty (30) calendar day periods, so long as there is: (1) an affirmative vote of two-thirds of the members of the Board of Directors at a meeting at which a quorum is present; or (2) there is a written authorization and acknowledgement signed by at least two Officers of tZERO, provided that, as soon as reasonably practicable within such thirty (30) calendar day period, the Board of Directors considers and approves such action and, if it disapproves such action, the temporary emergency rule shall be terminated. In any event, the rationale for invoking such emergency authority should be documented by the Board of Directors as soon as reasonably practicable.

(b) Any temporary emergency rule adopted under this Rule may authorize tZERO to act as the Board of Directors or Officers deem necessary or appropriate to meet the Emergency, and those actions may adversely affect the ability to trade on tZERO or clear transactions through the tZERO Clearinghouse. Therefore, the possibility of an Emergency, and of tZERO taking emergency action, is one of the risks that Participants should consider when deciding whether to trade and clear transactions on tZERO.

(c) An "Emergency" may include any of the following circumstances, subject to the determination of the Board of Directors:

(i) any trading activity that constitutes manipulation or attempted manipulation of the tZERO Exchange or tZERO Clearinghouse;

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

(iii) any circumstance that may materially affect the performance of the Contracts traded on tZERO, including failure of the payment system or bankruptcy or insolvency of any participants;

(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 and material impact on trading on or clearing through tZERO;

(v) any circumstances that may have a severe, adverse impact upon the functions or operation of tZERO 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 Participant to perform on Contracts;

(vii) any circumstance in which it appears that a Participant 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 Participants or tZERO 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 things as the fair and orderly trading in, or the liquidation of, or delivery pursuant to Contracts traded on tZERO.

(d) If deemed necessary to combat perceived market threats caused by an Emergency, a tZERO official authorized to do so may suspend trading on tZERO Exchange and clearing through the tZERO Clearinghouse 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 tZERO to function properly.

(e) tZERO will make every effort practicable to notify the Director of the Division of Market Oversight of the CFTC, the Director's delegates, and/or other persons designated by the CFTC's Regulations that tZERO intends to implement, modify, or terminate a temporary emergency rule pursuant to Rule 2.6(a) or an action in response to an emergency pursuant to Rule 2.6(d) prior to the implementation, modification, or termination of the rule or action. If it is not possible to notify the CFTC prior to the implementation, modification, or termination of the rule or action, tZERO will notify the CFTC 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.

2.7. Restrictions on Certain Persons Who Possess Material, Non-Public Information

(a) No Officer, Director, employee, or agent of tZERO, and no member of any committee established by the Board of Directors of tZERO, shall use or disclose any material, non-public information obtained in connection with the performance of his or her official duties, for any purpose other than the performance of his or her official duties.

(b) No Officer, Director, employee or agent of tZERO, and no member of any committee established by the Board of Directors of tZERO, shall disclose to any other Person material, non-public information, however obtained (including, without limitation, material non-public information obtained by an employee or agent of tZERO in connection with such employee or agent's employment or agency, as the case may be), if such Person could reasonably expect that such information might assist another Person in trading any Contract or related contract or financial instrument.

(c) No Officer, Director, employee or agent of tZERO, and no member of any committee established by the Board of Directors of tZERO, shall trade in any Contract. Any Director that is affiliated with a Participant shall not be permitted to trade in Contracts on behalf of such Participant and shall, when and to the extent necessary or appropriate, recuse himself or

herself from any Board deliberations on any matter related to the relevant Participant, or such Participant's trading activity.

(d) For purposes of this Rule 2.7, the terms "material information," "non-public information" and "commodity interest" shall have the meanings ascribed to them in CFTC Regulation 1.59.

(e) Notwithstanding the foregoing, the restrictions of this Rule 2.7 do not apply to Affiliates of tZERO.

2.8. Conflicts of Interest

tZERO is subject to and will ensure compliance with CFTC Regulation 1.69, which prohibits members of the Board of Directors or any disciplinary or oversight committee or subcommittee from taking part in any deliberations or voting on any matter in which members of the Board of Directors, committee, or subcommittee member have an interest or have a relationship with a named party in interest. CFTC Regulation 1.69 also requires disclosure by members of the Board of Directors, committee, or subcommittee of interests and relationships in certain circumstances. Consequently, members of the Board of Directors, committee, and subcommittee members shall not participate in the deliberations regarding, or vote on, any matter in which members of the Board of Directors, committee, or subcommittee have an interest or have a relationship with a named party in interest, all as defined in CFTC Regulation 1.69, and shall disclose such interests in accordance with, and otherwise comply with, CFTC Regulation 1.69.

tZERO Clearinghouse provides Clearing Services for tZERO Exchange and is an affiliate of tZERO Exchange. In addition, tZERO Clearinghouse employees also work for tZERO Exchange. This affiliation and the existence of employees who work for both tZERO Exchange and tZERO Clearinghouse may present conflicts of interest. Participants should take this into consideration prior to clearing with tZERO Clearingouse or trading on tZERO Exchange.

2.9. Indemnification of Members of the Boards of Directors, Officers, and Others

tZERO 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 tZERO or is or was serving at the request of tZERO as a Director, Officer, employee, or agent of tZERO 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. tZERO may purchase and maintain insurance on behalf of any person who is or was a Director, Officer, employee, or agent of tZERO 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 tZERO would have the power to indemnify such person against such liability under the provisions of this Rule 2.9. 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 CFTC under Section 6b of the CEA.

2.10. Regulatory Cooperation

(a) tZERO may from time to time enter into such agreements with domestic or foreign self-regulatory organizations, associations, boards of trade and their respective regulators providing for the exchange of information and other forms of mutual assistance for financial surveillance, routine audits, market surveillance, investigative, enforcement and other regulatory purposes as tZERO may consider necessary or appropriate or as the CFTC may require.

(b) The Chief Executive Officer or their delegate is authorized to provide information to an exchange or clearing organization that is a party to an information sharing agreement with tZERO, in accordance with the terms and conditions of such agreement.

(c) All information received by tZERO with respect to any information sharing agreement, shall be held in confidence by tZERO and shall not be provided to any of its nonregulatory departments or divisions or any other person (including to any affiliate of tZERO, except as follows:

(i) to the governmental authority(ies) responsible for regulating financial instruments in the home jurisdiction of the requesting information sharing agreement member;

(ii) pursuant to an order of a court or other lawful process; or

(iii) as it may be necessary for conducting any investigation or disciplinary proceeding.

2.11. Regulatory Services Agreement

tZERO will be contracting with a third-party regulatory services consultant to provide certain regulatory services pursuant to a regulatory services agreement (the "**Regulatory Services Agreement**"). In accordance with the Regulatory Services Agreement, the third-party consultant may perform certain surveillance, investigative, and regulatory functions under the Rules and the tZERO Exchange may provide information to this consultant in connection with the performance by the consultant of those functions. Without limitation of the foregoing, any of the powers or functions of the tZERO Exchange under these Rules may be delegated to the consultant pursuant to the Regulatory Services Agreement in such manner and on such terms as the tZERO Exchange and the consultant may mutually agree.

CHAPTER III
PARTICIPANTS

3.1. Participant Eligibility

(a) To be eligible to trade on tZERO Exchange and clear transactions through the tZERO Clearinghouse, Participants must: (i) satisfy all requirements generally applicable to Participants and Authorized Users under these Rules; (ii) satisfy such financial criteria as may be prescribed by tZERO from time to time; (iii) have sufficient technical and operational capabilities to fulfill any other obligations applicable to Participants or their Authorized Users as may from

time to time be required by tZERO; and (iv) satisfy such other requirements or criteria as may from time to time be adopted by tZERO.

(b) If the Participant is not a natural person applying for a personal account, the Participant must satisfy the following criteria, and must represent to tZERO that it does so:

(i) It is duly organized, validly existing and in good standing under the laws of the jurisdiction in which it is organized and has all licenses necessary to carry on its business as now being conducted;

(ii) It has the legal authority and is duly authorized and empowered to become a Participant and to effect transactions in Contracts on tZERO Exchange, or to effect transactions in any other relevant contracts, agreements or transactions, cleared through the tZERO Clearinghouse;

(iii) It is not subject to a statutory disqualification under Sections 8a(2) or 8a(3) of the CEA;

(iv) It has a mechanism that is acceptable for transferring funds to and receiving funds from the Participant's Account;

(v) It has appointed one or more Authorized User(s) pursuant to Rule 3.4; and

(vi) It satisfies such other requirements or criteria as may from time to time be adopted by tZERO.

(c) If the Participant is a natural person applying for a personal account, the Participant must satisfy the following criteria and represent that it:

(i) Is at least eighteen (18) years of age and has attained the age of majority in their state and/or country of residence;

(ii) Is not subject to a statutory disqualification under Sections 8a(2) or 8a(3) of the CEA;

(iii) Has a mechanism that is acceptable for transferring funds to and receiving funds from the Participant's Account; and

(iv) Satisfies such other requirements or criteria as may from time to time be adopted by tZERO.

(d) Notwithstanding anything in the foregoing paragraphs (c) or (d) to the contrary, in considering any applicant for status as a Participant or an Authorized User of a Participant, tZERO may request additional information, or employ such other means that it deems desirable or appropriate, to ascertain relevant facts bearing on the applicant's qualifications; and

(e) tZERO in its sole discretion may deny (or may condition) the grant of Trading Privileges and/or Clearing Privileges of any Participant or any Authorized User if such Person is unable satisfactorily to demonstrate a capacity to adhere to all applicable Rules and CFTC Regulations, or for such other causes as tZERO may determine from time to time.

(f) tZERO in its sole discretion may condition or revoke a Participant's Trading Privileges and/or Clearing Privileges or, in the case of an Authorized User, condition or revoke its ability to trade and clear on behalf of a Participant, if any of the circumstances specified in the preceding paragraph (e) exist with respect to such Participant or Authorized User, or such Participant or Authorized User:

(i) fails to meet any of the qualification requirements for Trading Privileges and/or Clearing Privileges or status as an Authorized User;

(ii) fails to meet any condition placed by tZERO on such Trading Privileges and/or Clearing Privileges or status as an Authorized User;

(iii) is obligated to submit a notice to tZERO under Rule 3.6(h); or

(iv) violates any agreement with tZERO, any Rule or any provision of Applicable Law.

(g) Futures commission merchants or other brokers or intermediaries shall not be permitted to submit trades in Contracts for execution on behalf of customers. Only Participants and Authorized Users authorized to execute trades in Contracts on behalf of Participants may submit Orders for transactions in Contracts, and only subject to the conditions and requirements set forth in the Rules.

3.2. Participant Applications

(a) Each application to become a Participant shall be in such form as may from time to time be prescribed by tZERO. Each applicant to become a Participant shall promptly update the application materials if any of the information provided therein becomes inaccurate or incomplete. tZERO shall act upon, and approve or disapprove, any such application without unreasonable delay.

(b) Each applicant to become a Participant shall:

(i) submit to tZERO executed forms of the Participant Agreement and all application documents; and

(ii) agree in written or electronic form to abide by these Rules and Applicable Law.

(c) Upon tZERO's approval of an applicant's Participant application and upon tZERO's confirmation that the initial fee payable by the applicant has been paid to tZERO, the applicant shall become a Participant and obtain Trading Privileges and Clearing Privileges.

(d) If tZERO denies an applicant's Participant application, the applicant may appeal the decision by filing with the Compliance Department a petition for review of such application denial or trading limitation. The petition should describe in detail the reasons why the application should be granted. The petition must be filed within thirty (30) Business Days from the date upon which notice of the denial of the applicant's Participant application was provided by tZERO. The decision of the Compliance Department will be final. An applicant whose Participant application has been denied by the Compliance Department will not be eligible for reapplication during the six months immediately following such denial.

3.3. Participant Accounts

(a) tZERO will establish an account on its books and records in the name and on behalf of the Participant (each such Account referred to herein as the "**Account**"). The Participant will be responsible for all Orders, transactions and other activity in or through its Account and for all amounts due with respect to any such Orders. Each Participant and its Authorized Users shall have the right to access the tZERO Direct System, including the right to place Orders for the Participant's Account.

(b) By virtue of obtaining Trading Privileges, a Participant shall not obtain any equity or other interest in tZERO, including voting rights or rights to receive any dividends or other distributions, whether arising from a dissolution, merger, consolidation involving tZERO or otherwise.

3.4. Authorized Users

(a) Each Participant that is an Entity shall be required to appoint one or more individuals to act as its Authorized User or Authorized Users, as applicable. Participants that are natural persons may act as their own Authorized User or may appoint a third party as his or her Authorized User, pursuant to a power of attorney or other instrument, in a form prescribed or approved by tZERO, providing such third party with discretionary or non-discretionary trading authority with respect to the Participant's Account. The third party to which an individual Participant grants trading authority may be a related person of the Participant, or any unaffiliated party.

(b) Each Authorized User with discretionary trading authority with respect to the Participant's Account (i) must be a natural person and (ii) must satisfy any other requirements as may be prescribed by tZERO from time to time.

(c) Without limiting the foregoing, each Authorized User must consent, in a form satisfactory to tZERO, to abide by the Rules and Applicable Law prior to accessing the tZERO Direct System, and each Participant will ensure on an ongoing basis that (i) none of its Authorized Users is subject to a disqualification pursuant to any Applicable Law (unless an appropriate exemption has been obtained with respect thereto); (ii) each of its Authorized Users will be technically proficient; (iii) each of its Authorized Users will conduct its business in a fair and equitable manner; and (iv) each of its Authorized Users will conduct its business in accordance with the Rules.

(d) tZERO may withdraw or suspend the registration of any Authorized User if tZERO determines that:

(i) an Authorized User has failed, or has caused the Participant to fail, to comply with the Rules of tZERO;

(ii) an Authorized User is not properly performing the responsibilities of an authorized representative of a Participant;

(iii) an Authorized User has failed to comply with the conditions set forth in paragraph (c) of this Rule; or

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

(e) If the Participant withdraws or tZERO suspends the registration of any Authorized User, the Participant must ensure that such Authorized User does not submit any quotes or Orders into the tZERO Direct System.

(f) The registration of an Authorized User will be withdrawn upon the written request of either the Authorized User or the Participant for which an Authorized User is registered. Such written request shall be submitted in a manner prescribed by tZERO. Until such written request is received and processed by tZERO, or an Authorized User's registration is suspended or withdrawn pursuant to paragraph (d) of this Rule, a Participant will be responsible for all activity of such Authorized User(s) related to tZERO.

3.5. Amounts Payable by Participants

(a) tZERO shall have the sole authority to establish the amounts of any fees to be paid by Participants, and the timing of payment of such fees, and such fees shall be paid when due. In addition, tZERO shall have the sole authority to impose minimum withdrawal amounts, fees for inactivity or other fees as it deems appropriate. tZERO may post an updated fee schedule on its website from time to time. Participants are deemed to have notice of any changes made to such fee schedule that are posted on the tZERO website.

(b) Unless tZERO, at its discretion, elects not to do so in any particular instance, tZERO will withdraw the relevant fees directly from each Participant's Account. The Participant agrees to pay, and authorizes tZERO to withdraw from its Account: (a) any fees or charges associated with any transactions executed or cleared on tZERO for its Account at such rate as is posted on tZERO's website; (b) any costs or expenses incurred by tZERO in connection with its Account, including, but not limited to, any non-sufficient funds charges or charges imposed by tZERO's settlement bank; (c) any other charges agreed upon between the Participant and tZERO; and (d) any other fines or penalties that may be imposed by tZERO from time to time.

(c) If a Participant fails to pay when due any tZERO fees or other amounts due by such Participant, and such payment obligation remains unsatisfied for thirty (30) Business Days after its due date, tZERO as it deems necessary or appropriate, may suspend, revoke, limit, condition, restrict or qualify the Trading Privileges and/or Clearing Privileges of such Participant

and its Authorized Users. Moreover, tZERO may submit any amounts owed by a Participant in excess of thirty (30) Business Days to a third party collection agency. tZERO reserves the right to pursue any and all allowable legal action, whether criminal or civil, against the Participant to recover losses incurred as the result of fraud or misconduct, including attorney's fees and other legal expenses, and any other remedies permitted by law.

3.6. Participant Obligations

(a) By accessing, or entering any Order into, the tZERO Direct System, and without any need for any further action, undertaking or agreement, a Participant and its Authorized Users agree (i) to be bound by, and comply with, the Rules and Applicable Law; and (ii) to submit to the jurisdiction of tZERO with respect to any and all matters arising from, related to, or in connection with, the status, actions or omissions of such Participant and its Authorized Users. Any Participant and its Authorized Users whose Trading Privileges and/or Clearing Privileges are revoked or terminated shall remain bound by the Rules and Applicable Law and subject to the jurisdiction of tZERO with respect to any and all matters arising from, related to, or in connection with, the status, actions or omissions of such Participant and its Authorized Users prior to such revocation or termination.

(b) Each Participant shall be required to satisfy such minimum financial requirements as may be established from time to time by tZERO Exchange or the tZERO Clearinghouse.

(c) All Participant communications with tZERO, including keystrokes entered by the Participant on tZERO, emails and telephone calls, may be recorded without further notice, and such recordings may be provided to regulatory authorities (subject to and in compliance with Applicable Laws) and used as evidence in the event of any dispute. Such recordings will be and remain the sole property of tZERO and will, in the absence of manifest error, be accepted by the Participant as evidence of the communications so recorded. The period of retention of such recordings shall be as required by Applicable Law or any such longer period as may be determined by tZERO in its sole discretion. Further, such recordings may be used for tZERO's own purposes (including, without limitation, for purposes of monitoring levels of activities in categories of transactions) and not for the Participant's benefit.

(d) Each Participant and any Authorized User(s) thereof must also cooperate promptly and fully with tZERO, its agents, and/or the CFTC in any investigation, call for information, inquiry, audit, examination, or proceeding. Such cooperation shall include providing tZERO with access to information on the activities of such Participant and/or Authorized User in any referenced or related market that provides the underlying prices for any tZERO Contract or that is otherwise related to the pricing or trading of any Contract.

(e) Each Participant consents to allow tZERO to provide all information tZERO has in its possession or control regarding the Participant, including the Participant's trading activity, to the CFTC or any other regulatory agency, 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.

(f) The Rulebook, all amendments thereto and notices and policies thereunder, as well as the specifications for the Contracts from time to time traded and cleared on tZERO, will be publicly available on the tZERO website. Each Participant and each Participant's Authorized Users(s) will be automatically bound by any notices, interpretations, guidance, rule changes or other material posted by tZERO on its website, without any further action by the Participant or Authorized User(s). Each Participant and Authorized User is required to review the "Notices" section of the tZERO website to make themselves aware of material changes to these Rules or other notices that may affect their rights and obligations as a Participant of tZERO. As mentioned above, tZERO shall publish a notice with respect to each addition to, modification of, or clarification of, the Rules, any action to implement any Rules, or any notices, interpretations or guidance, in a form and manner that is reasonably designed to enable each Participant to become aware of and familiar with, and to implement any necessary preparatory measures to be taken by it with respect to, such material, prior to the effective date thereof; *provided* that any failure of tZERO to so publish a notice shall not affect the effectiveness of the material in question. For purposes of publication in accordance with the first sentence of this Rule 3.6, it shall be sufficient (without limiting the discretion of tZERO as to any other reasonable means of communication) if a notice is published on tZERO's website.

(g) Each Participant must provide tZERO with the current electronic mail address for each of its Authorized Users and immediately (and in any event within 24 hours) update each such address whenever it changes. All communications between tZERO and the Participant (and its Authorized Users) will be transmitted by email and/or posted on the tZERO website.

(h) Each Participant must immediately notify tZERO in writing upon becoming aware:

(i) that the Participant, any of the Participant's officers, employees or any of the Participant's Authorized Users has had access or trading privileges or clearing privileges suspended, or Participant status is denied, in any commodity, futures, securities, or swaps exchange, or any other trading platform or regulatory self-regulatory agency;

(ii) that the Participant, any of the Participant's officers, employees or any of the Participant's Authorized Users has been convicted of, pled guilty or no contest to, or entered a plea agreement to, any felony in any domestic, foreign or military court;

(iii) that the Participant, any of the Participant's officers, employees or any of the Participant's Authorized Users has been convicted of, plead guilty or no contest to, or entered a plea agreement to a misdemeanor in any domestic, foreign or military court which involves:

(1) embezzlement, theft, extortion, fraud, fraudulent conversion, forgery, tax evasion, counterfeiting, false pretenses, bribery, gambling, racketeering, or misappropriation of funds, securities or properties; or

(2) any transaction in or advice concerning swaps, futures, options on futures, leveraged transactions or securities;

(iv) that the Participant, any of the Participant's officers, employees or any of the Participant's Authorized Users has been subject to, or associated with a firm that was subject to regulatory proceedings before any governmental or regulatory agency;

(v) that the Participant, any of the Participant's officers, employees or any of the Participant's Authorized Users is currently a party to any investigation or proceeding, the resolution of which could result in an event described in Rule 3.6(h)(i)-(iv);

(vi) of any other material change in any information contained in the Participant's application to become a Participant on tZERO;

(vii) of becoming subject to early warning reporting under CFTC Regulation 1.12;

(viii) of becoming the subject of a bankruptcy petition, receivership proceeding, or the equivalent, or being unable to meet any financial obligation as it becomes due; or

(ix) of information that concerns any financial or business developments that may materially affect the Participants' ability to continue to comply with participation requirements.

Upon the receipt of such notice, tZERO may take any action it determines to be appropriate, in its sole discretion with respect to such Participant, including but not limited to the revocation of such Participant's Trading Privileges and/or Clearing Privileges.

(i) Each Participant must diligently supervise all activities of the Participant's employees and/or agents, including all Authorized Users, relating to transactions effected on tZERO. Any violation of these Rules by any employee of a Participant may constitute a violation of the Rules by such Participant.

(j) A Participant is not required to engage in trading activity or maintain a minimum balance in its Account after initial funding. Notwithstanding the foregoing, tZERO has the authority to impose minimum withdrawal amounts or fees for inactivity, which will, if imposed, be posted on the tZERO website from time to time.

(k) Recordkeeping

(i) Each Participant must maintain audit trail information as required by the CEA and CFTC Regulations, including, but not limited to, CFTC Regulations 1.31 and 1.35 if applicable, and must be able to produce this data in a standard format upon request from tZERO.

(ii) Each Participant which holds a position that is in excess of the Position Accountability Levels of any Contract must prepare, maintain, keep current and retain those books and records for the life of each Contract, including records of the instrument used as a reference price, underlying commodities and related derivatives for five years following the termination of such Contract, and any other books and records required by these

Rules, the CEA and CFTC Regulations for the time period required by these Rules, the CEA and CFTC Regulations.

(iii) The books and records required to be kept under subparagraphs (i) and (ii) above shall be readily available for inspection, at any time, on a routine or non-routine basis and promptly provided to tZERO, the NFA, the CFTC, the SEC or the U.S. Department of Justice, upon request, in each case in the form and manner required under these Rules, and/or the CEA and CFTC Regulations.

3.7. Responsible Agents

(a) Each Participant that is an Entity shall at all times have at least one employee or agent (each, a "**Responsible Agent**") designated as its administrator with respect to the use of the tZERO Direct System by the Authorized Users of such Participant. Each Participant that is a natural person shall serve as its own Responsible Agent. tZERO may prescribe such qualification standards for Responsible Agents as it may from time to time determine necessary or advisable. Among other things, each Responsible Agent shall (i) have full control over access to the tZERO Direct System by the Participant (including its Authorized Users) represented by such Responsible Agent; and (ii) be able to access, and, if required, modify and withdraw, any and all Orders placed, or purported to be placed, by the Authorized Users of such Participant. The Responsible Agent(s) of any Participant shall also be solely responsible for any and all communications between tZERO and such Participant, and any and all notices or other communications sent to such Responsible Agent(s) by tZERO shall be binding on such Participant. Each Participant shall notify tZERO promptly of any change regarding any of its Responsible Agents. Each Participant shall (i) be solely responsible for controlling and monitoring the use of all User IDs and passwords to access the tZERO Direct System (issued to its Authorized Users and Responsible Agent(s) by tZERO; (ii) provide such User IDs and passwords only to its Authorized Uses and Responsible Agent(s); and (iii) shall notify tZERO promptly upon becoming aware of any unauthorized disclosure or use of the User IDs or passwords or access to tZERO or of any other reason for deactivating User IDs or passwords. Each Participant, on behalf of itself and its Authorized Users, shall be bound by any actions taken through the use of its User IDs and passwords (other than any such actions resulting from the fault or negligence of tZERO), including the execution of transactions, whether or not such actions were authorized by such Participant or any of its supervised persons or executed by anyone other than an Authorized User of such Participant.

(b) Notwithstanding anything to the contrary in Rule 3.7(b), each Authorized User shall have his or her own unique User IDs and passwords that may be used only by such Authorized User and solely for the purpose of submitting Orders in respect of the Account for which the Authorized User has Trading Privileges.

3.8. Incentive Programs

tZERO may from time to time adopt one or more programs under which one or more Participants or Authorized Users may be designated as Incentive Program Participants with respect to one or more Contracts, and may be granted certain benefits in return for assuming obligations in order to provide liquidity and orderliness in the market or markets for such Contract. Any such program may provide for any or all of the following:

(a) qualifications, including any minimum net capital requirements, that any such Incentive Program Participant must satisfy;

(b) the procedure by which Participants or Authorized Users may seek and receive designation as Incentive Program Participants;

(c) the obligations of such Incentive Program Participants, including any applicable minimum bid and offer commitments; and

(d) the benefits accruing to such Incentive Program Participants, including priority in the execution of transactions effected by Participants or Authorized Users in their capacity as Incentive Program Participants, reduced transaction fees or the receipt of compensatory payments from tZERO.

3.9. Limitation of Liability

EXCEPT AS OTHERWISE PROVIDED IN THESE RULES, AND EXCEPT IN INSTANCES WHERE THERE HAS BEEN A FINDING OF WILLFUL MISCONDUCT OR GROSS NEGLIGENCE, IN WHICH CASE THE PARTY FOUND TO HAVE ENGAGED IN SUCH CONDUCT CANNOT AVAIL ITSELF OF THE PROTECTIONS IN THIS RULE 3.9, NEITHER tZERO (INCLUDING ITS AFFILIATES AND ANY CONTRACTORS AND SUB-CONTRACTORS PROVIDING SERVICES TO tZERO) NOR ANY OF ITS RESPECTIVE DIRECTORS, OFFICERS, EMPLOYEES OR AGENTS SHALL BE LIABLE TO ANY OTHER PERSON, INCLUDING ANY PARTICIPANT OR PERSON ASSOCIATED WITH A PARTICIPANT (INCLUDING ANY AUTHORIZED USERS), FOR ANY LOSSES, DAMAGES, COSTS OR EXPENSES (INCLUDING LOSS OF PROFITS, LOSS OF USE, DIRECT, INDIRECT, INCIDENTAL OR CONSEQUENTIAL DAMAGES), ARISING FROM (A) ANY FAILURE OR MALFUNCTION OF THE tZERO DIRECT SYSTEM OR ANY tZERO EXCHANGE SERVICES OR tZERO CLEARINGHOUSE SERVICES OR FACILITIES USED TO SUPPORT THE tZERO DIRECT SYSTEM; OR (B) 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 tZERO DIRECT SYSTEM OR ANY tZERO EXCHANGE SERVICES OR tZERO CLEARINGHOUSE SERVICES OR FACILITIES USED TO SUPPORT THE tZERO DIRECT SYSTEM. THE FOREGOING SHALL APPLY REGARDLESS OF WHETHER A CLAIM ARISES IN CONTRACT, TORT, NEGLIGENCE, STRICT LIABILITY OR OTHERWISE. FURTHERMORE, THERE SHALL BE NO LIABILITY BASED UPON, OR IN CONNECTION WITH, ANY QUOTE OR OTHER INFORMATION IF NO CORRELATIVE PURCHASE OR SALE OF A CONTRACT IS MADE, AND IF A CORRELATIVE PURCHASE OR SALE OF A CONTRACT IS MADE, ANY LIABILITY SHALL BE LIMITED IN AMOUNT TO THE AGGREGATE PRICE OF THE CONTRACTS PURCHASED OR SOLD.

THERE ARE NO EXPRESS OR IMPLIED WARRANTIES OR REPRESENTATIONS PROVIDED BY tZERO (INCLUDING ITS AFFILIATES AND ANY CONTRACTORS AND SUBCONTRACTORS PROVIDING SERVICES TO tZERO), RELATING TO THE tZERO DIRECT SYSTEM OR ANY tZERO EXCHANGE SERVICES OR

tZERO CLEARINGHOUSE SERVICES OR FACILITIES USED TO SUPPORT THE tZERO DIRECT SYSTEM, INCLUDING WARRANTIES OF MERCHANTABILITY AND WARRANTIES OF FITNESS FOR A PARTICULAR PURPOSE OR USE. THE SERVICES OF THE tZERO EXCHANGE AND THE tZERO CLEARINGHOUSE ARE BEING PROVIDED ON AN "AS IS" BASIS AT THE SOLE RISK OF THE PARTICIPANT AND ANY PERSON ASSOCIATED WITH THE PARTICIPANT (INCLUDING ANY AUTHORIZED USER). NEITHER tZERO (INCLUDING ITS AFFILIATES AND ANY CONTRACTORS AND SUBCONTRACTORS PROVIDING SERVICES TO tZERO) NOR ANY OF ITS RESPECTIVE DIRECTORS, OFFICERS, EMPLOYEES OR AGENTS MAKE ANY WARRANTY WITH RESPECT TO, AND NO SUCH PARTY SHALL HAVE ANY LIABILITY TO ANY PARTICIPANT OR ANY PERSON ASSOCIATED WITH A PARTICIPANT (INCLUDING ANY AUTHORIZED USER) FOR, THE ACCURACY, TIMELINESS, COMPLETENESS, RELIABILITY, PERFORMANCE OR CONTINUED AVAILABILITY OF THE tZERO DIRECT SYSTEM OR THE tZERO EXCHANGE OR THE tZERO CLEARINGHOUSE, DELAYS, OMISSIONS OR INTERRUPTIONS IN tZERO EXCHANGE SERVICES OR tZERO CLEARINGHOUSE SERVICES OR THE CREDITWORTHINESS OF ANY OTHER PARTICIPANT OR ANY PERSON ASSOCIATED WITH A PARTICIPANT (INCLUDING ANY AUTHORIZED USER). tZERO SHALL HAVE NO DUTY OR OBLIGATION TO VERIFY ANY INFORMATION DISPLAYED ON THE tZERO DIRECT SYSTEM OR OTHERWISE. EACH PARTICIPANT AND EACH PERSON ASSOCIATED WITH A PARTICIPANT (INCLUDING ANY AUTHORIZED USER) ACKNOWLEDGES AND AGREES THAT tZERO (INCLUDING ITS AFFILIATES AND ANY CONTRACTORS AND SUBCONTRACTORS PROVIDING SERVICES TO tZERO) DOES NOT AND SHALL NOT SERVE AS THE PRIMARY BASIS FOR ANY DECISIONS MADE BY SUCH PARTICIPANT OR PERSON ASSOCIATED WITH A PARTICIPANT (INCLUDING ANY AUTHORIZED USER), AS THE CASE MAY BE, AND IS NOT AN ADVISOR OR FIDUCIARY OF SUCH PARTICIPANT OR PERSON ASSOCIATED WITH A PARTICIPANT (INCLUDING ANY AUTHORIZED USER), AS THE CASE MAY BE.

EXCEPT AS OTHERWISE PROVIDED IN THESE RULES, ANY LIABILITY OF tZERO (OTHER THAN LIABILITY THAT IS EXCLUDED PURSUANT TO THE PRECEDING TWO PARAGRAPHS OF THIS RULE 3.9) WILL BE LIMITED TO DIRECT, OUT-OF-POCKET LOSSES DIRECTLY CAUSED BY THE ACTS OR OMISSIONS OF tZERO OR ITS DIRECTORS, OFFICERS, EMPLOYEES OR AGENTS; PROVIDED THAT THE TOTAL COMBINED AGGREGATE LIABILITY OF tZERO AND ITS DIRECTORS, OFFICERS, EMPLOYEES OR AGENTS TO ANY ONE PARTICIPANT SHALL NOT, TAKEN TOGETHER WITH ANY LIABILITY OF THE tZERO CLEARINGHOUSE TO SUCH PARTICIPANT RESULTING FROM THE ACTS OR OMISSIONS OF THE tZERO CLEARINGHOUSE OR ITS DIRECTORS, OFFICERS, EMPLOYEES OR AGENTS, EXCEED $2,500 FOR ALL LOSSES FROM ALL CAUSES SUFFERED ON A SINGLE CALENDAR DAY; $5,000 FOR ALL LOSSES SUFFERED FROM ALL CAUSES IN A SINGLE CALENDAR MONTH; AND $50,000 FOR ALL LOSSES SUFFERED FROM ALL CAUSES IN A SINGLE CALENDAR YEAR.

ANY PARTICIPANT OR PERSON ASSOCIATED WITH A PARTICIPANT (INCLUDING ANY AUTHORIZED USER) WHO FAILS TO PREVAIL IN A LAWSUIT OR OTHER LEGAL PROCEEDING INSTITUTED BY SUCH PERSON AGAINST tZERO

(INCLUDING ITS AFFILIATES) OR ANY OF ITS DIRECTORS, COMMITTEE MEMBERS, OFFICERS, EMPLOYEES, AGENTS OR CONTRACTORS, AND RELATED TO THE BUSINESS OF tZERO, WILL PAY TO tZERO ALL REASONABLE EXPENSES, INCLUDING ATTORNEYS' FEES, INCURRED BY tZERO IN THE DEFENSE OF SUCH PROCEEDING TO THE EXTENT THAT SUCH EXPENSES EXCEED FIFTY THOUSAND USDs ($50,000.00). THIS PROVISION WILL NOT APPLY TO DISCIPLINARY ACTIONS BY tZERO, ADMINISTRATIVE APPEALS OF tZERO ACTIONS OR IN ANY SPECIFIC INSTANCE WHERE THE BOARD OF DIRECTORS HAS GRANTED A WAIVER OF THIS PROVISION.

NOTWITHSTANDING ANY OF THE FOREGOING PROVISIONS, THIS RULE 3.9 SHALL IN NO WAY LIMIT THE LIABILITY OF ANY PERSON ARISING FROM ANY VIOLATION OF SUCH PERSON OF THE CEA OR CFTC REGULATIONS THEREUNDER.

3.10. ISV Access

tZERO may enter into any information-sharing agreements or other arrangements or procedures, including an information-sharing agreement or other agreement or procedure with any Person or body (including but not limited to a Regulatory Agency) if tZERO considers such agreement, arrangement, or procedures to be in furtherance of tZERO's purpose or duties under these Rules or Applicable Law.

tZERO will provide ISVs with access to its trading platform and its data in a fair and nondiscriminatory manner; provided, however, that each ISV shall comply with tZERO's criteria governing such access. Such access criteria shall be impartial and transparent.

CHAPTER IV
TRADING PLATFORM AND METHODOLOGY

4.1. Contracts Traded and Cleared on tZERO

The tZERO Exchange and the tZERO Clearinghouse shall determine which Contracts are available for trading and clearing subject to the Rules from time to time and approve rules containing the specifications for such Contracts, *provided* that certifications or applications with respect to such Contracts shall be submitted to the CFTC as required by the CEA and CFTC Regulations.

4.2. Participants and Authorized User Access

(a) During the Participant application process, an applicant, to become a Participant, will be required to register a user identification ("**User ID**") and password.

(b) The Participant will be required to enter the User ID and password to log onto and access secure portions of the tZERO website, including the tZERO Direct System. Each time the Participant submits its unique User ID and password to tZERO in order to log onto the tZERO Direct System, the Participant affirms that it understands, and agrees to be bound by, these Rules and other policies and procedures of tZERO.

(c) Each Authorized User shall maintain a unique User ID and password, distinct from the User ID and password of the Participant but identified as related to the Participant with which the Authorized User is associated. The Participant will only provide the User IDs to its employees or agents who are designated as, and authorized as, Authorized Users. tZERO reserves the right to revoke or modify a User ID at any time without prior notice.

(d) The Participant will be responsible for protecting its User IDs and passwords, and with respect to itself, the ID(s) and password(s) of its Authorized User(s), from improper disclosure. In addition, a Participant may not knowingly or negligently permit any Person not authorized by tZERO and by the Participant to use the User ID and password to access the secure portion of the tZERO website, including the tZERO Direct System. The Participant is required to immediately notify tZERO if it knows, or has reason to believe, that its User ID or the User ID and/or password of any Authorized User have been disclosed to any Person not authorized by tZERO and the Participant to use such User ID and/or password.

(e) The Participant authorizes tZERO to rely upon any instruction received through use of its User IDs without further inquiry, and tZERO shall not be liable to the Participant for any actions taken based on instructions received through such User IDs, even if such instructions were not authorized by the Participant. The Participant will be liable for any and all costs, expenses, losses or other amounts that may result from actions taken, including transactions executed on tZERO, by any person, authorized or not, using its User ID and password or the ID and/or password of any Authorized User. tZERO will not be responsible in any way for unauthorized transactions in a Participant's Account.

(f) The Participant is responsible for contracting with an internet service provider through which it will access the tZERO website and for having a backup service provider if reasonably necessary. The Participant is also responsible for maintaining an internet connection speed adequate for its needs. tZERO 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 the Participant's internet service provider or slowness of its internet connection speed. No communication from a Participant will be deemed to have been received by tZERO until that communication is logged by the tZERO server.

4.3. Orders

(a) The Authorized Users of each Participant shall enter Orders by electronic transmission to, and shall be required to provide the information required on the Order entry page of the tZERO Direct System. The tZERO Exchange shall maintain an electronic record of those entries. Each Participant shall be responsible for any and all Orders in its Account to be entered by any of its Authorized Users.

(b) Order rate limiter functionality may cap the maximum number of Orders that may be submitted to the tZERO Exchange per second (or per a specific time period expressed in seconds) per Participant or Authorized User of a Participant, in order to prevent a risk of harm to the tZERO Exchange. Similarly, tZERO may limit the number of messages submitted to tZERO Exchange for the same purpose.

(c) Any Participant submitting Orders, or any other messages to tZERO Exchange, including but not limited to messages related to the cancellation or amendment of an Order, whether manually or via automated functionality, must ensure adequate controls are in place to prevent excessive messaging or other activity that may be deemed detrimental or disruptive to tZERO Exchange.

(d) Participants are prohibited from entering Orders on the tZERO Direct System if there are insufficient funds in the Participant's Account to satisfy such Orders if they are executed. tZERO may, in its discretion, impose penalties and take such other action against a Participant if the circumstances warrant should the Participant violate this Rule 4.3(d).

(e) tZERO Direct System will maintain an electronic record of all Orders to trade Contracts, and all executed Contracts.

(f) The tZERO Exchange may make information regarding Orders (including prices bid or offered), trades and any other matters it may deem appropriate available to Participants, Authorized Users, and other Persons at such times and in such manner (whether through the tZERO Direct System, a ticker, financial information services, or otherwise) as it may consider necessary or advisable from time to time.

(g) Each Participant, Authorized User, or other Person receiving any such information through the tZERO Direct System is expressly prohibited from redistributing such information unless expressly permitted by tZERO Exchange. Employees and agents of tZERO Exchange shall have access to the offices of any Participant and each of its Authorized Users during regular business hours in order to observe the compliance by such Participant and its Authorized Users with the immediately preceding sentence.

(h) The tZERO Exchange shall comply with the requirements of paragraphs (a) through (h) of CFTC Regulation 17.00 as they apply to trading in any Contracts that qualify as "exclusively self-cleared contracts" within the meaning of CFTC Regulation 15.00.

(i) The tZERO Exchange may establish a maximum Order size for the Account of each Participant based upon the Participant's available funds, the Participant's trading behavior, and any other factors that tZERO Exchange deems relevant.

(j) Any Standing Limit Order that has been entered into the tZERO Direct System may be cancelled unless and until it has been executed or has otherwise expired. tZERO will attempt to cancel an existing Order as soon as possible after a Participant enters a cancellation instruction. However, the Order may be executed before tZERO is able to cancel it. If an Order has been filled in whole or in part, a Participant may cancel only that portion of the Order (if any) that has not been executed. Such cancellation will become effective upon the issuance of an acknowledgement by the tZERO Direct System of the cancellation of the Order, as the case may be.

(k) As a CFTC registrant, tZERO has the authority to adjust trade prices or cancel transactions when necessary to mitigate market disrupting events caused by malfunctions in its electronic trading platform(s) or errors in Orders submitted by Participants, and tZERO will utilize this authority when, in its sole discretion, it deems such action necessary or appropriate.

4.4. Execution and Confirmation Process

Orders to buy or sell any Contract are subject to any settlement requirements as imposed from time to time by the tZERO Clearinghouse. All Orders are matched with each other and executed electronically through the tZERO Direct System in accordance with an algorithm that gives first priority to Orders at the best price and priority among Orders entered at the same price based on their time of entry into the tZERO Direct System, with the Order first entered receiving first priority. Without limiting the generality of the foregoing, the algorithm to match Orders entered in the tZERO Direct System is based upon the following principles:

(a) An Order at a better price will always have priority over Orders at inferior prices. As among Orders at the same price, an Order with time priority will be executed before Orders that have been entered after the Order with time priority.

(b) Time priority will be assigned to the first Order at a price that betters the best price prevailing when the Order is received. Only one buy Order and one sell Order can have time priority at any given time. Orders with time priority will be matched first regardless of their respective sizes.

(c) An Order will not lose time priority with respect to Orders at the same price if and when an Order at a better price is entered, but it will lose price priority.

(d) Once an Order with time priority has been filled, the algorithm described herein will be applied to the remaining Orders at the same price. Thus, the Order received immediately after the Order that initially had time priority will be assigned time priority and be the next Order to be executed at such price.

Notwithstanding anything in these Rules to the contrary, tZERO Exchange may at any time use a different matching algorithm for a particular Contract by giving notice of such algorithm to all Participants at least ten (10) Trading Days before such algorithm is implemented.

4.5. Permitted Order Types

(a) Except as otherwise provided in Rule 4.5, all Orders must be entered and executed on the tZERO Direct System.

(b) Standing Limit Orders may be subject to minimum contract quantity requirements and will be executed when entered, in whole or part, to the extent that there are opposite Orders open in the tZERO Direct System, with any balance to remain as an open Order until it is executed, cancelled, expires, or is replaced by a Standing Limit Order with price priority.

(c) Marketable Limit Orders may be for one or more contracts and will be executed when entered, in whole or part, to the extent that there is an opposite Standing Limit Order open in the tZERO Direct System, with any balance immediately cancelled.

4.6. Trade Confirmations

A printable record of all of the terms of each trade entered into on tZERO Exchange or pursuant to the Rules will be available on the tZERO Direct System interface on the Participant's activity page immediately upon execution. Such record shall legally supersede any previous agreement and serve as a confirmation of each such trade. The tZERO Direct System may send confirmation messages to Members upon execution of a trade via the API, mobile application, and/or website, if such Participant is online at the time. However, please note that if such Participant is not online at the time of execution, the confirmation(s) will be provided when such Participant next logs on to the tZERO Direct System interface. The contract type, size, execution time, and execution method for each trade will be made available on the website to all Participants after successful execution of any trade.

4.7. Errors

(a) Upon receipt of an error notification, either internally generated or from a Participant, tZERO Exchange will review its electronic audit trail to determine, in its sole discretion, if tZERO Exchange incorrectly rejected or processed an Order:

(i) On the same Business Day if the request was received prior to 12:00 Noon on a Business Day.

(ii) By the end of the following Business Day if such request was received after 12:00 Noon on a Business Day or on any day that is not a Business Day.

(b) The determination of tZERO Exchange in its absolute and sole discretion is final.

(c) If the review reveals that the Order was correctly processed by tZERO Exchange, then tZERO Exchange in its sole discretion may resolve the Participant's review request as follows:

(i) If the system behavior is due to any fault of the Participant or the Authorized User, make no adjustments.

(ii) If the system behavior could not reasonably be anticipated or is due to no fault by the Participant or the Authorized User, tZERO Exchange in its sole and absolute discretion may make a monetary adjustment from its own funds, that tZERO Exchange in its sole and absolute discretion believes represents a fair and equitable resolution of the Order's handling, provided that tZERO Exchange shall have no obligation to do so.

(iii) No adjustments to another Participants' positions shall be undertaken.

(d) If the review reveals that the Order was incorrectly handled by tZERO Exchange, then tZERO Exchange in its sole and absolute discretion may resolve the Participant's error by:

(i) cancelling such trade in the Accounts of all directly affected Participants.

(ii) making a monetary adjustment, which in the sole and absolute discretion of tZERO Exchange and from its own funds, that tZERO Exchange in its sole and absolute discretion believes represents a fair and equitable resolution of the Order's handling, provided that tZERO Exchange shall have no obligation to do so.

4.8. [Reserved]

4.9. Position Limits and Position Accountability

(a) Position Limits

(i) Position limits may be established by tZERO Exchange from time to time for any Contract.

(ii) The maximum position will be set forth in the Contract Rules of any Contract with such limits.

(iii) No Person shall be permitted to enter into any transaction on tZERO Exchange that would cause such Person to exceed any position limit, except that:

(A) Upon application from a Participant, for hedging or other good cause shown, tZERO Exchange in its sole discretion may exempt the Participant from limit on temporary or permanent basis.

(B) Any exemption may include new limits.

(C) The tZERO Exchange shall have the authority to review and rescind any exemption.

(iv) For purposes of this Rule 4.9(a), tZERO Exchange will aggregate the Accounts for all Participants as provided by CFTC Regulation 150.4.

(b) Position Accountability

(i) The tZERO Exchange may, at any time, require a Participant and its Authorized Users who own or control positions in contracts traded on tZERO Exchange to provide information relating to the nature and size of such person's position; the trading strategy employed with respect to the position; information supporting a determination of the hedging nature of the position; and such other position information as may be requested.

(ii) The tZERO Exchange may order the reduction of any such position of a Participant who fails to provide the information as directed, or in its discretion, order that a position above the position accountability threshold not be increased.

4.10. Public Data

The tZERO Exchange will post on its website the pricing, current volume, and open interest for all active Contracts on each Trading Day. The tZERO Exchange will also post on its website any other information as required by CFTC Regulation 16.01.

CHAPTER V
CLEARING

5.1. Submission and Acceptance of Trades for Clearing

(a) Participants are required to have sufficient funds on deposit with the tZERO Clearinghouse such that any executed Orders will be accepted by the tZERO Clearinghouse.

(b) To facilitate compliance with this Rule, tZERO Exchange, in its sole discretion and from its own funds, may advance funds for immediate use to a Participant's Account provided that it shall have no obligation to do so and provided further that:

(i) Such advance is administrative in nature due to the normal course timing of banking transactions and is not a loan.

(ii) Such Participant has submitted a *bona fide* funds deposit request.

(iii) Such funds deposit request is being processed in the normal course of banking transactions by the tZERO Clearinghouse.

(iv) Such advanced amount shall not exceed the lesser of the funds deposit request or $1,000 USD.

(c) Upon submission of an Order, tZERO will automatically review the Participant's Account to ensure that the Participant can fully collateralize the transaction resulting from the Order, and pay any premiums or other amounts due upon execution or settlement of such transaction, prior to execution of the transaction. If the Participant's Account does not have the necessary funds and/or collateral for the Order, tZERO will not accept the Order.

(d) Upon the successful matching of Orders, tZERO Clearinghouse shall immediately, through the process of Novation, be substituted as and assume the position of Seller and Purchaser. Upon such substitution, the Seller and Purchaser shall have no obligations to each other, and such Participants shall be deemed to have bought the Contract from or sold the Contract to the tZERO Clearinghouse, as the case may be, and the tZERO Clearinghouse shall have all the rights and be subject to all the liabilities of such Participants with respect to such transactions. Such substitution shall be effective in law for all purposes. The Participants of the Contract are deemed to consent to the Novation by entering the applicable Orders on the tZERO Direct System and the tZERO Clearinghouse consents to the Novation by accepting the Orders on the tZERO Direct System.

(e) Contracts with the same terms and conditions submitted to the tZERO Clearinghouse for clearing are economically equivalent within the tZERO Clearinghouse and may be offset with each other within the tZERO Clearinghouse.

(f) Upon acceptance of a Contract by the tZERO Clearinghouse for clearing:

(i) The original transaction is extinguished;

(ii) The original Contract is replaced by an equal and opposite Contract between the tZERO Clearinghouse and each Participant;

(iii) All terms of a cleared Contract must conform to the Contract specifications; and

(iv) The tZERO Clearinghouse is irrevocably authorized to transfer premiums and/or Settlement Amounts to the appropriate Participants in accordance with the applicable Contract Specifications and this Rulebook.

(g) All payments to Participants and collections from Participants in connection with the clearing and settlement of Contracts are irrevocable and any and all amounts paid to the tZERO Clearinghouse in satisfaction of the obligations of Participants in connection with Contracts are unconditionally deposited with the tZERO Clearinghouse and exclusively within the control of the tZERO Clearinghouse.

(h) If a Contract is rejected for clearing by the tZERO Clearinghouse for any reason, such Contract is *void ab initio*.

(i) All positions will be carried on a gross basis by tZERO Clearinghouse until such time as tZERO Clearinghouse, in its sole discretion, determines to provide offset at the earlier of an end-of-day netting process or at position settlement.

5.2. Procedures for Deposits and Withdrawals from Accounts

(a) Procedures for Deposits

(i) A Participant must submit a deposit notification through the tZERO Direct System before the Participant may deposit funds with tZERO. A Participant must deposit funds on the same day as the Participant submits a deposit notification to tZERO. Only USD will be accepted in satisfaction of Participants' obligations in connection with Contracts executed on and cleared through tZERO.

(ii) Deposits occur, and funds are available for use with respect to Trading Privileges and Clearing Privileges, no later than the next Settlement Bank Business Day after a Participant submits a deposit notification and deposits funds with tZERO in accordance with this Rule 5.2(a), unless tZERO has made an advance pursuant to Rule 5.1(b).

(iii) Participants are responsible for all transfers of funds to their Accounts.

(b) Withdrawals from Accounts

(i) Participants may only withdraw amounts in excess of the amounts required to be on deposit in connection with open Contracts or Orders to execute transactions in Contracts.

(ii) Only a Participant or its Authorized User(s) may submit a withdrawal notification through the tZERO Direct System before tZERO transfers funds to a Participant. Upon receipt of a withdrawal notification, tZERO no longer permits funds in the amount listed in the withdrawal notification to be used for Trading Privileges and Clearing Privileges.

(iii) Participants are responsible for providing accurate account numbers to allow tZERO to effect transfers to the Participants.

(iv) Withdrawals occur, and funds are available, no later than three (3) Settlement Bank Business Days after a Participant has submitted a withdrawal notification if the Participant submits a withdrawal notification during Trading Hours.

(v) If a Participant fails to adhere to the withdrawal procedures set forth herein, as applicable, tZERO will take reasonable measures to effect the withdrawal; however, if tZERO is unable to effect the withdrawal, the Participant's collateral may become the sole property of tZERO, to the extent permitted by Applicable Law and pursuant to the procedures and disclosures posted on the tZERO website. tZERO may apply the collateral against the Participant's obligations.

5.3. Settlement of Contracts

(a) The tZERO Clearinghouse shall maintain, on its system, a record of each Participant's account balances and Contracts.

(b) On the Settlement Date, tZERO will notify all Participants of the Settlement Amount.

(c) After the notice period on the last Trading Day of expiring Contracts that are options, the tZERO Clearinghouse will delete all such Contracts that have not been exercised from each Participant's Account.

5.4. Investment and Use of Clearing Participant Account Assets

Subject to compliance with the applicable regulations of the CFTC, all cash and other property in the Participant's Account or otherwise held by tZERO on the Participant's behalf may, from time to time, without notice to the Participant, be comingled with the property of other Participants or be invested by tZERO, separately or with any other property, consistent with CFTC Regulation 1.25 and 39.15(e). tZERO shall have no obligation to inform the Participant of any such

investments or of the results or performance of such investments and shall be entitled to retain any profits from or return on such investments.

5.5. Transfers of Positions

The tZERO Clearinghouse in its sole discretion may permit the transfer of positions between Accounts:

(a) to correct errors in an existing Contract, provided that the original trade documentation confirms the error;

(b) to transfer an existing Contract through operation of law from death or bankruptcy;

(c) as a result of a merger, asset purchase, consolidation, or similar non-recurring transaction for a Person that is an organization;

(d) for Accounts of Participants that are under the same common beneficial ownership; or

(e) any other circumstances in which the tZERO Clearinghouse determines in its sole discretion that such a transfer is necessary or appropriate for any other reason.

Any positions transferred pursuant to this Rule 5.5 will be at the original price and date that appears on the books of the tZERO Clearinghouse.

CHAPTER VI
PARTICIPANT CONDUCT

6.1. Prohibited Activities

(a) No Participant or Authorized User shall engage in conduct in violation of Applicable Law or the Rules. Notwithstanding anything to the contrary in these Rules, no provision of these Rules will supersede any applicable prohibitions on fraud and manipulation, whether such prohibitions are prescribed by law, regulation or the Rules. All such prohibitions on fraud and manipulation, including, but not limited to, the antifraud provisions of the CEA and the antifraud rules promulgated by the CFTC thereunder, will remain in full force and effect with respect to, and will be fully applicable to, the trading of all Contracts. The tZERO Exchange and the tZERO Clearinghouse each retain the right to take any appropriate disciplinary actions against Participants as permitted by the Rules, as applicable.

(b) It shall be an offense to violate any Rule regulating the conduct or business of a Participant, or any agreement made with tZERO, or to engage in fraud, dishonorable or dishonest conduct, or in conduct which is inconsistent with just and equitable principles of trade. No Participant shall enter into or attempt to enter into any trade on tZERO that:

(i) does not result in a change in beneficial ownership;

(ii) is designed to artificially inflate trading volume;

(iii) in any way attempts to circumvent tZERO's Order processing, trade ordering, trade execution systems, or otherwise to circumvent exposure of the Order to open and competitive bidding on tZERO; or

(iv) that has some other illegitimate purpose.

(d) No Participant or Authorized User shall engage, or attempt to engage, in any fraudulent act or engage, or attempt to engage, in any scheme to defraud, deceive, or trick in connection with or related to any trade on or other activity related to tZERO Exchange or the tZERO Clearinghouse.

(e) No Participant or Authorized User shall execute any fictitious transactions or execute any such Order with knowledge of its nature. No Participant shall effect or induce the purchase or sale of any Contract for the purpose of creating or inducing a false, misleading, or artificial appearance of activity in such Contract, or for the purpose of unduly or improperly influencing the market price of such Contract, or for the purpose of making a price which does not reflect the true state of the market in such Contract. No Participant shall arrange and execute simultaneous offsetting buy and sell Orders in a Contract with intent to artificially affect reported revenues, trading volumes or prices.

(f) Orders entered into the tZERO Direct System for the purpose of upsetting the equilibrium of the market in any Contract, creating, facilitating, or exacerbating a disorderly market or creating a condition in which prices do not or will not reflect fair market values are prohibited, and any Participant or Authorized User who makes or assists in entering any such Order or clearing a transaction with knowledge of the purpose thereof or who, with such knowledge, in any way assists in carrying out any plan or scheme for the entering of any such Order or clearing a transaction, will be deemed to have engaged in an act detrimental to tZERO Exchange or the tZERO Clearinghouse.

(g) No Participant shall manipulate or attempt to manipulate the market in any Contract. Furthermore, no Participant shall intentionally or recklessly engage, or attempt to engage, in the following in connection with any Contract: use of manipulation to defraud, make an untrue or misleading statement or omit a material fact, engage in fraudulent or deceitful business practices, or deliver misleading or inaccurate reports concerning market information that affect the price of any Contract. No Participant shall directly or indirectly participate in, or have any interest in, the profit of a manipulative operation or knowingly manage or finance a manipulative operation.

(h) No Participant shall place or accept buy and sell Orders in the same product and expiration month where the Participant knows or reasonably should know that the Orders are intended to avoid taking a *bona fide* market position exposed to market risk (transactions commonly known or referred to as "wash sales"). For the avoidance of doubt, opposing positions of the same expiration may be used to close positions before expiration and shall not be deemed to violate the prohibition on wash trades. Buy and sell Orders by Participants that are entered with the intent to negate market risk or price competition shall be deemed to violate the prohibition on wash trades. Additionally, no Participant shall knowingly execute or accommodate the execution of such Orders by direct or indirect means.

(i) No Participant shall engage in any trading, practice, or conduct on or subject to the rules of tZERO Exchange or the tZERO Clearinghouse that constitutes fraudulent or abusive trading, including, but not limited to violating bids or offers; demonstrating intentional or reckless disregard for orderly execution of transactions during the closing period; or what is, is of the character of, or is commonly known to the trade as, "spoofing" (bidding or offering with the intent to cancel the bid or offer before execution). Any Participant who makes or assists in entering any such Order with knowledge of the purpose thereof or who, with such knowledge, in any way assists in carrying out any plan or scheme for the entering of any such Order, will be deemed to have engaged in an act detrimental to tZERO.

(j) No Participant shall engage in any trading, practice, or conduct that constitutes a "disruptive trading practice," as such term is defined by the CEA or in CFTC Regulations. Disruptive trading practices shall include any activity that (i) demonstrates intentional or reckless disregard for the orderly execution of transactions during the closing period; (ii) consists of placing one or more Order with an intent to cancel such Order(s) prior to execution; (iii) submitting or cancelling Orders with an intent to overload tZERO; (iv) submitting or cancelling bids or offers with an intent to delay another person's execution of trades; or (v) submitting or cancelling multiple bids or offers to create an appearance of false market depth.

(k) No Person shall make any misstatement of a material fact to tZERO Exchange or the tZERO Clearinghouse (including the Board of Directors, any committee thereof or any panel of any such committee, or any Officer) or to the CFTC or the NFA (including any members of its staff), including on an application to become a Participant of tZERO.

(l) No Participant or Authorized User may use its Trading Privileges or Clearing Privileges or access tZERO Exchange or the tZERO Clearinghouse in any way which could be expected to bring disrepute upon such Participant or tZERO Exchange or the tZERO Clearinghouse.

(m) No Participant shall engage in any act that is detrimental to tZERO. It shall be deemed an act detrimental to tZERO to permit unauthorized use of tZERO, to assist any Person in obtaining unauthorized access to tZERO, to interfere with the operation of the tZERO, to intercept or interfere with information provided thereby, or in any way to use tZERO in a manner contrary to these Rules.

(n) Each Participant shall be responsible for establishing, maintaining, and administering reasonable supervisory procedures to ensure that its Authorized Users comply with Applicable Law and the Rules, and shall be responsible for supervising its Authorized Users and may be held accountable for the actions of such Authorized Users.

(o) No Participant who is not an Entity shall trade for a person or Entity other than itself, and no Authorized User of a Participant that is an Entity shall trade for a person or Entity other than the Entity for whom that person is an Authorized User.

(p) Except in accordance with any policies or procedures for pre-execution discussion or pre-clearing discussion from time to time adopted by tZERO, no Participant shall disclose to any Person any Order placed by any other Person, except to an Officer of tZERO or a

member of the staff of the CFTC, the NFA, or the Department of Justice, respectively. No Participant shall solicit or induce another Participant to disclose Order information. No Person shall take action or direct another to take action based on non-public Order information, however acquired. The mere statement of opinions or indications of the price at which a market may open or resume trading does not constitute a violation of this Rule 6.1(p).

(q) No Participant shall enter into or agree to transfer or transfer the benefit of any position in any Contract to another person other than through a transaction executed through tZERO.

(r) All pre-negotiated or pre-arranged transactions that are not expressly permitted by tZERO are hereby prohibited.

CHAPTER VII
RULE ENFORCEMENT

7.1. Market Surveillance

The tZERO Direct System will record and store for a period of not less than five (5) years in a searchable, read-only database a record of all data entered into the tZERO Direct System. Such records shall be maintained in a readily available manner during the first two (2) years. tZERO shall conduct market surveillance and trade practice surveillance using this data with programs designed to alert tZERO when potentially unusual or otherwise questionable trading activity takes place. tZERO will initiate review and, where appropriate, investigate such unusual trading activity. tZERO will also investigate any time it has other reason to believe that inappropriate activity of any sort is taking place.

7.2. General

(a) All Participants and Authorized Users shall be subject to tZERO's jurisdiction. All Participants and Authorized Users are subject to this Chapter 7 if they are alleged to have violated, to have aided and abetted a violation, to be violating, or to be about to violate, any Rule or any provision of Applicable Law for which tZERO possesses disciplinary jurisdiction.

(b) tZERO will conduct inquiries, investigations, disciplinary proceedings and appeals from disciplinary proceedings, summary impositions of fines, summary suspensions or other summary actions in accordance with this Chapter 7.

(c) No member of the staff of tZERO will interfere with or attempt to influence the process or resolution of any inquiry, investigation, disciplinary proceeding, appeal from a disciplinary proceeding, summary imposition of fines, summary suspension or other summary action. No Director will interfere with or attempt to influence the process or resolution of any inquiry, investigation, disciplinary proceeding, appeal from a disciplinary proceeding, summary, imposition of fines, summary suspension or other summary action with respect to which the Director is not a member of the relevant Appeals Panel.

(d) Any Participant or Authorized User may be represented by counsel during any inquiry, investigation, disciplinary proceeding, appeal from a disciplinary proceeding,

summary imposition of fines, summary suspension or other summary actions pursuant to this Chapter 7.

(e) Pursuant to this Chapter 7, tZERO may hold:

(i) a Participant liable for, and impose sanctions against such Participant, for such Participant's own acts and omissions that constitute a violation;

(ii) a Participant liable for, and impose sanctions against such Participant, for the acts and omissions of each Authorized User authorized by, and each other agent or representative of, such Participant that constitute a violation as if such violation were that of the Participant;

(iii) an Authorized User liable for, and impose sanctions against him or her, for such Authorized User's own acts and omissions that constitute a violation; and

(iv) an Authorized User liable for, and impose sanctions against him or her, for the acts and omissions of each agent or representative of such Authorized User that constitute a violation as if such violation were that of the Authorized User.

7.3. Inquiries and Investigations

(a) The Compliance Department will investigate any matter within tZERO's disciplinary jurisdiction that is brought to such department's attention, including but not limited to, possible violations of the Rules or manipulation of a Contract that is traded on tZERO Exchange or cleared through the tZERO Clearinghouse. All such investigations must be completed in a timely manner, as determined in the reasonable judgment of tZERO. The Compliance Department will determine the nature and scope of its inquiries and investigations within its sole discretion and will function independently of any commercial interests of tZERO.

(b) The Compliance Department has the authority to:

(i) initiate and conduct inquiries and investigations;

(ii) prepare investigative reports and make recommendations concerning initiating disciplinary proceedings;

(iii) prosecute alleged violations within tZERO's disciplinary jurisdiction; and

(iv) represent tZERO on appeal from any disciplinary proceeding, summary imposition of fines, summary suspension or other summary action.

(c) Each Participant or Authorized User:

(i) is obligated to appear and testify and respond in writing to interrogatories within the time period required by the Compliance Department in connection with: (A) any Rule; (B) any inquiry or investigation; or (C) any preparation by

and presentation during a disciplinary proceeding or appeal from a decision in a disciplinary proceeding, summary imposition of fines, summary suspension, or other summary action by tZERO;

(ii) is obligated to produce books, records, papers, documents, or other tangible evidence in its, his or her possession, custody, or control within the time period required by the Compliance Department in connection with: (A) any Rule; (B) any inquiry or investigation; or (C) any preparation by and presentation during a disciplinary proceeding or appeal from a decision in any disciplinary proceeding, summary imposition of fines, summary suspension or other summary action by tZERO; and

(iii) may not impede or delay any inquiry, investigation, disciplinary proceeding, appeal from a disciplinary proceeding, summary imposition of fines, summary suspension or other summary action.

(d) The Compliance Department will maintain a log of all investigations and their disposition. The Compliance Department will prepare a written report of each investigation, regardless of whether the evidence gathered during any inquiry or investigation forms a reasonable basis to believe that a violation within tZERO's jurisdiction has occurred or is about to occur or whether the evidence gathered results in closing the matter without further action or through summary action. Any written report of investigation will include the reasons for initiating the investigation (including a summary of the complaint, if any), all relevant facts and evidence gathered, and the recommendation of the Compliance Department. For each potential respondent, the Compliance Department will recommend either (i) closing the investigation without further action; (ii) summary action; (iii) resolving the investigation through an informal disposition, including the issuance of a warning letter; or (v) initiating disciplinary proceedings. An informal disposition (including the issuance of a warning letter) will not constitute a finding of a violation or a sanction.

(e) The Chief Compliance Officer will review promptly each completed investigation report to determine whether a reasonable basis exists to believe that a violation within tZERO's jurisdiction has occurred or is about to occur. Such determination will be made by the Chief Compliance Officer within ten (10) Business Days of receipt of the applicable investigation report. If the Chief Compliance Officer determines that additional investigation or evidence is needed to decide whether a reasonable basis exists to believe that a violation within tZERO's jurisdiction has occurred or is about to occur, the Chief Compliance Officer will direct the Compliance Department to conduct further investigation.

(f) After receiving completion of an investigation, the Chief Compliance Officer will determine for each potential respondent whether to authorize:

(i) the commencement of disciplinary proceedings because a reasonable basis exists to believe that a violation within tZERO's jurisdiction has occurred or is about to occur;

(ii) the informal disposition of the investigation (by issuing a warning letter or otherwise) if the Chief Compliance Officer determines that a violation of the Rules or any applicable Contract Rules may have occurred but that formal disciplinary proceedings are unwarranted; or

(iii) the closing of the investigation without any action, and without the issuance of a warning letter, because disciplinary proceedings are not warranted and no reasonable basis exists to believe that a violation within tZERO's jurisdiction has occurred or is about to occur.

7.4. Notice of Charges and Opportunity to Respond

(a) If the Chief Compliance Officer authorizes disciplinary proceedings pursuant to Rule 7.3, the Compliance Department will prepare in accordance with this Rule 7.4 and serve in accordance with this Rule 7.4, a notice of charges within twenty (20) Business Days thereafter.

(b) A notice of charges will:

(i) state the acts, practices or conduct that the respondent is alleged to have engaged in;

(ii) state the Rule or provision of Applicable Law alleged to have been violated or about to be violated;

(iii) state the proposed sanctions;

(iv) advise the respondent of its right to submit a written statement explaining why a disciplinary proceeding should not be instituted or one or more of the potential charges should not be brought, which statement must be submitted within twenty (20) Business Days after service of the notice of charges;

(v) advise the respondent of its right to a hearing and its right to have counsel present;

(vi) state the period of time within which the respondent can request a hearing on the notice of charges, in lieu of submitting a written statement pursuant to Rule 7.4(b)(iv), which will not be less than twenty (20) Business Days after service of the notice of charges;

(vii) advise the respondent that any failure to request a hearing within the period stated, except for good cause, will be deemed to constitute a waiver of the right to a hearing; and

(viii) advise the respondent that any allegation in the notice of charges that is not expressly denied will be deemed to be admitted.

(c) If the respondent submits a written statement pursuant to Rule 7.4(b)(iv), the Chief Compliance Officer shall, within ten (10) Business Days after receipt of the written statement, advise the respondent:

(i) of the Chief Compliance Officer's decision to drop any or all of the potential charges;

(ii) that the disciplinary proceedings will proceed with respect to all remaining charges in accordance with the notice of charges delivered to the respondent; and/or, as appropriate

(iii) that the respondent shall have twenty (20) Business Days to submit an answer to the notice of charges, as described in this Rule 7.4.

(d) If the respondent determines to answer a notice of charges, the respondent must file an answer within twenty (20) Business Days after being served with such notice, or within such other time period determined appropriate by the Chief Compliance Officer. To answer a notice of charges, the respondent must, in writing:

(i) specify the allegations that the respondent denies or admits;

(ii) specify the allegations that the respondent does not have sufficient information to either deny or admit;

(iii) specify any specific facts that contradict the notice of charges; and

(iv) specify any affirmative defenses to the notice of charges.

(e) Any failure by the respondent to timely serve an answer to a notice of charges will be deemed to be an admission to the allegations in such notice. Any failure by the respondent to answer one or more allegations in a notice of charges will be deemed to be an admission of that allegation or those allegations. Any allegation in a notice of charges that the respondent fails to expressly deny will be deemed to be admitted. A general denial by the respondent, without more, will not satisfy the requirements of paragraph (b) above.

(f) Any notice of charges or other documents contemplated to be served pursuant to this Chapter 7 may be served (and service shall be deemed complete) upon the respondent either personally or by (i) leaving the same at his or her place of business or by deposit in the United States mail, postage prepaid, via registered or certified mail addressed to the respondent at the address as it appears on the books and records of tZERO; or (ii) sending the same via electronic mail to the e-mail address of the respondent as it appears on the books and records of tZERO.

7.5. Settlements

(a) A respondent or potential respondent may at any time propose in writing an offer of settlement to anticipated or instituted disciplinary proceedings. Any offer of settlement should contain proposed findings and sanctions and be signed by the respondent or potential

respondent and submitted to the Compliance Department. A respondent or potential respondent may offer to settle disciplinary proceedings without admitting or denying the findings contained in the order of the disciplinary proceedings but must accept the jurisdiction of tZERO over it and over the subject matter of the proceedings and consent to the entry of the findings and sanctions imposed.

(b) If a respondent or potential respondent submits an offer of settlement in accordance with paragraph (a) above, the Compliance Department will forward the offer to the Chief Compliance Officer with a recommendation on whether to accept or reject the offer. If the Chief Compliance Officer conditionally accepts an offer of settlement, the settlement will become final upon the expiration of twenty (20) Business Days after an order of the disciplinary proceedings consistent with the terms of the offer of settlement is served on the respondent.

(c) If an offer of settlement is accepted and the related order of disciplinary proceedings becomes final, the respondent's submission of the offer will be deemed to constitute a waiver of the right to notice, opportunity for a hearing and review and appeal under these Rules.

(d) If the offer of settlement of a respondent or potential respondent is not accepted, fails to become final or is withdrawn by the respondent or potential respondent, the matter will proceed as if the offer had not been made and the offer and all documents relating to it will not become part of the record. Neither a respondent or potential respondent nor the Compliance Department may use an unaccepted offer of settlement as an admission or in any other manner at a hearing of, or appeal from, disciplinary proceedings.

7.6. Disciplinary Panel

(a) A disciplinary panel consisting of five individuals selected by the Board of Directors (the "**Disciplinary Panel**"), will conduct hearings in connection with any disciplinary proceedings, to make findings and impose sanctions pursuant to this Chapter 7. A separate Disciplinary Panel will be established prior to the commencement of each disciplinary matter. No Disciplinary Panel shall be comprised in a manner such that any group or class of industry participants may reasonably be expected to dominate or exercise disproportionate influence on such panel. Each Disciplinary Panel shall consist of individuals who (1) would qualify as a Public Director (if the individual is a director of tZERO), except in cases limited to decorum, attire, or the timely submission of accurate records required for clearing or verifying each day's transactions; and (2) are drawn from the Hearing Committee of the regulatory services provider. For the avoidance of doubt, members of the Compliance Department shall not be eligible to serve on a Disciplinary Panel.

(b) Within ten (10) Business Days of being notified of the appointment of the Disciplinary Panel, a respondent may seek to disqualify any individual named to the Disciplinary Panel for any reasonable grounds, by serving written notice on the Chief Compliance Officer. By not timely filing a request for disqualification, the respondent will be deemed to have waived any objection to the composition of a Disciplinary Panel. The Chief Compliance Officer will decide the merits of any request for disqualification within his or her sole discretion. Any such decision will be final and not subject to appeal.

(c) All disciplinary proceedings (except for summary impositions of fines pursuant to Rule 7.13) will be conducted at a hearing before the Disciplinary Panel. A hearing will be conducted privately and confidentially unless the Disciplinary Panel decides that the hearing, or any part of it, should be held in public after giving each respondent the opportunity to present its, his or her views on holding a public hearing. Notwithstanding the confidentiality of hearings, the Disciplinary Panel may appoint an expert to attend any hearing and assist in deliberations if such expert agrees to be subject to an appropriate confidentiality agreement.

(d) After reasonable notice to each respondent, the Disciplinary Panel will promptly (but in no event later than thirty (30) Business Days following such notice) convene a hearing to conduct the disciplinary proceedings with respect to such respondent. Parties to a disciplinary proceeding include each respondent and the Compliance Department.

(e) The chairman of the Disciplinary Panel may continue, adjourn or otherwise conduct the hearing, as he or she may deem appropriate. The chairman of the Disciplinary Panel will determine all procedural and evidentiary matters, including the admissibility and relevance of any evidence proffered. In determining procedural and evidentiary matters, the chairman of the Disciplinary Panel will not be bound by any evidentiary or procedural rules or law. Once admitted during the hearing, the Disciplinary Panel may consider, and attach the weight it believes appropriate to, evidence or other materials. tZERO will provide guidance to the chairman of the Disciplinary Panel on the conduct of the hearing.

(f) Except for procedural and evidentiary matters decided by the chairman of the Disciplinary Panel pursuant to paragraph (e) above, unless each respondent otherwise consents, the entire Disciplinary Panel must be present during the entire hearing and any related deliberations.

7.7. Respondent Review of Evidence

(a) Prior to the commencement of a hearing, each respondent will be given the opportunity to review all books, records, documents, papers, transcripts of testimony, and other tangible evidence in the possession or under the control of tZERO that the Compliance Department will use to support the allegations and proposed sanctions in the notice of charges or which the chairman of the Disciplinary Panel deems relevant to the disciplinary proceedings. Notwithstanding the foregoing, no respondent will have the right to review, and tZERO will have no obligation to disclose, any information protected by attorney-client privilege or any other privileges recognized by Applicable Law.

(b) If any books, records, documents, papers, transcripts of testimony, or other tangible evidence contain information that could adversely affect the competitive position of the Person providing the information or if such information might compromise other investigations being conducted by the Compliance Department, the Compliance Department may redact, edit, or code such information before furnishing it to the respondent.

(c) Notwithstanding anything in paragraph (b) above to the contrary, the Compliance Department:

(i) will not redact, edit, or code competitive or investigative information contained in documents in a manner that would impair the respondent's ability to defend against the allegations or proposed sanctions in the notices of charges, and

(ii) will provide the respondent with access to the information and portions of the documents that the Compliance Department intends to rely on to support the allegations or proposed sanctions in the notice of charges.

(d) For purposes of this Rule 7.7, information that could adversely affect competitive positions include positions in Contracts currently held, trading strategies employed in establishing or liquidating positions, the identity of any Participant or Authorized User and the personal finances of the Person providing the information.

7.8. Hearings

(a) At a hearing conducted in connection with any disciplinary proceedings, the Compliance Department will present its case supporting the allegations and proposed sanctions in the notice of charges to the Disciplinary Panel. If a respondent has timely filed an answer to the notice of charges in accordance with Rule 7.4, the respondent is entitled to attend and participate in the hearing.

(b) At a hearing conducted in connection with any disciplinary proceedings, the Disciplinary Panel or the Compliance Department and each respondent may:

(i) present evidence and facts determined relevant and admissible by the chairman of the Disciplinary Panel;

(ii) call and examine witnesses; and

(iii) cross-examine witnesses called by other parties.

(c) If the respondent fails to file an answer, has filed a general denial, or if any or all of the allegations in the notice of charges are not expressly denied in the respondent's answer, the chairman of the Disciplinary Panel may limit evidence concerning any allegations not expressly denied in determining the sanctions to impose. If a respondent fails to file an answer but appears at the hearing, the respondent may not participate in the hearing (by calling or cross-examining witnesses, testifying in defense, presenting evidence concerning the notice of charges, or otherwise) unless the Disciplinary Panel determines that the respondent had a compelling reason for failing to timely file an answer. If the Disciplinary Panel determines that the respondent had a compelling reason for failing to timely file an answer, the Disciplinary Panel will adjourn the hearing and direct the respondent to promptly file a written answer in accordance with Rule 7.4.

(d) Any Person entitled, or required or called upon, to attend a hearing before a Disciplinary Panel pursuant to paragraph (b)(ii) above will be given reasonable notice, confirmed in writing, specifying the date, time and place of the hearing, and the caption of the disciplinary proceedings. tZERO will require all Participants and Authorized Users that are called as witnesses to appear at the hearing and produce evidence. tZERO will make reasonable efforts to secure the presence of all other Persons called as witnesses whose testimony would be relevant.

(e) If during any disciplinary proceedings the Disciplinary Panel determines that a reasonable basis exists to believe that the respondent violated or is about to violate a Rule or a provision of Applicable Law other than the violations alleged in the notice of charges, the Disciplinary Panel may consider those apparent violations after providing the respondent with an opportunity to answer the additional allegations in accordance with Rule 7.4. In connection with considering apparent violations pursuant to this paragraph (e), the Disciplinary Panel may request that the Compliance Department provide the Disciplinary Panel with any additional information.

(f) The Disciplinary Panel may summarily impose sanctions on any Participant or Authorized User that impedes or delays the progress of a hearing.

(g) tZERO will arrange for any hearing conducted in connection with disciplinary proceedings to be recorded hearing verbatim, or substantially verbatim, in a manner capable of accurate transcription. If the respondent requests a copy of all or portions of the recording of a hearing, the chairman of the Disciplinary Panel may within his or her sole discretion order the respondent to pay the costs for transcribing the recording of the hearing.

(h) No interlocutory appeals of rulings of any Disciplinary Panel or chairman of the Disciplinary Panel are permitted.

7.9. Decision of Disciplinary Panel

(a) As promptly as reasonable following a hearing, the Disciplinary Panel will issue an order rendering its decision based on the weight of the evidence contained in the record of the disciplinary proceedings. A decision by a majority of the Disciplinary Panel will constitute the decision of the Disciplinary Panel.

(b) tZERO will serve a copy of the order of the disciplinary proceedings on the respondent and the Compliance Department. The order will include:

(i) the notice of charges or summary of the allegations;

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

(iii) a brief summary of the evidence introduced at the hearing;

(iv) findings of fact and conclusions concerning each allegation, including each specific Rule and provision of Applicable Law that the respondent is found to have violated;

(v) the imposition of sanctions, if any, and the effective date of each sanction; and

(vi) notice of the respondent's right to appeal pursuant to Rule 7.12.

(c) Unless a timely notice of appeal is filed pursuant to Rule 7.12, the order of the disciplinary proceedings will become final upon the expiration of twenty (20) Business Days

after the order is served on the respondent and a copy thereof is provided to the Compliance Department.

7.10. Sanctions

(a) After notice and opportunity for hearing in accordance with these Rules, tZERO will impose sanctions if a Participant or Authorized User is found to have violated, or to have attempted to violate, a Rule or provision of Applicable Law for which tZERO possesses disciplinary jurisdiction. tZERO may impose one or more of the following sanctions or remedies: (i) censure; (ii) limitation on Trading Privileges and/or Clearing Privileges, association with a Participant or other activities, functions or operations; (iii) suspension of Trading Privileges and/or Clearing Privileges or association with a Participant; (iv) fine (subject to paragraph (b) below); (v) restitution or disgorgement; (vi) termination of Trading Privileges and/or Clearing Privileges; or (vii) any other sanction or remedy deemed to be appropriate.

(b) tZERO may impose a fine of up to $500,000 for each violation. If a fine or other amount is not paid within thirty (30) Business Days of the date that it becomes payable, then interest will accrue on the sum from the date that it became payable at the quoted prime rate plus three percent. tZERO has sole discretion to select the bank on whose quotations to base the prime rate. Each Participant will be responsible for paying any fine or other amount imposed on, but not paid by, any Authorized User authorized by, or other agent or representative of, such Participant.

(c) No more than one warning letter may be issued to the same Person found to have committed the same rule violation within a rolling twelve-month period.

7.11. Costs

(a) Regardless of the outcome of any disciplinary proceeding, the Disciplinary Panel may order a respondent to pay some or all of the costs associated with the disciplinary proceedings that the Disciplinary Panel believes were unnecessarily caused by the respondent. Costs may include costs associated with the inquiry or investigation, the prosecution by the Compliance Department, legal and professional assistance, and the hearing, administrative and other expenses incurred by the Disciplinary Panel.

(b) The Disciplinary Panel may only award costs against tZERO if it concludes that tZERO has behaved in a manifestly unreasonable manner in the commencement or conduct of the disciplinary proceedings in question. The Disciplinary Panel must limit any award of costs against tZERO to an amount that it concludes is reasonable and appropriate, but does not exceed the respondent's costs for external legal or other external professional assistance.

(c) The Disciplinary Panel may determine the amounts and allocation of costs in any manner it may deem appropriate. tZERO or the respondent will pay any costs ordered to be paid by it by the Disciplinary Panel within thirty (30) Business Days of the later of either written notice of (i) the amount imposed by the Disciplinary Panel; or (ii) the determination of an appeal by the Appeals Panel against the Disciplinary Panel's determination.

7.12. Appeals

(a) Each respondent found by the Disciplinary Panel to have violated a Rule of or a provision of Applicable Law or who is subject to any summary fine imposed pursuant to Rule 7.13 or any summary sanction imposed pursuant to Rule 7.14 may appeal the decision within twenty (20) Business Days of receiving the order of the disciplinary proceedings or the notice of summary action, as the case may be, by filing a notice of appeal with the Chief Compliance Officer. While an appeal is pending, the effect of the order of disciplinary proceedings or the summary action (including any sanctions, remedies or costs imposed thereby) shall be suspended; *provided however,* any summary sanction entered under Rule 7.14 shall continue in effect during the appeal.

(b) The notice of appeal must state in writing the grounds for appeal, including the findings of fact, conclusions, or sanctions to which the respondent objects. An appellant may appeal the order of disciplinary proceedings or any summary decision on the grounds that:

(i) the decision was arbitrary, capricious, an abuse of discretion, or not in accordance with the Rules;

(ii) the decision exceeded the authority or jurisdiction of the Disciplinary Panel, the Chief Compliance Officer, or tZERO;

(iii) the decision failed to observe required procedures;

(iv) the decision was unsupported by the facts or evidence; or

(v) the imposed sanctions, remedies or costs are inappropriate or unsupported by the record.

(c) The Chief Compliance Officer will forward copies of any notice of appeals received by it to all parties to the disciplinary proceeding or summary action, as the case may be, except the appellant. On or before the twentieth (20^{th}) Business Day after filing a notice of appeal, the appellant must file with the Chief Compliance Officer and serve on the Compliance Department a brief supporting the notice of appeal and documents supporting the brief. On or before the twentieth (20^{th}) Business Day after the date on which the appellant serves their supporting brief, the appellee must file and serve its brief in opposition. On or before the tenth (10^{th}) Business Day after the date on which the appellee serves its brief in opposition, the appellant must file and serve a brief in reply.

(d) In connection with any appeal, the Compliance Department will furnish to the Chief Compliance Officer and to the respondent/appellant a transcript of the hearing, any exhibits introduced at the hearing, the notice of appeal and briefs filed to support and oppose the appeal.

(e) Within thirty (30) Business Days after the last submission filed pursuant to paragraph (c) above, the Chief Compliance Officer will appoint the Appeals Panel to consider and determine the appeal. If less than 3 individuals from the Regulatory Oversight Committee are eligible to serve on the Appeals Panel, the Appeals Panel shall be a panel solely comprised of those individuals from the Regulatory Oversight Committee that are eligible to serve on the Appeals Panel and such additional individuals meeting the requirements of Public Director who are appointed by the Chief Compliance Officer. Members of the Compliance Department of tZERO shall not be eligible to

serve on the Appeals Panel. Members of a Disciplinary Panel may not serve on an Appeals Panel for the same matter.

(f) The Appeals Panel may hold a hearing to allow parties to present oral arguments. Any hearing will be conducted privately and confidentially unless the Appeals Panel decides that the hearing, or any part of it, should be held in public after giving each appellant the opportunity to present their views on holding a public hearing. Notwithstanding the confidentiality of hearings, the Appeals Panel may appoint individuals to attend any hearing and assist in the deliberations if such individuals agree to be subject to appropriate confidentiality agreements. In determining procedural and evidentiary matters, the Appeals Panel will be bound by evidentiary or procedural rules or law.

(g) The Appeals Panel will only consider on appeal the record before the Disciplinary Panel or, in the case of a summary action, the record considered by the Chief Compliance Officer or the Chief Compliance Officer's designee, the notice of appeal, the briefs filed in support and opposition of the appeal, and any oral arguments of the parties. The Appeals Panel may only consider new evidence when the Appeals Panel is satisfied that good cause exists on why the evidence was not introduced during the disciplinary proceeding or when imposing the summary action.

(h) After completing its review, the Appeals Panel may affirm or, only if it finds that the decision of the Disciplinary Panel or the Chief Compliance Officer that is under review, as the case may be, meets one of the criteria listed in Rule 7.12(i) below, modify or reverse any order of the disciplinary proceedings or summary action under appeal, in whole or in part, including increasing, decreasing, or eliminating any sanction or remedy imposed, imposing any other sanction or remedy authorized by the Rules, or remanding the matter to the same or a different Disciplinary Panel for further disciplinary proceedings or for reconsideration by the Chief Compliance Officer. The Appeals Panel may order a new hearing for good cause or if the Appeals Panel determines in its sole discretion that the appellant was not given a full and fair opportunity to make an argument in its favor and present supporting evidence.

(i) As described in Rule 7.12(h) above, the Appeals Panel may modify or reverse any order of the disciplinary proceedings or summary action under appeal only if it finds that the decision was:

(i) Arbitrary, capricious, or an abuse of the discretion of the Disciplinary Panel, the Chief Compliance Officer, or the Chief Compliance Officer's designee, as the case may be;

(ii) In excess of the authority or jurisdiction of the Disciplinary Panel or the Chief Compliance Officer, as the case may be; or

(iii) Based on a clearly erroneous application or interpretation of the Rules.

(j) As promptly as reasonably possible following its review, the Appeals Panel will issue a written decision on appeal rendering its decision based on the weight of the evidence before the Appeals Panel.

The decision of the Appeals Panel will include a statement of findings of fact and conclusions for each finding, sanction, remedy and cost reviewed on appeal, including each specific Rule and provision of Applicable Law that the respondent is found to have violated, if any, and the imposition of sanctions, remedies and costs, if any, and the effective date of each sanction, remedy, or cost.

(k) The Appeals Panel's written order on appeal (including findings of fact and conclusions and the imposition of sanctions, remedies and costs, and the effective date of any sanction, remedy cost) will be the final action of tZERO and will not be subject to appeal within tZERO.

(l) Within ten (10) Business Days of being notified of the appointment of the Appeals Panel, a respondent may seek to disqualify any individual named to the Appeals Panel for the reasons identified in this Rule 7.12 or for any other reasonable grounds, by serving written notice on the Chief Compliance Officer. By not timely filing a request for disqualification, the respondent will be deemed to have waived any objection to the composition of an Appeals Panel. The Chief Compliance Officer will decide the merits of any request for disqualification within his or her sole discretion. Any such decision will be final and not subject to appeal.

7.13. Summary Imposition of Fines

(a) The Chief Compliance Officer may summarily impose a fine against a Participant or Authorized User for failing:

(i) to make timely payments of fees, cost, charges, or fines to tZERO Exchange or the tZERO Clearinghouse;

(ii) to make timely and accurate submissions to tZERO Exchange or tZERO Clearinghouse of notices, reports, or other information required by the Rules; and

(iii) to keep any books and records required by the Rules.

(b) The Compliance Department, acting on behalf of the Chief Compliance Officer, will give notice of any fine imposed pursuant to this Rule 7.13 to each Participant or Authorized User subject thereto. The notice will specify (i) the violations of the Rules for which the fine is being imposed; (ii) the date of the violation for which the fine is being imposed; and (iii) the amount of the fine. Within twenty (20) Business Days of serving the notice of fine, the Participant or Authorized User, as the case may be, must either pay the fine or file notice of an appeal pursuant to Rule 7.12. Unless timely notice of appeal is filed pursuant to Rule 7.12, the fine will become final upon the expiration of twenty (20) Business Days after the notice of fine is served on the Participant or Authorized User, as the case may be.

(c) tZERO, in its sole discretion, may deduct the amount of any fine imposed pursuant to Rule 7.13(b) directly from the Participant's Account; *provided*, that tZERO may not make such a deduction if the result would be to cause an event of default with respect to any Open Contract Positions then held in the Account of such Participant.

(d) tZERO will set the amount of any fines imposed pursuant to this Rule 7.13, with the maximum fine for each violation not to exceed $5,000. Summary imposition of fines pursuant to this Rule 7.13 will not preclude tZERO from bringing any other action against the Participant or Authorized User, as the case may be.

7.14. Summary Suspensions and Other Summary Actions

(a) Notwithstanding anything in the Rules to the contrary, the Chief Compliance Officer or the Chief Compliance Officer's designee, upon a good faith determination that there are substantial reasons to believe that such immediate action is necessary to protect the public or the best interests of tZERO, may order that any party be denied access to tZERO Exchange and/or the tZERO Clearinghouse, or summarily limit, condition, restrict, or qualify the Trading Privileges and/or the Clearing Privileges of a Participant or Authorized User, and may take other summary action against any Participant or Authorized User in accordance with the Rules; *provided*, *however*, that the Chief Compliance Officer or the Chief Compliance Officer's designee in issuing an order denying access, may permit such party to enter Orders solely for the purpose of liquidating the Open Contract Positions of such Participant while the applicable suspension, limitation, condition, restriction or qualification of access is in effect.

(b) Promptly after an order is issued pursuant to paragraph (a), the party shall be informed of the action taken, the reasons for the action, the effective date, and the duration of the action. The party shall also be informed of his or her right to appeal the action under Rule 7.12. Whenever practicable, the Compliance Department, acting on behalf of the Chief Compliance Officer, shall provide such notice prior to taking the action.

(c) Unless timely notice of appeal is filed pursuant to Rule 7.12, the summary action will become final upon the expiration of twenty (20) Business Days after the notice of action is served on the respondent.

(d) At the request of tZERO Exchange or the tZERO Clearinghouse, a respondent against whom a summary action is brought pursuant to this Rule 7.14 must provide books and records over which the respondent has access or control and must furnish information to, or appear or testify before, tZERO Exchange or the tZERO Clearinghouse in connection with the enforcement of any Rule.

(e) A respondent whose Trading Privileges and/or Clearing Privileges are suspended, limited, conditioned, restricted, or qualified pursuant to this Rule 7.14 may apply for reinstatement by filing with the Compliance Department a written request stating the applicant's reasons for seeking reinstatement. tZERO will not consider a respondent's request for reinstatement if the respondent (i) persists in the conduct which was the subject of the order denying access; (ii) owes any fines, fees, charges or costs to tZERO; (iii) continues to fail to appear at disciplinary proceedings without good cause; or (iv) continues to impede the progress of disciplinary proceedings.

(f) Within a reasonable period after the filing of a request for reinstatement, the Appeals Panel will conduct a hearing to consider the request. At the hearing for reinstatement, the respondent will present its, his, or her case supporting the reinstatement and the Compliance

Department, acting on behalf of the Chief Compliance Officer may, in its discretion, present its case opposing or supporting the reinstatement and each may present relevant and admissible evidence and facts and call, examine and cross-examine witnesses. At the hearing for reinstatement, tZERO may require any Participant or any Authorized User to appear as witnesses and produce evidence if the Appeals Panel determines that the evidence is relevant.

(g) As promptly as reasonably possible after a reinstatement hearing, the Appeals Panel will issue an order reinstating, denying the reinstatement, or placing conditions on the reinstatement of the Trading Privileges and/or the Clearing Privileges, or association with a Participant, of the respondent. The order will include a brief summary of the evidence introduced at the reinstatement hearing; and, if applicable, findings of fact and conclusions not contained in the Appeals Panel's initial order issued pursuant to Rule 7.14(d) above. The Appeals Panel's order may not be appealed.

(h) Any decision to deny access pursuant to paragraph (a) shall not remain in effect for more than sixty (60) Business Days unless the Chief Compliance Officer or the Chief Compliance Officer's designee, upon further consideration of the circumstances giving rise to the order denying access, issues a separate order denying access for an additional period of time, not to exceed sixty (60) Business Days. The party must be notified thereof prior to issuance of the second order, unless prior notice is impracticable. Such notice must meet the standards provided in paragraph (b). At any time, a party subject to an action under this Rule 7.14, may petition the Chief Compliance Officer or the Chief Compliance Officer's designee to reconsider an access denial pursuant to this Rule based upon materially changed circumstances.

(i) When the Trading Privileges and/or Clearing Privileges of a Participant are, or the association of an Authorized User with a Participant is, suspended for a period of twelve (12) months or less, none of its rights and Trading Privileges and/or Clearing Privileges (including the right to hold oneself out to the public as a Participant, enter Orders into the tZERO Direct System, and receive Participant rates for fees, costs, and charges at Participant levels) will apply during the period of the suspension, except for the right of the Participant or Authorized User in question to assert claims against others as provided in the Rules. Any such suspension will not relieve the Participant or Authorized User in question of its, his or her obligations under the Rules to perform any Contracts entered into before the suspension, or for any tZERO imposed fees, costs, or charges incurred during the suspension. tZERO may discipline a suspended Participant or Authorized User under this Chapter 7 for any violation of a Rule or provision of Applicable Law committed by the Participant before, during or after the suspension.

(j) When the Trading Privileges and/or Clearing Privileges of a Participant are, or the association of an Authorized User with a Participant is, terminated, all of its rights and Trading Privileges and/or Clearing Privileges will terminate, except for the right of the Participant or Authorized User in question to assert claims against others, as provided in the Rules. A terminated Participant or Authorized User may only seek to reinstate its Trading Privileges and/or Clearing Privileges by applying for Trading Privileges and/or Clearing Privileges pursuant to Rule 3. tZERO will not consider the application of a terminated Participant or Authorized User if such Participant or Authorized User, as the case may be, continues to fail to appear at disciplinary proceedings without good cause or continues to impede the progress of disciplinary proceedings.

(k) A suspended or terminated Participant or Authorized User remains subject to the Rules and the jurisdiction of tZERO for acts and omissions prior to the suspension of termination, and must cooperate in any inquiry, investigation, disciplinary proceeding, appeal of disciplinary proceedings, summary suspension or other summary action as if the suspended or terminated Participant or an Authorized User still had Trading Privileges and/or Clearing Privileges or was still associated with a Participant, as the case may be.

7.15. Publication of Disciplinary Action

(a) Within two (2) Business Days after a disciplinary action becomes final, notice of any disciplinary action outcome providing that a Participant is suspended, expelled, disciplined, or denied access to tZERO Exchange and/or the tZERO Clearinghouse shall be provided to the NFA for inclusion in its internet accessible database of disciplinary matters.

(b) tZERO will make public notice of the disciplinary action by posting on its website, in accordance with CFTC Regulation 9.13, the information required by CFTC Regulation 9.11. The disciplinary action will be considered final on the date the notice of the disciplinary action is published on the tZERO website.

CHAPTER VIII
DISPUTE RESOLUTION

8.1. General

(a) Any dispute, controversy or claim related to transactions executed and cleared through the tZERO Direct System, or otherwise related to participation on the tZERO Direct System shall be resolved and settled through binding arbitration in New York, New York. If the parties are able to agree on an arbitrator, the arbitration shall be conducted by a single arbitrator. If the parties are unable to agree on an arbitrator, each party shall select an arbitrator and the two arbitrators shall select a third arbitrator. Any arbitrator selected in connection with such arbitration must qualify as a Public Director (if the individual is a director of tZERO) and must have reasonable prior experience in the operation and regulation of exchanges and clearinghouses providing execution and clearing services in connection with commodity futures contracts, commodity options or swaps, and with respect to the rules of the CFTC and exchanges and clearinghouses generally. The arbitrator(s) shall determine the procedures for any arbitration held under this Rule 8.1, and shall, to the extent practicable, rely on applicable provisions of Chapter 7 with respect to such procedures, including but not limited to in connection with discovery by the parties, submission of documents and a hearing, provided that the arbitrator(s) shall have the authority to determine the appropriate procedures, notwithstanding the provisions of Chapter 7. The arbitrator(s) shall have the authority to award any remedy or relief that a court of competent jurisdiction could order or grant, including the issuance of an injunction. The fees and expenses of such arbitration shall be borne by the non-prevailing party, as determined by such arbitration. This provision shall not be construed in any way as creating a cause of action.

(b) Any failure on the part of any Participant or Authorized User to arbitrate a case subject to arbitration, or the commencement by any such Person of a suit in any court prior to arbitrating a case subject to arbitration, violates the Rules and subjects such Participant or

Authorized User to disciplinary proceedings pursuant to Chapter 7, unless the parties mutually agree not to submit their dispute to arbitration.

(c) tZERO may summarily suspend, pursuant to Chapter 7, a Participant or Authorized User that fails to satisfy an arbitration award rendered in any arbitration pursuant to this Chapter 8.

CHAPTER IX
CONTRACT RULES

9.1. Contract Specifications

Each Contract will meet such specifications, and all trading in such Contract will be subject to such procedures and requirements, as set forth in the rules governing such Contract.

9.2. Contract Modifications

The specifications for, and the procedures and requirements for trading, any Contract may not be modified in any respect without the prior approval of tZERO.

CHAPTER X

MARGIN

10.1 Full Collateralization of Contracts Required

(a) All trades must, at all times, be fully collateralized. Self-Clearing Members must maintain with tZERO sufficient funds to fully collateralize their Maximum Downside Exposures. FCMs that are trading on a Platform through one of the permitted types of accounts specified in these Rules must maintain sufficient funds to fully collateralize their Maximum Downside Exposure. tZERO will not clear a position that is not fully collateralized.

(b) If a Self-Clearing Member holds Sub-Accounts within their primary account, collateralization checks for orders to trade from such Sub-Accounts will occur on a Sub-Account level.

(c) Upon receipt of an Order to trade one or more Contracts from an FCM Customer, the FCM must ensure that the FCM Customer has on deposit enough funds (as will be set forth in the FCM's Member Agreement) to satisfy the full collateralization requirement set forth in this section before the FCM submits the Order to a Platform. These funds must be reserved and made unavailable for uses other than collateralizing such an Order until the Order resolves, either through cancellation, expiry, rejection, or execution. Once the Order resolves, the FCM must adjust the reservation of funds on the FCM Customer's account as appropriate.

(d) tZERO does not maintain a financial resource package to be used in the event of a Member Default because it clears only fully collateralized positions.

10.2 Collateral

(a) United States dollars is the sole form of acceptable collateral.

(b) Except as otherwise provided herein, collateral must be and remain unencumbered, other than the encumbrance in favor of tZERO described in this paragraph. Each Participant posting collateral hereby grants to tZERO a continuing first priority security interest in, lien on, right of setoff against and collateral assignment of all of such Participant's right, title and interest in and to any property and collateral deposited with tZERO by the Participant, whether now owned or existing or hereafter acquired or arising, including without limitation the Participant's account and all securities entitlements held therein, and all proceeds of the foregoing. A Participant shall execute any documents required by tZERO to create, perfect and enforce such lien.

(c) Each Participant hereby agrees that, with respect to any financial asset which is or may be credited to the Participant's Participant Account, tZERO shall have control over such financial asset pursuant to Sections 9-106(a) and 8-106(e) of the UCC and a perfected security interest pursuant to Section 9-314(a) of the UCC.

(d) tZERO will not be responsible for any diminution in value of collateral that a Participant deposits with tZERO. Any fluctuation in markets is the risk of each Participant.

(e) Participants' collateral shall be held in a bank located in the United States and in a manner which minimizes the risk of loss or of delay in the access by tZERO to such funds and assets and in a manner consistent with the CEA and CFTC Regulations. Any interest earned on Participant collateral may be retained by the Settlement Bank or tZERO.

(f) tZERO has the right to liquidate a Person's Contracts or non-cash collateral to the extent necessary to close or transfer Contracts, fulfill obligations to tZERO or other Participants, and/or to return collateral in the event that (1) the Person ceases to be a Participant; (2) tZERO suspends or terminates the Person's Clearing Privileges; (3) the Person's open position in any Contract becomes insufficiently collateralized; or (4) tZERO determines in its sole discretion that it is necessary to liquidate the Contracts or non-cash collateral for such purposes.

(g) Collateral transfers made by a Participant to tZERO or by tZERO to a Participant are irrevocable and unconditional when effected.

10.3 Segregation of Participant Funds

(a) Participants' collateral shall be legally and operationally segregated from the property of the tZERO Clearinghouse.

(b) Participants' collateral that relates to a Platform shall be legally and operationally segregated from the property of Participants that relate to a different Platform, even in the event

that a single Participant is a member of both Platforms and tZERO provides Clearing Services to members of both Platforms.

(c) tZERO shall maintain a proprietary account that will be credited with fees or other payments owed to tZERO that are debited from Member's Member Accounts as a result of Participants' trades and settlements of Contracts cleared by tZERO. tZERO shall maintain a record of each Member's Member Account and Sub-Account balances and each Participant's Contracts.

(d) As required by CFTC Regulation 22.3, Cleared Swaps Customer Collateral will be segregated from all other funds.

10.4 Concentration Limits

tZERO will monitor the full range and concentration of its exposures to its Settlement Bank(s) and assess the potential losses and liquidity pressures in the event that the Settlement Bank with the largest share of settlement activity were to fail.

10.5 Investment of Participant Funds

(a) tZERO may invest Participant funds. Any investment of Participant funds will be done according to the standards and requirements in CFTC Regulations 1.25, 22.1, and 39.15 (or any successor regulations).

(b) All investments will be managed consistent with the objectives of preserving principal and maintaining liquidity.

(i) All investments will be able to be converted into cash within one (1) business day without material discount in value.

(ii) Investments will be exclusively in U.S. Treasury securities and U.S. government agency securities, as well as reverse repurchase agreements for these securities, and U.S. government money market mutual funds.

(iii) All investments will be held at U.S. situs banks.

(c) Participants' funds will not, under any circumstances, be commingled with tZERO's funds.

(d) The tZERO may pay interest to Members' accounts at a floating rate to be determined by tZERO on funds in Participant's accounts in excess of an amount to be determined by tZERO. For FCM Customer's funds, the distribution of such interest, if any, will be governed by the agreements between the tZERO Clearinghouse and the FCM, and between the FCM and the FCM Customer.

(e) The tZERO will retain all profit from investment of Participant funds not paid to Members.