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March 30, 2010

VIA E-MAIL

David Stawick  
Secretary of the Commission  
1155 21st St., N.W.  
Washington, D.C. 20581

Re: Request for Voluntary Approval of the Cantor Futures Exchange, L.P.  
"The Expendables" Domestic Box Office Receipts Futures Contract;  
Request for Voluntary Approval Under 17 C.F.R. section 40.3.

Dear Mr. Stawick:

On behalf of our client, Cantor Futures Exchange, L.P. ("Cantor Exchange"), we hereby file this request for approval under 17 C.F.R. §40.3 by the Commodity Futures Trading Commission ("Commission") of the Cantor Exchange "The Expendables" Domestic Box Office Receipts Futures Contract ("DBOR").

Included in this request are the following:

- a copy of the submission cover sheet;
- the text of the DBOR Futures Contract's terms and conditions; and
- an application for Cash-settled Futures Contracts under 17 C.F.R. Part 40, Appendix A(b) (Guideline No. 1, Paragraph (b)).

We are sending the application fee required under 17 C.F.R. Part 40, Appendix B, under separate cover. The application fee has been sent via Fed Ex and should arrive on Tuesday, March 30, 2010. We would appreciate it if you would confirm receipt of payment.

David Stawick  
March 30, 2010  
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Please contact Richard Jaycobs at (508) 269 6973 or the undersigned at (202) 756-3492 if you have any questions about our request for approval or if you require additional information.

Thank you for your consideration of this matter.

Sincerely,



Paul M. Architzel

Enclosures

cc: Richard Shilts, Director Division of Market Oversight  
Tom Leahy, DMO  
Richard Jaycobs, Cantor Futures Exchange, L.P.

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**CANTOR FUTURES EXCHANGE, L.P.**

**“THE EXPENDABLES” DOMESTIC BOX OFFICE  
RECEIPTS:  
CONTRACT TERMS AND CONDITIONS**

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## **PREAMBLE**

These terms and conditions pertaining to “The Expendables” DBOR Contract (the “DBOR Contract Terms”) will govern the trading on the Cantor Futures Exchange, L.P. (the “Exchange”) and the clearing by the Cantor Clearinghouse, L.P. (the “Clearinghouse”) of the DBOR Contract described herein. Reference is made herein to the Rules of the Exchange and the Rules of the Clearinghouse. These DBOR Contract Terms are established pursuant to and constitute “Contract Rules” under Rule I-5 of the Rules of the Exchange and Rule I-7 of the Rules of the Clearinghouse. As such, they supplement the Rules of the Exchange and the Rules of the Clearinghouse, as applicable. Any conflicts between the Rules of the Exchange or the Rules of the Clearinghouse and these DBOR Contract Terms with respect to the trading or clearing of DBOR Contracts, as applicable, will be resolved in favor of these DBOR Contract Terms. Capitalized terms used but not defined herein have the meanings ascribed to them in the Rules of the Exchange or the Rules of the Clearinghouse, as applicable.

## CHAPTER I DEFINITIONS

### I-1. Certain Defined Terms

“**Box Office Reporting Person**” means an employee, office or division of a Film Studio or Film Distributer that is responsible for compiling and/or computing ticket sales/box office revenue receipts.

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

“**DBOR**” means, with respect to any film title that is the subject of a DBOR Contract, the aggregate gross domestic box office receipts in the United States and Canada in U.S. dollars as compiled by Rentrak Theatrical and/or Nielsen EDI and published in Variety Magazine (or such other publicly available source or sources as may be designated by the Exchange from time to time).

“**DBOR Contract**” has the meaning set forth in Rule II-1(a).

“**DBOR Contract Terms**” has the meaning set forth in the Preamble.

“**DBOR Determination Period**” means the period described as such in Rule II-3(b) for each DBOR Contract.

“**End of Trading**” means, with respect to DBOR Contracts, 5:00 P.M. on each Trading Day or such other time as the Exchange may from time to time prescribe.

“**Equilibrium Price**” means the “fair market price” of a DBOR Contract as of the conclusion of the Opening Auction, determined in accordance with the application of the Exchange's proprietary pricing algorithm, as described in Rule IV-21(d) of the Rules of the Exchange (or any successor Rule thereto), to the Master Order Book maintained by the Exchange, containing the bids and offers submitted in the relevant Opening Auction conducted with respect to such DBOR Contract.

“**Film Distributer**” means any entity whose primary business is to distribute films or motion pictures.

“**Film Studio**” means any entity whose primary business is to produce films or motion pictures.

“**Final Settlement Price**” means the final settlement price of a DBOR Contract calculated after its DBOR Determination Period.

“**First Release Date**” means the first date on which a film title is being shown to the public in at least one theater in North America that reports DBOR data to Nielsen EDI or Rentrak Theatrical.

“**First Trading Day**” means the first Trading Day on which the relevant DBOR Contract trades on the Exchange and will be specified in each DBOR Contract.

“**Immediate Family Member**” means spouse, parents, children and siblings.

“**Information Barrier**” means controls and procedures to ensure that daily box office receipt information compiled/computed by a Box Office Reporting Person is not shared with those employees, offices and/or divisions of a Film Studio or Film Distributer that trade DBOR contracts before the information is released to the public.

“**Last Trading Day**” means the last Trading Day on which the relevant DBOR Contract trades on the Exchange before settlement; *provided*, that the Last Trading Day shall under no circumstances be any earlier than the Tuesday following the close of the DBOR Determination Period.

“**Master Order Book**” means the book maintained by the Exchange containing all bids and offers on DBOR Contracts entered in the Opening Auction or continuous trading market with respect to a DBOR Contract.

“**Nielsen EDI**” means Nielsen EDI, a service of Nielsen Entertainment and part of VNU Media Measurement Information.

“**Opening Auction**” means the two-sided, single price auction conducted that may be conducted by the Exchange on the First Trading Day with respect to a DBOR Contract, as described in Rule IV-21 (or any successor Rule thereto) in the Rules of the Exchange.

“**Participant**” shall mean any Person that has been granted, and continues to have (i) Trading Privileges under the Rules of the Exchange and (ii) Clearing Privileges through the Clearinghouse.

“**Release Week**” means the period beginning on any Monday and ending on the following Sunday, except that if such Monday is any of New Years Day, Martin Luther King Day, President’s Day, Memorial Day, the 4<sup>th</sup> of July, Labor Day or Christmas Day in the United States, then such Release Week shall begin on Tuesday and such Monday shall be part of the prior Release Week.

“**Rentrak Theatrical**” means Rentrak Theatrical, a unit of the Rentrak Corporation.

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

**“Wide Release”** means a film title that, as of the relevant time of determination, is being shown to the public in at least 650 theaters in North America, as reported by Nielsen EDI or Rentrak Theatrical.

**I-2. References to Times of Day**

All times of day referenced in these DBOR Contract Terms refer to the local time prevailing in The City of New York, New York, unless otherwise expressly set forth in the relevant provision.



**CHAPTER II**  
**DBOR CONTRACT SPECIFICATIONS**

**II-1. Obligations of Parties to a DBOR Contract; Settlement Method; Settlement Date**

(a) Pursuant to each DBOR Contract entered into through the Exchange, the seller agrees to sell to the purchaser, and the purchaser agrees to purchase from the seller, a specified portion of an identified film title's DBOR, as measured by the sum of the daily box office receipts in the U.S. and Canada, in accordance with these DBOR Contract Terms, during the first four weeks after the film title's initial release (such contract a "DBOR Contract").

(b) Each DBOR Contract will be settled exclusively by cash settlement.

(c) Each DBOR Contract will be listed for one, and only one, cash settlement date.

**II-2. Acceptable Orders**

(a) The following types of Orders for transactions in DBOR Contracts may be entered into the Exchange:

(i) Limit Orders; and

(ii) Market Orders.

(b) For each Order type listed in Rule II-2(a), Orders will be executed in whole or in part depending on the availability of opposite side Orders.

**II-3. DBOR Contract Size; DBOR Determination**

(a) The unit size of each DBOR Contract will be the aggregate DBOR during the DBOR Determination Period for the relevant underlying film title, divided by the contract divisor of 1,000,000. Therefore, each DBOR Contract will represent 1/1,000,000th of the aggregate DBOR during the DBOR Determination Period; a \$1,000,000 change in revenues will cause a \$1.00 change in the value of a Contract. The method of determining the Final Settlement Price is further described in Rule II-13(a).

(b) The DBOR Determination Period for each DBOR Contract shall begin on the First Release Date and conclude at the end of the fourth (4<sup>th</sup>) Release Week after the underlying film title achieves Wide Release status. In the event that the underlying film title fails to achieve Wide Release status prior to the end of the twelfth (12<sup>th</sup>) Release Week, then the DBOR Determination Period shall conclude at the end of such twelfth (12<sup>th</sup>) Release Week.

#### **II-4. Position Limits in DBOR Contracts**

(a) Subject to any available hedge exemptions (discussed in Rule II-3(b)), a Participant will not be permitted to hold a net long or net short position in any DBOR Contract that exceeds 10,000 DBOR Contracts.

(b) Entities that are engaged in hedging activities through the use of short positions in DBOR Contracts, and Market Makers, may be granted hedge exemptions that exceed the short side speculative position limits by application to the Exchange; *provided, however*, that no short side hedge exemptions will be granted that would permit sale of more than 30% of the underlying position on which such hedge exemption is based and *provided further* that under no circumstances shall any hedge exemption be granted that would permit a Participant to hold a position exceeding 300,000 DBOR Contracts. Commercial entities eligible for short side hedge exemptions include (but are not necessarily limited to) film studios, film funds or other investors in films. Participants that are engaged in hedging activities through the use of long positions in DBOR Contracts, and Market Makers, may be granted hedge exemptions that exceed the long side speculative position limits by application to the Exchange. Any application for hedge exemptions made under this Rule shall include by any information or supporting material prescribed or reasonably requested by the Exchange, and shall include such facts as may be necessary to demonstrate the applicant's need to use DBOR Contracts for hedging purposes.

(c) Position limits shall apply to: (i) all positions in accounts for which any Person, by power of attorney or otherwise, directly or indirectly holds positions or controls trading, and (ii) positions held by two or more Persons acting pursuant to an expressed or implied agreement or understanding, as if the positions were held by, or the trading of the positions were done by, a single Person.

#### **II-5. Price Limits in DBOR Contracts**

On each Trading Day, the amount by which the price of a DBOR Contract may increase or decrease is limited to an amount equal to 10% of its prior day's Settlement Price rounded to the next highest 0.5, which in no event will be less than 5, provided that the Exchange shall have the authority, under extraordinary market circumstances, to set daily price limits at different levels if, in the reasonable judgment of the Exchange, such action is warranted for the protection of the market and Participants.

#### **II-6. Original Margin for DBOR Contracts**

(a) Subject to any minimums as set forth in the Rules of the Exchange, the Original Margin for long positions in any DBOR Contract is 100% of the applicable DBOR Contract value based on (i) the actual purchase price for new long positions that are established during a Trading Day or (ii) the Settlement Price for positions that are existing positions as of the commencement of trading on such Trading Day.

(b) Subject to any minimums as set forth in the rules of the Exchange, the Original Margin for short positions in any DBOR Contract is the greater of \$25 per DBOR

Contract or 50% of the DBOR Contract value, based on the Settlement Price at the end of the prior Trading Day.

(c) The Exchange will conduct periodic reviews of DBOR Contract Original Margin rates and may establish rates that differ from those listed above; *provided, however*, that under no circumstances shall such rate be less than any minimum then in effect pursuant to the Rules of the Clearinghouse.

## **II-7. Symbols**

Each DBOR Contract will be assigned a unique six-character (“A” to “Z”, “0” to “9” or space) ticker symbol representing the film title by the contract terms governing that DBOR Contract and pursuant to these DBOR Contract Terms.

## **II-8. Quotation Description; Minimum Increment**

(a) 1.0 point will equal \$1 million of DBOR such that a film title with four week DBOR of \$250,000,000 will be quoted as 250.0.

(b) The minimum increment of a DBOR Contract quotation is 0.25, representing the equivalent of \$250,000 of DBOR.

## **II-9. Reportable Limits**

A position of 1,000 DBOR Contracts constitutes a reportable position.

## **II-10. DBOR Contract Listing Standards**

A film title will be listed subject to the criteria established by the Exchange in its reasonable judgment, taking into account the following factors, among any others deemed relevant by the Exchange:

- (i) whether there is sufficient economic interest in the specific film title to establish and sustain a market in DBOR Contracts on the film;
- (ii) the stage of the film title’s production process;
- (iii) the theatrical release date is after contract listing but no more than twelve months forward;
- (iv) designation by Rentrak Theatrical or Nielsen EDI (or another publicly available source designated by the Exchange) that such film title is calendared for theatrical release; and
- (v) any other criteria that the Exchange determines are relevant to a film title’s eligibility.

The Exchange will be responsible for monitoring listing criteria and adjusting the contracts to be listed if these criteria cannot reasonably be met before the First Trading Day. All such criteria

will be evaluated on a reasonable estimated basis since actual data may not be available until a film title is released.

#### **II-11. Opening Auctions for DBOR Contracts**

Bids and offers in connection with the Opening Auction for a DBOR Contract may be submitted between 9:00 A.M. and 3:00 P.M. on the First Trading Day for such DBOR Contract. The Opening Auction for such DBOR Contract shall be executed at 3:00 P.M. on the First Trading Day.

#### **II-12. Trading Hours for DBOR Contracts**

A DBOR Contract may be traded at any time, seven days a week, 24 hours each day (with the exception of emergency cessations of trading).

#### **II-13. Final Settlement Price; Final Settlement**

(a) The Final Settlement Price for a DBOR Contract will be an amount equal to the underlying film title's DBOR during the DBOR Determination Period divided by one million (1,000,000), and then rounded to the nearest cent (\$0.01). Exact half cents shall be rounded to the nearest even cent. As an example, the Final Settlement Price of a DBOR Contract with an underlying film title that has earned a DBOR of \$56,455,000 during the DBOR Determination Period would be calculated by taking \$56,455,000 divided by 1,000,000 (equaling \$56.455), and then rounding such amount to \$56.46.

(b) The Final Settlement Price of a DBOR Contract shall be effective at 9:00 A.M. on the Business Day following the Last Trading Day, at which time all open positions in DBOR Contracts shall be marked to the Final Settlement Price and closed out.

#### **II-14. Withdrawn Releases**

If a DBOR Contract's underlying film title is withdrawn from distribution after its theatrical release, then the applicable DBOR Contract will be settled at a Final Settlement Price calculated pursuant to Rule III-13(a).

#### **II-15. Delays in Release Date**

(a) If a DBOR Contract's underlying film title's release date is modified from its previously announced expected release date, the Exchange will publish such change and the DBOR Determination Period will be modified accordingly. If the release of a DBOR Contract's underlying film title is indefinitely delayed, the Contract shall be permitted to trade for liquidation only until such time as there are zero Open Contract Positions in such Contract. The Contract shall be delisted from trading on the Exchange effective as of the End of Trading on the first Trading Day on which there are zero Open Contract Positions in such Contract.

(b) If, in the sole discretion of the Exchange, it appears unlikely that Open Contract Positions in a DBOR Contract will reach zero, the Exchange shall use its reasonable best efforts to contact Participants with Open Contract Positions in such Contract to encourage

them to place liquidating bids or offers for such Contract. If, in the sole discretion of the Exchange, such actions are deemed to be impracticable or unlikely to reduce Open Contract Positions in such DBOR Contract to zero, the Exchange may use any emergency procedures then authorized under the Rules of the Exchange to determine a Final Settlement Price for such DBOR Contract and settle in cash any then remaining Open Contract Positions.

## **II-16. Daily and Weekly Reports**

The Exchange will publish a weekly report to all Participants and Authorized Traders containing information relevant to DBOR Contract listings, including (i) those DBOR Contracts with respect to which the film titles are first entering or have already entered their DBOR Determination Period for the purpose of determining the Final Settlement Price; (ii) those DBOR Contracts with respect to which the underlying film title is in such limited distribution or audience testing that it does not yet satisfy the criteria necessary for its theatrical revenue to be considered in determining the Final Settlement Price; (iii) those DBOR Contracts with respect to which the underlying film title has been withdrawn from distribution or has had its release date indefinitely delayed; (iv) changes to the First Trading Day, Last Trading Day or the release date of the underlying film title of any DBOR Contract; and (v) any other publicly available information about the underlying film title of any DBOR Contract that the Exchange deems relevant.

## **II-17. Trading Eligibility**

The following are not eligible to trade DBOR Contracts:

- (a) Rentrak Corporation and its Affiliates;
- (b) employees of Rentrak Corporation or any of its Affiliates; and
- (c) any Immediate Family Members of employees of Rentrak Corporation or any of its Affiliates.

## **II-18. Prohibition on Trading on Material Non-Public Information**

(a) Subsequent to the commencement of an Opening Auction with respect to any Contract, if any, any person in possession of any material non-public information regarding the commodity underlying such Contract is prohibited from trading in such Contracts until such information has been disseminated in a manner that makes it generally available or accessible to the public, through the news media, the Internet or otherwise. Such material non-public information includes, but is not limited to, the following: (i) changes in the scheduled release date of the relevant film; (ii) the actual number of theaters in which the film will be shown; (iii) changes in the promotion or advertising budgets of a film; and (iv) actual box office receipt statistics once a film has been released.

(b) Participants that are Entities shall be required to adopt policies and procedures adequately designed to ensure that its officers, directors, employees and

agents, including its Authorized Traders, do not trade on the basis of material non-public information in violation of Rule II-18(a).

#### **II-19. Information Barrier Required for Film Studio and Film Distributer Participants**

Film Studio and Film Distributer Participants must maintain an Information Barrier between Box Office Reporting Persons and those employees, offices and/or divisions that trade DBOR Contracts. It is the responsibility of the Film Studio or Film Distributer to set up, monitor and maintain the Information Barrier. The Film Studio or Film Distributer must provide the Exchange a copy of the adopted Information Barrier procedures prior to being approved to trade DBOR Contracts. The Exchange will use the following criteria to evaluate whether the Information barrier has the required elements:

- (a) physical separation between Box Office Reporting Persons and those employees, offices and/or divisions that trade DBOR Contracts;
- (b) separate management and reporting lines between Box Office Reporting Persons and those employees, offices and/or divisions that trade DBOR Contracts;
- (c) periodic review of the Information Barrier to applicable employees; and
- (d) periodic review and report of the adherence to and the effectiveness of such policies.

#### **II-20. Annual Information Barrier Attestation**

Film Studio and Film Distributer Participants must provide an annual attestation regarding its Information Barrier in a form acceptable to the Exchange. The attestation must contain:

- (a) a statement that it has maintained a physical separation between Box Office Reporting Persons and those employees, offices and/or divisions that trade DBOR Contracts;
- (b) a statement that it has maintained separate management and reporting lines between Box Office Reporting Persons and those employees, offices and/or divisions that trade DBOR Contracts;
- (c) a statement that employees subject to the Information Barrier procedures have certified, on an annual basis, that they have read and agree to abide by the Information Barrier procedures;
- (d) a statement that an internal or external review of its Information Barrier procedures has been conducted and no material deficiencies have been found; and
- (e) a description of any changes and/or updates to its Information Barrier procedures.



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**Application for Voluntary Approval of Cash Settled Futures Contract  
17 C.F.R. Part 40, Appendix A(b)  
Cantor Futures Exchange, L.P.  
Domestic Box Office Receipts in "The Expendables" Futures Contract  
March 30, 2010**

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*Description of the cash market*

The contract is for the gross domestic box office receipts for the film, "The Expendables" for a period of four consecutive weeks after the film's wide screen distribution. Anticipated listing date (subject to the Commission taking action prior to that time) is late summer, 2010.

According to the National Association of Theatre Owners ([www.natooonline.org](http://www.natooonline.org)) at the end of 2008 there were 5,786 domestic cinema sites (theaters) and 38,834 movie screens. The top four exhibitors (Regal Entertainment, AMC Theatres, Cinemark Holdings and Carmike Cinemas) account for only 24.2% of total theaters. Given the number of sites and lack of concentrated theater ownership, box office results are largely fragmented and difficult to consolidate.

A portion of the revenue captured by each exhibitor must find its way back to the film production company. This responsibility falls to the distributor who markets the film, circulates the film, and acts as the intermediary between the production companies and exhibitors.

Rentrak Theatrical facilitates the data consolidation process by aggregating box office revenue and retransmitting that data to each film's distributor on an hourly basis. The remaining data on box office revenues are self-reported by exhibitors to each film's distributor on a daily basis.

The revenues from a major film, such as "The Expendables" that is anticipated to be in Wide Screen distribution can be over one hundred million dollars.



*Demonstration that the cash settlement is at a price reflecting the underlying cash market, will not be subject to manipulation and is based on a cash price series that is reliable, acceptable, publicly available and timely.*

Term or condition	Rule number of identical approved provision, if any <sup>1</sup>	Explanation as to consistency with, or reason for variance from, cash market practice
1. Commodity characteristics ( e.g., grade, quality, weight, class, growth, issuer, maturity, source, rating, etc.)	I-1, II-3	The domestic box office receipts of a major film, such as "The Expendables" has no separately defining characteristics other than whether it enters into "Wide Release." Wide Release is a film title that is being shown to the public in at least 650 theaters in North America. Films that do not achieve Wide Release are generally niche movies.
2. Delivery months, noting any cyclical variations in trading activity that may affect the potential for manipulating the cash settlement price	II-1(c)	<p>The "The Expendables" DBOT contract will be listed for one settlement date. It will not be listed for separate delivery months. The longest trading period for a DBOR contract is a period of four Release weeks, which includes the weekends and weekdays in between. A period that ends just prior to a Monday legal holiday includes that Monday in the period.</p> <p>There is no cyclical effect on trading, other than the cash market convention of including box office receipts from a Monday legal holiday in the preceding week's receipts. Although average movie attendance and box office receipts may vary during various seasons of the year, these variations do not raise issues such as crop years or other seasonal variation in supply that would affect the potential for manipulation.</p>
3. Last trading day	II-13	The last trading day for expiring contracts will be 5:00 p.m. on the Tuesday after the fourth weekend that the film has been in wide release in theaters. Final Settlement will be at 9:00 am, on the following day.

		The exchange will publish a Weekly Report to members that highlights new contract listings, release date changes. The report will be available on the Exchange's website.
4. Contract size	II-3	<p>The unit size of the contract is based on the aggregate domestic box office receipts during the Determination Period divided by 1 million. The Determination Period begins on the First Release Date and concludes on the 4<sup>th</sup> Release Week after the underlying film title is showing in at least 650 theaters nationwide (Wide Release). The Determination period for non-Wide Release Status contracts is the period from the First Release to the end of the 12<sup>th</sup> Release Week. The Determination Period for Withdrawn release terminates at the time of withdrawal.</p> <p>The contract size relies on metrics that are commonly used in the film industry, including in particular the difference between Wide Release status films and other films. Moreover, the release date and release week are common metrics in measuring box office receipts.</p> <p>The divisor of 1 million is used for computational ease.</p>
5. Minimum price change (tick)	II-8	The minimum price change is \$250,000 of Domestic Box Office Receipts which equals \$0.25. There is not a minimum tick size in the cash market, since there is no direct cash market trading of DBOR. However, the tick size is reasonably determined given the overall contract value so as not to be unduly large. The minimum tick size is anticipated to result in liquid trading and bid/offer spreads that are not unduly or unusually large.
6. Daily price limit provisions, relative to cash market price movements	II-5	The Daily Price Limit is 10% of the Prior day's Settlement Price, but not less than 5. The Exchange in extraordinary circumstances may set the daily price limit at a different

	<p>level.</p> <p>The daily price limit is not expected to be unduly constraining when compared to daily price movements of the underlying average.</p>
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**Terms and Conditions Related to Cash Settlement Price Series**

<b>Requirement</b>	<b>Rule number of identical approved provision</b>	<b>Explanation or justification</b>
<p>1. Where an independent third party calculate the cash settlement price series, evidence that the third party does not object to its use and provides safeguards against susceptibility to manipulation</p>		<p>Domestic Box Office Receipts are compiled by Rentrak Theatrical, a unit of Rentrak Corporation. Information on domestic box office receipts are compiled by Rentrak and are publicly available from its website at, <a href="http://www.renrak.com">http://www.renrak.com</a>. The Exchange has entered into a license agreement with Rentrak for compilation of the domestic box office receipts.</p> <p>Rentrak is an independent aggregator and supplier of information to the entertainment industry. The data that is included in DBOR is used for a business purpose other than futures trading. Such data is used in determining the amount of revenue that must be paid by individual theaters to the film's distribution. This process is highly automated. When a moviegoer purchases a ticket to see a film at a local theater (referred to as the "exhibitor"), the exhibitor processes the transaction via its resident point of sales system and records the gross proceeds of the transaction for the exhibitor's internal accounting records.</p> <p>Thus, Rentrak has significant business incentives to ensure the acceptability and reliability of its data relating to DBOR. Similar to Dow Jones® or Standard and Poor's®, Rentrak's business is dependent</p>

		<p>upon the acceptance of its data as authoritative and unbiased. Due to the reputational harm that would result to its overall business from the reporting of inaccurate information, Rentrak takes care that its reporting of the gross domestic box office receipts for a particular film, such as "The Expendables" is reliable, accurate and acceptable.</p> <p>In addition, in order to mitigate any manipulation potential, Cantor Exchange will impose restrictions upon distributors of films and their employees from trading DBOR futures contracts on their own titles. Before being permitted to trade DBOR contracts, Film Studio and Film Distributor Participants will need to implement, and represent to the exchange that it has in place, sufficient information barriers to prevent any affiliate from disclosing its futures position to those trading in the DBOR contract and, similarly, prevent disclosure of DBOR data to those with a futures position.</p> <p>Rentrak employees and their family members are ineligible to trade.</p>
<p>2. Where board of trade generates cash settlement price series, specifications of calculation procedure and safeguards in cash settlement process to protect against susceptibility to manipulation ( e.g., if self-generated survey, polling sample representative of cash market, but with a minimum of 4 nontrading entities or 8 entities that trade for own account)</p>	<p>II-13.</p>	<p>The final settlement price is generated by Cantor Exchange, but relies upon publicly available inputs. As described above, the distributor of the film consolidates exhibitor sales data that is electronically collected via Rentrak, or directly from the exhibitor. This consolidated ledger sheet becomes the official source of daily gross domestic box office receipts earned by each film. The Final Settlement Value of the "The Expendables" (and every) DBOR Contract is equal to the sum of these publically available daily values over the typical 24 day Final Settlement period divided by 1,000,000 and then rounded to</p>

		the nearest 0.01 (equivalent to \$10,000 of gross DBOR).
3. Procedure for, and timeliness of, dissemination to public		On a daily basis, Rentrak transmit the daily calculation of DBOR to their subscribers (e.g. other film distributors, exhibitors, media outlets) and the data is published and made available to the public. For example, daily box office results may be viewed at <a href="http://www.boxofficemojo.com">www.boxofficemojo.com</a> and <a href="http://www.movieweb.com">www.movieweb.com</a> among others. Once published to the public, these daily numbers are used by Cantor Exchange and used in the Final Settlement calculation.
4. Evidence that price is reliable indicator of cash market values and acceptable for hedging		<p>Daily DBOR values and the component values used to calculate DBOR are widely disseminated and highly visible public numbers. Screen counts and average box office by screen are provided daily to the public. Average ticket prices and average attendance are published and summarized periodically. This data is closely examined by exhibitors, competitive distributors, professional analysts, the entertainment and business media and film hobbyists.</p> <p>Moreover, because the data is used in determining revenue due by exhibitors to film distributors, it is available for audit. Published DBOR results are used to settle a variety of bi-lateral contractual obligations between parties in the film industry with distributors being on both sides of many of these contracts.</p> <p>The price is acceptable for hedging because these values are used by segments in the entertainment business in determining revenues that are due under the various bi-lateral cash agreements.</p> <p>For example, distributors receive their share of box office receipts from exhibitors</p>

		based on DBOR results and in turn remit their proceeds to their Studio/Producing partners who in turn pay talent and financial partners based on these same numbers. Furthermore, the parties to these contracts have audit rights to see the ledgers used by distributors in determining the DBOR values. All of these are significant checks on the reliability and acceptability of the cash price series.
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**Terms and Conditions Related to Speculative Limits**

<b>Speculative limit</b>	<b>Standard</b>	<b>Level (exchange rule)</b>
1. Spot month	Must be no greater than necessary to minimize the potential for manipulation or distortion of the contract's or the underlying commodity's price	Rule II-4, 10,000 contracts. This is an appropriate level in light of the cash settled nature of the underlying and the fact that as an intangible commodity, the underlying is not subject to any supply constraints.
2. Nonspot individual month or all months combined (financial and energy contracts)	5,000 contracts	N.A.; there are not separate individual trading months.
3. Nonspot individual month or all months combined (tangible commodity contracts)	1,000 contracts	N.A.
4. Reporting level	Equal to or less than levels specified in CFTC rule 15.03	The reporting level is 1,000 contracts. This is higher than provided under rule 15.03, but the higher reporting level is reflective of the small size of the notional value of the contract. A reporting level of 1,000 contracts will yield a reporting level consistent with the reporting level under

		Rule 15.03 for typically-sized futures contracts.
5. Aggregation rule	Same as CFTC rule 150.5(g) or previously approved language	Yes.

As indicated by the above chart, the cash price series for the “The Expendables” DBOR Futures Contract is reliable, acceptable and timely and is not readily subject to manipulation. The DBOR data are collected by a third-party information aggregator and is licensed to the Cantor Futures Exchange for its use. The data are collected in a highly automated manner and are subject to audit by business that rely on the data in connection with their commercial contracts. Cantor Exchange believes that a preponderance of factors prevents distributors from manipulating either these values or, by extension, the Final Settlement value of the DBOR contract. Specifically:

- **DBOR derives significantly from unalterable electronic data** – Manipulation potential is mitigated because no single entity has control of the data. Approximately 95% of DBOR is captured from multiple exhibitors through two separate electronic mechanisms that provide no opportunity for manipulation; there is no involvement by distributors in the portion of the data. Cantor Exchange has agreed to obtain this baseline data from EDI and can track differences between the baseline and amounts publically reported by distributors.
- **DBOR and its inputs are public values** – Manipulation potential is mitigated because the data and its components are transparent. Daily DBOR values and the component values used to calculate DBOR are widely disseminated and highly visible public numbers. Screen counts and average box office by screen are provided daily to the public. Average ticket prices and average attendance are published and summarized periodically. This data is closely examined by exhibitors, competitive distributors, professional analysts, the entertainment and business media and film hobbyists. Because of competitive pressures, any deviations of results from statistical norms are quickly discovered and rectified.
- **DBOR is auditable by commercial counterparties in bi-lateral contracts** – Manipulation potential is mitigated because data is available for audit. Published DBOR results are used to settle a variety of bi-lateral contractual obligations between parties in the film industry with distributors being on both sides of many of these contracts. For example, distributors receive their share of box office receipts from exhibitors based on DBOR results and in turn remit their proceeds to their Studio/Producing partners who in turn pay talent and financial partners based on these same numbers. Furthermore, the parties to these contracts have audit rights to see the ledgers used by distributors in determining the DBOR values.

- **DBOR is a composite of not less than 24 publicly published numbers –**  
Manipulation potential is mitigated because many values are required in the calculation of final settlement. Cantor Exchange's DBOR Contract is settled based on the sum of at least 24 publicly available daily values; material manipulation would require a systematic manipulation of more than one of these public values and its inputs. Attempts to materially manipulate the number would likely be discoverable by the exchange and/or visible to market participants prior to final settlement.
  
- **DBOR manipulation potential is limited and testable –** Manipulation potential is mitigated because data deviations are limited and can be statistically detected. The revenue associated with self-reporting exhibitors is the only portion of the data not collected by an independent third party. As stated previously, self-reporting exhibitors represent approximately 5% of box office receipts. The average revenue per theater, per screen and ticket price in that 5% sample can be statistically tested against the larger, electronically reported data set of data to determine if the two populations show any statistically meaningful deviation.
  
- **DBOR calculations are subject to other regulatory considerations –**  
Manipulation potential is mitigated by existing regulations that prohibit false financial reporting. Film distributors are owned by U.S. public companies and are obligated to comply with the financial reporting standards of the federal securities laws and Sarbanes Oxley. Distributors intentionally publishing false daily DBOR statistics could be subject to penalties under the securities laws.
  
- **Cantor Exchange proposes to exclude distributor participation in the DBOR contract –** Manipulation potential is mitigated by Cantor Exchange's application process that will restrict distributors of films and their employees from trading DBOR contracts on their own titles. Furthermore, affiliates of distributors, before being permitted to trade DBOR contracts, will need to have implemented, and represent to the exchange that it has in place, sufficient information barriers to prevent any affiliate from disclosing its futures position to the distributors and, similarly, prevent the distributor from disclosing DBOR data to an affiliate with a futures position.