



Via Portal Submission

October 7, 2020
MGEX Submission No. 20-33

Mr. Christopher J. Kirkpatrick
Secretary of the Commission
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street NW
Washington, DC 20581

RE: Rule Certification Submission Pursuant to CFTC Regulation 40.6(a); Post-Closing Amendments to MGEX Bylaws and Rules

Dear Mr. Kirkpatrick:

Pursuant to Section 5c(c) of the Commodity Exchange Act (“CEAct”) and Commodity Futures Trading Commission (“CFTC”) Regulation 40.6(a), the Minneapolis Grain Exchange, Inc. (“MGEX”) hereby certifies that the amendments to the MGEX Bylaws and Rules included herein (specifically, the amendments to MGEX Bylaws and Chapter 21 of the MGEX Rules), as set forth in the attached Exhibit A, comply with the CEAct and the CFTC Regulations promulgated thereunder (the “Proposed Amendments”). The Proposed Amendments are intended to be implemented in the MGEX Rulebook ten (10) business days from the date of this submission with an effective date immediately following the closing of MGEX and Miami International Holdings, Inc.’s July 31, 2020 Agreement and Plan of Merger transaction. The Proposed Amendment will only be effective for the post-closing surviving entity. MGEX further certifies that the submission has been posted on the MGEX website at the following link: <http://www.mgex.com/regulation.html>. The Proposed Amendments filed with this submission are the same amendments contained within MGEX’s 38.3 Transfer of Designation submission that MGEX filed with the CFTC Division of Market Oversight on October 1, 2020.

I. AMENDMENTS TO MGEX BYLAWS AND RULES

The Proposed Amendments to the enclosed MGEX Bylaws and Rules incorporate necessary changes so that said Bylaws and Rules will properly align with the change in business organizational structure as a result of the July 31, 2020 Agreement and Plan of Merger and subsequent September 4, 2020 ownership approval of said merger and demutualization. As noted above, the Proposed Amendments will be effective post-closing for the surviving entity. In large part, the amendments made to the MGEX Bylaws and Rules focus on removing the concept of “member” and “membership” from the Rulebook, as the Exchange will be transitioning upon closing of the merger to a single

member owned Delaware limited liability company. Related amendments governing the election process and composition of the Board of Directors have also been proposed. Likewise, changes were made to the Bylaws to account for the new business organizational structure as a single member owned Delaware limited liability company. In addition to the amendments to remove the concept of “member” and “membership” from the Rulebook, other inconsistent language, terminology, and references were updated, along with grammatical items. The Post-Closing Bylaws and Rules are to be effective upon closing of the merger for the surviving entity.

II. COMPLIANCE WITH CORE PRINCIPLES

MGEX has reviewed the Core Principles for derivative clearing organizations (“DCO Core Principles”) and identified that the Proposed Amendments may impact the following DCO Core Principles:

- *DCO Core Principle C – Participant and Product Eligibility:* CFTC Regulation 39.12 mandates that a DCO have appropriate admission and continuing participation requirements for clearing members that are objective, publicly disclosed, and risk-based. MGEX currently sets forth its Clearing Member eligibility standards on its website and in Rule 2100.02. The Proposed Amendments include changes to Rule 2100.02. that remove the requirement that a Clearing Member own and pledge at least one membership to MGEX. This change is necessary given that there will no longer be MGEX memberships, but the remaining participation requirements ensure that MGEX complies with DCO Core Principle C by being objective, publicly disclosed, and risk-based.
- *DCO Core Principle L – Public Information:* CFTC Regulation 39.21 requires DCOs to make information concerning the rules governing the DCO available to market participants. The Proposed Amendments have been disseminated on the MGEX website, and will be incorporated into MGEX’s publicly available Rulebook, which is accessible online, thereby ensuring that the information available to the public is accurate, clear, and comprehensive in compliance with Core Principle L.
- *DCO Core Principle O – Governance:* CFTC Regulation 39.24 requires a DCO to establish governance arrangements that are written, clear, and transparent. Core Principle O also requires a DCO to establish and enforce appropriate fitness standards for directors. Although the Proposed Amendments change MGEX’s governance arrangements, the revised arrangements set forth in the Bylaws will continue to be written, clear, and transparent in compliance with Core Principle O. In addition, amended Bylaw 2.2. provides that the Nominating Committee will nominate individuals for each open Director position, and internal Nominating Committee policies that identify how Director candidates should be assessed ensure that MGEX Directors are qualified and skilled in compliance with the fitness standards of CFTC Regulation 39.24.
- *DCO Core Principle Q – Composition of Governing Boards:* CFTC Regulation

39.26 requires a DCO to ensure that composition of its governing board includes market participants and individuals who are not executives, officers, or employees of the DCO or an affiliate thereof. MGEX Bylaw 2.1. sets forth the revised composition requirements of the Board of Directors. As amended, the Board will consist of at least 50% Public Directors and not less than individual who is a Market Participant, thereby ensuring MGEX's compliance with Core Principle Q.

Pursuant to the authority set forth in MGEX Bylaws 205.01., 242.00., and 210.01., the MGEX Board of Directors unanimously approved the Proposed Amendments at its meeting held on October 6, 2020. There were no substantive opposing views expressed by the Board of Directors with respect to this filing.

The Proposed Amendments are intended to be implemented in the MGEX Rulebook ten (10) business days from the date of this submission with an effective date following the closing of MGEX and Miami International Holdings, Inc.'s July 31, 2020 Agreement and Plan of Merger transaction. The Proposed Amendment will only be effective for the post-closing surviving entity. If there are any questions regarding this submission, please contact me at (612) 321-7128. Thank you for your attention to this matter.

Sincerely,

A handwritten signature in black ink, appearing to read "Peter D. Sparby". The signature is written in a cursive, flowing style.

Peter D. Sparby
Corporate Counsel

Enclosure

Exhibit A

The following MGEX Bylaws are to be amended. Additions are underlined while deletions are ~~marked through~~.

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ARTICLE II – BOARD OF DIRECTORS

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~~2.2.~~ ~~Election Of Directors; Terms Of Office~~

~~2.340.01.~~ ~~Board Of Directors: Powers~~Powers Of The Board

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~~201.02.~~ ~~Public Director Candidates: Nominations~~

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~~202.00.~~ ~~Ballot: Form Of~~

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~~203.02.~~ ~~Meetings Of Members: How Conducted~~

~~203.03.~~ ~~Member Action Without Meeting Of Members~~

ARTICLE III – AMENDMENT OF BYLAWS AND RULES

- ~~3.1~~204.01. Adoption ~~or~~Or Amendment Of Bylaws And Rules: Procedure
~~3.2~~204.02. Adoption ~~or~~Or Amendment Of Bylaws And Rules: Date Effective
~~205.01.~~ Adoption ~~or~~ Amendment Of Bylaws: Procedure
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ARTICLE IV – THE LLC MEMBER

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4.2. Special Meetings
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~~218.00~~5.2. Secretary
~~218.04~~5.3. Assistant Secretary
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~~219.00~~5.5. Treasurer
~~220.00~~5.6. Annual Financial Statement
~~221.00.~~ Regular Assessments
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~~5.7~~221.03. Financing
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~~5.9~~222.01. Expenditure Of The Funds Of The Exchange
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ARTICLE VIII – DISCIPLINARY COMMITTEE

- 8.1~~264.00.~~____ Disciplinary Committee: Appointment
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BYLAWS

of

Minneapolis Grain Exchange, LLC

(a Delaware limited liability company)

These Bylaws have been established as the Bylaws of Minneapolis Grain Exchange, LLC, a Delaware limited liability company (the “Company” or “Exchange” or “MGEX”), pursuant to the Certificate of Formation of the Company, dated as of Month XX, 2020, (as amended from time to time, the “Certificate of Formation”), and, together with the Certificate of Formation, constitute the Bylaws of the Company within the meaning of the Delaware Limited Liability Company Act. In the event of any inconsistency between the Certificate of Formation and these Bylaws, the provision of the Certificate of Formation shall control.

ARTICLE I **DEFINITIONS**

100.001.1. DEFINITIONS.

The following are Bylaws of the Exchange. Bylaws incorporate all defined terms of Chapter 1 of the MGEX Rules. MGEX Rules are separate from the Bylaws and codify Exchange rules.

ARTICLE II **BOARD OF DIRECTORS**

2.110.00. BOARD OF DIRECTORS: COMPOSITION COMPOSITION OF THE BOARD AND TERMS OF OFFICE.

Miami International Holdings, Inc. (“MIH”) is the sole member of M 402 Holdings, LLC which in turn is the sole member of the Exchange (the “LLC Member”). The LLC Member has vested the power to manage, operate, and set policies for the Exchange exclusively in the Board of Directors. The number of Directors constituting the entire Board of Directors shall be a minimum of eight (8) Directors elected by the LLC Member, consisting of not less than four (4) individuals who qualify as Public Directors, and not less than one (1) individual who is a Market Participant. The Board of Directors shall be composed of at least fifty percent (50%) Public Directors.

The LLC Member shall designate one of the Directors to serve as Chairperson of the Board and may also designate one (1) or more Vice Chairpersons.

The number of Directors may be fixed from time to time by the LLC Member at any time in its sole and absolute discretion, upon notice to all Directors subject to the minimum number provided for in this Bylaw. No decrease in the number of Directors shall have the effect of shortening the term of any incumbent Director.

~~The government of the Exchange shall be vested in the Board of Directors, which is composed of four (4) Member Directors, all of whom must be Members of the Exchange at the time of their election and during service as a Member Director, together with four (4) Public Directors all of whom must be confirmed by the four (4) Member Directors.~~

All Directors elected to the Board by the LLC Member and the Director designated as Chairperson of the Board by the LLC Member shall hold office for such term as may be determined by the LLC Member or until their respective successors are chosen.

Board members may be removed from, and substitute or additional members of the Board may be appointed to, the Board, at any time by the LLC Member. The Chairperson of the Board may be removed from that position, and a different Board member may be designated as Chairperson of the Board, at any time by the LLC Member.

2.2. ELECTION OF DIRECTORS; TERMS OF OFFICE.

The Nominating Committee each year shall nominate Directors for each Director position standing for election at the annual meeting of the LLC Member that year not later than sixty (60) days prior to the date announced as the date for the annual meeting of the LLC Member. Unless stated otherwise, the annual meeting shall occur on or before the first Thursday in October in each year.

At each annual meeting occurring during an even year a minimum of four (4) Directors shall be elected for terms of two (2) years each and at each annual meeting occurring during an odd year a minimum of four (4) Directors shall be elected for terms of two (2) years each, so that the total Directors are at least eight (8) in number.

~~The terms of all Directors shall commence immediately upon their election or confirmation. The terms of all Directors shall continue until either their successors have been elected or confirmed, a Director provides written notice of resignation, or a Director is removed. A Director may be removed from the Board following two (2) consecutive absences pursuant to Bylaw 211.01, or if the Chief Compliance Officer determines that the Director failed to adequately carry out his or her duties as a Director, provided that the Exchange officers approve of such determination. In the event of the latter, the Director's removal will be effective immediately after the Director is notified. Upon removal, the vacancy shall be filled pursuant to Bylaws 200.00, and 210.03.~~

210.012.3. BOARD OF DIRECTORS: POWERS OF THE BOARD.

The Board of Directors ("~~Board~~") is the governing body of the ~~Minneapolis Grain Exchange, Inc.~~ ("~~Exchange~~") and has the power to:

- A. control all property of the Exchange;
- B. provide, acquire and maintain suitable Exchange quarters and facilities;
- C. review and approve the creation of and all appointments to standing and ~~special~~ committees recommended by the Chairperson;
- D. review and approve the appointment of a President;
- E. review and approve the appointment, titles and responsibilities of all Exchange employees above the level of department head;
- F. delegate its powers to committees of the Board, or officers or employees, if such delegation is not inconsistent with the Charter, Bylaws, ~~MGEX~~ Rules, customs, or usages of the Exchange;

G. approve all contracts to be executed on behalf of the Exchange by the Chairperson, President, or other designated officers;

H. designate and authorize specific appointed officers to act on behalf of the Board to execute contracts within specified limits;

~~I.~~ appoint a Counsel to the Board;

~~I.~~

~~— fix, determine and levy all Membership dues, fees and assessments;~~

J. determine the commodities traded, the delivery months, Hours of Trading, the days of the contract month in which delivery may be made, and margin requirements;

K. declare any day to be a holiday, during which the Exchange shall not be open for business;

~~L.~~ adopt or amend any changes to the MGEX Bylaws and Rules;

~~L.~~

~~M.~~ recommend changes to any Bylaw;

~~adopt Regulations to implement any MGEX Rule or to conform with orders, recommendations or requests of any duly constituted governmental authority, or that in the opinion of the Board of Directors are necessary and appropriate;~~

~~N.M.~~ act in emergencies; (~~See Bylaw 210.0~~ ee Bylaw 2.5.); ~~2.~~)

~~O.N.~~ ~~without Member vote,~~ amend the Charter as necessary to conform to MGEX Bylaws or MGEX Rules ~~or to cause the Exchange to become a Delaware nonstock, for profit corporation.~~

Any authority or discretion by these Bylaws vested in the Chairperson, President, ~~Chief Risk Officer~~ or other officers or any committee shall not be construed to deprive the Board of such authority or discretion and, in the event of a conflict, the determination of the matter by the Board shall prevail.

~~210.022.4. BOARD OF DIRECTORS: EMERGENCY POWERS~~ EMERGENCY POWERS.

When in the opinion of the ~~Board of Directors~~ Exchange ("~~Board~~") an emergency exists, the ~~Board~~ Exchange shall have the power to:

A. close the Exchange;

B. suspend trading in any or all Futures or Options Contracts, including trading in settlement of any then existing Futures or Options Contracts;

- C. prohibit trading in any or all Futures or Options Contracts at prices above or below such limits as are specified by the ~~Board~~Exchange;
- D. limit the total amount of open speculative Futures or Options trades that any Market Participant may have at any one time in any or all commodities, and to increase, decrease or cancel such limitations as the ~~Board of Directors~~Exchange deems advisable. The ~~Board of Directors~~Exchange may require such reports and may make such MGEX Rules as it deems necessary to enforce such limitations;

PROVIDED, however, that the establishing of any such limit shall not be deemed to require that total amounts of such trades acquired before the effective date of such limitations be reduced to such limit;

- E. take other appropriate emergency action.

If and when the ~~Board of Directors~~Exchange has acted under the authority granted by this Bylaw, it may ~~make-adopt~~ such MGEX Rules ~~and Resolutions~~ as the ~~Board~~Exchange deems necessary and proper and for the best interests of all concerned. Notice of any action taken by the ~~Board~~Exchange pursuant to the authority granted by this Bylaw shall be posted on the ~~Official~~ Bulletin Board ~~and shall be given to Members in such other manner as the Board shall direct~~. Such action shall become effective when, and for such period of time, as determined by the ~~Board~~Exchange, but not prior to the time of the posting of notice thereof on the ~~Official~~ Bulletin Board.

2.5. BOARD DELEGATION.

Each of the officers of the Company shall, unless otherwise ordered by the Board, have such powers and duties as customarily pertain to the respective office, and such further powers and duties as from time to time may be conferred by the Board, or by an officer delegated such authority by the Board. The Board may delegate the duties and powers of any officer of the Company to any other officer or to any Director for a specified period of time and for any reason that the Board may deem sufficient.

~~210.03~~2.6. VACANCIES: OCCURRING DURING TERM OF OFFICE.

All vacancies on the Board of Directors shall be filled for the unexpired term of the vacant seat.

- A. Board of Directors' Officers: If a vacancy occurs in the office of Chairperson, other than by expiration of the term of office, the First Vice Chairperson, or if the First Vice Chairperson is unable to act, then the Second Vice Chairperson, shall assume all the duties and powers of the Chairperson until such time as the ~~Board of Directors~~LLC Member elects designates a successor to fill the vacancy pursuant to Bylaw 2.1.~~Bylaw 200.00.~~
- B. ~~Member~~Board of Directors' Directors: In the event a ~~Member~~ Director vacancy occurs on the Board of Directors, the Nominations Committee shall nominate to the LLC Member ~~Board of Directors~~ up to two (2) persons to fill the vacancy and each person must confirm acceptance of such nomination. The nominee ~~receiving a majority vote of the Board of Directors~~elected by the LLC Member shall serve the unexpired term of the vacant seat.

~~C. Public Directors: In the event a Public Director vacancy occurs on the Board of Directors, the Chairperson and the President shall nominate to the Member Directors up to two (2) persons to fill the vacancy. The nominee receiving confirmation by the majority of the Member Directors shall serve the unexpired term of the vacant seat.~~

~~211.00. FIRST MEETING OF THE BOARD OF DIRECTORS.~~

~~The first meeting of the newly elected Board of Directors after each Annual Election shall be held within one month after such Annual Election, or as soon thereafter as is practicable at the discretion of the President.~~

~~211.01~~2.7. REGULAR MEETINGS

Regular meetings of the Board may be held, with or without notice, at such time or place as may from time to time be specified in a resolution adopted by the Board.

~~2.8.~~AND SPECIAL MEETINGS.

Special meetings of the Board may be called on a minimum of two (2) days' notice to each Director by the Chairperson or the President, and shall be called by the Corporate Secretary upon the written request of three (3) Directors then in office.

~~Regular meetings of the Board of Directors shall be held quarterly as determined by the Board of Directors. Special meetings may be called by the Chairperson and shall be called by the Chairperson upon the written request of three (3) Directors.~~

~~Notice of regular or special meetings of the Board of Directors may be given to any Director personally, by telephone, by electronic communication or by delivery of such notice in writing to the Director's usual place of business. Any and all business may be transacted at regular or special meetings of the Board of Directors; PROVIDED, however, that the provisions of the Bylaws requiring special notice for meetings at which certain business is to be transacted must be complied with.~~

~~Any Director having two (2) consecutive absences during that Director's term of office from regular meetings may be removed effective immediately as a Director by majority vote of the Board of Directors. Upon removal, the vacancy shall be filled pursuant to **Bylaw 210.03.**~~

~~211.02~~2.9. VOTING, QUORUM, AND ACTION BY THE BOARD.

~~Four (4) members of the Board of Directors shall constitute a quorum for the transaction of business at any regular or special Board of Directors' meeting, but a lesser number may meet and adjourn such meeting, from time to time, up to the time of the next regular or special Board of Directors' meeting.~~

Each Director shall be entitled to one (1) vote. At all meetings of the Board, the presence of a majority of the number of Directors then in office shall constitute a quorum for the transaction of business. If a quorum shall not be present at any meeting of the Board, the Directors present at such meeting may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present. The act of a majority of the Directors present at any meeting at which there is a quorum shall be the act of the Board except as may be otherwise specifically provided by statute, the Certificate of Formation or these Bylaws.

2.10. ACTION IN LIEU OF MEETING.

Unless otherwise restricted by statute, the Certificate of Formation, the Certificate of Formation or these Bylaws, any action required or permitted to be taken at any meeting of the Board or any committee thereof may be taken without a meeting if all Board members or committee, as the case may be, consent thereto in writing or by electronic transmission, and such writing(s) or electronic transmission(s) are filed with the minutes of proceedings of the Board or the committee.

2.11. INTERPRETATION OF BYLAWS.

The Board shall have the power to interpret these Bylaws and any interpretation made by it shall be final and conclusive.

~~211.03~~ 2.12. PROCEDURE AT MEETINGS.

The Board of Directors may, from time to time, adopt rules, guidelines, or other criteria such regulations for its own government and the conduct of its meetings as are not contrary to Delaware the provisions of the General Corporation Law of the State of Delaware as amended, Limited Liability Company Act, and the Charter, Bylaws, or ~~MGEX Rules~~. Except as otherwise specifically provided ~~in said Act or in the Charter, Bylaws, or MGEX Rules~~ in the aforementioned authority, meetings of the Board of Directors shall be conducted according to the established practices of Parliamentary Law and, in case of dispute, "Robert's Rules of Order" shall govern.

~~2.115.00.3.~~ CHAIRPERSON OF THE BOARD: GENERAL DUTIES.

The Chairperson of the Board of Directors shall be the senior officer of the Board and perform the usual duties incident to the office. Unless otherwise specified by Bylaw, the Chairperson shall recommend appointments to all Committees ~~(as soon as practicable after each Annual Election),~~ any special Committees deemed necessary, and the Chairpersons thereof, subject to the approval of the Board. Unless otherwise specified by Bylaw, the Chairperson shall be an ex officio, nonvoting member of all Committees. The Chairperson shall preside at all meetings ~~of Members and~~ of the Board, shall see that all bonds of the employees of the Exchange required to give bond are properly executed and shall have the books of the Exchange audited at least once a year by a certified public accountant. The Chairperson shall be a ~~Member~~ member of the ~~Exchange and~~ Board of Directors. ~~In the event of a tie vote at a meeting of the Board of Directors, the Chairperson shall be entitled to vote. If the Chairperson abstains from voting in the case of a tie vote, the Board of Directors will not have an affirmative vote to take action.~~

~~215.01~~ 2.14. VICE CHAIRPERSONS.

The Vice Chairpersons shall be considered, respectively, the First and Second Vice Chairpersons and shall, in such order, perform the duties of the Chairperson in the Chairperson's absence or disability. The Vice Chairpersons shall be ~~Members~~ members of the ~~Exchange and~~ Board of Directors.

~~215.02~~ 2.15. ACTING CHAIRPERSONS.

The LLC Member ~~The Board of Directors~~ may appoint an acting Chairperson to perform the duties of the Chairperson during the absence or disability of the Chairperson and both Vice

Chairpersons. The acting Chairperson shall be a ~~Member~~member of the ~~Exchange and~~ Board of Directors.

~~2.16~~16.00. APPOINTMENT OF OFFICERS AND EMPLOYEES.

~~Following each Annual Election, t~~The Board of Directors shall from time to time elect or appoint a President, a Secretary, an Assistant Secretary, and a Treasurer, and such other officers or employees as in its judgment may be necessary. The offices of Secretary and Treasurer, or Assistant Secretary and Treasurer, may be held by the same person. The Board of Directors may assign any title to any of such other officers or employees as it deems advisable. The Board of Directors may prescribe the duties and fix the compensation of all such officers and employees, and all such officers and employees shall hold office or be employed during the will of the Board of Directors. ~~Officers and employees shall not be Record Holders of the Exchange.~~The Board of Directors may require a good and sufficient bond from any of such officers or employees for the faithful performance of their duties and trusts. ~~Notice of appointments of officers or revocations of the same shall be given to Members.~~

~~216.01~~2.17. EMPLOYMENT OF PROFESSIONAL SERVICES, ~~COUNSEL, AUDITORS, ETC.~~

The Board of Directors may from time to time employ legal counsel, accountants, auditors or such other ~~special~~professional or special services or help as it may deem necessary.

~~200.00~~. ANNUAL ELECTION.

~~An Annual Election shall be held on the first Thursday in October in each year.~~

~~At each Annual Election occurring during an even year not more than two (2) Member Directors shall be elected for terms of two (2) years each and at each Annual Election occurring during an odd year not more than two (2) Member Directors shall be elected for terms of two (2) years each, so that said Member Directors total four (4) in number.~~

~~All vacancies on the Board of Directors shall be filled by the Board of Directors for the unexpired term of the vacant seat.~~

~~After each Annual Election, the Member Directors shall elect annually, a Chairperson, a First Vice Chairperson and a Second Vice Chairperson. The election of the Officers shall be under the supervision of the senior Director.~~

~~There shall be a total of four (4) Public Directors serving on the Board of Directors. Following the Annual Election or to fill vacancies, the Chairperson and President shall nominate persons for the position of Public Director. Such nominees must be confirmed by the majority of the Member Directors. After each Annual Election occurring during an odd year not more than two (2) Public Directors shall be appointed and after each Annual Election occurring during an even year not more than two (2) Public Directors shall be appointed. Terms of Public Directors are for two (2) years and commence on the earlier of the second regular meeting following the Annual Election or upon confirmation by the Board of Directors. Terms of Public Directors expire on the second regular meeting following the second Annual Election from commencement or upon the confirmation of their successor.~~

~~200.01~~. ANNUAL ELECTION: NOTICE OF.

~~Notice of the Annual Election shall be posted on the Official Bulletin Board and disseminated to Members at least three (3) weeks before the date of such Election. This notice shall give the date of the Annual Election, the vacancies to be filled, shall indicate thereon the term of office in filling each of the vacancies and cite the Bylaws relative to the procedure for nominating Member Director candidates.~~

~~**201.01. MEMBER DIRECTOR CANDIDATES: NOMINATIONS.**~~

~~The Nominations Committee shall nominate any number of Member Director candidates, each of which must be a Record Holder of an Exchange Membership in Good Standing. Each Member Director candidate must confirm their acceptance of such nomination and cannot be placed on the ballot for the Annual Election without being nominated by the Nominations Committee.~~

~~**201.02. PUBLIC DIRECTOR CANDIDATES: NOMINATIONS.**~~

~~The Chairperson and President shall nominate any number of Public Director candidates, each of which must qualify as a "Public Director" pursuant to Section (b)(2) of Core Principal 16 in Appendix B to Part 38 of the CFTC Regulations.~~

~~**201.09. MEMBER DIRECTOR NOMINATIONS: POSTING LIST OF.**~~

~~On the next business day following the second Thursday before the Annual Election, the Secretary shall post upon the Official Bulletin Board a list of the nominations that have been duly made for Member Directors.~~

~~**202.00. BALLOT; PROXY: FORM OF.**~~

~~On the second Thursday before the Annual Election, the Secretary shall prepare a form of ballot and proxy to use at the Annual Election. The ballot and proxy shall list all Member Director candidates in one (1) section. The section shall be marked to indicate the number of Member Director candidates to be elected, the term of office and, if the Member Director candidate is running for reelection, the word incumbent shall be used. The Member Director candidates shall be listed in alphabetical order. The Member Director candidates receiving the most votes shall be declared elected. Voting for more than the indicated number of Member Director candidates shall cause the ballot or proxy to be null and void.~~

~~**202.01. VOTING: PROCEDURE.**~~

~~The Secretary shall, at least ten (10) days prior to the date of the Annual Election, or prior to the date fixed by the Board of Directors for any vote by the Members, forward to the Authorized Voter of each Record Owner in good standing a duly prepared proxy, with a line for the signature of the Authorized Voter, and an envelope addressed to the Secretary. The proxy is to be marked, signed and returned to the Secretary. The Secretary shall place all such proxies and envelopes in a locked ballot box. At the Annual Election or any other meeting of the Members, the Secretary shall distribute ballots to the Authorized Voters present in person or proxy at the meeting and Authorized Voters who desire to vote by ballot rather than by a proxy previously delivered to the Exchange shall submit such ballot to the Secretary and the Secretary shall place all such ballots in a locked ballot box. Any ballots validly submitted by an Authorized Voter shall supersede any previously delivered proxy by the Authorized Voter.~~

~~202.02. VOTING: QUALIFICATIONS FOR.~~

~~Any Record Owner shall be entitled to vote at any election or upon any question that may come before the Exchange for vote if the Record Owner is in good standing, but not otherwise.~~

~~202.03. VOTING: NUMBER OF VOTES PERMITTED.~~

~~Each Record Owner of a membership shall be entitled to one vote for each membership, provided that such Record Owner owns, directly, indirectly, or through an affiliate or related person (as such terms are described in Bylaw 370.00.) no more than twenty percent (20%) of the Exchange's outstanding memberships. If a Record Owner owns, directly, indirectly, or through an affiliate, more than twenty percent (20%) of the Exchange's outstanding memberships, such Record Owner shall be entitled to cast ballots for or otherwise vote no more than twenty percent (20%) of the Exchange's outstanding memberships, regardless of the number of memberships owned. The Exchange shall disregard any votes cast in excess of such twenty percent (20%) limit. Memberships owned directly or indirectly by the Record Owner through subsidiaries or affiliates (as such term is defined for purposes of Bylaw 370.00.) shall be included in compiling the total number of ballots or votes that may be cast by any entity.~~

~~202.04. VOTING: POLLS CLOSE.~~

~~All proxies for the Annual Election or on any question submitted to the Record Owners for vote, which are submitted by mail or otherwise delivered to the Secretary of the Exchange prior to the meeting, in order to be counted, must be received at the office of the Secretary before twelve o'clock (12:00) Noon on the date designated for such voting.~~

~~202.05. TELLERS: APPOINTMENT AND DUTIES.~~

~~The President, prior to any election or other vote by the Record Owners, shall appoint three (3) tellers to count the proxies and ballots, who shall act only when all three (3) tellers are present.~~

~~The tellers shall obtain from the Secretary the locked ballot box and a list of Record Owners in good standing at the time of the election. The tellers shall open the ballot box and remove therefrom all envelopes containing proxies and all ballots. The tellers shall then open all the outside envelopes, and they shall discard the proxies and ballots of all persons who are not Record Owners in good standing.~~

~~The tellers shall indicate on the list of the Record Owners in good standing, furnished by the Secretary, the names of the Record Owners who have voted at such election. The tellers shall then count the proxies and ballots and shall make a signed report of the results of the election in writing to the President. Such report shall be entered upon the proper record books of the Exchange, and the Secretary shall post a copy thereof on the Official Bulletin Board and disseminate the results to the Members and Owners of the Exchange.~~

~~202.06. MEMBER DIRECTOR CANDIDATES: DECLARED WINNERS.~~

~~A plurality of the total votes cast for all Member Director candidates to fill any vacancy at any election shall elect the Member Director candidates receiving such plurality.~~

~~202.07. BALLOTS AND PROXIES: PRESERVATION OF.~~

~~The Secretary shall preserve all ballots and proxies for at least two (2) months in order that they may be available for examination if so ordered by the Board of Directors.~~

~~**202.08. PROCEDURES IN THE EVENT OF A TIE VOTE.**~~

~~In the event a Member Director candidate to be elected cannot be declared to have won a seat on the Board of Directors because of a tie vote, there shall be a special run-off Election. **Bylaw 202.00.** through **202.07.** will govern the special Election. The special run-off Election shall be held as quickly as possible after it is known that a Director cannot be seated. The President and the Secretary shall set the date for this Election.~~

~~**203.00. MEETINGS OF MEMBERS.**~~

~~Meetings of the Members shall be held upon call of the Chairperson. The Chairperson may call such meetings at discretion and shall call them pursuant to instructions from the Board of Directors. Such meetings may be held at any time or place and for any purpose as the Chairperson or the Board of Directors shall provide. Meetings of the Members shall also be called by the Chairperson upon written request signed by not fewer than fifty-five (55) Members stating the object for which such meeting is desired.~~

~~Except when a longer time is specifically required by the General Corporation Law of the State of Delaware or the Bylaws, notice of every meeting stating the place, if any, date and hour, and purpose of the meeting shall be disseminated to all Members and to all nonmember officers or directors, properly addressed according to the last available corporate records, not fewer than ten (10) nor more than sixty (60) days prior to the meeting, excluding the date of the meeting, and a copy of such notice shall be posted on the Official Bulletin Board for at least ten (10) consecutive days prior to the date of the meeting.~~

~~A quorum for a meeting of the Members is the presence in person or by proxy of Authorized Voters designated to vote at least 100 memberships owned by Record Owners in good standing and entitled to vote at the meeting.~~

~~Except for the election of directors or as otherwise required by the General Corporation Law of the State of Delaware, the vote of a majority of memberships owned by the Record Owners in good standing voting through their Authorized Voters present in person or represented by proxy at any meeting of the Members shall be required for action of the Members.~~

~~**203.01. MEETINGS OF MEMBERS: NOTICE OF.**~~

~~Notice of meetings of the Members shall state the place, if any, date and hour of the meeting, the means of remote communications, if any, by which Authorized Voters and proxyholders may be deemed to be present in person and vote at the meeting, the record date for determining the Authorized Voters entitled to vote at the meeting, if such date is different from the record date for determining Authorized Voters entitled to notice of the meeting and the purpose of such meeting, and no business other than that for which a meeting has been called shall be considered or transacted at such meeting.~~

~~**203.02. MEETINGS OF MEMBERS: HOW CONDUCTED.**~~

~~Except as provided otherwise in the General Corporation Law of the State of Delaware as amended or in the Charter or the Bylaws, meetings of the Members shall be conducted in~~

~~accordance with the established practices of Parliamentary Law; and, in case of a dispute, "Robert's Rules of Order" shall govern.~~

~~203.03. MEMBER ACTION WITHOUT MEETING OF MEMBERS.~~

~~Any action approved by the Board of Directors required to be taken at any meeting of the Members may be taken without a meeting, without prior notice and without a vote, if a consent or consents in writing, setting forth the action so taken, shall be signed by Authorized Voters of the Record Owners having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting of the Members at which all memberships held by Record Owners in good standing and entitled to vote thereon were present and voted. Every written consent shall bear the date of signature of the Authorized Voter of each Record Owner who signs the consent. Prompt written notice of the taking of any corporate action without a meeting by less than unanimous written consent shall be given to the Members who have not consented in writing and who, if action had been taken at a meeting, would have been entitled to notice of the meeting if the record date for notice of such meeting had been the date that written consents signed by a sufficient number of Authorized Voters to take the action were delivered to the Exchange.~~

ARTICLE III AMENDMENT OF BYLAWS AND RULES

~~204.04~~3.1. **ADOPTION OR AMENDMENT OF BYLAWS AND RULES: PROCEDURE.**

The Board of Directors may adopt or amend any MGEX Bylaw or Rule by majority vote.

~~3.2~~204.02. **ADOPTION OR AMENDMENT OF BYLAWS AND RULES: DATE EFFECTIVE.**

Unless specifically provided otherwise by the Board of Directors, MGEX Bylaws and Rules shall become effective as of the first business day following the date that the Exchange publishes the amendment on its website (www.mgex.com).

~~205.01. ADOPTION OR AMENDMENT OF BYLAWS: PROCEDURE.~~

~~Except for changes made pursuant to **Bylaw 242.00.**, any Bylaw may be adopted or amended only by an affirmative vote of at least a majority of Record Owners in good standing either present in person or represented by proxy at any meeting of the Record Owners, provided that the following terms and conditions have been met prior to such meeting:~~

- ~~A. The Board of Directors must propose the Bylaw or amendment by: (1) approving the proposed Bylaw or amendment by majority vote; (2) directing its submission for adoption at a Record Owner meeting; and (3) directing that the Chairperson to call a Record Owner meeting to consider adopting the proposed Bylaw or amendment.~~
- ~~B. Notice of a Record Owner meeting must be disseminated to each Authorized Voter and director of the Exchange. Notice must state the place, date, hour, and purpose of the meeting, and includes: (1) a copy of the proposed Bylaw or amendment; (2) any recommendation or comment from the Board of Directors; and (3) a proxy form and return envelope allowing the Authorized Voter to vote either for or against each proposed Bylaw or amendment.~~

~~205.02. ADOPTION OR AMENDMENT OF BYLAWS: DATE EFFECTIVE.~~

~~Unless specifically provided otherwise by proxy or the Board of Directors, all Bylaws become effective as of the first business day following the date that the Exchange publishes the amendment on its website (www.mgex.com).~~

ARTICLE IV THE LLC MEMBER

4.1. ANNUAL MEETING; ELECTION OF DIRECTORS, AND OTHER MATTERS.

The annual meeting of the LLC Member shall be held at such place and time as determined by the Board for the purpose of electing Directors of MGEX and members of the MGEX Nominating Committee, and for conducting such other business as may properly come before the meeting. Written notice of the annual meeting stating the place, date and hour of the meeting shall be given to the LLC Member not less than ten (10) nor more than sixty (60) days before the date of the meeting. Unless stated otherwise, the annual meeting shall occur on or before the first Thursday in October in each year.

4.2. SPECIAL MEETINGS.

Special meetings of the LLC Member, for any purpose or purposes, may be called by the Chairperson, the Board, or the President, and shall be called by the Corporate Secretary at the request in writing of the LLC Member. Written notice of a special meeting stating the place, date and hour of the meeting and the purpose or purposes for which the meeting is called, shall be given to the LLC Member not less than ten (10) nor more than sixty (60) days before the date of the meeting. Business transacted at any special meeting of the LLC Member shall be limited to the purpose(s) stated in the notice of the meeting.

4.3. ACTION IN LIEU OF MEETING.

Any action upon which a vote of the LLC Member is required or permitted, may be taken without a meeting, without prior notice and without a vote, if a consent in writing, setting forth the action so taken, shall be signed by the LLC Member.

ARTICLE V OFFICERS & FUNCTIONS

~~217.00~~5.1. PRESIDENT.

The Board may elect a President of the Exchange, ~~who shall not be a Record Holder.~~ The President shall be the Chief Executive Officer of the Exchange responsible to the Board for the management and administration of its business affairs. The President shall execute all contracts as authorized by the Board. All employees of the Exchange shall be under the President's supervision who shall establish the qualifications, duties and responsibilities of all subordinate administrative personnel. Unless otherwise specified by Bylaw, the President shall be an ex officio, nonvoting member of all regular and special Committees and a nonvoting member of the Board of Directors. By acceptance of the office of President, the President shall be deemed to have agreed to uphold the Charter and, MGEX Bylaws and, ~~and MGEX Rules.~~ The Board may confer upon the President other responsibilities as warranted. ~~However, the Board shall not confer upon the President the power to formulate the policies of the Exchange or take disciplinary action, arbitrate disputes or adjust claims against Members.~~

~~218.00~~5.2. SECRETARY.

The Secretary shall perform the duties usually incident to the office and such other and special duties as are prescribed by the Board of Directors, President, or by the Bylaws.

~~218.01~~5.3. ASSISTANT SECRETARY.

The Assistant Secretary shall perform such duties as are prescribed by the Secretary, by the Board of Directors or by the President, and shall act as Secretary in the absence or disability of the Secretary.

~~218.02~~5.4. PAPERS: SERVICE OF.

Notices, citations and papers of all kinds, requiring service in connection with any of the ~~Bylaws and MGEX Rules~~MGEX Bylaws or Rules, shall be served by the Secretary or by such other employee of this Exchange as the Secretary may designate. The affidavit of the person who made the service shall be evidence of the service of such notices of papers.

Whenever, under the ~~Bylaws or MGEX Rules~~MGEX Bylaws or Rules, service is required or permitted to be made upon a Person, such service shall be made by delivering a copy or by mailing it to the Person's last known address, postage prepaid. Delivery of a copy means: handing it to the Person; leaving it at the Person's office with a clerk or other person in charge thereof; if there is no one in charge, leaving it in a conspicuous place therein; or, if the office is closed or the Person to be served has no office, leaving it at the Person's dwelling or usual place of abode with some person of suitable age and discretion then residing therein. Service by mail is complete upon mailing. Service required or permitted to be made, under the MGEX Bylaws or Rules~~Bylaws or MGEX Rules~~, upon an entity shall be made by making such service in the manner as hereinbefore provided on a managing agent of such entity.

~~218.03. OATHS: ADMINISTRATION OF.~~

~~There shall be continuously in the employ of the Exchange one or more persons who are authorized under the laws of the State of Minnesota to administer oaths.~~

~~219.00~~5.5. TREASURER.

The Treasurer shall perform such duties as prescribed by the Board of Directors, President or by the Bylaws and MGEX Rules.

~~220.00~~5.6. ANNUAL FINANCIAL STATEMENT.

The Board of Directors, as soon as possible after the close of the fiscal year of the Exchange, shall cause to be prepared a full and complete statement of the financial condition of the Exchange and of its operations for the previous fiscal year; ~~and the Board of Directors shall cause a copy of said statement to be sent to each Member of the Exchange.~~

~~221.00. REGULAR ASSESSMENTS.~~

~~The Board of Directors, at any regular or special meeting may levy an assessment or assessments on each and every membership in the Exchange for the purpose of regular operating expenses of the Exchange for and during the current fiscal year. The Board of Directors shall fix the dates upon which any such assessment or assessments, in whole or in part thereof, shall become due and payable.~~

~~221.01. SPECIAL ASSESSMENTS.~~

~~The Board of Directors may levy special assessments upon each and every membership in the Exchange for the purposes of the Exchange and may fix the dates upon which such Assessments, in whole or in parts thereof, shall become due and payable; PROVIDED, however, that such assessments must be submitted to the Record Owners by ballot and approved by an affirmative vote of at least a majority of the Record Owners of the Exchange who have voted upon such assessments.~~

~~221.02. NOTICE OF ASSESSMENTS.~~

~~Notice of each regular and special assessment that has been levied against the memberships in the Exchange and the due dates of payment thereof shall be posted upon the Official Bulletin Board and given to Members within two (2) weeks after such assessment has been made.~~

~~221.03~~5.7. FINANCING.

The ~~Board of Directors~~Exchange shall have the authority to establish fees and charges necessary to meet the financial obligations of the Exchange. Fees and charges shall be remitted at such times and in such manner as the ~~Board of Directors~~Exchange may prescribe. ~~This Bylaw shall not supersede in any way Bylaws 221.00, and 221.01. of the Exchange.~~

~~222.00~~5.8. FUNDS AND SECURITIES OF THE EXCHANGE.

The funds of the Exchange shall be deposited in the name of the Exchange in a bank or banks, as designated from time to time by the Board of Directors. Securities and other valuable papers belonging to the Exchange shall be secured as designated from time to time by the Board of Directors.

~~Securities and other valuable papers belonging to the Exchange may be kept in a safe deposit box designated by the Board of Directors. Access to such box shall be had only in the manner authorized by the Board.~~

~~222.04~~5.9. EXPENDITURE OF THE FUNDS OF THE EXCHANGE.

The funds of MGEX shall be under the management and control of the Exchange, and no funds belonging to MGEX shall be expended unless such expenditure has been authorized by the Exchange or the Board of Directors.

~~222.02~~5.10. INVESTMENT OF FUNDS.

The Board of Directors shall monitor the investment of funds belonging to the Exchange.

~~223.00~~5.11. BORROWING OF MONEY.

The Board of Directors, on the affirmative vote of at least one half (1/2) of the total number of Directors of the Exchange, permitted under ~~Bylaw 210.002.1.~~, may borrow money for and on behalf of the Exchange, for any period of time and on such terms and with such security or mortgage, all as the Board may determine necessary for business purposes.

~~224.005.12.~~ **EXECUTION OF CONTRACTS, SIGNATURES ON PAPERS, CHECKS, ETC.**

Except as otherwise specifically provided in this Bylaw, all deeds, mortgages, satisfactions of mortgages, contracts for the conveyance of land, leases, bills payable, promissory notes and other written promises to pay money, corporate contracts of all kinds, checks and drafts drawn on bank accounts standing in the name of the Exchange shall be executed or signed in the name of the Exchange by the President and such other officer, director or employee as the Board of Directors shall from time to time designate.

PROVIDED, however, that a check or checks, signed as provided above, to cover the total payroll of the Exchange for any specified period of time may be deposited to the credit of the Exchange in a special bank account, which shall be designated as a Payroll Account; checks or drafts drawn on such Payroll Account to cover salaries or wages due to individual officers or employees of the Exchange may be signed in such manner as the Board of Directors may from time to time direct; and

PROVIDED FURTHER, that contracts for the purchase of supplies and equipment necessary and incident to the usual and ordinary operations of the buildings or business of the Exchange may be executed in the name of the Exchange in such manner as the Board of Directors may from time to time direct.

Except as otherwise provided by the Bylaws, all other papers and documents of all kinds, including certificates, cards, licenses, etc., shall be executed or signed in the name of the Exchange in such manner as the Board of Directors shall from time to time direct.

ARTICLE VI
REGULATORY OFFICERS

~~271.006.1.~~ **CHIEF REGULATORY OFFICER.**

The Exchange shall designate the individual to serve as the Chief Regulatory Officer who shall report to, consult with and provide information to the Regulatory Oversight Committee, and execute any other duties or responsibilities as required by CFTC Regulation 17 CFR Part 38, as amended.

~~272.006.2.~~ **CHIEF COMPLIANCE OFFICER.**

The Exchange shall designate the individual to serve as the Chief Compliance Officer who shall report to the President and execute the duties and responsibilities required by CFTC Regulation 17 CFR Part 39, as amended.

~~273.006.3.~~ **CHIEF RISK OFFICER.**

The Exchange shall designate the individual to serve as the Chief Risk Officer who shall implement the risk management framework of the Exchange, make recommendations regarding

the Exchange's risk management functions, and execute any other duties or responsibilities required by CFTC Regulation 17 CFR Part 39, as amended.

ARTICLE VII COMMITTEES

250.007.1. **COMMITTEES: REGULATIONS GOVERNING PROCEDURE.**

Any Committee may adopt such regulations for its own government and proceedings as are not contrary to the Bylaws or Rules, and which will best promote the objects for which it was established.

251.007.2. **COMMITTEES OF THE BOARD OF DIRECTORS.**

Committees of the Board of Directors shall be established by Bylaw. Unless otherwise specified by Bylaw, such Committees shall consist of an odd number of Directors, not including the Chairperson of the Board. A majority of the Directors of a Committee shall constitute a quorum and a majority of the quorum shall be required to take action. A three-fourths (3/4) supermajority of a quorum of the Board shall be required to remove a Director who was appointed to a Committee. A majority of a quorum of the Board shall be required to revoke actions taken by a Committee. In addition to the enumerated duties and powers, each Committee shall exercise such authority and execute such actions as may be delegated to it by the Board of Directors, or by the Bylaws or Rules.

260.007.3. **COMMITTEES OF THE EXCHANGE.**

Committees of the Exchange shall be established by Bylaw or Rule. Such Committees shall consist of an odd number of individuals. Unless otherwise specified by Bylaw or Rule, a majority of the members of a Committee shall constitute a quorum and a majority of the quorum shall be required to take action. In addition to the duties and powers specified by Bylaw or Rule, Committees of the Exchange shall also have such duties and powers as may be specified by the Board of Directors.

252.007.4. **EXECUTIVE COMMITTEE.**

There shall be established a Committee of the Board of Directors to be known as the Executive Committee which shall be composed of five (5) directors including the Chairperson of the Board, the First and Second Vice Chairpersons of the Board and no less than two (2) Public Directors elected by the Board. Meetings of the Executive Committee shall be held at such time and place as may be designated by the Executive Committee. The Chairperson of the Board shall be the Chairperson of the Executive Committee and shall have voting privileges.

The Committee shall have the duty and power to act on behalf of the Board of Directors when an emergency exists or when the Board is otherwise unable to reach quorum or convene in a timely manner.

253.007.5. **AUDIT COMMITTEE.**

There shall be established a Committee of the Board of Directors to be known as the Audit Committee which shall be composed of five (5) Directors including the Chairperson of the Board, the President, and three (3) Public Directors elected by the Board of Directors.

~~The~~ ~~The~~ ~~Committee shall have the duties and powers to oversee the appointment of the Exchange's independent auditor, review any audit reports, and report to the Board.~~ Audit Committee shall perform the following primary functions, as well as such other functions as may be specified by the Board: (i) provide oversight over the Exchange's financial reporting process and the financial information that is provided to the LLC Member and others; (ii) provide oversight over the systems of internal controls established by management and the Board and the Exchange's legal and compliance process; and (iii) direct and oversee all the activities of the Exchange's internal audit function, including but not limited to management's responsiveness to internal audit recommendations.

~~256.00~~7.6. PERSONNEL AND COMPENSATION COMMITTEE.

There shall be established a Committee of the Board of Directors to be known as the Personnel and Compensation Committee. It shall be composed of five (5) Directors.

The Committee shall have the duties and powers to fix the compensation and benefits of the President.

~~257.00~~7.7. REGULATORY OVERSIGHT COMMITTEE.

There shall be established a Committee of the Board of Directors to be known as the Regulatory Oversight Committee. It shall be composed of three (3) Public Directors elected by the Board. The Committee shall have the duties and powers as described and required under Core Principle 16 described in 17 CFR Part 38.

~~258.00~~7.8. RISK MANAGEMENT COMMITTEE.

There shall be established a Committee of the Board of Directors to be known as the Risk Management Committee. The Committee shall have the duties and powers as described and required ~~under Core Principle D of 17 CFR Part 39, as amended~~ in applicable CFTC Regulations and internal policies.

~~259.00~~7.9. NOMINATIONS COMMITTEE.

There shall be established a Committee of the Board of Directors to be known as the Nominations Committee which shall be composed of five (5) directors, including the Chairperson of the Board and three (3) Public Directors ~~elected by the Board of Directors.~~ The Nominating Committee shall each be elected on an annual basis by vote of the LLC Member.

The chair of the Nominations Committee shall be a Public Director.

The Nominating Committee shall nominate candidates for election to the Board at the annual LLC Member meeting and all other vacant or new Director positions on the Board. The Nominating Committee, in making such nominations, is responsible for ensuring that candidates meet the compositional requirements of these Bylaws. ~~The Committee shall have the duties and powers to:~~

~~A. Identify individuals qualified to serve on the Board of Directors, consistent with criteria approved by the Board, and with the composition requirements set forth in **Bylaw 210.00.**~~

~~A. Administer a process for the nomination of individuals to the Board of Directors.~~

~~In addition, the Board of Directors has delegated the following duties and powers to the Nominations Committee:~~

~~A. Determine the standards and requirements for initial and continuing membership eligibility.~~

~~B. Review appeals of staff denials of membership applications and overturn any staff denial if the application meets relevant standards and requirements.~~

~~C. Review and approve any Bylaws that would result in different categories or classes of Members receiving disparate access to the Exchange.~~

~~The Committee shall not restrict access or impose burdens on access in a discriminatory manner on Members or applicants for Membership.~~

~~267.00~~**7.10. HARD RED SPRING WHEAT COMMITTEE.**

There shall be established a Committee of the Exchange to be known as the Hard Red Spring Wheat ("HRSW") Committee. It shall be composed of a minimum of seven (7) ~~Members~~Market Participants of the Exchange.

The Committee shall have the duty and power to review and recommend MGEX Rules governing HRSW and other agricultural markets, including but not limited to contract specifications and delivery procedures.

~~268.00~~**7.11. CASH MARKETS COMMITTEE.**

There shall be established a Committee of the Exchange to be known as the Cash Markets Committee. It shall be composed of a minimum of seven (7) ~~Members of the Exchange~~Market Participants that are employed by entities having cash trading privileges pursuant to MGEX Rules.

The Committee shall have the duties and powers to:

- A. Review and recommend MGEX Rules governing the cash markets.
- B. Monitor cash market activity to ensure orderly trading and efficient price discovery.
- C. Approve guidelines for reporting of cash market activity to appropriate agencies.

~~270.00~~7.12. **OTHER COMMITTEES, TASK FORCES AND PANELS.**

The Board of Directors and the Executive Committee shall each have the authority to establish committees, task forces and panels as necessary for a duration not to extend past the next Annual Election. After election, the new Board of Directors and Executive Committee may re-authorize the committees, task forces and panels.

The composition, qualifications, method of appointment, duties and powers of such committees, task forces and panels shall be determined by the respective Board of Directors and Executive Committee.

Such committees, task forces and panels shall not determine the policies of the Exchange, expend funds or enter into contracts on behalf of the Exchange, or otherwise conduct activities outside the purpose for which they were established, unless such actions are approved by the Board of Directors.

ARTICLE VIII
DISCIPLINARY COMMITTEE

~~264.00~~8.1. **DISCIPLINARY COMMITTEE: APPOINTMENT.**

There shall be established a committee to be known as the Disciplinary Committee, which shall be composed of five (5) Market Participants ~~members with voting privileges~~ as hereinafter provided:

- A. Two (2) of such members shall be appointed ~~from Members of the Exchange as~~ Market Participants who are not serving as Officers or Directors or serving on the Hearing Committee.
- B. One (1) member of the Disciplinary Committee shall consist of the President of the Exchange and one (1) member of the Disciplinary Committee shall consist of a member of the Board of Directors appointed by the President of the Exchange.

~~—~~The President of the Exchange may appoint a member of the Board of ~~—~~Directors to serve in his/her stead as a member of the Disciplinary Committee. If no member of the Board of Directors is available for such an appointment, ~~the~~ President of the Exchange may appoint a ~~Member~~ Market Participant of the ~~—~~Exchange.

No member who is to serve as a substitute member in the place of the President ~~of the Corporation~~ shall be appointed as a member of the Disciplinary Committee if the ~~Member~~ member is a member of the Hearing Committee.

- C. One (1) member shall be an individual who qualifies as a Public Director.

The ~~Members~~ members of the Disciplinary Committee shall be as representative as practicable of the ~~Membership~~ marketplace. Three (3) members of the Disciplinary Committee shall be required to constitute a quorum and must include an individual who meets the qualifications of a Public Director.

264.018.2. DISCIPLINARY COMMITTEE: QUALIFICATIONS OF MEMBERS.

No person shall serve as a member of the Disciplinary Committee when the person or entity with which the person is affiliated has a financial, personal or prejudicial interest or concern in the matter under consideration or action. For the purpose of this Bylaw, at a minimum, a financial, personal or prejudicial interest shall be defined and determined pursuant to **Bylaw 12.9275.00.B**. The other members of the Disciplinary Committee with guidance by the Department of Audits and Investigations shall determine whether any member has a financial, personal or prejudicial interest not addressed by **Bylaw 275.0012.9.B**.

No member may serve on the Disciplinary Committee if he or she has participated in or been involved in adjudicating any other stage of the same proceeding.

264.023.3. DISCIPLINARY COMMITTEE: APPOINTMENT OF ALTERNATES.

If the Disciplinary Committee shall determine that it is improper for any or all of its members to serve during the consideration of and action upon any particular matter, or if any or all of the regular members shall be unable to serve during such consideration and action, the Disciplinary Committee may request the President to appoint, and the President shall appoint, an alternate or alternates to sit throughout the consideration of and action upon such matter. ~~If an alternate is substituting for a Member position, the alternate must be a Member of the Exchange who is not a member of the Board of Directors.~~ If an alternate is substituting for the individual who meets the qualifications of a Public Director, the alternate must also qualify as a Public Director. When so appointed, any alternate shall, with respect to the consideration of and action upon such particular matter, have all the powers and duties of the regular member for whom the alternate is acting; and such Disciplinary Committee, so constituted and consisting of such alternate or alternates and the remaining regular members of the Disciplinary Committee, if any, shall with respect to the consideration of and action upon such particular matter have all the duties and powers of the regular Disciplinary Committee. During the period that such a Disciplinary Committee appointed with respect to a particular matter is functioning, the regular Disciplinary Committee and the regular members thereof shall continue to have all their usual powers and to perform all their usual duties concerning matters other than that before a Disciplinary Committee appointed with respect to a particular matter.

264.033.4. DISCIPLINARY COMMITTEE: DUTIES AND POWERS.

The Disciplinary Committee shall be charged with the duty and authority:

- A. To prevent manipulation of prices as provided in the Commodity Exchange Act.
- B. To review all investigation reports submitted to the Disciplinary Committee by the Department of Audits and Investigations in respect to all matters relating to activity conducted under the jurisdiction of MGEX and in respect to alleged violations of the Bylaws or MGEX Rules.
- C. To direct the Department of Audits and Investigations to conduct such further investigation in respect to any such report as the Disciplinary Committee deems appropriate or advisable.

- D. To promptly review and determine whether or not any or all charges included in the investigation report submitted to the Disciplinary Committee have, in its opinion, a reasonable foundation in fact.
- E. To dismiss any or all charges included in any investigation report submitted to the Disciplinary Committee that are, in its opinion, without reasonable foundation in fact.
- F. To authorize the issuance of a Notice of Charges against person(s) alleged to have committed such violations if the Disciplinary Committee has found that the investigation report shows a reasonable basis for a violation and that the matter should be adjudicated.
- G. To report in writing to the Board of Directors in respect to all matters which result in public disciplinary action.

The Disciplinary Committee, in performing its duties, may request any ~~Member or~~ Market Participant to appear before the Disciplinary Committee in its investigations of matters set forth in the investigation report. The Disciplinary Committee may review the dealings and transactions of ~~Members or~~ Market Participants, and it may examine their books, papers and records pertinent to such review. The Disciplinary Committee may employ such auditors, counsel or other assistants as it may deem necessary, and all expenses incident thereto shall be payable from the funds of the Exchange.

The Disciplinary Committee may invite a representative of the Commodity Futures Trading Commission to attend any or all of its meetings.

In addition to possible violations of the Bylaws or MGEX Rules appropriately brought before the Disciplinary Committee pursuant to Paragraph B, above, the Disciplinary Committee also shall review any investigation report concerning a particular course of conduct by a ~~Member or~~ Market Participant which has produced or thereafter, in the opinion of the Disciplinary Committee, would produce a manipulation of prices or cornering of any commodity in violation of the Bylaws or MGEX Rules.

No ~~Member or~~ Market Participant shall violate any order of the Disciplinary Committee after having been duly notified thereof. Nothing, however, herein contained shall in any way be construed as superseding the duties and authority that have been vested in the Board of Directors by the Bylaws or MGEX Rules. All directives of the Disciplinary Committee pertaining to price manipulations or corners and requiring a market position reduction shall be effective when issued.

No member of the Disciplinary Committee shall publish, divulge or make known in any manner, except when reporting to the Board of Directors or to a committee concerned with such information, or when called upon to testify in any judicial or administrative proceeding, any facts regarding the business of any Person, or any other confidential information that may come to the knowledge of such Disciplinary Committee member in the member's official capacity.

ARTICLE IX HEARING COMMITTEE

~~265.009.1.~~ **HEARING COMMITTEE: APPOINTMENT.**

There shall be established a committee of the Exchange to be known as the Hearing Committee, which shall be composed of five (5) members ~~with voting privileges~~ as hereinafter provided:

- A. Three (3) of such members shall be appointed by the Chairperson of the Board of Directors from Market Participants ~~Members~~ of the Exchange.
- B. One (1) member of the Hearing Committee shall consist of the Chairperson of the Board of Directors. The Chairperson of the Board of Directors shall serve as the Chairperson of the Hearing Committee.

The Chairperson of the Board of Directors may appoint a member of the Board of Directors to serve in his/her stead as a member of the Hearing Committee. If no member of the Board of Directors is available for such an appointment, the Chairperson may appoint a Market Participant ~~Member~~ of the Exchange.

No member who is to serve as a substitute member in the place of the Chairperson of the Board of Directors shall be appointed as a member of the Hearing Committee if the ~~m~~Member is a member of the Disciplinary Committee.

- C. One (1) member shall be an individual who qualifies as a Public Director.

The ~~Members~~ members of the Hearing Committee shall be as representative as practicable of the ~~Membership~~ marketplace. Three (3) members of the Hearing Committee shall be required to constitute a quorum and must include an individual who meets the qualifications of Public Director.

~~265.019.2.~~ **HEARING COMMITTEE: QUALIFICATIONS OF MEMBERS.**

No person shall serve as a member of the Hearing Committee when the person or entity with which the person is affiliated has a financial, personal or prejudicial interest or concern in the matter under consideration or action. For the purpose of this Bylaw, at a minimum, a financial, personal or prejudicial interest shall be defined and determined pursuant to **Bylaw 275.0012.8.B**. The other members of the Hearing Committee with guidance by the Department of Audits and Investigations shall determine whether any member has financial, personal or prejudicial interest not addressed by **Bylaw 275.0012.8.B**.

No member may serve on the Hearing Committee if he or she has participated in or been involved in adjudicating any other stage of the same proceeding.

~~265.029.3.~~ **HEARING COMMITTEE: APPOINTMENT OF ALTERNATES.**

If the Hearing Committee shall determine that it is improper for any or all of its members to serve during the consideration of and action upon any particular matter, or if any or all of the regular members shall be unable to serve during such consideration and action, the Hearing Committee may request the President of the Exchange to appoint, and the President of the Exchange shall appoint, an alternate or alternates to sit throughout the consideration of and action upon such matter. ~~If an alternate is substituting for a Member position, the alternate must be a Member of the Exchange who is not a member of the Board of Directors or the Disciplinary Committee.~~ If an alternate is substituting for the individual who meets the qualifications of a Public Director, the alternate must also qualify as a Public Director. When so appointed, any alternate shall, with respect to the consideration of and action upon such particular matter, have all the powers and duties of the regular member for whom the alternate is acting; and such Hearing Committee, so

constituted and consisting of such alternate or alternates and the remaining regular members of the Hearing Committee, if any, shall with respect to the consideration of and action upon such particular matter have all the duties and powers of the regular Hearing Committee. During the period that such Hearing Committee appointed with respect to a particular matter is functioning, the regular Hearing Committee and the regular members thereof shall continue to have all their usual powers and to perform all their usual duties concerning matters other than that before a Hearing Committee appointed with respect to a particular matter.

265.039.4. HEARING COMMITTEE: DUTIES AND POWERS.

The Hearing Committee shall be charged with the following duty and authority:

- A. To conduct a hearing as authorized pursuant to the Bylaws or MGEX Rules.
- B. To impose a penalty if the Hearing Committee finds in the affirmative that there has been a violation, or in the alternative, to dismiss the alleged charges if the Hearing Committee finds that there has been no violation.
- C. To direct the Department of Audits and Investigations to conduct such further investigation in respect to any such report as the Committee deems appropriate or advisable on a timely basis.
- D. In hearings conducted by the Hearing Committee, on a finding by the Hearing Committee that there has been a violation, to assess a penalty against those found guilty. The Hearing Committee may take such action it determines including, but not limited to, issuing a Letter of Reprimand, a suspension from ~~Membership~~trading, a monetary fine, or a recommendation to the Board of Directors for expulsion (singly or in any combination).
- E. To report in writing to the Board of Directors in respect to all matters which result in public disciplinary action.
- F. To summon any ~~Member or~~Market Participant to appear before the Hearing Committee.

The findings and conclusions of the Hearing Committee, in respect to such matters, shall be final. There is no appeal to the Board of Directors or any other MGEX authority.

No member of the Hearing Committee shall publish, divulge or make known in any manner, except when reporting to the Board of Directors or to a committee concerned with such information, or when called upon to testify in any judicial or administrative proceeding, any facts regarding the business of any Person, or any other confidential information that may come to the knowledge of such Hearing Committee member in the member's official capacity.

ARTICLE X

~~SECTION 10~~—DEPARTMENTS

10.1282.00. CLEARING HOUSE.

There shall be established a Clearing House of the Exchange, which shall supervise the clearing of Futures and Options Contracts initiated, accepted or executed under MGEX Rules.

~~283.00~~10.2. AUDITS AND INVESTIGATIONS.

There shall be established a department of the Exchange that conducts audits and investigations. Such department of the Exchange shall serve as an independent department and shall not include ~~either Members~~Market Participants ~~or Persons~~ whose interests conflict with their audit, investigation or enforcement duties.

The Exchange shall initiate and conduct investigations and audits at the direction of the CRO, the Regulatory Oversight Committee and/or the appropriate committee. Such investigations shall be initiated promptly after receipt of a complaint or other indication of possible violation of the MGEX Rules.

The Exchange has the authority to collect information and documents on both a routine and non-routine basis, including, but not limited to, the authority to examine books and records kept by any ~~Member,~~ Market Participant, ~~nonmember approved as Regular~~ or ~~any other~~ Person under investigation or from whom information or cooperation has been requested. Failure to comply with any request made by the Exchange for information and/or documents may subject the ~~Member,~~ Market Participant, ~~nonmember approved as Regular~~ or Person under investigation or from whom information or cooperation has been requested to disciplinary procedures of the Exchange or fines pursuant to the MGEX Rules.

ARTICLE XI ~~SECTION 11~~—TRADING PERMIT PROGRAMS

11.1. TRADING PERMIT PROGRAMS.

The Exchange may establish Trading Permit Programs from time to time. The Exchange may make amendments to such programs at any time.

ARTICLE XI ~~SECTION 12~~—MISCELLANEOUS

~~231.00~~12.1. DELIVERY OF DOCUMENTS, PAYMENT, ETC.

The Board of Directors shall have the power from time to time to make MGEX Rules (including fixing time of day) governing the rendering and delivery of all orders, notices, and documents of all sorts having to do with or incident to handling or passing title to commodities, and for the payment for commodities, including (but not being limited to) Delivery Notices, deliveries on Futures Contracts and payment therefor, exercise of Options, Load-out Notices, Notices of Reinspection and Appeal, Disposition Orders, Invoices and payment therefor, requests for advances and payment therefor, Bills of Lading, payment for F.O.B. cars, payment of elevator charges, and the giving of disposition on cars purchases or loaded in satisfaction of warehouse receipts.

~~235.00~~12.2. ADMISSION TO EXCHANGE ROOM.

~~Except as permitted by the Exchange, no one except Members in Good Standing (or holders of substitute tickets) may be admitted to the Exchange Room.~~

The Exchange may grant admission to the Exchange Room to authorized individuals ~~Floor Clerks, visitors and other persons,~~ subject to such restrictions, regulations, and limitations as the Exchange may deem proper.

PROVIDED, however, that no individual ~~Member~~ who is under suspension may be granted admission to the Exchange Room as a visitor, or otherwise, and no Floor Clerk or visitor may make any trades or transact any business in the Exchange Room excepting such transactions as may pertain directly to the business on account of which admission to the Exchange Room was granted; and,

PROVIDED FURTHER, that no person in default, on account of any business transacted with or through ~~a Member or Members of~~ MGEX, shall be entitled to admission to the Exchange Room as a visitor while such transaction remains unsettled, and the President is hereby empowered to enforce this Bylaw upon the complaint, in writing, of any ~~Member~~ Market Participant of MGEX.

~~12.3~~ 236.00. CONTROL OF THE USE OF THE BUILDINGS.

The Exchange shall have power to prescribe the purposes for which all offices, halls, rooms, corridors, entrances and other parts of the buildings belonging to or leased by MGEX shall be used, and to make all necessary Regulations governing the use of and admittance to the same, and shall have full power to enforce such Regulations and to inflict penalties for the violation thereof. The Exchange shall have the power to let space in the buildings belonging to or leased by MGEX to such tenants, for such purposes, at such rentals, and on such terms and conditions as it deems desirable.

~~237.00~~ 12.4. MANAGEMENT OF REAL ESTATE.

The Board of Directors shall have the power from time to time to purchase real estate PROVIDED, however, that any borrowing of money to finance such purchases is subject to the provisions of Bylaw ~~223.00~~ 5.7.

The Exchange shall have the power to make changes, alterations, repairs, replacements or additions to the fixtures, equipment and machinery of the buildings of the Exchange, and to make such enlargements or additions to the present buildings to maintain said buildings, equipment or machinery in proper and suitable condition for the uses and purposes of MGEX and its ~~Members~~ and tenants.

~~240.00~~ 12.5. FISCAL YEAR.

The fiscal year of the Exchange shall be as determined from time to time by the Board. ~~The fiscal year of the Exchange shall begin on September 1 of each year and end on August 31 of the succeeding calendar year.~~

~~242.00~~. HOUSEKEEPING.

~~The Board of Directors shall have the authority to make changes in any Bylaw without formal approval of the Ownership when such changes do not alter the intent of the Bylaw or when Bylaw~~

~~modification is dictated by change in business organizational structure or name. "Changes" are limited to the modification or elimination of letters, numbers, words, phrases or sentences necessary to maintain accurate and current Bylaws or are necessary to comply with any change in law, statute or governing legal authority.~~

~~243.00~~12.6. INDEMNIFICATION OF DIRECTORS, OFFICERS AND OTHERS.

The Exchange shall indemnify its directors, officers and committee members against such expenses and liabilities, in such manner, under such circumstances, and to such extent, as required or permitted ~~by Section 145 of the~~ Delaware General Corporation Law of the State of Delaware Limited Liability Company Act § 18-108, ~~as amended from time to time,~~ or as required by other provisions of law.

The Exchange shall advance expenses in such manner, under such circumstances, and to such extent, as required or permitted Delaware Limited Liability Company Act § 18-108~~by Section 145 of the General Corporation Law of the State of Delaware, as amended from time to time.~~ The provisions of this Section are not intended to limit the ability of any person to receive advances as an insured under any insurance policy maintained by the Exchange.

The Exchange may purchase and maintain insurance on behalf of any person who is or was a director, officer, committee member or employee against any liability asserted against and incurred by such person in or arising from such capacity, whether or not the Exchange would otherwise be required to indemnify the person against the liability.

The Exchange shall also abide by all other controlling provisions of Delaware Limited Liability Company Act § 145~~Section 145 of the General Corporation Law of the State of Delaware, as amended from time to time.~~

~~244.00~~12.7. MEMBERSHIP IN OTHER ASSOCIATIONS: DELEGATES TO MEETINGS.

At the discretion of the Board of Directors, the Exchange may become a member of other associations or organizations, membership in which in the opinion of said Board will be beneficial to the Exchange. The Board of Directors may appoint delegates or representatives to commercial or deliberative meetings at which it may desire to have the Exchange represented. The Board may, at its discretion, authorize the payment (from the general funds of the Exchange) of the dues payable to such associations and of the expenses incurred by such delegates or representatives in attending such meetings.

~~275.00~~12.8. CONFLICTS OF INTEREST.

A member of the Board of Directors and certain other committees at the Exchange must abstain from deliberating and voting on matters when there is a potential personal or financial conflict of interest. This Bylaw describes how and when the conflict of interest will be determined. Additional and broader conflicts of interest provisions apply to the Disciplinary Committee and the Hearing Committee. (See Bylaws 8.2~~264.01.~~ and 9.2~~265.01.~~)

A. Definitions. For purposes of this Bylaw the following definitions shall apply:

1. The term “family relationship” of a person shall mean the person’s spouse, former spouse, parent, stepparent, child, stepchild, sibling, stepbrother, stepsister, grandparent, grandchild, uncle, aunt, nephew, niece, or in-law.
2. The term “governing board” shall mean the Board of Directors, Committees of the Board of Directors and Committees of the Exchange authorized to take action or to recommend the taking of action on behalf of the Exchange.
3. The term “member’s affiliated firm” shall mean a firm in which the member is an employee or a “principal,” as defined in CFTC Regulation 3.1(a).
4. The term “named party in interest” shall mean a person or entity that is identified by name as a primary subject of any material matter being considered by a governing board.
5. The term “significant action” shall mean any of the following types of actions or changes that are implemented without the Commission’s prior approval:
 - a. Any actions or changes which address an “emergency” as defined in CFTC Regulation 1.41(a)(4)(i) through (iv) and (vi) through (viii); and,
 - b. Any changes in margin levels that are designed to respond to extraordinary market conditions such as an actual or attempted corner, squeeze, congestion or undue concentration of positions, or that otherwise are likely to have a substantial effect on prices in any contract traded at the Exchange; but shall not include any Bylaw or MGEX Rule not submitted for prior CFTC approval because such Bylaw or MGEX Rule is unrelated to the terms and conditions of any contract traded at the Exchange.

B. Named Party in Interest Conflict

1. **Prohibition.** No member of a governing board shall knowingly participate in such body’s deliberations or voting in any matter involving a named party in interest where such member: (a) is a named party in interest; (b) is an employer, employee or fellow employee of a named party in interest; (c) is associated with a named party in interest through a broker association; (d) has a family relationship with a named party in interest; or, (e) has any other significant, ongoing business relationship with a named party in interest, excluding relationships limited to executing futures or option transactions opposite each other or to clearing futures or options transactions through the same Clearing Member.

If the member’s only relationship with a named party in interest is through a broker association not established for the purpose of sharing profits and losses as described by ~~Regulation~~ Rule 2065.00.A.3. then the prohibition shall not apply. Furthermore, if a named party in interest is one or part of a group of similar persons or entities that is the subject for general deliberation and voting, such as approval for regularity or membership, and there is no material issue of dispute involving a named

party in interest, then the prohibition shall not apply.

2. Disclosure. Prior to consideration of any matter involving a named party in interest, each member of the deliberating body who does not choose to abstain from deliberations and voting shall disclose to the Department of Audits and Investigations whether such member has one of the relationships listed in paragraph B.1. of this Bylaw with a named party in interest.
3. Procedure and Determination. Exchange staff shall determine whether any member of the deliberating body is subject to a conflicts restriction under this paragraph B. Such determination shall be based upon a review of the following information:
 - a. information provided by the member pursuant to paragraph B.2. above, and
 - b. any other source of information that is held by and reasonably available to the Exchange.

C. Financial Interest in a Significant Action Conflict

1. Prohibition. No member of a governing board shall participate in such body's deliberations and voting on any significant action if such member knowingly has a direct and substantial financial interest in the result of the vote based upon either Exchange or non-Exchange positions that could reasonably be expected to be affected by the significant action under consideration, as determined pursuant to this Bylaw.
2. Disclosure. Prior to consideration of any significant action, each member of the deliberating body who does not choose to abstain from deliberations and voting shall disclose to the Department of Audits and Investigations position information that is known to such member, with respect to any particular month or months that are under consideration, and any other positions which the deliberating body reasonably expects could be affected by the significant action, as follows:
 - a. gross positions held at the Exchange in the member's personal accounts or "controlled accounts," as defined in CFTC Regulation 1.3(j);
 - b. gross positions held at the Exchange in proprietary accounts, as defined in CFTC Regulation 1.17(b)(3), at the member's affiliated firm;
 - c. gross positions held at the Exchange in accounts in which the member is a principal, as defined in CFTC Regulation 3.1(a);
 - d. net positions held at the Exchange in "customer" accounts, as defined in CFTC Regulation 1.17(b)(2), at the member's affiliated firm; and

e. any other types of positions, whether maintained at the Exchange or elsewhere, held in the member's personal accounts or the proprietary accounts of the member's affiliated firm, that reasonably could be affected by the significant action.

3. Procedure and Determination. Exchange staff shall determine whether any member of the deliberating body is subject to a conflicts restriction under this paragraph C. based upon a review of the most recent large trader reports and clearing records available to the Exchange, information provided by the member with respect to positions pursuant to paragraph C.2. of this Bylaw, and any other source of information that is held by and reasonably available to the Exchange, taking into consideration the exigency of the significant action being contemplated.

D. Deliberation Exemption.

1. Any member of a governing board who would otherwise be required to abstain from deliberations and voting pursuant to paragraph C. hereof may participate in deliberations, but not voting, if the deliberating body, after considering the factors specified below, determines that such participation would be consistent with the public interest; provided, however, that before reaching any such determination the deliberating body shall fully consider the position information specified in paragraph C.2. and C.3. above, which is the basis for such member's substantial financial interest in the significant action that is being contemplated.

2. In making its determination, the deliberating body shall consider;

a. whether the member's participation in deliberations is necessary to achieve a quorum; and

b. whether the member has unique or special expertise, knowledge or experience in the matter being considered.

3. Voting Exemption. If at least one-half of the deliberating members cannot participate in voting consistent with this Bylaw, then every member who has been granted a deliberation exemption pursuant to this paragraph D. may participate in voting.

E. Documentation. The minutes of any meeting to which the conflicts determination procedures set forth in this Bylaw apply, shall reflect the following information:

1. the names of all members who attended the meeting in person or who otherwise were present by electronic means;

2. the name of any member who voluntarily recused himself or herself or was required to abstain from deliberations and/or voting on a matter and the reason for the refusal or abstention, if stated;

3. information on the position information that was reviewed for each member if applicable and available; and
4. the name of any member who participated in voting pursuant to paragraph D.3. of this Bylaw.

~~290.00~~12.9. **NONPUBLIC INFORMATION - IMPROPER USE OR DISCLOSURE.**

For purposes of this Bylaw, "material" and "non-public information" shall be defined by CFTC Regulation 1.59(a).

In accordance with CFTC Regulation 1.59(c), no Exchange officer, member of the Board of Directors or member of any committee shall use or disclose, for any purpose other than the performance of such person's official duties, material, non-public information obtained as a result of such person's office or participation on the Board of Directors or any committee.

~~368.00~~12.10. **COMMODITY EXCHANGE ACT RULE.**

- A. In order to comply with the ~~Act of Congress known as the Commodity Exchange Act~~CEA, and the ~~regulations of the Commodity Futures Trading Commission promulgated thereunder~~ and CFTC Regulations, it is hereby provided that ~~all the Bylaws and MGEX Rules~~the MGEX Bylaws and Rules shall be construed with reference to, and shall be subject to and modified by, the provisions of said ~~Act and regulations~~CEA and CFTC Regulations.
- B. The Exchange ~~and every Member and Person~~ shall make and file such reports and keep such books, and records for such a period of time as may be required pursuant to authority set forth in the ~~Commodity Exchange Act as amended, and regulations promulgated thereunder~~CEA and CFTC Regulations, including, but not limited to, the authority contained in subdivision (b) of Sec. 5 of ~~the Act~~said Act, and shall keep such books and records open to inspection by ~~any duly authorized representative of the Commodity Futures Trading Commission~~the CFTC or the United States Department of Justice.
- C. Neither the Exchange, nor any ~~Member or~~ Person shall disseminate any false, misleading, or knowingly inaccurate reports concerning crop or market information or conditions that affect, or tend to affect, the price of any commodity.
- D. No ~~Member or~~ Person shall manipulate, or attempt to manipulate, prices of commodities traded on this Exchange, nor corner, nor attempt to corner, any of such commodities.
- E. Any ~~Member or~~ Person, who or which has been deprived of the privilege of trading in contract markets under subdivision (b) of Sec. 6 of the ~~Commodity Exchange Act as amended~~CEA, shall be refused all privileges of trading on this Exchange for such period of time as specified in the Order of the ~~Commodity Futures Trading Commission~~CFTC against such ~~Member or~~ Person.
- F. No ~~Member or~~ Person shall accept or execute an order from any Person who or which has been deprived of the privilege of trading in contract markets under subdivision (b) of Sec. 6 of the ~~Commodity Exchange Act as amended~~CEA.

~~369.00~~12.11. **DISSEMINATION OF INFORMATION.**

~~Members and~~ Market Participants shall be held to strict account for the reliability and accuracy of the statements and information which they disseminate.

~~Members and~~ Market Participants must word or phrase all circulars, letters, Reports of Cash Sales, or other information so as to convey an accurate impression as to values of commodities in this market, and avoid conveying misinformation or erroneous implications as to such values. Specific values of cash commodities must not be reported in such a way as to create a false impression regarding values generally.

For example, giving a false impression regarding values such as sales of cash commodities of certain test weight, or having some particular characteristic or other factor that contributes to value, must not be reported in such a manner as to convey the impression that all commodities of the same kind and test weight, or having the same particular characteristic or factor, are of equal value.

~~Members and~~ Market Participants, and their employees, must not directly or indirectly, by innuendo or otherwise, participate in the circulation of any rumors adversely affecting any Person. Only facts capable of substantiation may be reported.

12.12~~371.00~~. **MGEX DEFENSE EXPENSES.**

Any ~~Member or~~ Market Participant who fails to prevail in a lawsuit or any other type of legal proceeding instituted ~~by that Member~~ against MGEX or any of its officers, directors, committee members, employees or agents must pay to MGEX all reasonable expenses, including attorney's fees, incurred by MGEX in the defense of such proceeding.

~~300.00. MEMBERSHIP: INDIVIDUALS ELIGIBLE.~~

~~Any adult whose character, credit and reputation for fair dealing are such as to satisfy the Board of Directors shall be eligible to become Record Holder of a Membership, and to entrust with the privileges and responsibilities thereof.~~

~~301.00. MEMBERSHIP: ADMISSION TO.~~

~~If the terms and conditions set forth below have been complied with, the Board of Directors may approve an application for Membership:~~

- ~~A. An application for Membership must have been made;~~
- ~~B. The application must be reviewed by the Exchange. The Exchange may, at its discretion, require any applicant to produce additional documentation and/or meet in person prior to any action by the Board of Directors;~~
- ~~C. A Request to Transfer and Record the Ownership of a Membership form must have been posted on the Official Bulletin Board for ten (10) consecutive days prior to such action;~~

- ~~D. If an objection to the approval of such applicant to Membership has been duly filed by a Member of MGEX, it must have been heard by the Board of Directors and dismissed;~~
- ~~E. All the requirements of the Bylaws and MGEX Rules for the transfer of a Membership to the applicant must have been complied with or the applicant must have obtained an original Membership under the provisions of **Bylaw 360.00.** or **Rule 2110.01.**~~
- ~~F. An application fee shall be collected by the Exchange at the time of the application. This fee, in an amount to be determined by the Exchange, shall not be refunded in the event that the applicant fails, for any reason, to become a Member.~~
- ~~G. If the applicant does not own a Membership at the time its application is approved nor have a Delegation Agreement in place, the applicant shall have sixty (60) days to obtain a Membership.~~

~~302.00. MEMBERSHIP: APPLICATION FOR.~~

~~Application for Membership shall be in writing and shall contain an agreement by the applicant that in consideration of being admitted to Membership the applicant will be bound by MGEX Rules and all amendments and additions thereto, and that such agreement shall be binding on the applicant and its heirs, executors, administrators, successors, and assigns. Said application shall be in such form, and accompanied by such information and statements, as the Exchange shall prescribe. Such application shall be signed by the applicant.~~

~~302.01. EXPELLED MEMBERS: READMISSION.~~

~~If an application for Membership has been received from an individual who previously had been expelled from MGEX Membership, the Chairperson of the Board of Directors shall call and preside at a meeting of the Board of Directors. The application shall be considered and voted upon and shall be approved by the Board of Directors upon a two thirds (2/3) affirmative vote.~~

~~303.00. MEMBERSHIPS: TRANSFERS OF.~~

~~When and if the terms and conditions set forth below have been complied with, the Exchange shall transfer a Membership upon the books of MGEX.~~

- ~~A. The transferee's application for Membership must have been approved or the transferee must be a Member in Good Standing;~~
- ~~B. A request for transfer of the Membership, on a form as prescribed by the Exchange, must have been duly executed by the transferee and by the Person who or which is to be recorded as the Record Owner of the Membership, and such request must have been filed with the Exchange;~~
- ~~C. All of the requirements of the Bylaws and MGEX Rules for recording the ownership of the Membership must have been complied with;~~
- ~~D. Notice of the request for transfer of a Membership must have been posted on the Official Bulletin Board for ten (10) consecutive days prior to the date of such~~

~~transfer. Such request shall include the name of the Record Owner of the Membership;~~

- ~~E. If an objection to such transfer has been duly filed by a Member, it must have been heard by the Board of Directors and dismissed or, if sustained, the claim upon which it was based must have been satisfied;~~
- ~~F. A transfer fee in an amount determined by the Exchange must be paid and in all cases the transferee pays the transfer fee.~~
- ~~G. In the event a Record Holder desires to be relieved of the restrictions imposed by the provisions of **Regulation 2055.00.**, the Record Owner must upon request of the Record Holder transfer the Membership to another individual; but~~

~~PROVIDED FURTHER, that, upon agreement by the Record Holder not to exercise any of the privileges conferred by the Membership, the Board of Directors may waive the restrictions and requirements of this Bylaw during such time as, in its opinion, is reasonable in order to allow disposition/or transfer of the Membership to be made.~~

~~Upon the transfer of a Membership, a new certificate number shall be issued and the privileges conferred upon the former Record Holder shall terminate.~~

- ~~H. In the event that a Record Holder of an entity owned Membership leaves the employment of that entity, the Membership shall be transferred into the name of a designated representative of the entity. In the event the designated representative is not a Member, application for Membership must be made and the application/transfer fee paid.~~

~~**303.01. SUSPENSION OF PRIVILEGES TO TRADE UPON REQUEST TO TRANSFER MEMBERSHIP.**~~

~~Whenever the transfer of a Membership has been requested, the Board of Directors, at its discretion, may suspend the privileges to trade of the Member until further order.~~

~~**304.00. OBJECTIONS TO TRANSFER OF A MEMBERSHIP.**~~

~~Any Member claiming, under the provisions of these Bylaws or MGEX Rules, to have a lien against a Membership may file an objection against a transfer of such Membership, as provided below:~~

- ~~A. Such objection shall be in writing in the form prescribed by the Exchange and must be filed with the Exchange, together with a statement of the amount of the claim for lien against the Membership upon which such objection is based, within ten (10) consecutive days after notice of the request for transfer of such Membership has been posted on the Official Bulletin Board;~~
- ~~B. Failure to file an objection as provided in Section A. shall be deemed and held to constitute a waiver of the lien and the right to file the objection. A Membership subsequently transferred, and the ownership recorded shall be considered free and clear of all liens and claims for liens as if no objections were filed; no~~

~~subsequent objection, complaint, claim or demand against the former Member shall constitute a lien or otherwise impair it in the hands of an innocent Record Owner;~~

- ~~C. At the expiration of said period of ten (10) consecutive days a copy of any objections that have been duly filed, together with a copy of the statement of the amount of the claims for liens upon which such objections were based, shall have been served upon the parties who requested the transfer of the Membership including the Record Owner and/or Record Holder;~~
- ~~D. If any objection has been duly filed, the Board of Directors shall hear all parties and determine the validity of the objection; and, if it is sustained, the request for transfer shall be denied until such time as the claim or claims upon which the objection was based have been settled.~~

~~Notice of the time, place and purpose of the meeting of the Board of Directors at which objections are to be acted upon shall be served on the party who has requested the transfer of the Membership, and on the Record Owner and/or Record Holder.~~

~~305.00. MEMBERSHIP TRANSFERRED IN VIOLATION OF BYLAWS.~~

~~In case any Membership shall have been transferred without the approval of the Exchange, or in violation of any of the provisions of the Bylaws or MGEX Rules applicable to such Membership, such transfer shall be null and void.~~

~~310.00. MEMBERSHIP: RECORDING OF OWNERSHIP.~~

~~When the terms and conditions set forth below have been complied with and upon the order of the Board of Directors or a duly authorized officer of the Exchange, the Exchange shall record the ownership of a Membership upon the books of MGEX in the name of a Person:~~

- ~~A. The Person to be recorded as the Record Owner must be in Good Standing, must have paid the purchase price and be the sole and absolute Record Owner of such Membership.~~
- ~~B. If the Person to be recorded as the Record Owner is an officer or employee of the Exchange, or if the officer or employee of the Exchange has a financial interest in an entity to be recorded as the Record Owner, such disclosure shall be made to the Board of Directors. In no instance may the officer or employee be recorded as the Record Holder of a Membership, or exercise the privileges of a Record Holder.~~
- ~~C. The recording of the ownership of a Membership must be duly executed with the Exchange immediately after purchase by the Person who or which is to be recorded as the Record Owner. The information needed to record the ownership shall be in such form and shall be accompanied by such facts and statements as the Exchange may require.~~
- ~~D. The Person who is to be recorded as the Record Owner must acknowledge that MGEX is not liable for any indebtedness the Person incurred in connection with obtaining such Membership and shall indemnify MGEX and hold it harmless~~

~~against all claims, demands or actions of any sort and all costs or expenses incidental thereto.~~

- ~~E. All assessments against such Membership that are due and payable, together with interest on any delinquent portions thereof, must have been paid.~~
- ~~F. Notice of a request to record the ownership of a Membership must have been posted on the Official Bulletin Board for ten (10) consecutive days prior to the date of such recording.~~
- ~~G. If an objection to such recording has been duly filed, it must have been heard by the Board of Directors and dismissed or, if the claim upon which it was based has been sustained, the claim must have been satisfied before the ownership is recorded.~~
- ~~H. Neither the previous Record Holder nor Record Owner of such Membership, nor any entity to be listed as Record Owner, can be a party to any unsettled controversy before the Board of Arbitration, or any committee of the Board of Directors or of the Exchange, unless this provision shall have been specifically waived by the Board of Directors.~~
- ~~I. Seller of such Membership warrants that such Membership is free and clear of all liens and encumbrances.~~

~~310.01. REJECTION OF MEMBERSHIP STATUS.~~

~~Once a Membership is purchased, the Record Owner must apply, or designate an individual to apply, for Membership at the time of purchase or place the Membership in a current Record Holder's name. If, for any reason, the application for Membership is rejected or the Record Owner is unable to place such Membership in a current Record Holder's name within sixty (60) calendar days, the Exchange will instruct the Record Owner to sell the Membership in question on the open market. The Record Owner shall have sixty (60) calendar days in which to complete the sale of the Membership. In the event the Membership is not sold at the end of sixty (60) calendar days, the Record Owner must take the highest bid on file with the Membership Department. In accordance with MGEX Bylaw 301.00.F., the Exchange will not refund the application fee. The Record Owner shall be responsible for any assessments or dues levied against the Membership during the period in which the Record Owner owns the Membership. The Record Owner shall assume all risk of gain or loss from the resale of the Membership.~~

~~312.00. CERTIFICATES OF MEMBERSHIP.~~

~~Every Member shall be entitled to receive a Certificate of Membership upon request and it shall be evidence that the Member was, on the date of issue, entitled to the privileges of an MGEX Membership, but shall not be considered evidence concerning ownership of said Membership. The sole official evidence of ownership shall be the records of MGEX.~~

- ~~A. In order to request a Certificate of Membership, a written request, as prescribed by the Exchange, accompanied by a fee as determined by the Exchange, must be made by the Member or by his or its heirs, executors, administrators, successor, or assigns accompanied by an assignment or by other proper and appropriate~~

~~instrument or evidence of transfer, conveying ownership of such Membership from the Member.~~

- ~~B. The Exchange may require an affidavit from the party requesting the Certificate of Membership asserting that the affiant is the sole and absolute Record Owner of the Membership.~~

~~323.00. RIGHTS OF MEMBERS, BOARD TO DETERMINE.~~

~~Any question or dispute as to the rights or privileges conferred on a Member by Membership, or as to the interpretation of the Bylaws or MGEX Rules, shall be decided by the Board of Directors at a meeting of which the Member concerned shall have had notice and an opportunity to be heard, and such decision shall be final and binding.~~

~~330.00. ASSESSMENTS, DELINQUENT.~~

~~Any assessment levied upon an MGEX Membership, which has not been paid in full thirty (30) days after the due date shall become delinquent. Interest at the highest legally permissible statutory rate may accrue and be charged on all delinquent assessments from the date upon which they become delinquent, until paid.~~

~~330.01. DELINQUENT ASSESSMENT: SUSPENSION OF MEMBER.~~

~~If any assessment or any part of an assessment levied upon an MGEX Membership has become delinquent, the Record Holder and/or Record Owner shall be suspended automatically until the delinquent part of such assessment, together with the accrued interest, where applicable, has been paid.~~

~~Notice of such suspension shall be posted forthwith on the Official Bulletin Board and shall be given to Members, and a copy shall be served on the Record Holder and/or Record Owner of the Membership involved.~~

~~330.02. DELINQUENT ASSESSMENTS: REINSTATEMENT OF MEMBER.~~

~~The payment in full of a delinquent assessment against a Membership together with the accrued interest, where applicable, shall cancel the suspension of the Record Holder and/or Record Owner of such Membership without the necessity of action by the Board of Directors; and such Member shall be reinstated to all of the rights, privileges and benefits of an MGEX Membership, and notice to that effect shall be posted on the Official Bulletin Board.~~

~~330.03. ASSESSMENTS: LIABILITY FOR PAYMENT.~~

~~The Record Owner shall be liable for duly levied assessments. The Record Owner may also be liable for the accrued interest, where applicable, on any portions of such assessment that have become delinquent, but the claims of MGEX for such payments shall not be enforced against such Record Owner until the provisions of the Bylaws and MGEX Rules relative to the sale of a Membership for the nonpayment of assessments have been complied with.~~

~~330.04. ASSESSMENTS DELINQUENT FOR FORTY-FIVE (45) DAYS.~~

~~If any assessment levied upon an MGEX Membership has been delinquent for forty-five (45) days, past the posted due date, it shall be reported by the Exchange to the Board of Directors at the first meeting of the Board thereafter, and the Board shall thereupon order such Membership sold by the Exchange, as provided in **Bylaw 337.00**. If a Record Owner allows an assessment or part of an assessment to be delinquent twice in a two-year (2) period, the Board of Directors may order the Membership sold after the assessment has been delinquent for thirty-one (31) days past the posted due date.~~

~~**330.05. ASSESSMENTS: OWNER OF MEMBERSHIP, DECEASED OR INCOMPETENT.**~~

~~If the Record Owner was deceased or incompetent on the date on which an assessment, becomes due and payable, and if such assessment becomes delinquent, the Board of Directors shall order such Membership to be sold by the Exchange, but it may delay such sale, at its discretion, until an executor, administrator or guardian has been appointed and shall have had reasonable opportunity to act.~~

~~**335.00. LIENS UPON MEMBERSHIPS.**~~

~~Any Member to whom or to which another Member is indebted in connection with or as a result of any trade, that is subject to or governed by the Bylaws or MGEX Rules may file a lien to secure the payment of such indebtedness. The lien may be filed upon all MGEX Memberships of which the debtor is the Record Owner.~~

~~**336.00. REQUEST FOR SALE OF A MEMBERSHIP TO SATISFY LIENS.**~~

~~Any Member claiming to have a lien against a Membership may, if the indebtedness or obligation upon which such claim is based has been due and payable for more than ninety (90) days, file a claim for such lien, together with a request that the Membership be sold for the satisfaction thereof.~~

~~Such claim, together with a statement of the amount thereof, shall be filed with the Exchange.~~

~~Such claim shall be heard and determined in accordance with the provisions of **Bylaw 336.01**, and, if it or any portion is determined to be valid, the Board of Directors shall order the Membership to be sold by the Exchange under the provisions of **Bylaw 337.00**.~~

~~**336.01. HEARING ON REQUEST FOR SALE OF A MEMBERSHIP TO SATISFY LIENS.**~~

~~If a request for the sale of a Membership to satisfy liens has been filed as provided in **Bylaw 336.00**, there shall be a meeting of the Board of Directors after due notice thereof for the purpose of hearing such request and the claim upon which it is based, and any other claims for liens duly filed against such Membership, and determining if such claims, or any portions thereof, are valid.~~

~~Notice of the time, place and purpose of such meeting shall be served on the claimants and the Record Owner involved; given to Members; and posted on the Official Bulletin Board at least ten (10) days before such meeting.~~

~~Any other Member claiming to have a lien against such Membership must file such claim for lien prior to such meeting; and, failing to do so, will be deemed and held to have waived his or its rights to such lien.~~

~~At such meeting the Board of Directors shall examine all claims for liens against the Membership that have been duly filed and shall hear fully all claimants and the Record Owner, if they shall appear. The Board shall determine which claims are valid under the provisions of the Bylaws and the MGEX Rules, and such determination shall be final and binding on all parties.~~

~~Such meetings of the Board of Directors may be adjourned from time to time at the discretion of the Board.~~

~~**337.00. SALE OF A MEMBERSHIP BY THE EXCHANGE.**~~

~~If the Board of Directors shall have ordered the sale of an MGEX Membership, a meeting of the Record Owners shall be called for such purpose after ten (10) days' due notice thereof. Such notice shall state the date, time, place and purpose of such meeting, and shall be given to Members; posted on the Official Bulletin Board; and served on the Record Owner of the Membership.~~

~~If the Membership is to be sold to satisfy delinquent assessments, the notice shall call attention to provisions of **Bylaw 338.00.** relative to filing of claims for liens.~~

~~At such meeting the Membership shall be sold to the highest bidder. When appropriate, the highest existing bid from a non-member shall be included in the auction.~~

~~The Board of Directors, pursuant to authority granted by **Bylaw 361.00.** may, at its discretion, cause a bid or bids to be made for the Membership in the name of MGEX; and, in the event that the Membership is being sold to satisfy delinquent assessments and if no other bids have been received, the Board shall cause a bid, at a figure as determined by the Board, to be so made.~~

~~If more than one Membership is to be sold at any one meeting of the Record Owners, the order in which such Memberships shall be offered for sale shall be determined by lot.~~

~~After such sale, the former Record Owner of such Membership shall be deemed to have forfeited and relinquished the rights, benefits and privileges conferred by such Membership, and all rights, title and interest in and to such Membership.~~

~~**338.00. CLAIMS AGAINST A MEMBERSHIP TO BE SOLD TO SATISFY DELINQUENT ASSESSMENTS.**~~

~~Any Member claiming under the provisions of the Bylaws or MGEX Rules to have a lien against a Membership that is to be sold by the Exchange to satisfy delinquent assessments, must file a claim for such lien with the Exchange, together with a statement of the amount thereof, prior to the meeting at which such Membership is to be sold; and, failing to do so, will be deemed and held to have waived his or its right to such lien.~~

~~If any claims for liens have been so filed, the Board of Directors shall hold a meeting as soon after such sale as is practicable to hear and determine which claims for liens are valid. Notice of the time, place and purpose of such meeting shall be served on the claimants, and on the Record Owner of the Membership.~~

~~**339.00. STOPPING THE SALE OF A MEMBERSHIP.**~~

~~If, at any time prior to the actual sale of a Membership, that part of the assessment, if any, upon such Membership that has been delinquent for forty-five (45) days, together with accrued interest shall have been paid; or if the liens to satisfy which the Membership was to be sold have been satisfied, the proceedings for the sale shall be stopped, and notice to that effect shall be given to Members and posted on the Official Bulletin Board.~~

~~**340.00. MEMBERSHIP SOLD BY THE EXCHANGE: APPLICATION OF PROCEEDS.**~~

~~When and if a Membership has been sold by the Exchange, whether to satisfy delinquent assessments or liens, the proceeds of such sale shall be applied as follows:~~

- ~~A. First: To the payment of unpaid assessments that have been levied against such Membership and that have become due and payable at the time of such sale, together with fines, accrued interest on any portions of such assessments that have become delinquent, and any fines assessed against the Record Owner and/or Record Holder or any other debts due to MGEX.~~
- ~~B. Any portion of the proceeds remaining, after the payments prescribed in Subsection A. have been made in full, shall be applied to the payment of liens, if any, which have been determined to be valid by the Board of Directors; and, if such proceeds will not pay all of such liens in full, they shall be applied pro rata to such liens;~~
- ~~C. After the payments prescribed in Subsections A. and B. have been made in full, any portion of such proceeds remaining shall revert to MGEX.~~

~~**360.00. ORIGINAL MEMBERSHIPS: GENERAL ISSUANCE OF.**~~

~~The number of MGEX Memberships may be increased and the Exchange has the right to sell original Memberships at a price to be determined by the Board of Directors. The person to whom such Membership is to be issued must comply with all the terms and conditions of the Bylaws and MGEX Rules concerning admission to Membership and recording the ownership of a Membership. The number of outstanding Memberships shall not exceed six hundred (600) unless an increase is approved by a vote of the Ownership.~~

~~**361.00. PURCHASE AND RETIREMENT OF MEMBERSHIPS.**~~

~~The Board of Directors is hereby authorized to offer to purchase and purchase MGEX Memberships, as available, at a price determined by the Board, whenever in its opinion the necessary funds are available and the best interests of MGEX will be advanced by such purchase.~~

~~**363.00. APPLICATIONS AND REQUESTS, SUPPORT OF.**~~

~~Persons who have signed the Application for Membership, Request to Transfer and Record the Ownership of a Membership form, Application for Cash Trading Privileges or Application of Clearing Privileges shall answer such questions and furnish such information pertinent to the consideration of and in support of such applications or requests and shall make such personal appearances as the Board of Directors or the Exchange may require.~~

~~364.00. WITNESSES, ATTENDANCE OF.~~

~~Every Member, upon whom or which a notice or citation, issued by an officer of the Exchange or by any duly constituted committee of the Exchange, has been duly served, shall appear and testify and produce his or its books, papers, records or other documents that are pertinent to the case in hearing, as required by such notice or citation; and, when testifying, shall answer any question that is proper and pertinent to the case in hearing. It is, however, hereby provided that no witness shall be required to answer any question if the answer would incriminate him.~~

~~365.00. VIOLATION OF AGREEMENTS: FRAUDULENT REPRESENTATION OR CONCEALMENT.~~

~~The making of any fraudulent representation or concealment in the Application for Membership form, a Request to Transfer and Record the Ownership of a Membership form, the Application for Cash Trading Privileges form, the Application for Clearing Privileges form, or in any information given or statements made in connection with any such applications or requests shall be deemed a violation of the Bylaws and MGEX Rules.~~

~~Any violation by any Member or Person, or any agreement made by such Member or on behalf of such Person, in connection with the Application for Membership form, a Request to Transfer and Record the Ownership of a Membership form, the Application for Cash Trading Privileges form, or the Application for Clearing Privileges form shall be deemed a violation of the Bylaws and MGEX Rules.~~

~~366.00. NOTICES REGARDING MEMBERSHIP, ETC.~~

~~Notice shall be given to Members, and posted upon the Official Bulletin Board, of all requests for transfer, suspension or expulsion of Members, or granting or cancellation of cash trading privileges or clearing privileges.~~

~~370.00. LIMIT ON OWNERSHIP OF MEMBERSHIPS.~~

~~No Record Owner or related person of any Record Owner, as defined below, may own directly, indirectly, or through an affiliate (i.e., a Person that directly or indirectly through one or more intermediaries controls, or is controlled by, or is under common control with such Record Owner), more than thirty five percent (35%) of outstanding Memberships at any one time. The term "related person" used to indicate a relationship with any Record Owner means:~~

- ~~A. Any partner, director, officer, or other employee of such Record Owner;~~
- ~~B. Any corporation or organization (other than the corporation or a majority-owned subsidiary of the corporation) of which such Record Owner is an officer or partner, or is directly or indirectly, the beneficial owner of ten percent (10%) or more of any class of equity securities;~~
- ~~C. Any trust or other estate in which such Record Owner has a beneficial interest of ten percent (10%) or more or as to which such Record Owner serves as trustee or in a similar fiduciary capacity;~~

- ~~D. Any immediate family member (i.e., a spouse, children, stepchildren, parents, and siblings) of such Record Owner, or any immediate family member of such Record Owner's spouse, in each case, who has the same home as such Record Owner;~~
- ~~E. Any immediate family member of the persons set forth in paragraph (A) of this Bylaw, or any immediate family member of such person's spouse, in each case, who has the same home as such person;~~
- ~~F. Any employee of the Exchange, or any entity in which an employee of the Exchange has a financial interest.~~

~~372.00. DELEGATION.~~

~~A Record Owner may lease the rights and privileges of Membership to an individual ("Delegate") on the following conditions:~~

- ~~A. The Delegate will be approved by the Exchange under the standards of **Bylaws 300.00.** and **301.00.** The Delegate shall sign a written agreement to observe and be bound by the Bylaws and MGEX Rules and all subsequent amendments.~~
- ~~B. The Delegation Agreement and any subsequent amendment(s) must be in writing in such form as the Exchange may prescribe and a copy must be filed with the Exchange. However, the Delegation Agreement will automatically be nullified if there is a loss of any of the qualifications for entering a Delegation Agreement, such as sale of the Membership by the Record Owner or expulsion of the Record Owner or Delegate. In the event the Record Owner sells its Membership, the Delegate will have thirty (30) days from the effective date of ownership change to enter into another Delegation Agreement and the transfer fee will be waived.~~
- ~~C. The Record Owner will remain liable for all assessments and dues.~~
- ~~D. A Record Owner who has delegated his/her Record Holder privileges will not have physical access to the Exchange Room during the period the Membership has been leased, unless he/she is a Record Holder of another Membership, or registers as a visitor.~~
- ~~E. No Delegation Agreement may have a term of less than ninety (90) days.~~
- ~~F. A Delegate is limited to trading for his/her own account. A Delegate may not act as a Broker.~~
- ~~G. The Delegate must deposit with the Exchange an amount of money to be determined by the Exchange. The deposit will be held for the term of the lease. No interest will be paid on the deposit. The deposit will be refunded at the end of the lease if the Delegate has no outstanding debts due to the Exchange or lease payments due to the Record Owner. Claims by the Exchange will be satisfied first with any surplus to be made available to the Record Owner to satisfy lease payments.~~

- ~~H. A Delegate shall pay a fee each month unless said Delegate trades a minimum number of Futures and/or Options Contracts. The Exchange will determine the fee to be paid and the minimum number of contracts to be traded.~~
- ~~I. Unless renegotiated, upon expiration or default of a Delegation Agreement, the Membership will be transferred into the name of the Record Holder designated by the Record Owner. If the individual designated as Record Holder is not a current Record Holder, he/she will have to apply for Membership.~~
- ~~J. No Delegate or former Delegate may enter into a Delegation Agreement or a renewal thereof if there are any unpaid debts due to the Exchange or lease payments due to the Record Owner until such debts have been satisfied or reviewed to the satisfaction of the Exchange.~~
- ~~K. No Delegate will be eligible to serve on the Board of Directors.~~

Effective Date: Month XX, 2020

CHAPTER 21 CLEARING HOUSE RULES

- 2100.00. Requirements For Clearing
- 2100.01. Electronic Trading System Clearing
- 2100.02. Clearing Privileges
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- 2101.00. Settlement Banks Available For Use
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CHAPTER 21 CLEARING HOUSE RULES

2100.00. REQUIREMENTS FOR CLEARING.

All Futures or Options transactions shall be submitted to the Clearing House to be cleared. The Clearing House shall, through the process of novation, be substituted as, and assume the position of, seller to the buyer and buyer to the seller of the relevant number of Exchange or marketplace contracts upon the successful matching of trade data submitted to the Exchange by the Clearing Members on the long and short sides of a trade. Upon such substitution, each Clearing Member shall be deemed to have bought the contracts from or sold the contracts to the Clearing House, as the case may be, and the Clearing House shall have all the rights and be subject to all the liabilities of such Clearing Member with respect to such transaction. Transactions can only be offset against one another through position/trade reporting by a Clearing Member to the Clearing House.

It shall be the duty of each Clearing Member initiating, accepting or executing a transaction for Futures or Options under MGEX Rules to submit each such transaction using "TEMS" to the Clearing House. Transactions shall be submitted at times determined by the Exchange (see **Res. 2101.00.C.**). The transactions shall be in a format approved by the Exchange and shall contain, at a minimum, the following information:

- A. Date of transaction.
- B. Clearing Member code (two-digit alpha as assigned by the Exchange).
- C. Type of account or origin (Regular (R) or Segregated (S)).
- D. Customer type indicator (CTI) as defined below:
 - CTI 1. Transactions initiated and executed by an individual ~~member~~ Market Participant for his/her own account, for an account he/she controls, or for an account in which he/she has ownership or financial interest.
 - CTI 2. Transactions executed for the proprietary account of a Clearing Member.
 - CTI 3. Transactions where ~~an individual member or nonmember~~ a Market Participant executes for the personal account of another ~~individual member~~ Market Participant, for an account the other ~~member~~ Market Participant controls or for an account in which the other ~~individual member~~ Market Participant has ownership or financial interest.
 - CTI 4. Any transaction not meeting the definition of CTI 1, 2 or 3.
- E. Quantity, commodity, contract month or expiration month, price or premium, whether the transaction involved a put or a call, strike price, buy or sell.
- F. Both the buying and selling Market Participant's identifier (trader ID/Member mnemonic for electronic trades, Broker ID for open outcry trades) and the opposite Clearing Member's symbol.
- G. Transaction time to the minute.

- H. Indicators for the following types of transactions: (C) cash exchange; (T) office transfer*; (S) spread; (D) delivery; (E) exercise; (R) risk exchange.

*For office transfers, open and close information for the position (open (O), close (C)) must be submitted.

- I. Account number and identification. (For initial set-up and new accounts, provide a listing of account name, type, and position. This information will be available to the President and designated MGEX personnel only).
- J. Any other information required by the Clearing House.

The Clearing House shall match the trades as submitted and shall list for each Clearing Member its cleared trades and unmatched trades. A recapitulation statement shall be produced, showing updated contract positions and settling all matched trades to the official MGEX settling prices. After completion of the clearing process, the Exchange shall notify each Clearing Member as to the net pay or collect amounts due by account (Regular and/or Segregated). Such amounts shall be submitted by wire transfer of funds or other acceptable method. Amounts due to the Exchange shall be submitted at times determined by the Exchange (see [Res. 2101.00.C.](#)). All clearing statements shall be disseminated by the Exchange to each Clearing Member's designated contact.

If the report of a trade by a Market Participant does not correspond to the report of the other party to the trade, the Clearing House shall reject the trade and notify both Clearing Members showing the discrepancy of the reports. The Clearing Members must thereafter submit corrections to the Clearing House at times determined by the Exchange (see [Res. 2101.00.C.](#)).

It shall be the primary responsibility of the Clearing Member to see that all trades are resolved. Each Clearing Member shall designate a person or persons to be available and responsible for reconciling the Clearing Member's unmatched trades. Failure to have a qualified representative available shall constitute negligence in the determination of responsibility for any unmatched trades.

If a Clearing Member, or one of its Affiliated Entities, has access to the Federal Reserve discount window, it shall notify the Clearing House if such access has been suspended, revoked, removed, terminated, or otherwise limited in any way as soon as practicable.

2100.01. ELECTRONIC TRADING SYSTEM CLEARING.

In addition to compliance with the applicable Rules in this Chapter, all transactions for Futures or Options traded on the Electronic Trading System shall be submitted to the Clearing House for clearing. Submission of the data shall be at times determined by and in a format approved by the Exchange.

Any trade required for clearing and entered, executed and matched by the Electronic Trading System shall be submitted for clearing.

Upon acceptance of the submitted trade data and completion of the clearing process, a recapitulation statement of all trades and positions shall be produced and sent to the respective Clearing Member's electronic mail account.

Each Clearing Member shall be responsible for receipt and review of the recapitulation statement.

The Exchange shall not be liable for the inability of a Clearing Member to receive a statement sent by the Exchange.

2100.02. CLEARING PRIVILEGES.

In order to clear trades at MGEX, a Clearing Member must be granted clearing privileges by the Exchange. The Exchange may revoke said clearing privileges for cause at any time.

Clearing privileges may be granted and retained only if and when the terms and conditions set forth below have been met:

- A. A Clearing Member must have completed and remain in compliance with the terms contained in the Application for Clearing Privileges and the Clearing Agreement.
- B. A Clearing Member must be in good financial standing and meet the minimum financial requirements as may be determined by the Exchange.
- C. A Clearing Member must have the personnel, and computer hardware and software to effectively communicate with MGEX and otherwise conduct the business of clearing in an efficient manner.

~~D. A Clearing Member must be the Record Owner of one (1) or more Memberships which shall be pledged to MGEX. A pledged Membership shall mean the Exchange will have first claim to the proceeds of any sale of such Membership. This pledge shall have priority over any other claim or lien filed pursuant to Chapter 3 of the MGEX Rules. At least one (1) Record Holder of such Memberships must be authorized by the Clearing Member to act or execute contracts on behalf of, and otherwise represent the interests of the Clearing Member. Furthermore, such Memberships shall not be included as part of the required security deposit with the Clearing House and shall not be used as value to meet the Clearing Member's margin requirements.~~

DE. If another Person(s) (individually or collectively known as the parent) owns or controls, directly or indirectly, twenty percent (20%) or more of a Clearing Member, the parent must guarantee the obligations of the Clearing Member's non-segregated accounts including those accounts held or controlled by the parent, ~~whether or not such parent is a Member of MGEX.~~ The Exchange shall determine whether a guarantee is adequate. This requirement may be waived at the discretion of the Exchange.

2100.03. CLEARING MEMBER RISK MANAGEMENT.

All Clearing Members must maintain current written risk management policies and procedures, and ensure they are able to perform proper risk management and operational functions at all times. Upon request of the Exchange or the CFTC, the written risk management policies and procedures and other related information and documentation must be promptly made available for review.

The Exchange shall have authority to develop and implement risk control policies for customer and proprietary transactions. Further, the Exchange shall have authority to take such action, including but not limited to: imposing enhanced capital requirements, imposing enhanced margin requirements, prohibiting an increase or requiring a reduction in positions, and liquidating or

transferring positions when, in the sole discretion of the Exchange, such action is necessary to effectively manage risk posed to the Exchange by a Clearing Member.

2101.00. SETTLEMENT BANKS AVAILABLE FOR USE.

The Exchange shall have the authority to approve settlement banks used by the Exchange and its Clearing Members. Each Clearing Member must maintain an account at an Exchange approved settlement bank for purposes of making daily cash settlements for variation and collateral margin with the Exchange.

2102.00. ACCEPTANCE OF GIVE-UP TRADES.

All give-up trades containing the necessary trade data pursuant to MGEX **Rule 2100.00.**, including customer identification, quantity, and price, which are entered by the executing Clearing Member by the deadline set forth in **Resolution 2101.00.C.** must be accepted and transferred to the account of the carrying Clearing Member on the same business day. If the executing Clearing Member does not provide said information by the deadline, then the executing Clearing Member will retain the position until the following business day. All give-up transfer trades are due at MGEX at such time as determined by the Exchange.

2103.00. ORDER OF DELIVERY.

All balances of commodities for cash contract or cash delivery shall be made on the basis of the present Exchange Rule pertaining thereto. When deliveries are made, the oldest trades on the books shall be closed first.

2104.00. DEADLINES, FEES AND FINES.

The schedule of deadlines is subject to change at any time by the Exchange. The schedule of deadlines shall at all times be those requirements most recently adopted. The amount due for errors or any other fees charged or collected by the Exchange shall be billed on a monthly basis unless otherwise specified by the Exchange.

If the offense becomes frequent, the President or his/her designee may call for additional permanent collateral or take such other action as is deemed necessary.

Any Clearing Member making an error in his/her daily statement to the Clearing House may be fined for each error made (see **Res. 2101.00.C.**)

2104.01. CLEARING FEE.

The Exchange shall set clearing fees from time to time and shall make such fees publicly available. The Exchange may elect to waive or modify fees. Payment of the clearing fee will be due upon receipt of invoice for the transactions (whether purchases, sales or deliveries) executed on the Exchange.

2105.00. SECURITY DEPOSIT.

Each Clearing Member shall deposit with the Clearing House as security for its obligations thereto such amount as determined by the Exchange. The form of such deposit shall also be determined by the Exchange. The Exchange may change the amount and form of such deposit as necessary.

Deposits may be withdrawn on written request when a Clearing Member ceases to be a Clearing Member and the Exchange has determined that all contracts and obligations with the Exchange have been settled.

2105.01. FUNDED FINANCIAL RESOURCES.

The Clearing House will maintain funded financial resources sufficient to enable it to meet its financial obligations to Clearing Members notwithstanding a default by the two Clearing Members creating the largest combined loss to the Clearing House in extreme but plausible market conditions. If a Clearing Member controls another Clearing Member or is under common control with another Clearing Member, the affiliated Clearing Members will be considered a single Clearing Member for purposes of calculating financial resources under this Rule.

2106.00. MARGINS.

The Exchange shall set margin requirements at a level that it believes protects the interests of buyers and sellers and the Exchange. The Exchange shall accept, as margin, cash or United States Treasury securities. Cash margin requirements shall be submitted by wire transfer of funds or other acceptable method approved by the Exchange. Cash and United States Treasury securities shall be submitted at times determined and posted by the Exchange. United States Treasury securities shall be maintained in multiples of \$1,000. The Exchange shall value securities as it deems appropriate. The President or his/her designee may, at their discretion, require of any ~~Member or~~ Market Participant a margin upon any or all of such ~~Member or~~ Market Participant's open trades which are deemed unduly insecure or hazardous in such amount as deemed advisable.

Calls for such margin shall be paid by the Clearing Member within one business day or earlier if so requested. Further, the Exchange shall collect daily intra-day variations from Clearing Members apart from, and in addition to, any margin or daily settlement variation payments and collects.

Margin requirements are subject to change at any time but shall at all times be those requirements most recently adopted, publicly posted, and in compliance with the requirements of CFTC Regulation 39.13(g)(8), as amended.

Clearing Members called for margins under this Rule shall pay by the deadline announced by the Exchange. An extension of time for such payments can only be granted by the President or his/her designee. In such cases the extension of time so granted shall be noted on the written call, and copy of said call shall be kept in the files of the Exchange.

Should a Clearing Member fail to deposit balances for additional margin as required in this Rule, or should the President or his/her designee deem the transaction of any ~~Member or~~ Market Participant unduly insecure or hazardous, the Exchange may direct that the ~~Member or~~ Market Participant close out all or a portion of the trades, or that the ~~Member or~~ Market Participant transfer all or a portion of the trades to the books of another Clearing Member, as the situation may require. If such requests are not complied with within one (1) hour, the Exchange may, with the consent of the President or his/her designee, originate orders to transfer or close out all or a portion of the ~~Member or~~ Market Participant's trades, as the situation may require. Any such action shall be taken with due consideration to the positions of customers.

All differences between the contract price reported and accepted and the price at which the property may be bought or sold as a consequence of a ~~Member or~~ Market Participant's failure to fulfill the obligations as set forth in this and other Rules shall be included in the measure of losses against

the ~~Member or~~ Market Participant so failing, and the differences shall be calculated, adjusted and settled within the time and in the manner and form determined by the Exchange.

Any financial obligations owed by a Clearing Member to the Exchange, which remain outstanding after all the ~~Member or~~ Market Participant's trades have been closed out, may be satisfied through the ~~Member or~~ Market Participant's security deposit with the Clearing House or such other assets, collateral or guarantees as necessary to satisfy the financial obligations.

2106.01. PROTECTION OF CUSTOMER FUNDS.

All funds deposited with the Exchange on behalf of customers of a Clearing Member shall be held in an account identifiable as "customer segregated" in accordance with the ~~Commodity Exchange Act~~CEA and CFTC Regulation 1.20, as amended. All investment use of such funds shall comply with the investment standards of the ~~Commodity Exchange Act~~CEA and CFTC Regulation 1.25, as amended, including, but not limited to, concentration limits and permitted investments.

2106.02. PROPRIETARY ACCOUNT MINIMUM LIQUIDATION PERIOD.

With respect to Clearing Member proprietary positions, the Clearing House will ensure performance bond requirements are calculated and collected using a liquidation period of not less than two days calculated on a net basis. This Rule does not apply to positions in agricultural commodity derivative contracts that meet the exclusion criteria established in Article 2 of the European Commission's Implementing Decision 2016/377, dated March 15, 2016.

2106.03. MEASURES TO MITIGATE PROCYCLICALITY.

The Clearing House will establish performance bond requirements designed to limit the likelihood of procyclical changes in such requirements and mitigate costly and disruptive adjustments to performance bond requirements in periods of high market volatility. When calculating performance bond requirements, the Clearing House will include measures designed to limit procyclicality that are equivalent to at least one of the options listed in Article 1, paragraph 2(b) of the European Commission's Implementing Decision 2016/377, dated March 15, 2016. This Rule does not apply to positions in agricultural commodity derivative contracts that meet the exclusion criteria established in Article 2 of the European Commission's Implementing Decision 2016/377, dated March 15, 2016.

2107.00. FINALITY OF SETTLEMENT.

Provided there are no accounting and/or clerical errors, payments of funds or transfer of funds to and from MGEX, including, but not limited to, intraday and end of day variation, margin payments and security deposits, are final and unconditional when effected and cannot be reversed.

2108.00. LIQUIDITY EVENT.

In order to satisfy CFTC Regulations and prudential liquidity standards, the Exchange has established this Rule.

In the event the Clearing House is unable to obtain sufficient funds and liquidity to promptly meet same day settlement and payment through such means, the Clearing House may declare the occurrence of a Liquidity Event. In such an event, the Clearing House has the authority in its sole discretion to take the following actions, in the order listed, to secure same day liquidity:

A. Substitution of Guaranty Fund Cash. The Clearing House may substitute the cash deposited by one or more Clearing Members in a guaranty fund with U.S. Treasuries deposited as performance bond or guaranty fund by the Clearing Member(s) that is(are) the initiating cause of the Liquidity Event. The amount of cash substituted shall be equivalent to U.S. Treasuries at a haircutted market value (determined by the Clearing House as of the prior day's close of business utilizing a recognized third party source). Any U.S. Treasuries transferred pursuant to this Rule shall be applied as a guaranty fund deposit on behalf of any such Clearing Member whose cash was substituted and will be allocated pro rata among any Clearing Members with cash deposits who are not the initiating cause of the Liquidity Event. The substitution of U.S. Treasuries for the Clearing Member's guaranty fund deposit will be limited to the size of the Clearing Member's guaranty fund deposit at the time of the Liquidity Event. For any substitution of U.S. Treasuries for cash in a guaranty fund, the impacted Clearing Member may, within 24 hours of substitution, request that the Clearing House replace the cash within 29 business days of the date of the substitution. Any Clearing Member requesting cash replacement will receive the original amount of cash deposited and accessed by the Clearing House, regardless of the value of cash received by the Clearing House upon liquidation of the U.S. Treasuries.

B. Substitution of Performance Bond Cash: The Clearing House may substitute the cash deposited by one or more Clearing Members as performance bond with U.S. Treasuries held as collateral by the Clearing House. The amount of cash substituted shall be equivalent to the U.S. Treasuries at a haircutted market value (determined by the Clearing House as of the prior day's close of business utilizing a recognized third party source). Any U.S. Treasuries transferred pursuant to this Rule shall be applied as a performance bond deposit on behalf of any such Clearing Member whose cash was substituted and will be allocated pro rata among any Clearing Members with cash deposits. The substitution of U.S. Treasuries for the Clearing Member's performance bond held by the Exchange will be limited to the size of the Clearing Member's performance bond at the time of the Liquidity Event. For any substitution of U.S. Treasuries for cash as performance bond, the impacted Clearing Member may, within 24 hours of substitution, request that the Clearing House replace the cash within 29 business days of the date of the substitution. Any Clearing Member requesting cash replacement will receive the original amount of cash deposited and accessed by the Clearing House, regardless of the value of cash received by the Clearing House upon liquidation of the U.S. Treasuries.

In order to ensure the Clearing House can obtain sufficient cash from the above paragraphs, the Clearing House may notify any Clearing Member that is a U.S. Government Securities Broker-Dealer or has a U.S. Government Securities Broker-Dealer affiliate to replace its non-cash performance bond assets with cash within 60 minutes from the time of notification. To the extent that a Clearing Member(s) fails to provide cash within 60 minutes or the request occurs after 3:00 p.m. Central Time, the Clearing House may debit cash from that Clearing Member's settlement bank account in the amount of the ~~clearing~~ Clearing member's Member's non-cash performance bond assets.

C. Transfer or Disbursement of Collateral as Compensation for Portfolio Auction, Sale, or Transfer. In lieu of satisfying a payment owed from any auction, sale, or

transfer of an insolvent, defaulted, or suspended Clearing Member's or customer's portfolio in cash to an auction winner, purchaser, or transferee, the Clearing House may satisfy such payment owed to such persons by transferring Federal Reserve discount window eligible securities with a haircutted market value (determined by the Clearing House as of the prior day's close of business utilizing a recognized third party source) equal to the amount of such obligation.

2108.01. REQUIREMENT TO ESTABLISH UNCOMMITTED REPURCHASE AGREEMENT.

Each Clearing Member that is a U.S. Government Securities Broker-Dealer or has a U.S. Government Securities Broker-Dealer affiliate shall, if required by MGEX, enter into (or arrange for such affiliate to enter into) a master repurchase agreement with MGEX on terms substantially similar to those set forth by the Clearing House.

2109.00. CLEARING MEMBER FINANCIAL EMERGENCY.

If at any time the Exchange, in its sole discretion, determines that there is a substantial question as to whether a financial emergency exists or may exist with respect to any Clearing Member, or that the Clearing Member is no longer in Good Standing, the Exchange may suspend or take any other action to protect the best interests of the marketplace, Clearing Members or the Exchange.

The Exchange shall have no liability regarding its use of the discretionary power described herein; neither shall the Exchange be liable for actions taken pursuant to MGEX Rules, procedures, or actions allowed by law.

2109.01. CLEARING MEMBER INSOLVENCY.

If a Clearing Member becomes insolvent, the Insolvent Clearing Member, as such term is defined in Chapter 1, must immediately notify the Exchange of such insolvency. The Insolvency of a Clearing Member shall be announced by the Exchange and thereupon such Clearing Member shall be deemed automatically Suspended. When Suspended, the Exchange may permit the Clearing Member to continue limited operations for the purpose of transferring or liquidating positions, or otherwise mitigating losses. If a Clearing Member becomes insolvent or for other reasons is Suspended, the officers, owners or partners who are ~~Members~~ Market Participants of the Exchange may also be Suspended by the Exchange.

When an Insolvent Clearing Member is Suspended, the Exchange may exercise any or all of its rights under MGEX Rules.

2109.02. PROTECTION OF CLEARING HOUSE: DEFAULT BY A CLEARING MEMBER.

If a Clearing Member fails promptly to discharge any obligation to MGEX, its security deposits, its margins and performance bonds on deposit with MGEX, its collateral, and any of its other assets available to the Exchange shall be applied by the Exchange to discharge the obligation, provided that MGEX will not apply any collateral held in segregated customer accounts to any payment obligations arising from a default in a Clearing Member's proprietary account. ~~The Exchange will also have the right to immediately attempt to sell any and all Memberships owned by such Clearing Member, whether pledged in accordance with Rule 2100.02.D. or not, and will have the exclusive right to the proceeds of such sale, which may be used to discharge the obligation.~~ Further, the Exchange may make immediate demand upon any guarantor of the Clearing Member. Upon demand and without waiting for application of all available assets of the Clearing Member or a

formal accounting, such guarantor shall pay the Exchange by the time and date set by MGEX. Upon a Clearing Member Default, the Exchange may act immediately to attempt to transfer to alternate Clearing Members all customer positions and associated collateral (collateral held by the Exchange on behalf of the Defaulting Clearing Member for its customer if permitted).

If a default occurs in a segregated customer account, then the Exchange has the right to liquidate and apply toward the default all open positions and customer performance bond deposits in the account of the Defaulting Clearing Member. Accordingly, positions and collateral deposited by customers not causing the default are at risk if there is a default in their Clearing Member's segregated customer account. Following a default in a segregated customer account, MGEX can apply any excess proprietary funds and assets of the Defaulting Clearing Member. The Exchange shall be under no obligation to forward any variation pays or settlement funds to a Defaulting Clearing Member.

In addition to application of the available assets of the Defaulting Clearing Member (the priority of which is further described in Rule 2109.03.), the Exchange, President, Treasurer, Chief Risk Officer, or other designee may take any other actions that it determines necessary to protect MGEX or other Clearing Members. Such actions include, but are not limited to, actions authorized elsewhere within the MGEX Rules, the suspension of clearing privileges until revoked or reinstated by the Board or its designee, pursuit of legal action, retention of variation pays and settlement funds, and request for additional security deposit and/or performance bonds. The detailed implementation of the process of finalizing losses with respect to a Clearing Member Default, including the liquidation, allocation, auction or sale of positions or assets of the Defaulting Clearing Member shall be conducted by the Exchange in its sole discretion.

The Exchange, Board, committees, officers or employees, and any qualified third party, including another Clearing Member, authorized by the Exchange to act in the place of the Defaulting Clearing Member shall have no liability arising from a failure by a Clearing Member to discharge its liabilities; neither shall they be liable for actions taken pursuant to MGEX Rules, procedures, or actions allowed by law. The appointment of a qualified third party does not absolve a Defaulting Clearing Member of any of its obligations, and the actions of such qualified third party will be binding upon the Defaulting Clearing Member. Neither the Board, committees, the Exchange, nor any of its officers, directors, or employees, shall be liable for any losses, damages, or costs, including direct, indirect, incidental, and consequential damages, arising out of the performance or decisions of the qualified third party or Defaulting Clearing Member.

The Exchange may establish such procedures as necessary which prescribe in detail how the protections under the MGEX Rules will operate. Such procedures shall constitute part of the MGEX Rules.

2109.03. LOSSES BORNE BY MGEX: APPLICATION OF FUNDS.

Should MGEX bear a loss resulting from the Default of a Clearing Member, then such loss shall be met by applying the funds listed below. In addition and for the avoidance of doubt, Clearing Members are responsible for bearing any loss of funds or collateral associated with the failure or insolvency of a depository or settlement bank, and should a Clearing Member Default as a result of such bank failure or insolvency, MGEX will use the funds listed below. MGEX will use funds from the following sources, in the order of priority hereafter listed, with each source of funds to be completely exhausted, to the extent practical, before the next following source is applied. While such application of funds shall be mandatory, the detailed implementation of this Rule shall be the responsibility of the Exchange.

- A. Excess funds of the Defaulting Clearing Member, including any partial payment amounts, settlement funds, or variation gains.
- B. Security deposits of the Defaulting Clearing Member.
- C. Margins and performance bonds of the Defaulting Clearing Member on deposit with MGEX, payments made by a guarantor of the Defaulting Clearing Member, and any other assets of the Defaulting Clearing Member.
- D. Such assets of the MGEX Clearing House reserve fund.
- E. Security deposits of non-defaulting Clearing Members shall be applied toward meeting a loss in direct proportion to the total security deposit requirement of each Clearing Member.
- F. Such surplus funds of the Exchange as may be in excess of funds necessary for normal business operations. No such surplus shall be assumed until approved by the Executive Committee or the Board.

In the event that a Clearing Member Default necessitates the application of these funds, Clearing Members must make good any deficiency in security deposits or margins and performance bonds pursuant to the requirements and deadlines set forth in MGEX Rule 2109.05.

The Exchange may borrow such funds or draw such funds as necessary against any line of credit at any time for such purposes under this Rule to cover any obligations or losses of the Exchange. Any borrowing of funds shall not relieve any Clearing Member from their obligations under this and other Rules or from the application of their security deposits.

The Exchange may obtain and maintain any default insurance. Such insurance shall inure to and shall be for the sole benefit of the Exchange. Proceeds from any default insurance, and the right to any proceeds, shall be paid to and belong solely to the Exchange.

If the security deposits, margins, performance bonds, guarantees and other assets of a Defaulting Clearing Member are insufficient to satisfy all of its obligations to MGEX, including all claims against the Exchange by reason of its substitution for that Clearing Member pursuant to Rule 701.00., the Exchange shall nonetheless pay all such claims, which shall be deemed a loss (hereinafter "Loss") to it and which shall be a liability of the Defaulting Clearing Member to the Exchange, which the Exchange may collect from the assets of such Clearing Member available to it or by process of law.

A Loss may also be an uncovered credit loss. The definition of a Loss includes, but is not limited to, any amounts associated with the liquidation, transfer, and other costs related to managing the Default of a Clearing Member.

2109.04. MANAGEMENT OF DEFAULT AND SUBSEQUENT CLEARING CYCLES.

As of the clearing cycle in which a default occurs, the Clearing House shall aggregate the following assets: any partial payment amounts, settlement funds, variation pays, any excess security deposits, any excess margins and performance bond from the prior clearing cycle, and any other available assets of the Clearing Member. Such assets shall be allocated first to any net settlement variation payment obligation of the Defaulting Clearing Member to the Clearing House. If the funds are not sufficient to satisfy the Clearing Member's settlement variation payment obligations for the

default cycle, then the Clearing House shall apply the funds to such Clearing House obligations, pro rata relative to the size of such Clearing House obligations. If the Clearing House is unable to satisfy a settlement variation payment obligation from such assets, the deficiency shall be a Loss that the Clearing House shall satisfy pursuant to the procedures set forth in this Chapter 21. Any excess margin, if applicable, and variation pays to the Defaulting Clearing Member during subsequent clearing cycles shall be added to the available funds, and the Clearing House shall apply such collateral to the Defaulting Clearing Member's payment obligations. For the avoidance of doubt, the Clearing House shall not use customer funds and margins to satisfy a payment obligation to the Clearing House in respect of the Defaulting Clearing Member's proprietary account.

2109.05. COLLATERAL TO BE RESTORED.

In the event it shall become necessary to apply all or part of a Clearing Member's security deposits or margins and performance bonds to meet obligations of MGEX pursuant to MGEX Rules, the Clearing Member shall immediately make good any such deficiency in security deposits or margins and performance bonds, by wire or other acceptable method, within two (2) hours of notice of any deficiency being delivered to Clearing Members. If a Clearing Member pays such assessment by wire and the wire transfer service is not open or operational at the time notice is sent, payment is due within one (1) hour on the next business day that the wire transfer service is open and operational. In the event of the insolvency or default of a depository or settlement bank, Clearing Members shall comply with any further instructions provided by MGEX regarding the restoration of such collateral.

2110.00. CLEARING MEMBERS: ASSESSMENTS.

Losses (as defined in [Rule 2109.03.](#)) shall first be satisfied by applying the funds in the order of priority listed in [Rule 2109.03.](#) The balance of any Losses remaining after the application of such funds shall be assessed against all Clearing Members (excluding any Insolvent or Defaulting Clearing Members). Each Clearing Member (excluding any Insolvent or Defaulting Clearing Member) shall be subject to an assessment in direct proportion to the Clearing Members' total security deposit requirement up to an amount that does not exceed (i) a total of three (3) times such Clearing Member's total security deposit requirement at the time of the default with respect to Losses that are attributed to the default of a single Clearing Member and (ii) a total of six (6) times such Clearing Member's total security deposit requirement at the time of the default with respect to Losses that are attributed to the default of multiple Clearing Members during a Cooling Off Period (as defined in [Rule 2113.00.](#) below). Non-defaulting Clearing Members shall take no actions, including but not limited to, attempting to obtain a court order that would interfere with the ability of the Clearing House to collect and apply such assessments.

Each Clearing Member shall pay any assessment made pursuant to this Rule by wire or other method acceptable to MGEX within two (2) hours of the notice of the assessment being delivered to Clearing Members. If a Clearing Member pays such assessment by wire and the wire transfer service is not open or operational at the time notice is sent, payment is due within one (1) hour on the next business day that the wire transfer service is open and operational. Any Clearing Member that does not satisfy an assessment shall be in default, and any Loss that occurs as a result of such default shall itself be assessed by MGEX to non-defaulting Clearing Members. In the event that the amount of assessments received exceeds the amount of the Loss, the Clearing House will return such excess funds as soon as practicable.

If a Clearing Member has made payments of all assessed amounts and has replenished any deficiency in its security deposits or margin and performance bonds in accordance with Rule

2109.05., it may withdraw ~~from Membership~~ as a Clearing Member by giving written notice to and receiving approval from the Exchange.

~~2110.01. MEMBERSHIPS: SPECIAL ASSESSMENTS AND ISSUANCE.~~

~~Notwithstanding the provisions of Bylaw 221.01., in the event the Exchange requires additional funds to address any uncovered credit loss, liquidity shortfall, or capital inadequacy, MGEX may levy a special assessment against each Membership, provided that such special assessments, collectively, may not exceed five million dollars (\$5,000,000). Each Member shall pay any special assessment made pursuant to this Rule by wire or other method acceptable to MGEX within two (2) business days of the notice of the special assessment being delivered to Members. In the event that the amount of special assessments received exceeds the amount of the uncovered credit loss, liquidity shortfall, or capital inadequacy, the Clearing House will return such excess funds as soon as practicable.~~

~~In addition, and notwithstanding the provisions of Bylaw 360.00., in the event the Exchange requires additional funds to address any uncovered credit loss, liquidity shortfall, or capital inadequacy, the Exchange officers shall have the right to sell original Memberships. The sale price shall be determined by the Exchange officers and shall be within the current bid and offer range for memberships, provided that the officers consider such price to be reasonable. The person to whom such Membership is to be issued must comply with all the terms and conditions of MGEX Rules and Bylaws concerning admission to Membership and recording the ownership of a Membership. Pursuant to Bylaw 360.00., the number of outstanding Memberships shall not exceed six hundred (600) unless an increase is approved by a vote of the Record Owners.~~

2111.00. VOLUNTARY CONTRIBUTIONS.

At any time following a Default that causes a Loss (as defined in **Rule 2109.03.**) or liquidity shortfall, the Exchange may seek voluntary contributions from Clearing Members and Market Participants. The Exchange may specify acceptable methods of making a voluntary contribution to the Clearing House. Any contributions made by a Clearing Member to the Clearing House will not relieve such Clearing Member of their obligations under any other MGEX Rules.

2112.00. HAIRCUT SETTLEMENT CYCLES.

If one or more Clearing Members Default and the assets available to cover the default, including the funds described in the preceding Rules, are insufficient to satisfy the Loss (as defined in **Rule 2109.03.**) and obligations of the Clearing House as a result of such default, then the Board of Directors may approve of and direct the Clearing House to modify settlement cycles in accordance with this Rule and CFTC regulations.

Following Board approval, the Clearing House shall issue a notice and conduct a settlement cycle for all MGEX contracts to determine settlement prices for all contracts and the net portfolio gain or loss for each house and customer portfolio:

- A. The net portfolio gain of a Clearing Member (a “collect”), or the net portfolio loss of a Clearing Member to the Clearing House (a “pay”), shall be determined separately for (i) its proprietary positions in MGEX contracts (a “Proprietary Collect” or a “Proprietary Pay”), and (ii) the net positions of its customers in MGEX contracts (collectively, a “Customer Collect” or a “Customer Pay”).

- B. The Clearing House shall determine and calculate the sum of (i) the amount of each non-defaulted Clearing Member's remaining payment obligations, if any, with respect to assessments levied by MGEX; (ii) any other remaining available funds or collateral; (iii) all Proprietary Pays to be received by MGEX; and (iv) all Customer Pays to be received by MGEX, and deduct the amount of any uncovered Loss (the resulting amount, the "Aggregate Available Funds").
- C. The Clearing House shall then notify each Clearing Member of the amount of its remaining assessments (if any), Proprietary Pay, and Customer Pay, and each Clearing Member shall pay all such amounts no later than the time required for the relevant settlement cycle. If a Clearing Member does not make such payment to the Clearing House, such Clearing Member will be in default and the Exchange may take any of the actions specified elsewhere in the MGEX Rules with respect to such Clearing Member and its customers.
- D. If the amount of Aggregate Available Funds received by the Clearing House exceeds the sum of all Proprietary Collects and Customer Collects, the Clearing House shall calculate reimbursements of, and distribute, the excess funds to Clearing Members in the reverse order funds were previously paid to the Exchange, provided the Loss (as defined in Rule 2109.03.) has been fully addressed. Such reimbursements will be distributed pro rata to Clearing Members. The Clearing House may also determine a maximum amount to pay back for closed positions that may be included in the aggregate collects, based upon existing facts and circumstances that it deems appropriate to mitigate further disruptions to the markets.
- E. If the sum of all Proprietary Collects and Customer Collects exceeds the amount of Aggregate Available Funds received, including any voluntary contributions received, then the following procedures will apply:
 - 1. The Clearing House shall haircut the amount of each Proprietary Collect and Customer Collect on a pro rata basis for the current, and each successive, settlement cycle for the next two (2) Business Days, unless a Bankruptcy Event (as defined in Rule 2121.00.) has occurred, to equal the amount of Aggregate Available Funds received relative to the Proprietary Collect and Customer Collect (such process, a "Variation Margin Gains Haircut"). The Clearing House will haircut Customer Collects at the customer account level of each Clearing Member, and each Clearing Member will allocate such haircut pro rata among its customers with net portfolio gains for the relevant settlement cycle.
 - 2. After considering the existing facts and circumstances and the interests of MGEX's Clearing Members and customers, the Risk Management Committee, in consultation with MGEX's Risk Team, may instruct the Clearing House to extend or reduce the number of days during which Variation Margin Gains Haircuts are applied by one or two Business Days. In no event may the Clearing House conduct Variation Margin Gains Haircuts for longer than five (5) Business Days.

3. Absent a Bankruptcy Event, for each settlement cycle conducted in accordance with these procedures, the Clearing House shall pay the haircutted Proprietary Collects and Customer Collects as soon as practicable after receipt of the Aggregate Available Funds.
4. If a Bankruptcy Event occurs following a Clearing Member Default on a day during which Variation Margin Gains Haircuts are applied to settlement cycles, then on such day, the Clearing House will conduct a final settlement cycle which will also be subject to a Variation Margin Gains Haircut. The price determined in accordance with such settlement cycle will be used as the price for close-out netting in MGEX Rule 2121.00.

2113.00. COOLING OFF PERIOD AND MULTIPLE DEFAULTS.

The provisions set forth in this Chapter apply with respect to each default by a Clearing Member. If more than one Clearing Member Default occurs at a time or in close sequence, including a default that occurs by reason of a Clearing Member's failure to satisfy an assessment demand, the Clearing House shall manage the defaults separately. Upon any default, during the Cooling Off Period, non-defaulted Clearing Members shall be subject to a maximum obligation to pay assessments as set forth in Rule 2110.00. ~~and the maximum obligation of all Members shall be restricted to the special assessment limit set forth in Rule 2110.01.~~ These maximums shall apply from the date of the original default until the later of (i) the fifth Business Day thereafter and (ii) if another Clearing Member defaults during the five (5) Business Days following the initial or any subsequent default, the fifth Business Day following the last such default (such period, the "Cooling Off Period"), regardless of the number of defaults that occur during such Cooling Off Period.

The aggregate maximum contribution that may be required pursuant to Rule 2110.00. for the Cooling Off Period shall be based upon each Clearing Member's total security deposit requirement in effect at the commencement of the Cooling Off Period. The maximum does not limit Clearing Members' obligations to restore their security deposit contributions or margins and performance bonds as set forth in Rule 2109.05. Following a Cooling Off Period, the Clearing House shall notify each Clearing Member of its security deposit obligation and its assessment exposure.

2114.00. PARTIAL TEAR-UPS.

At any time following a Clearing Member Default or other Loss (as defined in [Rule 2109.03.](#)), the Clearing House may issue notice to Clearing Members and Market Participants providing an opportunity for them to voluntarily agree to have one or more proprietary contracts or, with a customer's consent, to agree to have one or more of each of such customer's contracts that are opposite the remaining open positions of the Defaulted Clearing Member, extinguished by the Clearing House. In addition, the Exchange may elect to tear-up defaulted positions within a Defaulted Clearing Member's portfolio.

At any time following a Clearing Member Default or other Loss (as defined in [Rule 2109.03.](#)), the Risk Management Committee may instruct the Clearing House to extinguish a portion of the remaining open positions of the Defaulted Clearing Member through a partial tear-up of proprietary and customer positions of non-defaulted Clearing Members and non-defaulted customers of the Defaulted Clearing Member. A partial tear-up may include, but is not limited to, a line-by-line tear-up against the remaining open positions of the Defaulted Clearing Member. In such event, the Risk Management Committee will determine the appropriate scope of each partial tear-up in accordance

with the following procedures. The Risk Management Committee will first determine whether a partial tear-up is appropriate or whether the Exchange should instead move immediately to a full termination of all contracts, taking into consideration any recommendation by the Board of Directors. Such determination, and any recommendation, will (i) be based upon then existing facts and circumstances; (ii) support the integrity of the Clearing House and the stability of the financial system; (iii) take into consideration the interests of Clearing Members and Market Participants; and (iv) aim to extinguish the Defaulted Clearing Member's open proprietary and customer positions and any additional positions deemed necessary to mitigate further disruptions to the markets affected by the remaining open positions of the Defaulted Clearing Member.

If any proprietary or customer positions of a Defaulted Clearing Member remain open following the last Variation Margin Gains Haircut settlement cycle, then the Clearing House will conduct a partial tear-up process of proprietary and customer positions of non-defaulted Clearing Members and non-defaulted customers of the Defaulted Clearing Member, provided that the Risk Management Committee determine the appropriate scope of the tear-up in accordance with the considerations set forth above and any recommendations by the Board of Directors. A partial tear-up may include, but is not limited to, a line-by-line tear-up against the remaining open positions of the Defaulted Clearing Member. In this situation, the Clearing House would proportionately extinguish contracts held by non-defaulted Clearing Members, their non-defaulted customers, and the non-defaulted customers of the Defaulted Clearing Member that are opposite the Defaulted Clearing Member's remaining open positions relative to the size of such remaining open positions.

2115.00. TERMINATION OF CONTRACTS.

In the event that the Board of Directors mandates a full tear-up of contracts or if, after taking any or all of the measures allowed in this Chapter to address a Clearing Member Default or Insolvency, the Clearing House determines that it still will not be able to satisfy all Losses (as defined in [Rule 2109.03.](#)) or cover a settlement variation payment obligation when due (without expectation of accessing funds that would permit it to cover such payment obligation), then the Clearing House will terminate all contracts in accordance with these procedures. As soon as reasonably practicable and in a manner consistent with the ~~Commodity Exchange Act and the regulations adopted thereunder~~ [CEA and CFTC Regulations](#) (including, without limitation Part 190 of the Regulations, if applicable), the Exchange will fix a U.S. dollar amount to be paid to or received from the Clearing House in respect of all contracts to be terminated by conducting a haircut settlement cycle (as described in Rule 2112.00.) to determine a final settlement price for all open contracts.

Upon the completion of payments, all MGEX contracts shall be extinguished, and the Clearing House shall have no further access to funds or collateral with respect to such contracts or clearing activity of a non-Defaulting Clearing Member. Clearing Members, their affiliates, and their customers shall have no claim against the Exchange with respect to losses suffered as a result of the application of MGEX Rules, nor shall any beneficial holder of an MGEX contract have any claim against its non-defaulting Clearing Member.

2116.00. DETAILS OF IMPLEMENTATION AND AUCTIONS.

While adherence to the provisions of the above MGEX Rules is mandatory, the detailed implementation of the process of finalizing Losses with respect to a default, including the liquidation, auction, tear-up, or sale of positions or assets of the Defaulting Clearing Member, shall be conducted by the Clearing House or the MGEX Risk Team. A Loss includes, but is not limited to, any amounts associated with the liquidation, transfer, and other costs related to managing the Default of a Clearing Member. In order to ensure that the process for liquidating open contracts

results in competitive pricing, to the extent feasible under market conditions at the time of liquidation, liquidation of open contracts held for a house account or customer account of a Defaulting Clearing Member may occur by one or more of the following methods: (i) book entry that offsets open contracts on the books of the Defaulting Clearing Member; (ii) liquidation in the open market; and/or (iii) one or more private auctions amongst qualified market participants invited by the Clearing House to submit confidential bids. The Clearing House shall have discretion to select the best bid submitted for any portfolio in an auction, based on the totality of the circumstances, and no bid shall be binding upon MGEX unless accepted by it.

In the event that identical customer contracts are liquidated in the open market on the same date but cannot be liquidated at the same price, unless the Clearing House determines that it would be inappropriate, a weighted average of the liquidation prices for such contracts shall be used in determining the value of the liquidated contracts for each such customer. In the event that open contracts of multiple customers are liquidated in a bulk auction, the net proceeds of such auction shall be allocated on a pro rata basis amongst the affected customers based upon their applicable performance bond requirements for the clearing cycle immediately prior to the default.

2117.00. USE OF CUSTOMER GROSS MARGIN FILES.

Unless otherwise expressly agreed to by the Exchange, in the event of a Clearing Member or customer default, insolvency, or other financial emergency, the Exchange shall use and rely upon the customer gross margin files reported daily by Clearing Members to determine the amount of a customer's pledged margin, associated with open positions, held at the Clearing House. The Exchange shall not be held liable to any party for its reliance upon and use of the customer gross margin files reported to MGEX.

2118.00. NO ACTION; LIMITATION OF LIABILITY.

Non-defaulting Clearing Members shall take no actions, including but not limited to, attempting to obtain a court order that would interfere with the ability of the Clearing House to collect and apply assets and proceeds in accordance with any MGEX Rules.

The liability of the Exchange shall be limited to losses resulting from the substitution of the Clearing House upon contracts between Clearing Members. The Exchange shall not be liable for any other obligations, including but not limited to, obligations of a non-Clearing Member, ~~obligations of a Member~~, obligations of a Clearing Member to a Market Participant, obligations of a Clearing Member to another Clearing Member of the Clearing House who is acting for him as broker, or obligations to a customer by a Clearing Member; nor shall the Exchange become liable to make deliveries to or accept deliveries from a customer of its Clearing Members.

2119.00. RECOVERY OF LOSS.

If the Exchange later recovers any amounts accessed or contributed to cover a Loss (as defined in [Rule 2109.03.](#)), the net amount of such recovery shall be credited to non-defaulted Clearing Members (whether or not they are Clearing Members at the time of recovery) and Market Participants, as applicable, in the following order on a pro rata basis based on: (i) the amount of such Clearing Members and Market Participants' voluntary contributions made pursuant to Rule 2111.00.; (ii) the amount of such Clearing Members' (and their customers' if applicable) aggregate Variation Margin Gains Haircuts made pursuant to Rule 2112.00.; (iii) the amount of such Clearing Members' assessments utilized by the Exchange pursuant to Rule 2110.00.; and (iv) the amount of such Clearing Members' security deposits utilized by the Exchange pursuant to Rule 2109.03. Any

remaining amount may be credited to the Exchange for the amount of the MGEX Clearing House reserve fund utilized with respect to the default.

2120.00. LIMITED RECOURSE AND NON-PETITION.

If a Bankruptcy Event occurs (as defined in Rule 2121.00.), Clearing Members and Market Participants will have no recourse to any other funds or any other entity, including without limitation the Exchange and its Clearing House or any of its directors, officers, or employees. Notwithstanding the foregoing, Clearing Members, for both their proprietary positions and their customers' positions, and non-defaulted customers of Defaulted Clearing Members may have a claim on any recovery from the Defaulted Clearing Member in the amount of the aggregate Variation Margin Gains Haircuts applied to such positions. If recovery from the Defaulted Clearing Member is less than the aggregate Variation Margin Gains Haircuts applied, non-defaulted Clearing Members and their customers and the non-defaulted customers of the Defaulted Clearing Member will share pro rata in any recovery.

No Clearing Member and no customer of a Clearing Member shall institute against, or join any other person in instituting against, the Exchange any bankruptcy, reorganization, arrangement, insolvency, moratorium, liquidation or examinership proceedings, or other similar proceedings under U.S. federal or state bankruptcy laws or other applicable law arising out of any claimed default by the Clearing House on an MGEX contract as a result of the termination of such contract and related payments in accordance with these Rules.

2121.00. CLOSE-OUT NETTING AND OFFSET.

If at any time the Exchange (i) institutes or has instituted against it a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights, or a petition is presented for its winding up or liquidation, and, in the case of any such proceeding or petition presented against it, such proceeding or petition results in a judgment of insolvency or bankruptcy or the entry of an order for relief or the making of an order for the Exchange's winding-up or liquidation, or (ii) approves resolutions authorizing any proceeding or petition described in clause (i) above (collectively, a "Bankruptcy Event"), all open positions in the Clearing House shall be closed promptly.

If at any time the Exchange fails to comply with an undisputed obligation to pay money or deliver property to a Clearing Member that is due and owing in connection with a transaction cleared by the Exchange, for a period of five (5) Business Days from the date that the Exchange receives notice from the Clearing Member of the past due obligation, the Clearing Member's open proprietary and customer positions at the Clearing House shall, at the election of that Clearing Member, be closed promptly. For the avoidance of doubt, in the event the Clearing House conducts any Variation Margin Gains Haircut settlement cycles, such haircutted funds will not constitute an undisputed Exchange obligation under this Rule, and MGEX will have no obligation to repay such amounts other than as provided for in Rule 2119.00.

At such time as a Clearing Member's positions are closed:

- A. The obligations of the Clearing House to such Clearing Member with respect to the Clearing Member's proprietary positions, accounts, collateral, and security deposits shall be netted against the obligations of such Clearing Member to the Clearing House and to the Exchange in respect of its proprietary positions, accounts, collateral, guarantees of the performance of its customers, and any obligations to

guarantee funds (“Proprietary Netting”); and

- B. The obligations of the Clearing House to the Clearing Member with respect to such Clearing Member's customers' futures positions, futures accounts, and futures collateral shall be netted against the obligations of the Clearing Member to the Clearing House with respect to the futures positions, futures accounts, and futures collateral of such customers (“Futures Customer Netting”).

Notwithstanding the foregoing, the amount of any proprietary or customer claim extinguished as a result of applying the terminating and netting procedures set forth in this Chapter 21 will not be available for netting in Proprietary Netting and Futures Customer Netting. Proprietary Netting and Futures Customer Netting shall be performed in accordance with the Bankruptcy Code and the ~~Commodity Exchange Act and the regulations promulgated thereunder~~ CEA and CFTC Regulations. This Rule shall be deemed to be a master netting agreement for Proprietary Netting and a master netting agreement for Futures Customer Netting.

All positions open immediately before being closed in accordance with this Rule shall be valued in accordance with the following procedures.

As promptly as reasonably practicable, but in any event within thirty days of the (i) Bankruptcy Event, or (ii) if a Clearing Member elects to have its open positions closed as described above, the date of the election, the Exchange shall, in a manner that is consistent with the requirements of the ~~Commodity Exchange Act and the regulations adopted thereunder~~ CEA and CFTC Regulations (including, without limitation Part 190 of the Regulations), fix a U.S. dollar amount (the “Close-out Value”) to be paid to or received from the Exchange by each Clearing Member, after taking into account all applicable netting and offsetting pursuant to the provisions of this Rule.

The Exchange shall value open positions subject to close-out by using the market prices at the moment that the positions were closed-out, assuming the markets were operating normally at such moment. If the markets were not operating normally at such moment, the Exchange shall exercise its discretion, acting in good faith and in a commercially reasonable manner, in adopting methods of valuation to produce reasonably accurate substitutes for the values that would have been obtained from the market if it had been operating normally at the moment that the positions were closed-out.

In determining a Close-out Value, the Exchange may consider any information that it deems relevant. If a Clearing Member has a negative Close-out Value, it shall promptly pay that amount to the Exchange.