



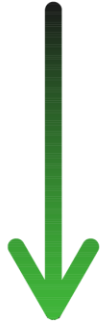
## CLEARING MEMBER ASSESSMENTS

## WHAT ARE ASSESSMENTS AND WHEN DO THEY APPLY?

- Assessments, found in **MGEX Rule 2110.00.**, are a form of recovery tool available to MGEX in the event of a Clearing Member Default or Defaults.
- Assessments only apply after funds have been exhausted in accordance with the default waterfalls described in **MGEX Rule 2109.03.**
- The balance of any losses remaining after applying the default waterfall shall be assessed against Clearing Members (excluding any involvement or defaulting Clearing Members) in direct proportion to the Clearing Members' total security deposit requirement for that tranche.
- A Clearing Member that has provided the maximum assessment amount in respect of a Cooling Off Period pursuant to **MGEX Rule 2110.00.** shall not be liable for any further assessment contributions in respect of any default(s) occurring or declared during such Cooling Off Period.

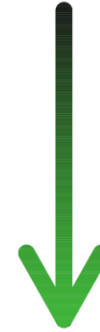
# Default Waterfalls (MGEX Rule 2109.03.)

## MGEX Products Only Member Default



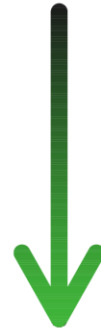
Defaulting member excess funds, security deposit, and margin
Full amount of MGEX skin in the game (\$6,000,000)
Security Deposits of non-defaulting members authorized to trade MGEX Products only
MGEX working capital reserves
Security Deposits of non-defaulting members authorized to trade only Bitnomial Products

## Bitnomial Products Only Member Default



Defaulting member excess funds, security deposit, and margin
MGEX skin in the game funds dedicated to the Bitnomial Products tranche (\$2,000,000)
Security Deposits of non-defaulting members authorized to trade Bitnomial Products only
MGEX remaining skin in the game (\$4,000,000)
Security deposits of non-defaulting members authorized to trade only MGEX Products
MGEX working capital reserves

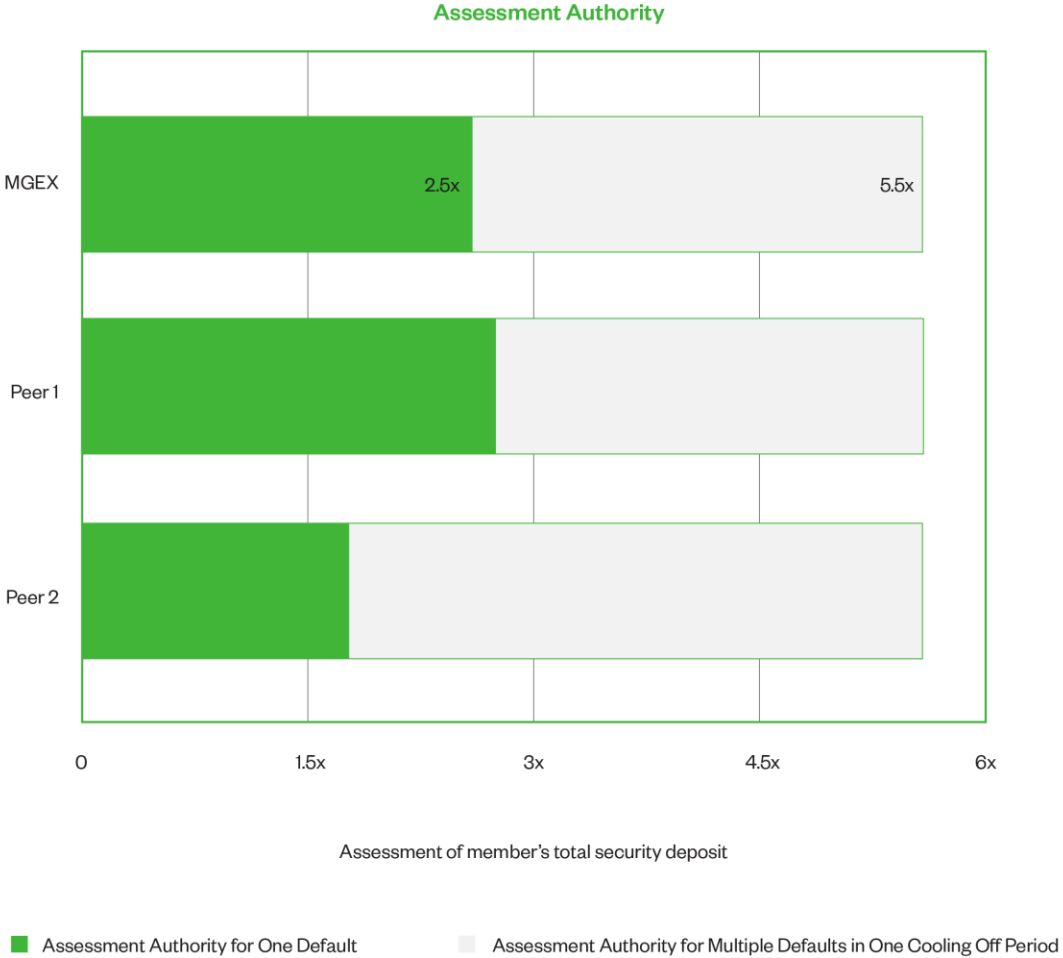
## MGEX Products + Bitnomial Products Member Default



Defaulting member excess funds, security deposit, and margin
Full amount of MGEX skin in the game (\$6,000,000)
Security deposits of non-defaulting members authorized to trade MGEX Products and Bitnomial Products, proportionally by product tranche. If the loss in one tranche exceeds the resources available for that tranche, MGEX will apply the remaining security deposits of the other tranche.
MGEX working capital reserves

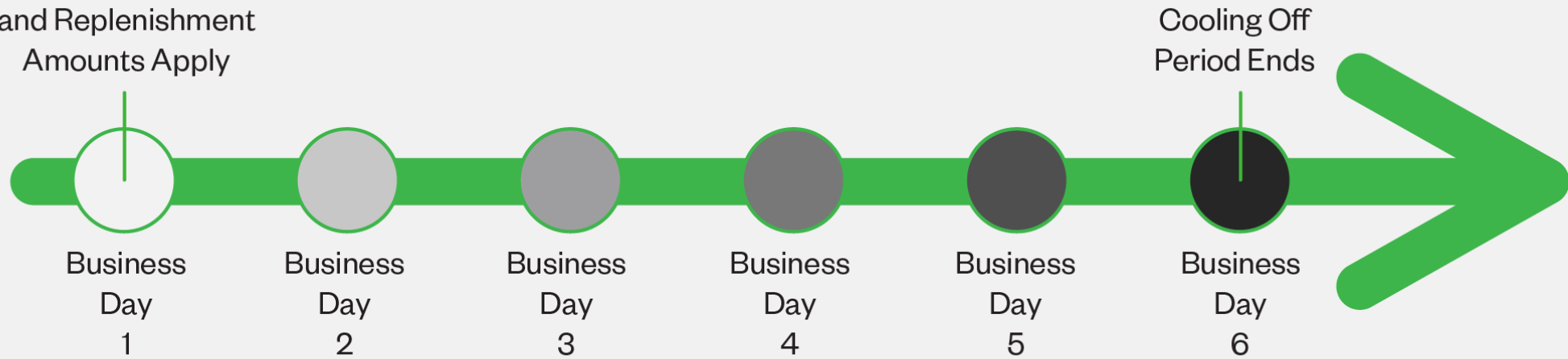
# Assessment Authority (MGEX Rule 2110.00.)

- Each member is subject to an assessment up to 2.5 times the member's total security deposit at the time of default for one default.
- If multiple defaults occur within a pre-defined period, each member is subject to assessments up to 5.5 times the member's total security deposit.
- MGEX's assessment authority is currently comparable with other Derivatives Clearing Organizations.



## Single Member Default

Member Default; Cooling  
Off Period Begins and  
Maximum Assessment  
and Replenishment  
Amounts Apply



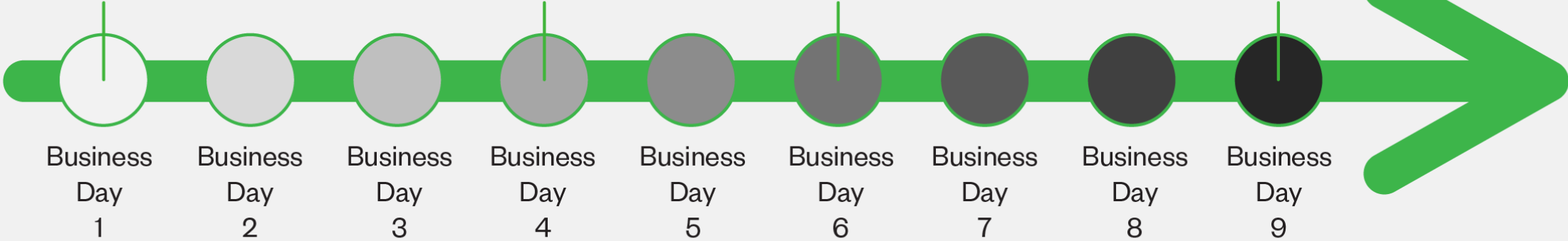
# Multiple Member Default

Member Default; Cooling Off Period Begins and Maximum Assessment and Replenishment Amounts Apply

Subsequent Member Default

Cooling Off Period Would Have Ended If No Subsequent Default

Cooling Off Period Ends



## Paying Assessments (MGEX Rule 2110.00.)

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