CCI
Continuous Commodity Index
Futures & Options

New York Board of Trade®
The Index Marketplace at the New York Board of Trade

The New York Board of Trade® (NYBOT®) is New York’s original futures exchange, where the world trades food, fiber and financial products.

The New York Board of Trade represents the proud legacy of two historic commodity markets – the Coffee, Sugar & Cocoa Exchange (CSCE) and the New York Cotton Exchange (NYCE®). The NYBOT provides reliability, integrity and security in one global marketplace for futures and options on cocoa, coffee, cotton, ethanol, frozen concentrated orange juice (FCOJ), pulp, sugar and currency pairs. The Exchange also lists contracts for Russell Equity Indexes, NYSE Composite Index®, Reuters/Jefferies CRB Index, Euro Currency Index (ECX) and the U.S. Dollar Index®.

Since 1982, the Index marketplace of the New York Board of Trade has developed futures and options contracts that represent equity, currency and commodity sectors.

Product History

1982: The first equity index futures contracts were introduced (based on the New York Stock Exchange (NYSE) Composite Index®
1983: Options on NYSE Composite Index futures.
1985: Futures based on the U.S. Dollar Index® (USDX®)
1986: Options based on USDX futures
1986: Futures based on the Commodity Research Bureau (CRB) Futures Price Index
1988: Options on CRB futures
1999: Russell 1000® Index futures and options
2003: Russell 1000® Value and Russell 1000® Growth futures and options
2003: Russell 2000® Index futures and options
2003: Russell 3000® Index futures and options
2005: Reuters/Jefferies CRB Index futures and options

The Continuous Commodity Index (CCI) represents the ninth revision (as of 1995) of the original Commodity Research Bureau (CRB) Index, developed in 1957. Over the past half century, the CRB Index has been one of the most often cited indicators of overall commodity prices. The CCI Index of 17 commodity futures prices offers investors a broad and reliable benchmark for the performance of the commodity sector.

The New York Board of Trade® (NYBOT®) began trading the CRB in its index marketplace in 1986; the name of the index changed to the Reuters CRB Index in 2001. In 2005, a tenth revision of the index led to the introduction of Reuters/Jefferies CRB Index (RJ/CRB) futures and options. The previous (ninth) version of the Index was renamed and continues to trade as the Continuous Commodity Index under the symbol “CI”. The NYBOT commodity futures price index contracts offer investors direct access to an asset class that may diversify their holdings, improve portfolio returns, reduce overall portfolio risk and hedge against inflation.

Commodities – The Alternative Asset Class

The great bull market for equities in the 1990s largely eclipsed all other asset classes, except bonds. Commodities, perhaps the oldest of financial instruments, and their derivative form, commodity futures, fell out of favor. The speculative rush to purchase the latest growth stock that occupied analysts, money managers and individual investors obscured the fundamental economic role and bedrock value of staple commodities such as sugar and cotton that had once served as actual currency for trade and even built empires. Everybody marveled at the rising stock price of the latest and greatest tech stock, but few people knew the latest price for coffee.
Even fewer paid any attention to the tried and true idea of risk management. Risk became synonymous with all profit, instead of equal parts profit and loss. That all changed at the end of the decade when the equity markets went south and investors realized that risk management was a component of any sound portfolio strategy.

Globalization then brought commodities trade to the fore again as markets opened and competition brought historic pressures to the balance of supply and demand. Emerging economies such as China and India became major producers and consumers. The value of commodities on a daily basis has a profound influence on millions of people. In 2005, the underlying total contract value of NYBOT’s five traditional agricultural commodities contracts was approximately $647 billion – a number that is larger than the annual U.S. defense budget or the 2004 national debt. The economic impact of commodities is difficult to understated.

In recent years, economists, academics and market professionals have analyzed and affirmed the risk/return value of adding an alternative asset class to a traditional investment portfolio. Commodities qualify as a distinct alternative asset class with their zero to inverse correlation with equities and bonds and their historic value as an inflation hedge. Other asset classes, such as bonds and more recently real estate have served as the alternative asset of choice. Even currencies have entered the picture. All alternative asset classes are not equal, however. To provide the full benefit, an alternative asset needs certain key characteristics, namely a reliable benchmark, transparency, simplicity, liquidity, cost efficiency and flexible trading capabilities.

To find the diversification necessary to improve overall portfolio performance, money managers turned to markets with a history of diversification, reliability, liquidity and opportunity – commodity futures and options. The commodity futures price index futures and options offered by NYBOT (as represented by the CCI and the RJ/CRB) provide investors and managers with strategic capabilities – the built-in trading flexibility of a single exchange-traded instrument that provides access to a broad range of commodity markets.

The New York Board of Trade markets have been in the business of serving risk management needs and creating investment opportunities for over 135 years. The NYBOT exchanges have developed and sustained crucial futures and options markets through world wars, economic crises, natural disasters, technological revolutions and terrorist attacks. The NYBOT knows something about planning for the worst while still pursuing the best possibilities. Futures and options markets exist because risk exposure can mean disaster if it is not managed effectively. A worst-case scenario, without risk management, can put a company out of business. Long-term survival and prosperity depend on an effective balance between risk exposure and return potential. Good risk management doesn't diminish returns; it protects and even enhances them.

The Role of Indexing

Indexing has become a major component of many asset categories, from equities to real estate. Indices as performance benchmarks are critical tools for money managers and individual investors. As benchmarks assume more prominence, Index derivatives have assumed a greater role in investment strategies. The availability of a single financial instrument that provides exposure to an entire sector provides strategic efficiencies and advantages. Equity index products have been a featured performer in portfolio management for years. They have become so ubiquitous that they are household names used as a proxy to describe overall market activity. They are traded as mutual funds, exchange traded funds (ETF), futures contracts, etc. Many people rely exclusively on index products to define or achieve investment goals.
Investors are now finding that index futures and options contracts in the currency and commodity areas offer similar advantages to their equity cousins. For example, the New York Board of Trade has seen considerable growth in its exclusive U.S. Dollar Index (DX) market in recent years. And another exclusive NYBOT market, the Continuous Commodity Index (CI), provides investors and managers the opportunity to utilize exchange traded contracts for the broad commodity futures sector.

A Commodity Futures Price Index —How it Works

The Equity products are more easily understood as they represent a basket of stocks (e.g. the Russell 1000 for large cap U.S. equities). The commodity represented in the index remains the same, but the active contract changes. The index may be rebalanced annually as is the case with the Russell indexes that change their membership with the rise and fall of company fortunes reflected in their market capitalization. Other equity indices change at irregular intervals based on significant market shifts in performance as well as changes in capitalization size.

Futures contracts, unlike shares of stock, have a limited life span. A commodity futures price index, like the Reuters/Jefferies CRB Index, must accommodate the expiration of the nearby futures contract and therefore the futures price represented in the Index may be “rolled” into the next listed contract month. The contract still represents a collective benchmark of prices of the underlying commodity futures contracts. As such it also exhibits some of the same characteristics of an individual commodity contract – it goes up and it goes down in value but it never totally loses its value (as a share of common stock might do). It represents a blend of various markets (energy, softs, metals, etc.) that may be rising or falling at any particular time. The Index gives the investor exposure to the price changing characteristics of the commodity asset class without full exposure to the potential volatility that might be found in such commodities as coffee or crude oil. The Investor, therefore, still has reward potential with less risk than might be found in an individual commodity.

The Revised Index

Since its introduction in 1957, the CRB Index, through 1995, had undergone nine revisions to reflect a broader range of commodity prices, particularly energy. Originally, the CRB Index was weighted heavily towards agricultural commodities with 28 markets represented. Over the years the Index has expanded to as many as 29 (in 1971) to a low of 17 in 1995. Nine revisions (1961, 1967, 1971, 1973, 1974, 1983, 1987, 1992, 1995) led to the replacement of a number of commodities including eggs, oats, potatoes, wool and pork bellies with more liquid and significant contracts such as natural gas. A tenth revision – the Reuters Jefferies CRB Index (CR) now trades as a separate futures contract at the New York Board of Trade. For information on the RJ/CRB visit www.nybot.com
<table>
<thead>
<tr>
<th>Commodity</th>
<th>Index Weight</th>
<th>Sector Weight</th>
</tr>
</thead>
<tbody>
<tr>
<td>WTI Crude Oil</td>
<td>5.88%</td>
<td>Energy 17.64%</td>
</tr>
<tr>
<td>Heating Oil</td>
<td>5.88%</td>
<td></td>
</tr>
<tr>
<td>Natural Gas</td>
<td>5.88%</td>
<td></td>
</tr>
<tr>
<td>Corn</td>
<td>5.88%</td>
<td>Grains 17.64%</td>
</tr>
<tr>
<td>Wheat</td>
<td>5.88%</td>
<td></td>
</tr>
<tr>
<td>Soybeans</td>
<td>5.88%</td>
<td></td>
</tr>
<tr>
<td>Live Cattle</td>
<td>5.88%</td>
<td>Livestock 11.76%</td>
</tr>
<tr>
<td>Lean Hogs</td>
<td>5.88%</td>
<td></td>
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<tr>
<td>Sugar</td>
<td>5.88%</td>
<td>Softs 29.40%</td>
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<tr>
<td>Cotton</td>
<td>5.88%</td>
<td></td>
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<tr>
<td>Coffee</td>
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<td></td>
</tr>
<tr>
<td>Cocoa</td>
<td>5.88%</td>
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</tr>
<tr>
<td>Orange Juice</td>
<td>5.88%</td>
<td></td>
</tr>
<tr>
<td>Gold</td>
<td>5.88%</td>
<td>Metals 23.52%</td>
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<tr>
<td>Silver</td>
<td>5.88%</td>
<td></td>
</tr>
<tr>
<td>Platinum</td>
<td>5.88%</td>
<td></td>
</tr>
<tr>
<td>Copper</td>
<td>5.88%</td>
<td></td>
</tr>
</tbody>
</table>

**The CCI Methodology**

The Continuous Commodity Index (CCI) is weighted evenly among 17 component commodities. Each weighting is used for both arithmetic averaging of individual commodity months and for geometric averaging of the 17 commodity averages. With equal weighting, no single contract month or commodity has undue impact on the Index.

The CCI uses a system of averaging all futures prices six months forward, up to a maximum of five delivery months per commodity. A minimum of two delivery months, however, must be used to calculate the current price if the second contract is outside the six-month window. Contracts in the delivery period are excluded from the calculation. Although each of the 17 commodities is equally weighted, the CCI uses an average of the prices of the 17 commodities and an average of those commodities across time within each commodity. Each commodity is *arithmetically averaged* across time (the six-month window) and then these 17 component figures are *geometrically averaged* together.

The continuous rebalancing provided by this methodology means the Index constantly decreases exposure to commodity markets gaining in value and increases exposure to those markets declining in value.
The Commodity Futures Price Index Contracts

As of July 11, 2005, the Exchange lists two commodity futures price index contracts: The Reuters/Jeffries CRB Futures Price Index (the tenth revision of the Index and trading under the symbol “CR”) and the Continuous Commodity Index (the earlier incarnation of the contract and trading under the symbol “CI”).

The CCI uses a $500 multiplier with trading months listed for January, February, April, June, August and November (four months listed at all times) With an index value of 250.00, a single CCI futures contract would be valued at $125,000. And although the underlying futures contracts are traditional delivery contracts, the CCI is cash settled at expiration.

Trading the Contracts

Before trading the Index, investors should understand that since the Index uses geometric averaging techniques, it rises slower and falls faster than arithmetically averaged indices. Although each of the 17 commodities is equally weighted, the Index uses an average of the prices of the 17 commodities and an average of those commodities across time, within each commodity. Each commodity is arithmetically averaged across time (the six-month contract window) and then these 17 component figures are geometrically averaged together (multiply all 17 together and divide by 17). The result is then divided by the 1967 base-year average number (30.7766) and then multiplied by an adjustment factor of .8646 (due to 1987 and 1989 Index changes). The result is then multiplied by 100 to get the final figure (i.e., 304.02). More information on the Index can be obtained by contacting NYBOT or a licensed futures broker.

In addition, the Index’s geometric methodology normally results in the futures contracts trading at a discount to their fair value. This discount disappears as the contract nears expiration, allowing for the capture of the discount at each quarterly roll of contract. The fair value is the actual value of the CCI Index futures as determined by calculating the Index for the specified contract window. For example, the November CCI futures contract is calculated using those 17 commodity futures contracts that expire within the 6-month window beginning in November. The fair value will differ from the compilation of the cash index because as the November Index contract reaches expiration, many component contracts will expire and be replaced by deferred component contracts. Understanding the pricing specifics of the CCI futures and options can be useful in developing strategies for long-term passive positions or for arbitrage trading.
A Sample Trade - CCI Futures

Scenario:
On September 3, a professional money manager has received a new mandate to allocate $50 million of his total pension portfolio to commodities. The manager can assume a number of positions in individual commodity contracts or utilize CCI futures and/or options. With November futures trading at 278.00, the manager would need approximately 359 contracts for this strategy to cover the $50 million. The manager holds a bullish market view that commodity prices are on the rise over the near term.

Strategy:
On September 3, the manager buys 359 November CCI futures contracts at 278.00. This establishes a commodity position with a contract total value of $49,901,000. Because it is a highly leveraged position, the manager only commits a modest percentage of the $50 million to maintain the position. The remainder can be invested in interest-bearing securities. The manager will be required, however, to maintain a margin commitment during the period the position is open. If the market moves against the manager, margin payments may be required.

Result:
On November 1, the December CCI futures are trading at 291.65. The manager closes out the position by selling 359 December R/I/CRB futures at 291.65. The futures gain would be $2,450,175 (13.65 x $500 x 359 contracts).

By taking a long position in the CCI, an institutional investor added an important asset class to the portfolio mix. The capital outlay for margin commitment and trading costs are also less than would be necessary to maintain open positions in separate commodity futures markets.
Options on CCI Futures

Scenario
A portfolio manager believes that a run up in commodities will reverse over the short term and he wants to take advantage of the short term trend without altering multiple commodity futures positions with the necessary margin commitment and trading costs. The manager regularly manages an approximately $500,000 exposure in commodities. On March 23, CCI June futures are trading at 282.25. A 282 June Put is selling at 6.25.

Strategy
The manager buys three RJ/CRB June 282 puts @ 6.25 —total premium of $9,375 (6.25 x $500 x 3). The risk associated with maintaining a futures position has been limited to the cost of the premium, leaving the manager greater flexibility over the longer term.

Result
On April 23, the Index has dropped to 266.50. The manager exercises the three puts (or sells them back in the market), closing out the position with a net 9.25 gain (after deducting the 6.25 premium) and a net total gain of $13,875. In the next month commodities resume their climb and the manager has realized a gain from the short-term decline without trading in and out of individual commodity positions.

Conclusion
The NYBOT Index futures and options markets provide professional money managers and individual investors with a variety of strategic choices in developing an investment strategy. Futures provide greater certainty of locking in a price. Options provide more flexibility. The successful manager/investor will carefully assess business goals, market conditions, risk tolerance and available investment/hedging tools before executing a strategic trading plan. Anyone considering hedging or investing in the NYBOT futures and options markets should read, among other publications, “Understanding Futures and Options”, an overview of the basics of NYBOT markets published by the exchange. For more information about the historic NYBOT marketplace, visit www.nybot.com and www.nybotlive.com.
The New York Board of Trade provides an exceptional level of service for our market users and the underlying industries represented by the NYBOT markets. The Exchange’s commitment to service centers on the quality of price both on and off the floor.

With targeted technology, NYBOT enhances the proven pricing capabilities of its open outcry markets

The Trading Floor: State-of-the-Art Trading Facility in Lower Manhattan its convenience and technical sophistication supports greater market accessibility, liquidity, transparency and efficiency.

World markets at work

Order Processing: Electronic Order Routing (EOR), Order Book Management System (OBMS) – market users who have internet access to EOR can send orders electronically to the trading floor, where they are filled in open outcry, and then matched, cleared and confirmed electronically in real time. All EOR users can enter, change or cancel all types of orders (including complex). Users have real time trade reconciliation in the pit and/or in the booth.

Hit the floor running with EOR

Market Information: The New York Board of Trade now offers real time streaming data directly from the NYBOT trading floor and delivered over the Internet through NYBOTLive.com. Market users should visit www.nybotlive.com and sample the many features of NYBOT’s direct data service. Market users also have access to a wide range of educational materials, market analysis and commentary through the NYBOT web site at www.nybot.com

Get the real price right now at NYBOTLive.

Delivery: Electronic Commodity Operations & Processing System (eCOPS®) provides an exclusive internet-based platform for electronic documentation and delivery both on and off the Exchange through its eCOPS, LLC subsidiary.

Deliver the goods with eCOPS a world class solution to a global problem.
The NYBOT Global marketplace relies on the traditional strengths of Exchange markets

**Market Integrity:** Every transaction in the NYBOT markets is subject to the traditional regulatory scrutiny that characterizes the U.S. futures and options exchanges, ensuring a fair and transparent marketplace. The NYBOT compliance program stands as one of the most rigorous in the industry. The historical integrity of the NYBOT global markets sustains the quality and reliability of the price discovery process.

**Clearinghouse Security:** Each of the contracts traded at NYBOT is guaranteed by the New York Clearing Corporation (NYCC), the designated clearinghouse for all NYBOT market, which represents over a century of continuous financial integrity. Every market participant trades in the secure knowledge that they face no counterparty credit risk and no transaction uncertainty.

**Personalized Broker Service:** Experienced NYBOT floor brokers offer personal service for specialized futures and options trading. For example, brokers in NYBOT’s index options markets can design and execute simple and complex options strategies and write options to implement those strategies at very competitive prices.

This brochure serves as an overview of the Commodity Index futures and options markets of the New York Board of Trade (NYBOT). Examples and descriptions are designed to foster a better understanding of the Commodity Index futures and options market. The examples and descriptions are not intended to serve as investment advice and cannot be the basis for any claim. While every effort has been made to ensure accuracy of the content, the New York Board of Trade does not guarantee its accuracy, or completeness or that any particular trading result can be achieved. The New York Board of Trade cannot be held liable for errors or omissions in the content of this brochure. Futures and options trading involves risk and is not suitable for everyone. Trading on the NYBOT is governed by specific rules and regulations set forth by the Exchange. These rules are subject to change. Contact a licensed broker for additional information. For more detailed information and specifications on any of the products traded on the Exchange, contact NYBOT or your broker.

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