

Date: December 26, 2003

To: The Membership

From: Financial Planning Committee

Re: Customer Large Trade Discount Pilot Program, Market Share Incentive Plan and Exchange Bulletin Fees

The Financial Planning Committee recommended and on December 10, 2003 the Board of Directors approved the following actions:

Customer Large Trade Discount Pilot Program to be Extended – Included in the budget for this fiscal year is a pilot program designed to provide transaction fee relief in our proprietary index products for large customer orders. Specifically, the plan caps transaction fees so that only the first 7,500 contracts per order are assessed in the Dow products, 5,000 contracts in SPX, and 3,000 contracts in OEX and other index products. This pilot program was scheduled to expire on December 31, 2003, however the pilot will be extended through June 30, 2004. Early in 2004 market research will be performed to consider program enhancements and assess the value of the program to our customers.

Terminate the Market Share Incentive Plan – This program was implemented as a pilot last spring to reduce transaction fees charged to liquidity providers for positive results in increasing market share. The program was extended through the end of calendar year 2003 during the budget process. The Financial Planning Committee recently recommended the program not be continued beyond December 31, 2003 based on two reasons. The Committee believes the program has not been effective in increasing market share, and secondly, the Committee believes the proposed fee structure and market model changes incorporated in Hybrid 2.0 in many ways make the Market Share Incentive Plan obsolete. The Committee is considering the re-instatement of a prospective fee reduction program, similar to the plans in previous years.

Exchange Bulletin – Financial Planning Committee recommended the elimination of the \$100 annual subscription fee charged to non-members for an electronic version of the Exchange Bulletin. The staff effort to administer this fee could not be justified by the low amount of subscription revenue. The \$200 annual fee for a hardcopy of the weekly Exchange Bulletin to non-members will remain in place.

Please call Robert Corne at (312) 786-7450 if you have any questions.