
Philadelphia Board of Trade

A subsidiary of the
Philadelphia Stock Exchange



1900 Market Street
Philadelphia, Pa 19103

PBOT CIRCULAR NO. 0026-06-G

MEMORANDUM

TO: All Members and Member Organizations of
The Philadelphia Board of Trade, Inc.

FROM: William N. Briggs, Jr.
President

DATE: October 19, 2006

SUBJECT: Membership Dues and Seat Transfer Fees

Management has recommended, and the Executive Committee of the Board of Directors the Philadelphia Board of Trade ("PBOT") has agreed, that it would be equitable to defer implementation of the new fees and dues announced in the memorandum to members dated September 27, 2006 (PBOT Circular No. 00011-06-I) until the Exchange lists additional products or demonstrates sustained trading activity. Consequently, the Executive Committee has authorized PBOT management to take the following actions:

- Suspend the implementation of the \$500 per month membership dues ("monthly dues") approved at the last Executive Committee meeting that were to be effective November 1, 2006, and instead reinstate the annual membership dues of \$100 per annum to be effective on the first of June each year ("annual dues"). The annual dues are to be imposed only on PBOT members who are not affiliated with a Philadelphia Stock Exchange member firm. The monthly dues will remain suspended until such later date when PBOT has listed additional products or demonstrates sustained trading activity.
- Rebate or waive all transfer fees charged to PBOT members from January 1, 2006 until the dues become effective in those cases where the transferred seat is subsequently sold back to PBOT.

Deferring implementation of the monthly dues is another example of how management is working with PBOT's Board of Directors to foster the development of trading activity on the Exchange and thereby actively promote the mutual interests of all participants in PBOT's market. Like many other exchanges over the past 22 years, PBOT has shifted from a traditional trading floor to a fully electronic platform, which has opened up access to a much wider audience of participants than a fixed number of open-outcry participants

physically present on the floor. When the PBOT memberships were initially sold in 1984, a single floor broker or floor trader could not physically cover all of the crowds on the floor trading various contracts, so that any member firm trying to make markets or execute customer orders in more than one contract during the same session would need multiple individual memberships to deploy its team of floor brokers throughout the trading crowds. PBOT's conversion to an electronic trading platform enables a member firm to use only one exchange membership to execute a variety of orders in rapid succession in as many contracts as the exchange can offer. Each member firm in turn can pass on to all of its customers the benefits inherent in the electronic trading platform, including the complete coverage of the exchange's contracts provided by a single membership.

As Sandy Frucher noted in his memorandum to members dated September 12, 2006 (PBOT Circular No. 000101-06-I), owners and lessees of PBOT memberships have the right to trade on the PBOT exchange. The only other rights that a PBOT membership confers on its owner is the right to nominate candidates from which certain Board members must be elected and a preferred right to share in the assets of PBOT in the event of its liquidation.

PBOT has always been and remains a wholly-owned subsidiary of the Philadelphia Stock Exchange, which means that no other party (including any of the PBOT members) holds any voting stock or any other equity interest in PBOT. In the context of PBOT, it is our objective to offer a suite of products with a very competitive fee schedule that contemplates using the PBOT seat for trading. It is important, therefore, to remind the current members that all those who originally purchased PBOT memberships when they were first issued in 1984 specifically agreed as a condition to their purchase that the memberships were not intended as investment vehicles, and that they agreed to remit duly authorized fees, dues, and charges.

If you have any questions on the above modifications, please contact Walt Smith at 215-496-5532 or me at 215-496-5199.