

IN THE MATTER OF  
THE SECURITIES LEGISLATION OF ONTARIO  
AND MANITOBA

AND IN THE MATTER OF  
THE MUTUAL RELIANCE REVIEW SYSTEM  
FOR EXEMPTIVE RELIEF APPLICATIONS

AND IN THE MATTER OF  
THE BOARD OF TRADE OF THE CITY OF CHICAGO, INC.

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator ("Decision Maker") in each of Ontario and Manitoba (collectively, "Jurisdictions") has received an application from the Board of Trade of the City of Chicago, Inc. ("CBOT") for a decision under the securities legislation of the Jurisdictions ("Legislation") that:

(a) the requirements contained in the Legislation to be registered to trade in a security and to file and obtain a receipt for a preliminary prospectus and a prospectus ("Registration and Prospectus Requirements") shall not apply to trades in securities made in connection with the proposed Restructuring Transactions (as defined below); and

(b) the requirements contained in the Legislation relating to the delivery of an offer and issuer bid circular and any notices of change or variation thereto, minimum deposit periods and withdrawal rights, taking up and paying for securities tendered to an issuer bid, disclosure, restrictions upon purchases of securities, bid financing, identical consideration and collateral benefits together with the requirement to file a reporting form within 10 days of an exempt issuer bid and pay a related fee ("Issuer Bid Requirements") shall not apply to trades in securities made in connection with the proposed Restructuring Transactions.

AND WHEREAS pursuant to the Mutual Reliance Review System for Exemptive Relief Applications ("System"), the Ontario Securities Commission is the principal regulator for this application;

AND WHEREAS the CBOT has represented to the Decision Makers as follows:

1. The CBOT is one the world's leading exchanges for the trading of futures and options on futures contracts and dates back to 1848. In 1859, the Illinois General Assembly, by legislative act, granted a special charter to the CBOT.
2. In August 2000 the CBOT was reincorporated in Delaware and currently exists as a Delaware nonstock, not-for-profit corporation.

3. CBOT memberships generally confer rights to access floor trading at the CBOT's exchange facilities and provide an individual member with the opportunity to profit from such individual's trading on the floor of the exchange.
4. The CBOT proposes to implement certain restructuring transactions following member approval and satisfaction of certain other conditions designed to demutualize the CBOT, modernize its corporate governance structure and reorganize and restructure its electronic trading business ("Restructuring Transactions").
5. In addition to offering products traded on traditional open outcry markets, the CBOT also makes its products available for trading on an electronic trading system that it operates through its controlled subsidiary, Ceres Trading Limited Partnership ("Ceres").
6. Created by the CBOT in 1992, Ceres conducts certain electronic trading and related business activities. The CBOT's wholly-owned subsidiary, Electronic Chicago Board of Trade, Inc. ("eCBOT"), is currently the general partner of Ceres.
7. In addition to the general partner, Ceres has Class A and Class B limited partners. Except for a nominal number of limited partnership interests held by eCBOT, Class A limited partnership interests are generally held by individual CBOT members. Class B limited partnership interests are held by CBOT clearing member firms.
8. There are two CBOT members with mailing addresses in Canada: one full member with a mailing address in Ontario and one full member with a mailing address in Manitoba. In total, there are approximately 1400 full members, primarily in the United States. Each of the CBOT members with a mailing address in Canada also holds a Class A limited partnership interest in Ceres.
9. Due to the unique nature of the organizational relationship between the CBOT and Ceres, the Ceres limited partnerships are currently "stapled to" and only transferable with the associated CBOT memberships.
10. The demutualization of the CBOT will be accomplished by creating a stock, for-profit holding company, CBOT Holdings, Inc. ("CBOT Holdings"), and distributing shares as a dividend of common stock of CBOT Holdings ("CBOT Holdings Shares") to CBOT members.
11. The CBOT will be merged with a newly formed non-stock, for-profit subsidiary, ("CBOT Merger Sub") which will result in the CBOT being the surviving entity ("Reorganization Merger").
12. Upon completion of the Reorganization Merger, the CBOT will become a non-stock, for-profit corporation and a subsidiary of CBOT Holdings ("New CBOT").
13. Prior to initiating the Reorganization Merger, the CBOT Board of Directors ("CBOT Board") will declare a dividend of CBOT Holdings Shares that will be payable to each of the CBOT members immediately prior to the effectiveness of the Reorganization Merger.

14. In connection with the completion of the Reorganization Merger, each member of the CBOT will receive an appropriate number of CBOT Holdings Shares.

15. The number of CBOT Holdings Shares to be received by each CBOT member will be based upon the type of membership held in the CBOT and the allocation methodology developed and recommended by the CBOT Board's Independent Allocation Committee and approved by the CBOT Board.

16. Immediately after the completion of the restructuring transactions, the CBOT members will be the only common stockholders of CBOT Holdings.

17. Upon completion of the Reorganization Merger, the surviving entity ("New CBOT"), then a subsidiary of CBOT Holdings, will create three new classes of membership: Class A memberships, Class B memberships and Class C memberships ("New CBOT Memberships").

18. CBOT Holdings will hold the sole Class A membership in the New CBOT, which will entitle CBOT Holdings to the exclusive right to vote on most matters requiring a vote of the members of the New CBOT, as well as the exclusive right to receive all distributions, dividends and proceeds upon liquidation from the New CBOT.

19. The Class B memberships will consist of five separate series: Series B-1, Series B-2, Series B-3, Series B-4 and Series B-5, with each series having associated with it trading rights and privileges that correspond to one of the current five classes of CBOT membership. Members of the CBOT will receive one of the five series of Class B memberships in the New CBOT in respect of each membership held by such member.

20. Each full member will also receive a Class C membership in the New CBOT, evidencing pre-existing rights, which will, subject to satisfaction of certain requirements, entitle the holder to become a member of the Chicago Board Options Exchange ("CBOE") without having to purchase a membership on such exchange. This right is set forth in the certificate of incorporation of the CBOE and is currently held by each full member of the CBOT.

21. As part of the reorganization of the CBOT's electronic trading business, a wholly-owned Delaware subsidiary of the New CBOT, Ceres Merger Sub, Inc. ("Ceres Merger Sub") will merge with and into Ceres, with Ceres as the surviving entity ("Ceres Merger").

22. Each of the two Canadian full members will receive: (i) 25,000 CBOT Holdings Shares; (ii) one Class B, Series B-1 membership in the New CBOT; and (iii) one Class C membership in the New CBOT.

23. Pursuant to the Ceres Merger, the limited partners of Ceres, other than eCBOT will receive a cash payment in exchange for their limited partnership interests ("Ceres Limited Partnership Interests") as determined by the board of directors of the CBOT and eCBOT. The CBOT has engaged Arthur Andersen LLP to determine the fair market value of Ceres and the Ceres Limited Partnership Interests and evaluate the fairness, from a financial point of view, to Ceres and each

class of limited partners of the consideration to be issued in the Ceres Merger to each class of the Ceres limited partners.

24. The CBOT Holdings Shares will generally be subject to a complete restriction on transfer for the first 270 days following the date the CBOT Holdings Shares are issued. Thereafter, 15%, 25%, 25% and 35% of the CBOT Holdings Shares will be eligible for transfer on the date that is 270, 450, 630 and 810 days following the date the CBOT Holdings Shares are issued, respectively.

25. Notwithstanding these restrictions on transfer, stockholders may at any time transfer all, but not less than all, of the CBOT Holdings Shares associated with a Class B membership and, to the extent applicable, a Class C membership, in the New CBOT if all such Shares are transferred together with the associated Class B membership and, to the extent applicable, a Class C membership (for example, 25,000 CBOT Holdings Shares with one Series B-1, Class B membership and one Class C membership in the New CBOT).

26. Although Class B memberships in the New CBOT generally will not be subject to any transfer restrictions, the exercise of the trading rights and privileges associated with the Class B memberships will be subject to substantially the same application and approval process that currently applies to the CBOT membership candidates. Under that process, any adult, other than an employee of the New CBOT, of good character, reputation, financial responsibility and credit will be eligible to become a Class B member of, and exercise trading rights and privileges at, the New CBOT. Candidates will be reviewed to determine whether they meet applicable requirements in accordance with the rules and regulations of the New CBOT.

27. The Class C memberships in the New CBOT generally will also not be subject to any transfer restrictions. However, a holder of a Class C membership seeking to become a member of the CBOE must hold 25,000 CBOT Holdings Shares and one Series B-1, Class B membership in the New CBOT, along with such Class C membership, in each case subject to certain adjustments, in order to be eligible to become a member of the CBOE without having to purchase a membership on such exchange.

28. No market presently exists for CBOT Holdings Shares or the New CBOT Memberships but a market may develop following the expiration of any applicable restrictions on transfer. There are no current plans to list the CBOT Holdings Shares or the New CBOT Memberships on any stock exchange.

29. The completion of the Restructuring Transactions is subject to, among other things, approval of the members of the CBOT, the receipt of any approvals required by the U.S. Commodity Futures Trading Commission, receipt of a satisfactory private letter ruling from the U.S. Internal Revenue Service and/or an opinion of counsel concerning the tax-free status of the transactions.

30. All of the CBOT Holdings Shares to be issued in connection with the Restructuring Transactions will be registered with the Securities Exchange Commission ("SEC") under the U.S. Securities Act of 1933, as amended. A registration statement was initially filed by CBOT

Holdings with the SEC on October 24, 2001 (as amended and supplemented "Registration Statement").

31. The Restructuring Transactions will be structured to comply with certain other state or "blue sky" regulatory requirements.

32. The CBOT will mail the U.S. proxy statement and U.S. prospectus which form part of the Registration Statement to all of the members, including the Canadian members, once the SEC has declared the Registration Statement effective. The U.S. proxy statement and U.S. prospectus will contain prospectus level disclosure about CBOT and eCBOT and the Restructuring Transactions.

33. A meeting of the members for the purpose of voting to approve the Restructuring Transactions will take place not less than 20 business days following the mailing of the U.S. proxy statement and U.S. prospectus.

34. CBOT Holdings and the New CBOT are not and do not intend to become reporting issuers or the equivalent in any of the Jurisdictions.

35. An exemption from the Registration and Prospectus Requirements and the Issuer Bid Requirements is not available in the Jurisdictions for all of the trades to be made in connection with the Restructuring Transactions.

AND WHEREAS pursuant to the System, this MRRS Decision Document evidences the decision of each Decision Maker (collectively, "Decision");

AND WHEREAS each of the Decision Makers is satisfied that the test contained in the Legislation that provides the Decision Maker with the jurisdiction to make the Decision has been met;

THE DECISION of the Decision Makers pursuant to the Legislation is that:

(a) The Registration and Prospectus Requirements shall not apply to the trades and distributions in connection with the Restructuring Transactions provided that the first trades of CBOT Holdings Shares and New CBOT Memberships shall be a distribution unless:

(i) at the time of the first trade, CBOT Holdings and the New CBOT are not reporting issuers under the Legislation of the Jurisdiction in which the trade is being made; and

(ii) such first trade is executed in accordance with the transfer restrictions in the Registration Statement and with a purchaser resident outside of Canada or such first trade is made with a purchaser resident in Canada in reliance on an exemption from the

Registration and Prospectus Requirements under Canadian securities law.

(b) The Issuer Bid Requirements shall not apply to the trades in connection with the Restructuring Transactions.

DATED this 9<sup>th</sup> day of January, 2002.

"Paul Moore"

"Robin Korthals"

Headnote

Mutual Reliance Review System for Exemptive Relief Applications - demutualization and restructuring of The Board of Trade of the City of Chicago, Inc. - issuer bid relief and prospectus and registration relief in connection with restructuring transactions, subject to first trade restrictions.

Applicable Ontario Statutory Provisions

Securities Act, R.S.O. 1990, c.S.5., as am., ss. 25, 35(1)(12)(ii), 35(1)(13), 53, 72(1)(f)(ii), 72(1)(g), 74(1), 89(1), 93(3)(b), 93(3)(h), 104(2).

Applicable Ontario Rules

Rule 72-501 - Prospectus Exemption for First Trade Over a Market Outside Ontario (1998) 21 OSCB 2318