CBOE

STATE OF THE EXCHANGE

CHICAGO BOARD OPTIONS EXCHANGE ANNUAL REPORT 2002

FY 2002: A YEAR OF CHALLENGES AND STRATEGIC INITIATIVES

DURING THE PAST YEAR, THE U.S. EQUITY MARKET STRUGGLED TO FIND A BOTTOM AMIDST THE ONGOING THREAT OF TERRORISM AND WAR. THE HIGHLY PUBLICIZED REPORTS OF CORPORATE MISCONDUCT AND ACCOUNTING ABUSES FURTHER UNDERMINED INVESTOR CONFIDENCE. THE CHICAGO BOARD OPTIONS EXCHANGE® (CBOE®), THE WORLD LEADER AMONG OPTIONS EXCHANGES, WAS BUFFETED BY THE EFFECTS OF THE MARKET'S TUMULT AS WELL AS BY INCREASING COMPETITIVE PRESSURES.

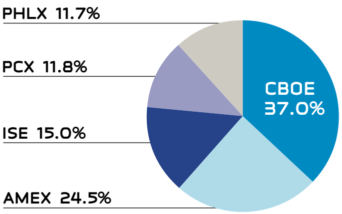
Competitive Environment

Against the backdrop of a difficult macroeconomic environment, CBOE and its members faced intense competition from other exchanges. Increased electronic competition had a profound effect on CBOE's business as well as on the business of other floor-based exchanges. CBOE members' profitability suffered and many smaller Designated Primary Market Makers (DPMs) merged or consolidated with larger firms.

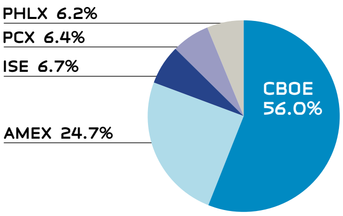
The Exchange continued to lead the market in options volume in FY 2002, with overall market share of 37% of all options contracts traded. Exchange volume in FY 2002, however, was off 14% from the record-breaking levels set in the previous fiscal year. CBOE continued to lead the industry in equity options trading, although market share in equity options was down 5.5 percentage points from FY 2001 to 33% in FY 2002. Volume in index options was a bright spot as market share climbed from 54% in FY 2001 to 56% in FY 2002 when investors sought the broad protection provided by index options as market volatility increased.

Throughout the year, CBOE's membership, Board of Directors and staff worked to address losses in market share and member profitability, and to productively chart the future course for the Exchange. In light of the changing competitive landscape, our first priority was the development of a hybrid trading model, which will merge the best features of both screen- and floor-based trading. The development of this unique, "best of both worlds" trading model is well under way.

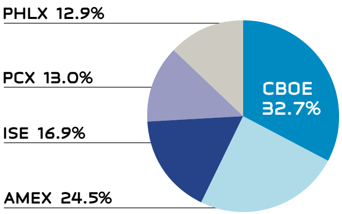
TOTAL OPTIONS MARKET SHARE
FISCAL YEAR 2002



INDEX OPTIONS MARKET SHARE
FISCAL YEAR 2002



EQUITY OPTIONS MARKET SHARE
FISCAL YEAR 2002



New Trading Model

CBOE's trading floor has the greatest concentration of market-making expertise and the deepest pool of liquidity of any options exchange. The CBOE hybrid trading model will preserve these floor-based advantages while enhancing CBOE's ability to capture screen-based business. The hybrid model will offer customers the best elements of both trading environments—the speed and functionality of screen-based systems combined with the market depth, ability to execute complex strategies, and opportunity for price improvement found on the trading floor.

More than two dozen enhancements were built and effectively integrated into the evolving hybrid model during FY 2002. Two of the most important elements of the hybrid were rolled out over the past six months.

In May 2002, CBOE introduced "Dynamic Quotes with Size." This new technology allows investors to see, in real time, the number of contracts that are available to be traded at a given price. The "dynamic size" feature is continually updated throughout the trading day, providing investors with an understanding of the liquidity available in every options series.

In July 2002, CBOE unveiled a second major component of the hybrid model—the Large Order Utility (LOU). LOU offers "point and click" convenience, instantaneous reports on any order up to the size displayed, and exposure to the trading floor's centralized pool of liquidity for price improvement. This combination of instantaneous reporting with continued exposure to the market for possible price improvement is not available through any other options marketplace.

CBOE's goal in developing the hybrid trading model is to offer customers convenience, liquidity and price improvement opportunity that is unparalleled in the options industry.

CBOE*direct*

The cornerstone of the CBOE hybrid trading model is CBOE*direct*,® CBOE's screen-based trading system, launched on October 26, 2001. A milestone technological achievement for the Exchange, CBOE*direct* replicates CBOE's trading floor on a screen. CBOE*direct* currently supports the trading of some of CBOE's most popular index products during extended trading hours (7 a.m.–8:15 a.m.).

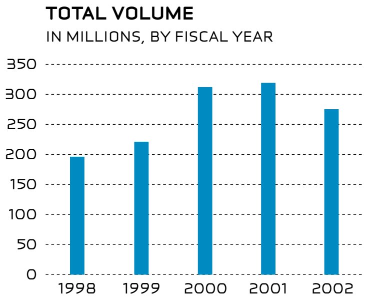
CBOE*direct* was developed as a hedge against screen-based competition. Although designed to be a stand-alone system, key components of CBOE*direct* have been used as the foundation of the hybrid.

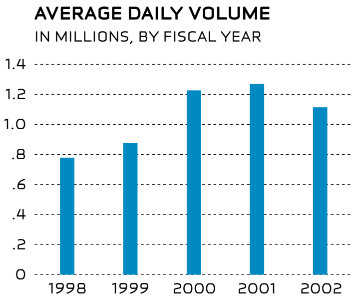
COMPETITIVE ENVIRONMENT

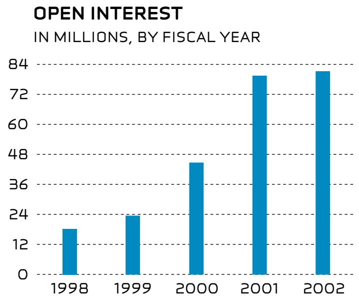
INCREASED ELECTRONIC COMPETITION HAD A PROFOUND EFFECT ON CBOE'S BUSINESS AS WELL AS ON THE BUSINESS OF OTHER FLOOR-BASED EXCHANGES.

NEW TRADING MODEL

CBOE'S GOAL IN DEVELOPING THE HYBRID TRADING MODEL IS TO OFFER CUSTOMERS CONVENIENCE, LIQUIDITY AND PRICE IMPROVEMENT OPPORTUNITY THAT IS UNPARALLELED IN THE OPTIONS INDUSTRY.







CBOE has a long legacy of technological innovation. With the introduction of CBOE*direct*, the Exchange has once again redefined the state of the art in trading technology. In January 2002, CBOE*direct* was chosen as the trade engine for OneChicago, an all-electronic exchange trading single stock futures and futures on narrow-based indexes. Additionally, in September 2002, the Chicago Board of Trade (CBOT®) purchased a license to use CBOE*direct* software to support and enhance its trading floor.

New Products

To meet the needs of a growing and diverse customer base, CBOE added a wide range of products in FY 2002. Most notably, options on DIAMONDS® (DIA) began trading at CBOE on May 20, 2002 and quickly became one of CBOE's top five most actively traded index products. Volume in options on DIAMONDS continues to post impressive gains, averaging more than 33,000 contracts traded per day. DIAMONDS are shares in an exchange-traded fund designed to track the performance of the Dow Jones Industrial Average℠ (DJIA®).

Additional new products listed include:

- S&P 100® Index Options with European-style exercise (XEO®) launched on July 23, 2001. CBOE developed this product in response to customer requests for an S&P 100 Index option that does not carry the possibility of early assignment.

- Shares of the Nasdaq-100 Index Tracking Stock℠ (QQQ). This exchange-traded fund began trading at CBOE on August 1, 2001, following the successful introduction of QQQ options on February 27, 2001. The QQQ shares are among the most actively traded contracts in the world.

- Three new Morgan Stanley sector index options launched on October 22, 2001—Morgan Stanley Biotech Index (MVB), Morgan Stanley Oil Services Index (MGO), and Morgan Stanley Retail Index (MVR).

- Standard & Poor's® Depository Receipts (SPDRs®) became available at CBOE on November 23, 2001. This exchange-traded fund (CBOE ticker symbol SPY) represents units of beneficial interest in a unit investment trust that holds the component stocks of the S&P 500® Index.

A critical development in new products was realized on May 14, 2001 with the formation of OneChicago. CBOE, the Chicago Mercantile Exchange Inc. and the Chicago Board of Trade formed this joint venture to trade single stock futures and futures on narrow-based indexes. CBOE members are members of OneChicago, which is expected to begin trading in the fourth quarter, 2002.

ONECHICAGO AT A GLANCE		CBOE NEW LISTINGS IN FY 2002	CBOE TOTAL PRODUCT LISTINGS
85 single stock futures to be listed	20+ Lead Market Makers	399 equity options	1,487 equity options
15 narrow-based index futures to be listed	7,000+ members	4 index options	32 index options
	500+ member firms	2 exchange-traded funds	18 exchange-traded funds
		78 LEAPS®	424 LEAPS®

Index Options

The uncertainty and volatility that characterized much of the stock market in FY 2002 contributed to a sharp increase in index options trading at CBOE. Index options, which allow investors to make investment decisions based on market segments or on the market as a whole, offer an efficient means of portfolio protection. CBOE pioneered the listing of index options in 1983.

Exchange-traded funds (ETFs) are index-linked baskets of stocks that trade on an exchange at a market price close to the underlying value of the securities in its portfolio. ETFs can be traded like stocks, yet mimic many of the characteristics of indexes. As such, they are also used to manage risk. For calendar year 2002, total ETF volume through September was up 32% when compared to September 2001, due in part to strong volume in the QQQs and SPDRs.

In FY 2002, total index options volume increased in ten of the twelve months when compared to the previous year. For calendar year 2002, total index volume at CBOE was up 23% through September when compared to September 2001, including: options on the Dow Jones Industrial Average℠ (DJX), up 37%; S&P 100® Index options (OEX®), up 25%; S&P 500® Index options (SPX℠), up 19%; and options on the Nasdaq-100 Index Tracking Stock℠ (QQQ), up 17%. In July 2002, new records were established for monthly volume in DJX (1,485,582 contracts traded), SPX (3,859,734 contracts traded) and QQQ options (2,450,147 contracts traded).

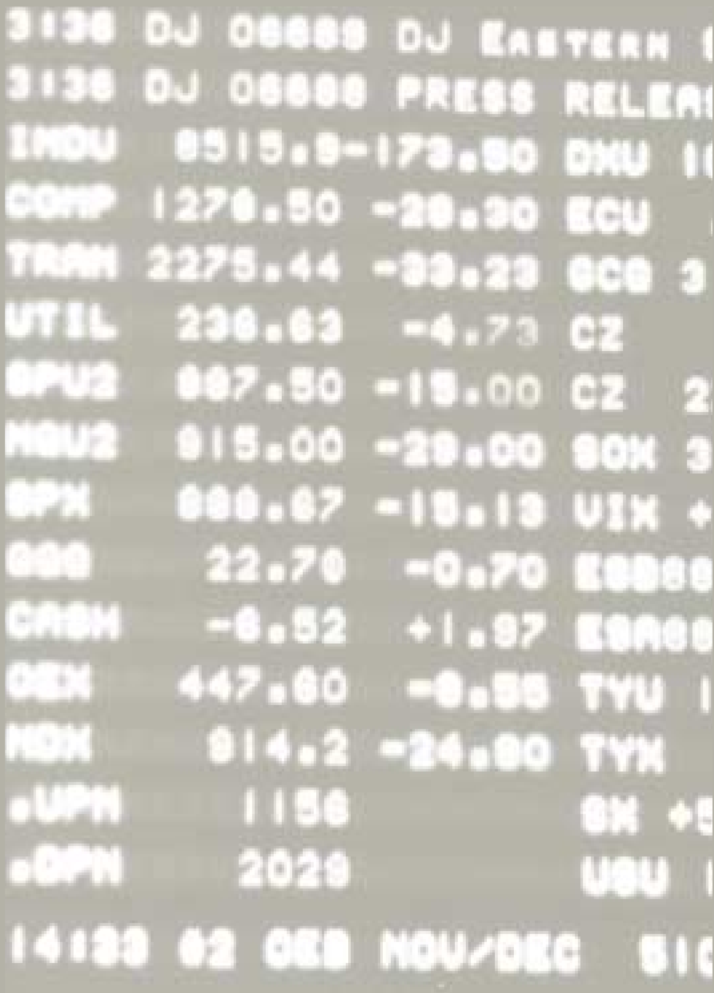
CBOE renewed its licensing agreement with Dow Jones & Company, Inc. to trade Options on the Dow℠ (DJX) and other Dow Jones Indexes. Exclusively traded at CBOE since 1997, DJX options are one of the Exchange's most actively traded index products. CBOE now lists seven Dow Jones products.

CBOE initiated a number of efforts in FY 2002 to promote its index products, including marketing programs aimed at institutional investors, new micro-websites at www.cboe.com dedicated to index products, new *Index Workbench*℠ software posted on the same website, and distribution of CD-ROM versions of the *Index Workbench* to more than 35,000 institutional investors.

Another significant achievement was the Exchange's development of the CBOE BuyWrite Monthly Index℠ (BXM). The BXM is a benchmark measure of the popular buy-write strategy. CBOE believes that the introduction of the BXM will lead to more long-term customer interest in, and use of, CBOE index options.

A CRITICAL DEVELOPMENT IN NEW PRODUCTS WAS REALIZED ON MAY 14, 2001 WITH THE FORMATION OF ONECHICAGO. CBOE, THE CHICAGO MERCANTILE EXCHANGE INC. AND THE CHICAGO BOARD OF TRADE FORMED THIS JOINT VENTURE TO TRADE SINGLE STOCK FUTURES AND FUTURES ON NARROW-BASED INDEXES.

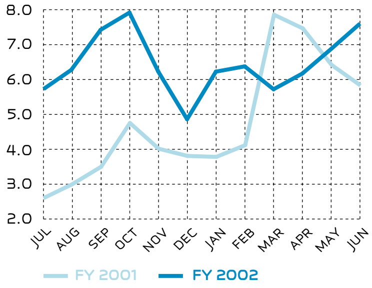
NEW PRODUCTS



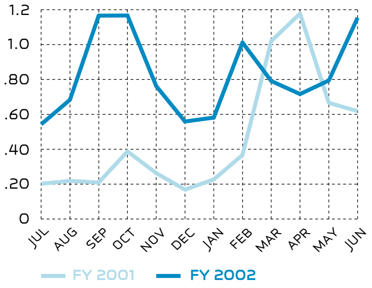
INDEXES

IN FY 2002, TOTAL INDEX OPTIONS VOLUME INCREASED IN TEN OF THE TWELVE MONTHS WHEN COMPARED TO THE PREVIOUS YEAR.

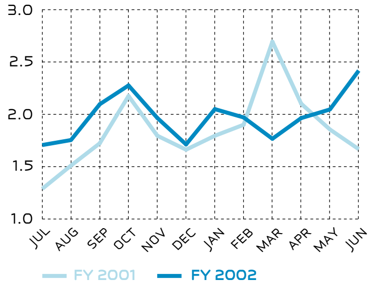
TOTAL INDEX OPTIONS VOLUME
IN MILLIONS, BY FISCAL YEAR



DOW JONES INDUSTRIAL AVERAGE (DJX) VOLUME
IN MILLIONS, BY FISCAL YEAR



S&P 500 (SPX) VOLUME
IN MILLIONS, BY FISCAL YEAR



During this past year's turbulent markets, the widely quoted CBOE Volatility Index® (VIX®) achieved even greater recognition as *the* benchmark measure of U.S. market volatility. The VIX was created and launched by CBOE in 1993 as a measure of the implied volatility of S&P 100® Index options.

Education

Throughout bull and bear markets, CBOE has remained steadfast in its commitment to educational outreach programs.

The Options Institute, the educational arm of the Exchange, holds classes to educate individual investors, institutional investors, brokers, traders, trading floor and firm employees, and financial advisors. In FY 2002, The Options Institute introduced "Trade Like the Pros" seminars, which are available to the public and provide a special "hands-on" opportunity to learn the basics of options trading.

The Options Institute also expanded its Online Learning Center at www.cboe.com with the addition of a new interactive learning section, titled "Advanced Strategies." The Options Institute Online Learning Center offers a wide variety of options tutorials for both novice and sophisticated investors, all free of charge.

CBOE's website, www.cboe.com, is internationally recognized as one of the most valuable one-stop sources of options research, data and education available. In July 2002, CBOE debuted two new micro-websites in Chinese and Spanish to accommodate the growing number of international investors who are incorporating options into their investment portfolios. For the third straight year, CBOE's website received a "Best of the Web" award from *Forbes* Magazine.

In January 2002, CBOE, the Chicago Board of Trade and Chicago Mercantile Exchange Inc. hosted the 18th annual Risk Management Conference in St. Petersburg, Florida. The Risk Management Conference is the main conference event for the options and futures industries, and provides an educational forum where end users of derivatives discuss the strategies, tools and systems they use to manage risk and enhance yields.

Advocacy

CBOE remained the leading advocate for the options industry in Washington, D.C. during FY 2002. CBOE worked with the Securities and Exchange Commission (SEC) and the Commodity Futures Trading Commission to ensure that the margin rules and tax treatment governing single stock futures were fair, so that competition with other derivative products, including options, takes place on a level playing field.

OPTIONS INSTITUTE

543 classes taught around the world in FY 2002

16,643 investors attended classes in FY 2002

WWW.CBOE.COM

217,133,363 page views of www.cboe.com in FY 2002

43% increase over FY 2001

54,658 registrants for "My CBOE," the personalized web engine of www.cboe.com

124 countries with users regularly accessing www.cboe.com

Additionally, CBOE played a significant part in passage of the Investor and Capital Markets Fee Relief Act. This legislation repealed the Section 31 fees applicable to options on most broad-based indexes. Index options compete directly with futures and futures options based on stock indexes, which were not subject to comparable transaction fees. With the passage of this legislation, most index options are now exempt from these fees.

In recognition of CBOE's role in championing this legislation, CEO William Brodsky was invited to the White House for President Bush's signing of the Investor and Capital Markets Fee Relief Act in January 2002.

Governance

CBOE members overwhelmingly approved a plan to alter the composition of the CBOE Board of Directors to increase the role of public directors in Exchange governance. The composition of the Board will be modified so that CBOE governance is equally balanced between 11 industry (member) directors and 11 non-industry (public) directors, plus the Chairman. As a result of this vote, CBOE was commended by the SEC for "initiatives [which] evidence the CBOE's strong commitment to the integrity of our marketplace and the strength of the self-regulatory function."

Moving Forward

As the Exchange moves forward, several significant developments will occur during FY 2003, providing valuable benefits to the Exchange, its membership and customers.

Most significantly, we look forward to the completion of the hybrid trading model early in 2003. The hybrid will merge the best features of screen- and floor-based trading to offer an ideal trading environment, unmatched in the options industry.

We would like to thank our dedicated members, particularly those on the Equity Floor Procedure Committee, who have worked tirelessly to guide the development of CBOE's hybrid trading model. Additional thanks to members of the Strategic Planning Task Force for their important work in forging CBOE's response to changes in the competitive landscape.

After current implementation plans are realized, the hybrid will continue to evolve. Its open-ended design will enable the Exchange to integrate new technologies and compete effectively in a dynamic marketplace. Both the original construction of CBOE*direct*, and the modifications made to it to support OneChicago, are demonstrations of CBOE's ability to continually advance and adapt its trading technology to address competitive challenges.

EDUCATION

THROUGHOUT BULL AND BEAR MARKETS, CBOE HAS REMAINED STEADFAST IN ITS COMMITMENT TO EDUCATIONAL OUTREACH PROGRAMS.

MOVING FORWARD

THE HYBRID TRADING MODEL WILL PRESERVE FLOOR-BASED ADVANTAGES WHILE ENHANCING CBOE'S ABILITY TO CAPTURE SCREEN-BASED BUSINESS.

William J. Brodsky

Mark F. Duffy

Edward J. Joyce

The implementation of market linkage represents another major technological undertaking at CBOE. We anticipate the first phase, linkage of orders eligible for automatic execution, to be in place early in 2003, and the second phase, for all other orders, to be in place shortly thereafter. By providing electronic access between markets, linkage will allow CBOE to guarantee our customers the best bid or offer available, with less risk to our traders.

Single stock futures are expected to be launched in the fourth quarter, 2002. CBOE*direct* will be the trade engine for these new major products, which will be traded at OneChicago.

Although this past year has been both difficult and demanding, the future holds tremendous promise for the options industry. The Exchange and its membership have never shied away from a challenge. Critical steps have been taken this year to expand our business and to increase member profitability. With the continued efforts of our dedicated members, Board of Directors, and staff, we move forward with enthusiasm and determination to remain the leading options exchange in the world.

William J. Brodsky
Chairman and CEO

Mark F. Duffy
Vice Chairman

Edward J. Joyce
President and COO

CBOE FINANCIALS FY 2002

FINANCIAL SUMMARY

The Exchange experienced disappointing results for the fiscal year ended June 30, 2002. In contrast to the two prior years when record trading volume was achieved, CBOE volume in FY 2002 declined by 14% to 1.1 million contracts per day. In addition, market share continued to decline in the wake of increased competition.

CBOE recorded a net loss of $5.6 million in FY 2002 compared to net income of $7.1 million in FY 2001.

Total Exchange revenues declined by $9.0 million or 6%, mainly due to lower transaction fee revenue ($6.7 million) and less revenue from the Options Price Reporting Authority (OPRA) due to less market share and lower OPRA net income ($2.7 million).

Total expenses were $6.3 million higher than the prior year, mainly due to an increase in non-cash depreciation and amortization expense ($5.1 million) and severance costs related to staff downsizing ($4.3 million). Increased expenses were also experienced in trading floor related systems expenses ($2.2 million) and royalty fees related to increased index trading volume ($1.6 million).

Contributing to the unfavorable results in FY 2002 was CBOE's share of OneChicago, LLC (ONE) operating losses ($1.5 million). CBOE contributed $4.4 million in capital to ONE in FY 2002.

The Exchange invested $21.9 million in other capital spending during FY 2002. Most of these expenditures were for systems hardware and software related to capacity increases, single stock futures and various trading floor technology enhancements.

During the year, $5.3 million was paid into an escrow account, representing the third and final installment payment of a September 2000 consolidated civil class action settlement. In FY 2001 and FY 2002, a total of $16.0 million was paid by CBOE into the escrow account for our share of the settlement. Note 6 to the consolidated financial statements summarizes the status of the settlement.

Retained earnings decreased to $103.7 million and total members' equity at June 30, 2002 was $124.6 million. At year's end, the Exchange was debt-free with working capital of $17.1 million.

CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS

Chicago Board Options Exchange, Incorporated and Subsidiaries For the Years Ended June 30, 2002 and 2001 (in thousands)	2002	2001
Revenues:		
Transaction fees	$ 89,436	$ 96,165
Other member fees	24,641	24,613
Options Price Reporting Authority income	18,884	21,539
Regulatory fees	11,231	10,835
Interest	459	1,348
Equity in income of CSE	141	717
Other	4,031	2,597
Total Revenues	**148,823**	**157,814**
Expenses:		
Employee costs	63,920	67,255
Severance expense	4,499	157
Outside services	13,458	17,451
Facilities costs	4,351	3,993
Communications	727	879
Data processing	17,492	15,264
Travel and promotional expenses	5,428	6,452
Depreciation and amortization	29,709	24,634
Royalty fees	8,989	7,397
Equity in loss of OneChicago	1,483	0
Other	2,195	2,421
Total Expenses	**152,251**	**145,903**
(Loss) Income Before Income Taxes	**(3,428)**	**11,911**
Provision (Benefit) for Income Taxes:		
Current	(3,102)	(2,943)
Deferred	5,294	7,718
Total Provision for Income Taxes	**2,192**	**4,775**
Net (Loss) Income	**(5,620)**	**7,136**
Retained Earnings at Beginning of Year	**109,290**	**102,154**
Retained Earnings at End of Year	**$ 103,670**	**$ 109,290**

CONSOLIDATED BALANCE SHEETS

Chicago Board Options Exchange, Incorporated and Subsidiaries June 30, 2002 and 2001 (in thousands)	2002	2001
Assets		
Current Assets:		
Cash and cash equivalents	$ 6,861	$ 9,740
Accounts receivable	17,207	22,212
Income taxes receivable	4,361	3,313
Prepaid medical benefits	1,028	927
Other prepaid expenses	4,406	4,186
Other current assets	673	554
Total Current Assets	**34,536**	**40,932**
Investments in Affiliates	**13,861**	**10,849**
Land	**4,914**	**4,914**
Property and Equipment:		
Building	57,609	57,609
Furniture and equipment	170,152	159,012
Less accumulated depreciation and amortization	(157,621)	(139,434)
Total Property and Equipment—Net	**70,140**	**77,187**
Other Assets:		
Goodwill (less accumulated amortization—2002, $3,888; 2001, $3,130)	1,388	2,145
Software development work in progress	6,455	26,220
Data processing software and other assets (less accumulated amortization—2002, $32,113; 2001, $21,762)	34,412	14,783
Total Other Assets—Net	**42,255**	**43,148**
Total	**$ 165,706**	**$ 177,030**

See notes to consolidated financial statements.

CONSOLIDATED BALANCE SHEETS (CONTINUED)

June 30, 2002 and 2001 (in thousands)	2002	2001
Liabilities and Members' Equity		
Current Liabilities:		
Accounts payable and accrued expenses	$ 14,436	$ 13,643
Marketing fee payable	1,079	9,174
Unearned income	1,250	104
Membership transfer deposits	657	0
Other deposits	0	416
Total Current Liabilities	**17,422**	**23,337**
Long-term Liabilities:		
Long-term settlement obligations	0	5,333
Unearned income	250	0
Deferred income taxes	23,430	18,136
Total Long-term Liabilities	**23,680**	**23,469**
Total Liabilities	**41,102**	**46,806**
Members' Equity:		
Memberships	20,934	20,934
Retained earnings	103,670	109,290
Total Members' Equity	**124,604**	**130,224**
Total	**$ 165,706**	**$ 177,030**

CONSOLIDATED STATEMENTS OF CASH FLOWS

Chicago Board Options Exchange, Incorporated and Subsidiaries For the Years Ended June 30, 2002 and 2001 (in thousands)	2002	2001
Cash Flows from Operating Activities:		
Net (loss) income	$ (5,620)	$ 7,136
Adjustments to reconcile net (loss) income to net cash flows from operating activities:		
Depreciation and amortization	29,709	24,634
Long-term settlement obligations	(5,333)	(5,333)
Deferred income taxes	5,294	7,718
Equity in income of CSE	(141)	(717)
Equity in loss of OneChicago	1,483	0
Gain on disposition of property	(277)	0
Changes in assets and liabilities:		
Accounts receivable	5,005	(4,761)
Income taxes	(1,048)	15
Prepaid medical benefits	(101)	(910)
Other prepaid expenses	(220)	728
Other current assets	(119)	(39)
Accounts payable and accrued expenses	793	(5,813)
Marketing fee payable	(8,095)	9,173
Unearned income	1,396	0
Settlement payable	0	(5,333)
Membership transfer deposits	657	(1,466)
Other deposits	(416)	37
Net Cash Flows from Operating Activities	**22,967**	**25,069**
Cash Flows from Investing Activities:		
Capital and other assets expenditures	(21,871)	(37,663)
OneChicago investment	(4,388)	0
Proceeds from disposition of property	413	0
Investments available-for-sale:		
Proceeds from maturities	0	115,752
Purchases	0	(95,619)
Net Cash Flows from Investing Activities	**(25,846)**	**(17,530)**
Net (Decrease) Increase in Cash and Cash Equivalents	**(2,879)**	**7,539**
Cash and Cash Equivalents at Beginning of Year	**9,740**	**2,201**
Cash and Cash Equivalents at End of Year	**$ 6,861**	**$ 9,740**
Supplemental Disclosure of Cash Flow Information		
Cash paid for income taxes	$ 0	$ 3

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Chicago Board Options Exchange, Incorporated and Subsidiaries
For the Years Ended June 30, 2002 and 2001

1. Summary of Significant Accounting Policies

Nature of Business – The Chicago Board Options Exchange ("the Exchange") is a registered securities exchange, subject to oversight by the Securities and Exchange Commission. The Exchange's principal business is providing a marketplace for trading equity and index options.

Basis of Presentation – The consolidated financial statements include the accounts and results of operations of Chicago Board Options Exchange, Incorporated, and its wholly owned subsidiaries, Chicago Options Exchange Building Corporation and, beginning in 2002, Chicago Board Options Exchange, LLC. Inter-company balances and transactions are eliminated.

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts of assets and liabilities, disclosure of contingent assets and liabilities, and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents – Cash and cash equivalents include highly liquid investments with maturities of three months or less from the date of purchase.

Investments – All investments are classified as available-for-sale and are reported at cost which approximates their fair value in accordance with Statement of Financial Accounting Standards ("SFAS") No. 115, "Accounting for Certain Investments in Debt and Equity Securities."

Accounts Receivable – Accounts receivable consist primarily of transaction, marketing and other fees receivable from The Options Clearing Corporation ("OCC"), and the Exchange's share of distributable revenue receivable from The Options Price Reporting Authority ("OPRA").

Investments in Affiliates – Investments in affiliates represent investments in OCC, OneChicago, LLC ("ONE") and The Cincinnati Stock Exchange ("CSE"). The investment in OCC (20% of its outstanding stock) is carried at cost because of the Exchange's inability to exercise significant influence. The Exchange accounts for the investment in CSE (68% of its total certificates of proprietary membership) under the equity method due to the lack of effective control over the operating and financing activities of CSE. During 2002 the Exchange made an investment in ONE (40.3% of its outstanding stock). This investment is accounted for under the equity method.

Property and Equipment – Property and equipment are carried at cost. Depreciation on building, furniture and equipment is provided on the straight-line method. Estimated useful lives are 40 years for the building and five to ten years for furniture and equipment. Leasehold improvements are amortized over the lesser of their estimated useful lives or the remaining term of the applicable leases.

Data Processing Software – Data processing software is carried at cost and amortized over five to seven years using the straight-line method commencing with the date the software is put in service.

Goodwill – Goodwill is amortized over seven years to forty years for financial statement presentation and over fifteen years for income tax purposes.

Impairment of Long-Lived Assets – Management reviews long-lived assets and the related intangible assets for impairment of value whenever events or changes in circumstances indicate the carrying amount of such assets may not be recoverable. If the Exchange determines it is unable to recover the carrying value of the assets, the assets will be written down using an appropriate method. Management does not believe current events or circumstances provide evidence that suggests asset values have been impaired.

Income Taxes – Income taxes are determined using the liability method, under which deferred tax assets and liabilities are recorded based on differences between the financial accounting and tax bases of assets and liabilities.

Other Deposits – Other deposits include amounts received from members for telephones in the Exchange facility and amounts for Exchange sponsored conferences.

Unearned Income – Unearned income represents amounts received by the Exchange for which the contracted services have not been provided.

Fair Value of Financial Instruments – SFAS No. 107, "Disclosures About Fair Value of Financial Instruments," requires disclosure of the fair value of certain financial instruments. The carrying values of financial instruments included in assets and liabilities are reasonable estimates of their fair value.

Reclassifications – Certain prior year amounts have been reclassified to conform with the current year presentation.

Adoption of New Accounting Policies – In June 1998, the Financial Accounting Standards Board ("FASB") issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," which requires recognition of all derivative instruments in the balance sheet as either assets or liabilities and the measurement of those instruments at fair value. SFAS No. 133 also requires changes in the fair value of the derivative instruments to be recorded each period in current year earnings or comprehensive income depending on the intended use of the derivatives. In June, 2000, the FASB issued SFAS No. 138, which amends the accounting and reporting standards of SFAS No. 133 for certain derivative instruments and certain hedging activities. SFAS No. 133 and SFAS No. 138 were adopted by the Exchange effective July 1, 2001. No transition adjustment was required.

Recent Accounting Pronouncement – In July 2001, the FASB issued SFAS No. 142, "Goodwill and Other Intangible Assets" which is effective for the Exchange July 1, 2002. Under SFAS No. 142, goodwill and separately identified intangible assets with indefinite lives will no longer be amortized but reviewed annually (or more frequently if impairment indicators arise) for impairment. Separately identified intangible assets not deemed to have indefinite lives will continue to be amortized over their useful lives. The Exchange has deemed the impact of adopting SFAS No. 142 to be immaterial.

In August 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." SFAS No. 144 supercedes SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and Long-Lived Assets to be Disposed of," and the accounting provisions of Accounting Principles Board ("APB") Opinion No. 30, "Reporting the Results of Operations—Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions," for the disposal of a segment of a business. The Statement also amends Accounting Research Bulletin ("ARB") No. 51, "Consolidated Financial Statements," to eliminate the exception to consolidation for a subsidiary for which control is likely to be temporary. SFAS No. 144, which is effective for the Exchange July 1, 2002, requires that long-lived assets held for sale be recorded at the lower of carrying value or fair value less cost to sell. An impairment loss is recognized only if the carrying amount of a long-lived asset is not recoverable from its undiscounted cash flows and is measured as the difference between the carrying amount and fair value of the asset. Long-lived assets to be disposed of other than by sale are considered held and used until disposed of. The Exchange has determined the impact of adopting SFAS 144 to be immaterial.

2. Investment in the Cincinnati Stock Exchange

The investment in CSE is accounted for using the equity method. Condensed financial statements of the CSE as of and for the years ended June 30, 2002 and 2001 are as follows (in thousands):

	2002	2001
Balance Sheets		
Cash and cash equivalents	$ 4,955	$ 434
Securities available-for-sale	2,090	2,569
Other current assets	9,007	2,624
Long-term securities available-for-sale	8,540	10,223
Other long-term assets	5,661	3,167
Total assets	**30,253**	**19,017**
Current liabilities	14,543	4,276
Deferred income taxes	1,252	558
Members' equity	14,458	14,183
Total liabilities and members' equity	**30,253**	**19,017**
The Exchange's share of members' equity	**$ 10,308**	**$ 10,200**

	2002	2001
Statement of Operations		
Transaction revenue	$ 2,971	$ 4,078
Other revenue	5,011	4,925
Total revenues	**7,982**	**9,003**
Employee costs	2,622	2,955
Other expenses	5,152	4,991
Total expenses	**7,774**	**7,946**
Net income	**208**	**1,057**
The Exchange's equity in net income	**$ 141**	**$ 717**

3. Related Parties

The Exchange's equity in the net assets of OCC exceeded its cost by approximately $8.6 million and $10.0 million at June 30, 2002 and 2001, respectively. The Exchange collected transaction and other fees of $123.4 million and $202.4 million for the years ended June 30, 2002 and 2001, respectively, by drawing on accounts of the Exchange's members held at OCC. For the years ended June 30, 2002 and 2001, respectively, the amount collected includes $19.3 million and $80.1 million of marketing fees (see note 8). The Exchange had a receivable due from OCC of $11.1 million and $15.8 million at June 30, 2002 and 2001, respectively.

The Exchange incurred rebillable expenses on behalf of CSE, for expenses such as employee costs, computer equipment and office space of $2.6 million and $2.3 million for the years ended June 30, 2002 and 2001, respectively. The Exchange had a receivable from CSE of $485 thousand and $462 thousand at June 30, 2002 and 2001, respectively.

OPRA is a committee administered jointly by the five options exchanges and is authorized by the Securities and Exchange Commission to provide consolidated options information. This information is provided by the exchanges and is sold to outside news services and customers. OPRA's operating income is distributed among the exchanges based on their relative volume of total transactions. Operating income distributed to the Exchange was $18.9 million and $21.5 million for the years ended June 30, 2002 and 2001, respectively. The Exchange had a receivable from OPRA of $4.5 million and $5.6 million at June 30, 2002 and 2001, respectively.

The Exchange, the Chicago Mercantile Exchange and the Chicago Board of Trade are partners in ONE, a joint venture created to trade single stock futures. Certain ONE employees also have minority interests in the joint venture. ONE is a for-profit entity with its own management and board of directors, and is separately organized as a regulated exchange. As of June 30, 2002, the Exchange has contributed $4.4 million in capital to ONE. The Exchange had a receivable due from ONE of $391 thousand at June 30, 2002.

4. Leases

The Exchange leases office space with lease terms of six months and five years. Rent expenses related to leases during FY 2002 and FY 2001 were $1.8 million and $2.0 million, respectively. Future minimum lease payments under these noncancelable operating leases are as follows at June 30, 2002 (in thousands):

2003	$ 661
2004	652
2005	669
2006	627
Total	**$ 2,609**

5. Employee Benefits

Eligible employees participate in the Chicago Board Options Exchange SMART Plan (the "SMART Plan"). The SMART Plan is a defined contribution plan, which is qualified under Internal Revenue Code Section 401(k). The Exchange contributed $3.4 million and $3.2 million to the SMART Plan for the years ended June 30, 2002 and 2001, respectively.

Eligible employees participate in the Supplemental Employee Retirement Plan (the "SERP Plan"). The SERP Plan is a defined contribution plan that is nonqualified by Internal Revenue Code regulations. The Exchange contributed $579 thousand and $1.1 million to the SERP Plan for the years ended June 30, 2002 and 2001, respectively.

The Exchange also has a Voluntary Employees' Beneficiary Association ("VEBA"). The VEBA is a trust, qualifying under Internal Revenue Code Section 501(c)(9), created to provide certain medical, dental, severance, and short-term disability benefits to employees of the Exchange. Contributions to the trust are based on reserve levels established by Section 419(a) of the Internal Revenue Code. During fiscal 2002 and 2001, the Exchange contributed $1.8 million and $1.7 million, respectively, to the trust.

6. Commitments

The Exchange reached a settlement in September 2000 with the Securities and Exchange Commission and the Antitrust Division of the Department of Justice concerning their investigations into the past listing of certain options and other SEC regulatory issues. The Exchange was not fined, but as part of these settlements, agreed to expend an amount on options-related surveillance, regulation and enforcement that equals or exceeds $17.0 million in each of calendar years 2000 and 2001. The Exchange has satisfied this obligation.

In September 2000, the Exchange reached an agreement in principle to settle a consolidated civil class action lawsuit filed against the Exchange and the other U.S. options exchanges and certain market maker firms. The Exchange agreed to pay $16.0 million in three equal installments on or before October 16, 2000, July 1, 2001, and July 1, 2002. All payments have been made, and are being held in escrow pending approval of the settlement agreement by the U.S. District Court for the Southern District of New York. Approval of the settlement agreement is currently pending appellate review of the district court's February 2001 order granting summary judgment in favor of the defendants.

7. Income Taxes

A reconciliation of the statutory federal income tax rate to the effective income tax rate, for the years ended June 30, 2002 and 2001, is as follows:

	2002	2001
Statutory federal income tax rate	34.0%	35.0%
State income tax rate, net of federal income tax effect	4.7	4.7
Equity in income of CSE	(98.0)	(2.2)
Meals and entertainment	(4.4)	1.4
Political contributions	(1.4)	0.4
Lobby expenses	(5.4)	1.7
Other, net	6.6	(1.0)
Effective income tax rate	**(63.9%)**	**40.0%**

At June 30, 2002 and 2001, the net deferred income tax liability approximated (in thousands):

	2002	2001
Deferred tax assets	$ 9,261	$ 8,887
Deferred tax liabilities	32,691	27,023
Net deferred income tax liability	**$ 23,430**	**$ 18,136**

Deferred income taxes arise principally from temporary differences relating to the use of accelerated depreciation methods for income tax purposes, capitalization of software, licensing fees, funding of the VEBA trust, and beginning in 2002, undistributed earnings from the Exchange's investment in CSE.

Through 2001, consistent with the requirements of FASB Statement No. 109, CBOE has measured the difference between the book and tax basis of its investment in CSE using a deferred tax liability rate of zero. This rate was reflective of the expected tax-free means of recovering the investment in CSE through the ultimate purchase of the shares necessary to effectuate a statutory merger.

Due to continued interest by several outside parties in the potential purchase of the Exchange's investment in CSE and CBOE's refined strategy of possibly selling the CSE investment, management now believes that CBOE's expected realization of its investment in CSE will most likely be through the sale of its investment in CSE, which will trigger a capital gain at CBOE's normal tax rate. Therefore, beginning in 2002, CBOE has modified the deferred tax liability rate to match the changed disposition strategy.

8. Marketing Fee

On July 1, 2000 the Exchange imposed a $.40 per contract marketing fee on market makers and DPMs when executing transactions with non-Exchange market makers. This fee was suspended effective August 1, 2001, however the Exchange still facilitates the collection of payment for order flow funds from DPMs and distributes order flow funds to order provider firms, as directed by the DPMs each month. As of June 30, 2002 and 2001 amounts held by CBOE on behalf of others included accounts receivable balances of $1.1 million and $5.6 million, respectively and a cash balance of $3.5 million as of June 30, 2001.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

9. Litigation

In May 2001, in an action entitled *Cathedral Trading, L.L.C. et al v. CBOE et al.,* the Exchange was sued by six individuals and two corporations, who described themselves as retail customers, claiming that the Exchange made false representations about the operation of various Exchange systems and engaged in fraudulent practices in connection with plaintiffs' options transactions. The complaint also alleged that they were harmed by a regulatory inquiry that the Exchange initiated. Plaintiffs alleged that the Exchange thereby violated certain sections of the Securities Exchange Act of 1934, the Securities Act of 1933, the antitrust laws and various Illinois statutes concerning fraudulent practices and that the Exchange defrauded them, breached contractual obligations, defamed plaintiffs and interfered with their contractual relations. The complaint sought damages in the amount of $100.0 million, plus treble damages for the alleged antitrust violations, attorneys' fees, costs, and interest. On April 30, 2002, the court granted defendants' motion to dismiss the complaint and entered judgment in favor of the Exchange. Plaintiffs did not appeal from that decision.

On September 27, 2001, in an action entitled *Kundrat et al. v. CBOE et al.,* the Exchange was sued by four individuals, who described themselves as retail customers, claiming that the Exchange refused to execute plaintiffs' options transactions at the disseminated quote, improperly faded quotes, failed to send timely trade and cancellation confirmations and improperly busted trades. Plaintiffs' amended complaint claims that the Exchange's alleged actions violated the Securities Exchange Act of 1934, the antitrust laws, and breached contracts that the Exchange supposedly had with plaintiffs. Plaintiffs also allege that they were harmed by an Exchange regulatory inquiry and that the inquiry interfered with other purported contractual relations. The amended complaint seeks damages in excess of $75 thousand, plus treble damages in connection with the antitrust claims, interest, attorneys' fees and costs. The Exchange's motion to dismiss has been fully briefed and is pending before the Court.

The Exchange believes that it has meritorious defenses and intends to vigorously defend itself in the *Kundrat* action. However, the Exchange cannot presently estimate the amount of loss, if any, that may result. The ultimate outcome of this litigation cannot presently be determined and no allowance for loss has been made in these financial statements.

10. Subsequent Events

Effective July 1, 2002 the Exchange entered into an unsecured revolving credit agreement providing for borrowings up to $10.0 million. Borrowings under the agreement bear interest based on LIBOR or prime interest rates. The agreement, which will expire on June 30, 2003, is intended to meet short-term working capital requirements if the need were to occur. The agreement requires the Exchange to maintain certain net worth and financial ratios.

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Members of the Chicago Board Options Exchange, Incorporated:

We have audited the accompanying consolidated balance sheets of the Chicago Board Options Exchange, Incorporated and subsidiaries (the "Exchange") as of June 30, 2002 and 2001, and the related consolidated statements of income and retained earnings and of cash flows for the years then ended. These consolidated financial statements are the responsibility of the Exchange's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of The Cincinnati Stock Exchange ("CSE") for the years ended June 30, 2002 and 2001, the Exchange's investment in which is accounted for by use of the equity method. The Exchange's equity of $10.3 million and $10.2 million in the CSE's net assets at June 30, 2002 and 2001, respectively and of $141 thousand and $717 thousand in that Exchange's net income for the respective years then ended are included in the accompanying financial statements. The financial statements of CSE were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for CSE, is based solely on the report of such other auditors.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the report of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the report of the other auditors, such consolidated financial statements present fairly, in all material respects, the financial position of the Exchange and its subsidiaries at June 30, 2002 and 2001, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Deloitte & Touche LLP

August 21, 2002

BOARD OF DIRECTORS

William J. Brodsky
Chairman of the Board and Chief Executive Officer

Mark F. Duffy
Vice Chairman and Chairman of the Executive Committee

Robert J. Birnbaum
Former President
New York Stock Exchange
American Stock Exchange
Public Director

Thomas A. Bond
Independent Market Maker

David Johnson
Managing Director
Morgan Stanley

Silas Keehn
President (Retired)
Federal Reserve Bank of Chicago
Public Director

Leon T. Kendall
Professor of Finance and Real Estate
The Kellogg School of Management
Northwestern University
Public Director

Daniel P. Koutris
Vice President
Knight Financial Products

Duane R. Kullberg
Former Chief Executive Officer 1980-1989
Andersen Worldwide
Public Director

Richard F. Lynch
Senior Vice President
Equity Trading
Prudential Securities

James P. MacGilvray
Executive Vice President
UBS PaineWebber

R. Eden Martin
Partner
Sidley Austin Brown & Wood
Public Director

Anthony D. McCormick
Vice President
Equity Options
Schwab Capital Markets

Craig C. Messinger
Executive Vice President
Fidelity Capital Markets

Roderick Palmore
Senior Vice President
Sara Lee Corporation
Public Director

Thomas H. Patrick, Jr.
Managing Director
Equity Linked Trading for the Americas
Merrill Lynch & Co., Inc.

Thomas A. Petrone
Managing Director
Global Equity Derivatives
Salomon Smith Barney

Susan M. Phillips
Former Governor
Federal Reserve Board
Dean
School of Business and Public Management
The George Washington University
Public Director

Michael J. Post
President
Seats Exchange, Inc.

Robert A. Rosholt
Chief Financial and Investment Officer
Nationwide Mutual Insurance Company
Public Director

John E. Smollen
Managing Director
SLK/Hull Derivatives, LLC

John M. Streibich
Designated Primary Market Maker
Susquehanna Investment Group

Alvin G. Wilkinson
Market Maker
Wilkinson Management, LLC

STANDING COMMITTEES OF THE BOARD

Audit Committee
Duane R. Kullberg, Chairman
Daniel P. Koutris
Roderick Palmore

Compensation Committee
Mark F. Duffy, Chairman
William J. Brodsky
Daniel P. Koutris
Duane R. Kullberg
James P. MacGilvray
R. Eden Martin

Executive Committee
Mark F. Duffy, Chairman
William J. Brodsky
Robert J. Birnbaum
Daniel P. Koutris
James P. MacGilvray
John M. Streibich

COMMITTEES OF THE MEMBERSHIP

Allocation/Special Product Assignment Committee
Licia J. Leslie, Chairman
David C. Adent
Terrence J. Andrews
Michael R. Benson
James D. Coughlan
Joseph A. Frehr
Stuart J. Kipnes
Gerald T. McNulty
John B. Niemann
William J. O'Keefe
Benjamin E. Parker
Steven N. Tumen

Appeals Committee
Patrick J. McDermott, Chairman
Orlando Alfonso
Matthew Arndt
Brett T. Benson
Timothy Benton
Frank Brodlo
Andrew H. Carolan
Michael T. Considine
Greg DeFalco
Bruce D. DiDominicis
David A. Filippini
James P. Fitzgibbons
Jonathan G. Flatow
Michael D. Friedman
James Gazis
Timothy P. Gill
Thomas A. Hamilton, Jr.
Mark A. Harmon
Michael P. Held
Andrew Hodgman
Paul J. Jiganti
B. Michael Kelly
Richard Kevin
John A. Lalowski
Kelly Luthringshausen
Daniel R. McCarthy
Patrick J. Naughton
John T. Nemeth
John B. Niemann
Renee P. O'Bryan
Daniel M. O'Donnell
Terrence M. O'Donnell
Daniel O'Grady
Daniel J. O'Shea
Peter Osborne
Douglas W. Prskalo
Gregg A. Prskalo
Sondra C. Rabin
W. Scott Schwanke
Neal Shamis
James David Short
Antanas Siurna
Svebor Smolic
James D. Sullivan
William Ulivieri
Wayne A. Weiss
Dennis M. Wetzel
Francis Wondrasek

Arbitration Committee
Daniel A. Baldwin, Chairman
Thomas R. Beehler
Robert I. Chukerman
Richard M. Coplan
Michael D. Coyle
Christopher P. Cribari
David Dobreff
Stephen P. Donahue
Douglas H. Edelman
Brian H. Egert
David A. Eglit
Jennifer Abrams Fisher
James P. Fitzgibbons
Jonathan G. Flatow
Theodoric Flemister
Mark R. Fluger
Ann Grady
Peter C. Guth
Thomas A. Hamilton
Michael P. Held
William G. Hohenadel
Paul J. Jiganti
Mark E. Kalas
Joseph G. Kinahan
John A. Koltes
John A. Lalowski
Michael Lyons
Patrick J. McDermott
Brock R. McNerney
Nina V. Milovac
Joseph D. Mueller
Scott O'Connell
Charles W. Palm
Donald F. Pratl
Steven M. Quirk
Sondra C. Rabin
Peter V. Rogus
Scott E. Schram
William Shimanek
Fred Teichert
John H. Waterfield
Patrick W. Wehr
Dennis M. Wetzel
James U. Wieties
Corey D. Zimmerman

Business Conduct Committee
John F. Burnside, Chairman
David T. DeArmey, Vice Chairman
Patrick J. Caffrey
Raymond P. Dempsey
Robert C. Errico
Richard I. Fremgen
Maureen C. Guilfoile
Peter C. Guth
Allen B. Holeman
Gary P. Lahey
Steven A. O'Malley
Joseph F. Sacchetti
Margaret E. Wiermanski
J. Slade Winchester

CBOE/CBOT Joint Advisory Committee
John E. Callahan, Chairman
David Johnson
William J. Terman
Ex-Officio
Thomas Corbett
Norman Friedman
Ross G. Kaminsky
Brian A. Novak
Paul L. Richards
Gregg Rzepczynski
Robert C. Sheehan
James Slykas
Jesse L. Stamer

Clearing Procedure Committee
Michael J. Ryan, Chairman
John E. O'Donnell, Vice Chairman
Mark A. Baumgardner
Gordon Baytala
John R. Beres
Mitchell R. Bialek
Patrick K. Blackburn
Louis G. Buttny
William F. Carik
Arthur Goldberg
John Hiatt, Sr.
John J. Kaminsky
Matthew Liszka
Anthony Monaco
Ralph Mueller
Maureen Pacocha
Frank Pirih
Susan Shimmin
Thomas C. Smith
Michael E. Trees

Election Committee
Joanne Moffic-Silver, Chairman
Nancy Nielsen
Raedelle Pancake

Equity Floor Procedure Committee
Edward T. Tilly, Chairman
Terrance G. Boyle
Anthony J. Carone
Daniel P. Carver
James D. Coughlan
Stephen M. Dillinger
Mark A. Esposito
Patrick S. Hamilton
Kevin J. Hincks
Paul J. Jiganti
Ross G. Kaminsky
Stuart J. Kipnes
Benjamin M. Klein
Licia J. Leslie
David F. Miller, Jr.
Kenneth D. Mueller
Ex-Officio
John E. Smollen, Jr.

Equity Market Development and Market Performance Committee
John M. Streibich, Chairman
Terrence J. Andrews
Susan C. Bannon
Michael R. Benson
Richard H. Bode
Edward G. Boyle
Terrence E. Cullen
Michael A. Dalesandro
Richard W. Fuller, Jr.
James Gazis
Monte J. Henige
B. Michael Kelly
Jack Kennedy
Donald H. Klein, Jr.
John B. Niemann
John P. O'Grady
Joel A. Tenner
John H. Waterfield, III
Thomas G. Weston

Exemption Committee
Peter M. Najarian, Chairman
Jeffrey A. Cesarone, Vice Chairman
Patrick J. Caffrey
John W. Fickle
Corey L. Fisher
Daniel P. McCollar
Michael N. Suarez

Facilities Committee
Christopher M. Wheaton, Chairman
William J. Ellington, Vice Chairman
Patrick M. Athern
David A. Dobeff
Robert R. Fabijanowicz
Patricia A. Kevin-Schuler
Joseph M. O'Donnell
Donald F. Pratl
David H. Scott
Lawrence E. Spieldenner
James U. Wieties
Adam J. Zechman
Corey D. Zimmerman

Financial Planning Committee
Daniel P. Koutris, Chairman
Alan J. Dean
Stephen P. Donahue
Douglas H. Edelman
William J. Ellington
Corey L. Fisher
Fred O. Goldman
Jeffrey T. Kaufmann
Kevin J. Keller
Timothy G. Keller
John P. Robinson
Frank A. Roszkiewicz
Robert Silverstein
Timothy M. Sommerfield

Financial Regulatory Committee
Richard E. Schell, Chairman
Margaret E. Wiermanski, Vice Chairman
Matthew Abraham
William F. Carik
Frank Catris
David T. DeArmey
Mark Gannon
Fred O. Goldman
John Hiatt, Sr.
Judith M. Kula
Steven O'Malley
Janice Rohr
Ex-Officio
Linda Haven
Andrew Naughton
Jacqueline Sloan

Floor Directors Committee
William J. Brodsky, Chairman
Thomas A. Bond
Mark F. Duffy
David Johnson
Daniel P. Koutris
Michael J. Post
John E. Smollen
John M. Streibich
Alvin G. Wilkinson

Floor Officials Committee
Raymond P. Dempsey, Chairman
Daniel C. Zandi, Vice Chairman
Daniel A. Baldwin
Darryl A. Behm
Patrick J. Caffrey
James K. Corsey
Brian M. Dowd
Damon M. Fawcett
Craig R. Johnson
Daniel P. McCollar
Thomas W. McEntegart
David F. Miller Jr.
Sean P. Moran
Joseph T. Nowicki
Ronald M. Pittelkau
Henry M. Robinson-Duff
Paul T. Savoie
John P. Stowick

Index Floor Procedure Committee
Richard E. Tobin, Chairman
Jonathan G. Flatow, Vice Chairman
Terrence J. Brown
Jeff Burianek
Terrence E. Burke
Richard Cichy
Michael F. Gallagher
Sean W. Haggerty
Kevin J. Kearns
Emmanuel L. Liontakis
John P. Mariner
Michael P. McGuire
Michael Mercucci
Robert C. O'Mullan
Michael R. Quaid
Keith G. Siemiawski
Paul C. Stefanos
James D. Sullivan
Scott F. Tinervia

Index Market Development and Market Performance Committee
Jonathan G. Flatow, Chairman
Jeffrey S. Latham, Vice Chairman
Dennis A. Carta
David A. Filippini
Matthew J. Filpovich
Francis P. Gleason
Jonathan M. Grodnick
I. Patrick Kernan
Jeffrey L. Klein
Todd A. Koster
Joseph A. Mareno
Christopher Nevins
Joshua G. Ortego
Daniel J. O'Shea
Douglas W. Prskalo
Steven M. Quirk
Joseph F. Sacchetti
Peter H. Schulte

Lessor Advisory Committee
Mark F. Duffy, Chairman
Bill Power, Vice Chairman
Lawrence J. Blum
Peter C. Guth
Paul J. Jiganti
Ruth I. Kahn
Paul Liang
Raymond G. Meyer
Michael M. Mondrus
Robert Murtagh
Martin P. O'Connell
Michael J. Post
William S. Persky
Irwin Segal
Robert Silverstein

Member Firm Operations Committee
Gerald T. McNulty, Chairman
Thomas Berk, III
J. Peter Brown
Jeffrey J. Bughman
Daniel P. Carver
Steven M. Chilow
David Creagan
Raymond P. Dempsey
Robert E. Duddy
William J. Ellington
Joseph A. Frehr
Francis P. Gleason
Jeffrey S. Kantor
Jeffrey T. Kaufmann
Stuart Kipnes
Donald Klein
Jeffrey S. Latham
James C. Lavery
Nicholas L. Marovich
Bruce A. Martin
Patrick J. McDermott
David F. Miller
Mark T. Morse
John E. O'Donnell
Mark Oakley
Donald F. Pratl
Michael Stowick
Michael Trees
J. Todd Weingart

Membership Committee
Robert B. Gianone, Chairman
Richard W. Fuller, Vice Chairman
Anthony P. Arciero
Keir S. Collins
Matthew J. Filpovich
Ian R. Galleher
David C. Ho
Charles F. Imburgia
William M. Kennedy
Jeffrey H. Melgard
Lloyd William Montgomery
Andrew B. Newmark
Philip G. Oakley
Steven Padley
Gregg A. Prskalo

COMMITTEES OF THE MEMBERSHIP (CONTINUED)

James P. Rouzan
Mary Rita Ryder
Gregg Rzepczynski
Stuart D. Saltzberg
Thomas C. Smith, III
Robert J. Wasserman

Modified Trading System (MTS) Appointments Committee
William J. O'Keefe, Chairman
Anthony P. Arciero
Daniel P. Carver, Sr.
Randy N. Chandra
Mark F. Duffy
Michael B. Frazin
Joseph A. Frehr
Kevin J. Keller
Gerald T. McNulty
James Meade
John M. Streibich

New Product Development Committee
Boris Furman, Chairman
Martin O'Connell, Vice Chairman
James Anstrand
Richard Clarke
Michael Gallagher
Jason Knupp
Brian Novak
Dominic Salvino
Matthew Shapiro
Robert Sheehan

Nominating Committee
William C. McGowan, Chairman
Bruce I. Andrews
James J. Boyle
Steven M. Chilow
Jonathan G. Flatow
Paul J. Jiganti
Jeffrey Kirsch
Newton N. Minow
John R. Power
Richard L. Thomas

Screen-Based Trading Committee
Paul J. Jiganti, Chairman
John Favia, Vice Chairman
Christine Bookmyer
James J. Boyle
Terrance G. Boyle
Anthony J. Carone
John L. Cowden
J. David Fikejs
James Gray
Joseph G. Kinahan
John Knuth
Thomas M. O'Donnell
Joseph Sellitto
Antanas Siurna
Phillip E Teuscher

SPX Floor Procedure Committee
Richard T. Marneris, Chairman
Jeffrey J. Kupets, Vice Chairman
Salvatore J. Aiello
Colin J. Barth
Eoin T. Callery
S. Mark Cavanagh
Michael P. Cozzie
Timothy P. Feeney
Michael J. Hayes
Thomas H. Jarck
I. Patrick Kernan
John J. Massarelli
Michael M. Mayor
Mark T. Morse
Christopher Nevins
Daniel J. Quinn
David A. Scatena
Timothy G. Weinand

Stock Selection Committee
Benjamin Parker, Chairman
David Adent, Vice Chairman
Lanny Brooks
John Colletti
Mark G. Eddy
Steven Hessing
Michael Looper
Brock R. McNerney
Jeff Melgard
Dora Morano-Koop
James Relihan
John Superson
Timothy J. Werner
J. Slade Winchester
Corey Zimmerman

Systems Committee
John E. Smollen, Chairman
Brian T. Batt
Daniel Condon
Thomas J. Corbett, Jr.
Greg J. DeFalco
Stephen M. Dillinger
Samuel L. Eadie, Jr.
George P. Hanley
John T. Hayden
John J. Kaminsky
Mark J. Karrasch
Jeffrey S. Latham
David F. Miller, Jr.
Kenneth D. Mueller
Thomas J. Neil
John E. O'Donnell
William L. Patterson
Steven J. Pettinato
Johnson T. Thomas
Ex-Officio
Daniel P. Koutris
Edward T. Tilly

SPECIAL COMMITTEES

Public Directors Governance Committee
Robert J. Birnbaum, Chairman
Duane R. Kullberg
R. Eden Martin
Susan M. Phillips

Regulatory Oversight Committee
Robert J. Birnbaum, Chairman
Duane R. Kullberg
R. Eden Martin
Susan M. Phillips

TASK FORCES

Governance Task Force
Duane R. Kullberg, Chairman
Robert J. Birnbaum
Thomas A. Bond
Michael J. Post
Alvin G. Wilkinson

Strategy Implementation Task Force
Edward J. Joyce, Chairman
Thomas A. Bond
Terrance G. Boyle
William J. Brodsky
Mark F. Duffy
Mark A. Esposito
Stuart J. Kipnes
Anthony D. McCormick
Thomas A. Petrone
John E. Smollen
Edward T. Tilly

ADVISORY COMMITTEES

Compliance Advisory Panel
Kevin Ahearn
David A. DeMuro
Robert C. Errico
Allen Holeman
James Kehoe
Anthony J. Leitner
Mark Manning
Michael Moran
Michelle Morgan
Lou Moschetta
Robert Palleschi
Luigi Ricciardi
Gary Stegeland
Mark Straubel
Brian Underwood

Institutional Traders Group
Alan Augarten
John Brett
Arnaud Desombre
Jerry Donini
Ralph Edwards
Joseph Gahtan
Kenneth MacKenzie
Arthur Mbanefo
Val Mihan
Larry Motola
Mark Neuberger
Van Nguyen
Brett Overacker
Ralph Reynolds

Regional Firm Advisory Committee
Vince Bonato
Louis DePaul
Dino Galeazzi
Dalton Givens
Mary Hanan
Sharon Jensen
James Knight
Jon Matthai
Stephen Mitchell
Denny Moorman
Ann Mueller
Henry Nothnagel
Nancy Penwell
Wendy Rea
John Sagness
William Sanford
James Schmitz
Terri Strickland-Smith
Carol Zenk

Retail Advisory Committee
Angelo Benedetto
Peter Biebel
Pat Blackburn
Matthew Gelber
Rich Gueren
Laura Holder
Edward Lynn
Craig Mihoulides
Gregory Miller
Philip Polera
William Ryan
Michael Schwartz
Thomas Stotts
Timothy Strazzini
Stewart Winner

Managing Directors Advisory Committee
John Andersen
Joseph Bile
Joseph Dattolo
Lawrence Hanson
David Johnson
Ronald Kessler
James MacGilvray, Jr.
Douglas Matthews
Anthony McCormick
Kurt Muller
Kevin Murphy
Mike Perry
Chris Sandel
Simon Terner
Joseph Valenza

EXECUTIVE OFFICERS AND STAFF OFFICIALS

Executive

William J. Brodsky
Chairman and Chief Executive Officer

Mark F. Duffy
Vice Chairman and Chairman of the Executive Committee

Edward J. Joyce
President and Chief Operating Officer

Business Development

Edward L. Provost
Executive Vice President

Thomas A. Brady
Vice President
Member Trading Services

Daniel R. Hustad
Vice President
Market Quality and Assurance

Matthew T. Moran
Vice President
Institutional Marketing

Debra L. Peters
Vice President
The Options Institute

William J. White, Jr.
Vice President
Member Trading Services

Civic and Governmental Affairs

Amy Zisook
Vice President

Corporate Communications

Carol E. Kennedy
Vice President

Corporate Planning and Research

Richard G. DuFour
Executive Vice President

Joseph Levin
Vice President
Research and Product Development

Finance and Administration

Alan J. Dean
Senior Vice President and Chief Financial Officer

Donald R. Patton
Controller and Vice President
Accounting

James P. Roche
Vice President
Market Data Services

Deborah Woods
Vice President
Human Resources

Legal

Joanne Moffic-Silver
General Counsel and Corporate Secretary

Arthur B. Reinstein
Deputy General Counsel

J. Patrick Sexton
Assistant General Counsel

Regulatory Services

Douglas Beck
Vice President
Market Monitoring

Lawrence J. Bresnahan
Vice President
Financial and Sales Practice Compliance

Richard Lewandowski
Vice President
Regulatory Services

Margaret Williams
Vice President
Market Regulation

Systems

Gerald T. O'Connell
Executive Vice President and Chief Information Officer

James J. Neceda
Vice President
Systems Development

Mark S. Novak
Vice President
Systems Development

Larry L. Pfaffenbach
Vice President
Systems Planning

Roberta J. Piwnicki
Vice President
Systems Development

Gautam Roy
Vice President
Software

Curt Schumacher
Vice President
Systems Operations

Trading Operations

Philip M. Slocum
Senior Vice President

Gail Flagler
Vice President
Reporting Services

John T. Johnston
Vice President
Execution and Reporting Services

Thomas P. Knorring
Vice President
Trade Processing

Anthony Montesano
Vice President
Trading Operations

Michael Todorofsky
Vice President
Market Operations

Timothy T. Watkins
Vice President
Trading Systems Development

CLEARING MEMBER FIRMS

A A Sage Corporation
A.G. Edwards & Sons, Inc.
ABN AMRO, Inc.
ABN AMRO Sage Corporation
Advest, Inc.
Banc One Capital Markets, Inc.
Bank of America Securities, LLC
Bear Stearns Securities Corp.
BNP Securities (U.S.A.), Inc.
BNY Clearing Services, LLC
BNY ESI & Co. Inc.
Botta Capital Management, LLC
Carr Futures, Inc.
Charles Schwab & Co., Inc.
CIBC Oppenheimer Corp.
Credit Suisse First Boston Corporation
Deutsche Bank Alex Brown, Inc.
Donaldson Lufkin & Jenrette Securities Corporation/ Pershing Division
E.D. & F. Man International, Inc.
E.D. & F. Man International, Inc./ Retail Customer
Ernst & Co. (Corporation)
Fahnestock & Co., Inc.
FIMAT, USA, Inc.
First Options of Chicago, Inc.
Goldman, Sachs & Co.
Herzog, Heine, Geduld, Inc.
ING TT&S (U.S.) Securities, Inc.
ING Barings Corp.
Instinet Clearing Services Inc.
Interactive Brokers, LLC
J.J.B. Hilliard, W.L. Lyons, Inc.
J.P. Morgan Securities, Inc.
K.A., Division of First Options of Chicago, Inc.
Knight Execution Partners, LLC
K.V. Execution Services, LLC
La Branche Financial Services, Inc.
Ladenburg, Thalman & Co., Inc.
Lakeshore Securities, L.P.
Lehman Brothers, Inc.
LIT, Division of First Options of Chicago, Inc.
Merrill Lynch, Pierce, Fenner & Smith, Inc.
Merrill Lynch Professional Clearing
Morgan Keegan & Company, Inc.
Morgan Stanley & Company, Inc.
Morgan Stanley Dean Witter Inc.
National Financial Services, LLC
Nomura Securities International, Inc.
O'Connor & Company, LLC
PaineWebber, Inc.
PAX Clearing Corporation
PAX Clearing Corp.–AB
Preferred Capital Markets, Inc.
Prudential Securities, Inc.
Raymond James & Associates, Inc.
RBC Dain Rauscher, Inc.
RBC Dominion Securities Corporation
Refco Securities, LLC
Robert W. Baird & Co., Inc.
Salomon Brothers, Inc.
Salomon Smith Barney, Inc.
SG Cowen Securities Corporation
SLK-Hull Division of First Options Inc.
Spear, Leeds & Kellogg
Stephens, Inc.
Stifel, Nicolaus & Company, Inc.
Timber Hill, LLC
TradeLink, LLC
UBS Warburg, LLC
U.S. Clearing Corp.
Weiss, Peck & Greer, LLC
Ziv Investment Company

Design: Liska + Associates
Printing: Active Graphics

CHICAGO BOARD OPTIONS EXCHANGE

LaSalle at Van Buren
Chicago, Illinois 60605
312.786.5600

61 Broadway, Suite 1301
New York, New York 10006
212.344.4110

www.cboe.com