In 2003, CBOE redefined how options are traded. Here's how we did it.
On June 12, 2003, the Chicago Board Options Exchange® (CBOE®) introduced CBOEdirect HyTS, a revolutionary hybrid trading system. CBOE is the first exchange to truly marry the speed and efficiency of screen-based trading with the liquidity and price discovery of a competitive, open outcry marketplace.
By launching CBOEdirect HyTS, CBOE has created a unique trading model, unlike that of any other options exchange.

The robust technology encompassed in CBOEdirect HyTS combines the best features of screen-based trading and floor-based markets. By crafting a multi-faceted trading environment that combines the key elements of each, CBOE now offers customers and market makers a groundbreaking “best of both worlds” options marketplace.
<table>
<thead>
<tr>
<th>Expiry Date</th>
<th>Strike Price</th>
<th>Call/Put</th>
<th>Status</th>
<th>Bid Size</th>
<th>Bid</th>
</tr>
</thead>
<tbody>
<tr>
<td>OCT-03</td>
<td>10.00</td>
<td>Call</td>
<td>OUTSTANDING</td>
<td>1302</td>
<td>17.60</td>
</tr>
<tr>
<td>NOV-03</td>
<td>37.50</td>
<td>Call</td>
<td>FILLED</td>
<td>50</td>
<td>8.60</td>
</tr>
<tr>
<td>OCT-03</td>
<td>37.50</td>
<td>Call</td>
<td>FILLED</td>
<td>50</td>
<td>8.60</td>
</tr>
<tr>
<td>NOV-03</td>
<td>85.00</td>
<td>Call</td>
<td>FILLED</td>
<td>1189</td>
<td>5.40</td>
</tr>
<tr>
<td>OCT-03</td>
<td>85.00</td>
<td>Call</td>
<td>FILLED</td>
<td>50</td>
<td>10.60</td>
</tr>
<tr>
<td>OCT-03</td>
<td>1015.00</td>
<td>Call</td>
<td>FILLED</td>
<td>1189</td>
<td>5.40</td>
</tr>
</tbody>
</table>

Strike | C/P | Price | Price Type | WITH/Stop | Acct Name | Duration | Exchange | SubExe | CMTA | Give Up | Send | Clear | Last |
|-------|-----|-------|------------|-----------|-----------|----------|----------|--------|------|---------|------|-------|------|
CBOE HyTS TERMINAL
CBOE partnered with Belzberg Technologies, Inc. to co-brand the CBOE Hybrid Trading System (HyTS) Terminal, a universal access, multifunctional, trading solution workstation. The HyTS Terminal serves as an order management tool, and provides CBOE customers with immediate point-and-click access to CBOE markets.

Increased Efficiency and Speed
CBOEdirect HyTS offers powerful new features which provide customers with efficiency, speed and market quality unparalleled in the options industry.

Individual Market Makers’ Streaming Quotes
CBOEdirect HyTS allows in-crowd market makers to input real-time, streaming quotes into CBOEdirect, the system’s trade engine. CBOE disseminates the resulting, composite best bid and offer, including the total size available at the best price. Customers benefit from tight, guaranteed markets that can be immediately accessed electronically.

The ability for market makers to stream live quotes, to post “quotes with size” and to more quickly execute orders allows CBOE market makers to better showcase the quality of markets found at CBOE.

Point-and-Click Execution for Customers
The HyTS Terminal is a universal access, multifunctional workstation that provides electronic access and order routing to U.S. options exchanges, as well as complete access to market data, real-time quotes and order management—all on a single screen. Terminal users may also obtain similar functionality for futures and stock exchanges. Additionally, the CBOE HyTS Terminal serves as a portal into the CBOE Hybrid Trading System.
Potential for Price Improvement
CBOE believes in the inherent value of the face-to-face, open outcry marketplace and also recognizes the beneficial features of electronic trading. The Hybrid Trading System, CBOEdirect HyTS, is more than just the sum of its parts. The system offers customers synergistic benefits by uniting the advantages of both types of marketplaces. With nearly 1,400 well-capitalized market makers, CBOE features more options traders in one place than any other exchange. This vast pool of expertise and liquidity creates deep markets where abundant opportunities for price discovery allow for price improvement.

Open Access to the Limit Order Book
Because individual market makers now have electronic quoting capability, CBOE, for the first time, allows for the “opening of the Limit Order Book” to customer, firm and Broker/Dealer orders. Orders entered in the Book are afforded priority according to price and are eligible for electronic matching. Customer priority is retained.
ELECTRONIC ENVIRONMENT

FIRM BOOTH: BART BERS FBW

PAR

CBOEdirect TRADE ENGINE

ORDER CONFIRMATION
HyTS Terminal
Member Firm Systems

ORS

FILLS

INCROWD BROKERS

FLOATING BROKERS

DPMs/ MARKET MAKERS

IN-CROWD BROKERS

OPEN OUTCRY/ TRADING CROWD

STREAMING QUOTES

Electronically Notified

FILLS

Telephone Fills

ORDERS

More Option Traders in One Place than Any Other Exchange

Less Complex Order Handling

Open Book

Ultimate Matching Algorithm

Competitive Streaming Quotes from Liquidity Providers

Electronic Complex Order Handling

Open Book

Ultimate Matching Algorithm

Competitive Streaming Quotes from Liquidity Providers

Electronic Complex Order Handling

Open Book

Ultimate Matching Algorithm

Competitive Streaming Quotes from Liquidity Providers
CBOE TRADING FLOOR
CBOE’s market makers compete aggressively, producing tight, deep markets.

Enhanced Access to CBOE’s Markets
An open auction market combined with the benefits of electronic trading provides customers with easy access to CBOE’s deep, transparent markets. Floor brokers can walk into a trading crowd and request markets on their customers’ behalf.

Ultimate Matching Algorithm
The CBOEdirect HyTS ultimate matching algorithm retains the priority to public customer orders that CBOE has always afforded. Additionally, participation rights are awarded to other market participants based on a formula that rewards deep liquidity, as well as competitive pricing.
**Fiscal Year Events and Highlights**  
**JULY 1, 2002–JUNE 30, 2003**

**JULY 19, 2002**  
CBOE launches Large Order Utility (LOU) to allow customers to instantaneously secure CBOE’s disseminated quote for large size orders that were not eligible for electronic execution.

**JULY 23, 2002**  
The CBOE Volatility Index® (VIX®) closes at 50.48, marking the first time VIX has closed above 50 since November 11, 1987.

**JULY 31, 2002**  
New records set for monthly volume in options on the S&P 500® Index (SPX®)–3,859,734 contracts and options on the Dow Jones Industrial Average® (DJX)–1,485,582 contracts.

**AUGUST 15, 2002**  
CBOE membership votes overwhelmingly in favor of adopting governance amendments intended to increase the role of public directors on the Exchange’s Board of Directors.

**AUGUST 26, 2002**  
In a partnership with Chicago Public Schools, CBOE “adopts” John B. Drake Elementary School. CBOE members and staff, as part of the Working In The Schools (WITS) Program, tutor students throughout the school year.

**SEPTEMBER 30, 2002**  
Volume in options on DIAMONDS® (DIA) increases by 37%. Introduced on May 20, 2002, options on DIA is one of the most successful new product launches in CBOE history.

**OCTOBER 8, 2002**  
OneChicago, LLC, a joint venture exchange between CBOE, CBOT and CME, launches trading of securities futures.

**OCTOBER 21, 2002**  
CBOE and Chicago Public Schools (CPS) hold a joint press conference to announce CPS’ new “Futures Exchange” corporate partnership program.

**OCTOBER 31, 2002**  
New record for monthly volume in options on QQQ set with a total of 2,508,407 contracts traded.

**NOVEMBER 8, 2002**  
For the calendar year, CBOE trades a total of 267,616,496 contracts, making 2002 the fourth busiest year in CBOE history.

**DECEMBER 31, 2002**  
For the calendar year, CBOE trades a total of 267,616,496 contracts, making 2002 the fourth busiest year in CBOE history.
JANUARY 2, 2003
Thirty Chicago high school students spend a week at CBOE as part of the annual Diversity Representation, Education and Mentoring (DREAM) program. The DREAM program, now in its fifth year, is an ongoing effort at CBOE to expose minority youth to the financial industry.

JANUARY 31, 2003
CBOE, along with the other U.S. options exchanges, participates in the launch of an intermarket linkage system.

MARCH 11, 2003
The 20th anniversary of index options trading at CBOE is celebrated. Standard & Poor’s executives rang the opening bell in recognition of the milestone.

MARCH 21, 2003
CBOE experiences one of the busiest trading days in its history as 2,003,524 contracts trade.

MARCH 27, 2003
CBOE S&P 500® BuyWrite Index (BXM®) is licensed to Rampart Investment Management, Inc. for a new investment vehicle to be based on the BXM.

APRIL 26, 2003
CBOE marks its 30th anniversary and the launch of listed options. To commemorate the occasion, Mayor Richard M. Daley visited the Exchange on April 22, 2003 and rang the opening bell during a special ceremony.

FEBRUARY 27, 2003
The CBOE Hybrid Trading System (HyTS) Terminal, a universal access, multifunctional, trading solution workstation, is introduced.

FEBRUARY 28, 2003
For the third consecutive month, CBOE has the largest total volume of all U.S. options exchanges in options on QQQ.

MAY 2, 2003
Myron Scholes, 1997 Nobel Laureate in Economics for development of the Black-Scholes options pricing model, tours the CBOE trading floor and is honored at a 30th anniversary luncheon.

JUNE 9, 2003
CBOE activates application with the Commodity Futures Trading Commission to become a registered futures exchange.

JUNE 12, 2003
CBOE launches its new hybrid trading system, CBOEdirect HyTS.
Each chapter in CBOE’s remarkable history is chronicled by the Exchange’s ability to innovate and elevate the standard for industry leadership. CBOEdirect HyTS is in keeping with that long-standing tradition.
Letter from the Office of the Chairman

Mounting competitive pressures, a prolonged bear market in equities and shaken investor confidence combined to make Fiscal Year 2003 extremely demanding for the Chicago Board Options Exchange (CBOE) and its members. In the midst of this very challenging year, CBOE celebrated 30 years of options trading and retained its position as the world’s largest options exchange based on total volume. In addition, CBOE launched a major strategic and technological initiative designed to extend the Exchange’s leadership position into the future.

CBOE remained the leading exchange in overall options volume in FY 2003, garnering a 33% market share. Nearly 270 million contracts were traded, with an average daily volume of 1,071,305 contracts. Total equity options volume in FY 2003 was 159.3 million contracts. Despite a decrease of 2% when compared to FY 2002, the volume in FY 2003 represented the fourth highest fiscal year total in the Exchange’s history.

Impressive growth in CBOE’s options on benchmark indexes drove exchange volume in FY 2003, including: S&P 500® Index options (SPX), up 45%; S&P 100® Index options (OEX®), up 51%; options on the Dow Jones Industrial Average℠ (DJX), up 31%; Russell 2000 Index® options (RUT), up 71%; and options on the Nasdaq-100® Index Tracking Stock (QQQ), up 21%.

Total index options volume was 110.6 million contracts traded, an increase of 43% over FY 2002. From May 2002 through June 2003, index options volume at CBOE posted consecutive gains each month over the same month’s year-ago level.

CBOE remains committed to innovations and strategies that will foster the future growth of the Exchange. The most significant of those in 2003, as we’ve noted in the previous pages, was the launch of CBOEdirect HyTS, our new hybrid trading system.

CBOEdirect HyTS was designed to capitalize on CBOE’s greatest assets—the largest pool of market-making professionals in the options industry and the deep, liquid markets found in
our trading crowds. Those assets, combined with the Exchange’s ongoing commitment to enhance the trading process through technological innovation, led to the creation of this new business model.

CBOEdirect HyTS provides market makers with cutting-edge technology to display their markets in order to compete more aggressively with both screen- and floor-based competitors. We believe that CBOEdirect HyTS, with its unique marriage of traders and technology, has the capability to revolutionize the industry and change the way options are traded.

The conversion to Hybrid is ongoing as individual classes continue to be phased-in throughout the remainder of 2003. By year-end, the top classes, which account for approximately 90% of the national volume in equity options, will be traded on the Hybrid.

The emergence of CBOEdirect HyTS onto the competitive landscape significantly alters the options marketplace. Additionally, because CBOE both built and owns the highly-flexible technology used to power CBOEdirect HyTS, it can be easily adapted to future customer needs.

It is fitting, in our 30th anniversary year, for CBOE to punctuate its great tradition of leadership in customer service and technological innovation with the unveiling of CBOEdirect HyTS, the trading model of tomorrow. Through the continued dedication and skilled efforts of our members and staff, we look forward to an even more productive and successful future.

Sincerely,

William J. Brodsky
Chairman and CEO

Mark F. Duffy
Vice Chairman

Edward J. Joyce
President and COO
Although equities options market share and overall membership profitability continued to decline, the Exchange experienced a successful financial year. Net income for the year amounted to $7.4 million versus a loss of $5.6 million in the prior year.

Total options daily volume averaged 1,071,300 contracts per day, down approximately 2% from the prior year’s average of 1,097,000 contracts per day. The current year volume level was 16% higher than budgeted volume of 925,000 contracts per day.

Significant growth in index volume was the main reason current year revenues were $15.0 million higher than the prior year. Average contracts per day increases versus the prior year included Dow Jones indexes (112%), S&P 100 (51%), and S&P 500 (45%).

Expenses were $1.8 million less than the prior year, mainly due to non-recurring severance expenses of $4.5 million incurred in FY02. Expense increases in FY03 were mainly in royalty fees ($2.0 million) related to higher indexes trading volume and our share of losses incurred by OneChicago ($2.7 million). The loss incurred by OneChicago in FY03 was higher than FY02 due to higher operating and marketing costs related to the November 2002 launch of trading single stock futures.

Capital spending in FY03 amounted to approximately $25.0 million. Investments were primarily in the Systems Division related to the Hybrid Trading System and other trading floor enhancements. In addition, the Exchange contributed approximately $3.4 million in capital to OneChicago in FY03.

Retained earnings increased to $111.1 million and total members’ equity at June 30, 2003 was $132.0 million. At year’s end, the Exchange was debt-free with working capital of $30.1 million.
CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS

Chicago Board Options Exchange, Incorporated and Subsidiaries
For the Years Ended June 30, 2003 and 2002 (in thousands)

<table>
<thead>
<tr>
<th></th>
<th>2003</th>
<th>2002</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenues:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transaction fees</td>
<td>$104,827</td>
<td>$89,436</td>
</tr>
<tr>
<td>Other member fees</td>
<td>26,642</td>
<td>24,641</td>
</tr>
<tr>
<td>Options Price Reporting Authority Income</td>
<td>15,614</td>
<td>18,884</td>
</tr>
<tr>
<td>Regulatory fees</td>
<td>10,800</td>
<td>11,231</td>
</tr>
<tr>
<td>Interest</td>
<td>368</td>
<td>459</td>
</tr>
<tr>
<td>Equity in income of CSE</td>
<td>1,867</td>
<td>141</td>
</tr>
<tr>
<td>Other</td>
<td>3,674</td>
<td>4,031</td>
</tr>
<tr>
<td><strong>Total Revenues</strong></td>
<td><strong>163,792</strong></td>
<td><strong>148,823</strong></td>
</tr>
<tr>
<td><strong>Expenses:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employee costs</td>
<td>64,094</td>
<td>63,920</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>29,252</td>
<td>29,709</td>
</tr>
<tr>
<td>Data processing</td>
<td>17,771</td>
<td>17,492</td>
</tr>
<tr>
<td>Outside services</td>
<td>11,794</td>
<td>13,458</td>
</tr>
<tr>
<td>Royalty fees</td>
<td>11,028</td>
<td>8,989</td>
</tr>
<tr>
<td>Travel and promotional expenses</td>
<td>4,853</td>
<td>5,428</td>
</tr>
<tr>
<td>Facilities costs</td>
<td>4,240</td>
<td>4,351</td>
</tr>
<tr>
<td>Equity in loss of OneChicago</td>
<td>4,165</td>
<td>1,483</td>
</tr>
<tr>
<td>Other</td>
<td>2,583</td>
<td>2,195</td>
</tr>
<tr>
<td>Communications</td>
<td>621</td>
<td>727</td>
</tr>
<tr>
<td>Severance expense</td>
<td></td>
<td>4,499</td>
</tr>
<tr>
<td><strong>Total Expenses</strong></td>
<td><strong>150,401</strong></td>
<td><strong>152,251</strong></td>
</tr>
<tr>
<td><strong>Income (Loss) Before Income Taxes</strong></td>
<td><strong>13,391</strong></td>
<td><strong>(3,428)</strong></td>
</tr>
<tr>
<td><strong>Provision (Benefit) for Income Taxes:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current</td>
<td>5,201</td>
<td>(3,102)</td>
</tr>
<tr>
<td>Deferred</td>
<td>798</td>
<td>5,294</td>
</tr>
<tr>
<td><strong>Total Provision for Income Taxes</strong></td>
<td><strong>5,999</strong></td>
<td><strong>2,192</strong></td>
</tr>
<tr>
<td><strong>Net Income (Loss)</strong></td>
<td><strong>7,392</strong></td>
<td><strong>(5,620)</strong></td>
</tr>
<tr>
<td><strong>Retained Earnings at Beginning of Year</strong></td>
<td><strong>103,670</strong></td>
<td><strong>109,290</strong></td>
</tr>
<tr>
<td><strong>Retained Earnings at End of Year</strong></td>
<td><strong>$111,062</strong></td>
<td><strong>$103,670</strong></td>
</tr>
</tbody>
</table>

CONSOLIDATED BALANCE SHEETS

Chicago Board Options Exchange, Incorporated and Subsidiaries
June 30, 2003 and 2002 (in thousands)

<table>
<thead>
<tr>
<th></th>
<th>2003</th>
<th>2002</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Current Assets:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$20,558</td>
<td>$6,861</td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>18,473</td>
<td>17,207</td>
</tr>
<tr>
<td>Income taxes receivable</td>
<td>1,519</td>
<td>4,361</td>
</tr>
<tr>
<td>Prepaid medical benefits</td>
<td>1,777</td>
<td>1,028</td>
</tr>
<tr>
<td>Other prepaid expenses</td>
<td>4,464</td>
<td>4,406</td>
</tr>
<tr>
<td>Other current assets</td>
<td>912</td>
<td>673</td>
</tr>
<tr>
<td><strong>Total Current Assets</strong></td>
<td><strong>47,703</strong></td>
<td><strong>34,536</strong></td>
</tr>
<tr>
<td><strong>Investments in Affiliates</strong></td>
<td><strong>14,976</strong></td>
<td><strong>13,861</strong></td>
</tr>
<tr>
<td><strong>Land</strong></td>
<td><strong>4,914</strong></td>
<td><strong>4,914</strong></td>
</tr>
<tr>
<td><strong>Property and Equipment:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Building</td>
<td>57,609</td>
<td>57,609</td>
</tr>
<tr>
<td>Furniture and equipment</td>
<td>110,006</td>
<td>170,152</td>
</tr>
<tr>
<td>Less accumulated depreciation and amortization</td>
<td>(104,577)</td>
<td>(157,621)</td>
</tr>
<tr>
<td><strong>Total Property and Equipment—Net</strong></td>
<td><strong>63,030</strong></td>
<td><strong>70,140</strong></td>
</tr>
<tr>
<td><strong>Other Assets:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Goodwill</td>
<td>1,388</td>
<td>1,388</td>
</tr>
<tr>
<td>Software development work in progress</td>
<td>5,440</td>
<td>6,455</td>
</tr>
<tr>
<td>Data processing software and other assets (less accumulated amortization—2003, $31,854; 2002, $28,334)</td>
<td>38,325</td>
<td>34,412</td>
</tr>
<tr>
<td><strong>Total Other Assets—Net</strong></td>
<td><strong>45,153</strong></td>
<td><strong>42,255</strong></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$175,784</strong></td>
<td><strong>$165,706</strong></td>
</tr>
</tbody>
</table>

See notes to consolidated financial statements.
## CONSOLIDATED BALANCE SHEETS (CONTINUED)

For the Years Ended June 30, 2003 and 2002 (in thousands)

<table>
<thead>
<tr>
<th>Liabilities and Members’ Equity</th>
<th>2003</th>
<th>2002</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current Liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable and accrued expenses</td>
<td>$15,173</td>
<td>$14,436</td>
</tr>
<tr>
<td>Marketing fee payable</td>
<td>687</td>
<td>1,079</td>
</tr>
<tr>
<td>Unearned income</td>
<td>1,500</td>
<td>1,250</td>
</tr>
<tr>
<td>Membership transfer deposits</td>
<td>200</td>
<td>657</td>
</tr>
<tr>
<td><strong>Total Current Liabilities</strong></td>
<td>17,560</td>
<td>17,422</td>
</tr>
<tr>
<td><strong>Long-term Liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unearned income</td>
<td>2,000</td>
<td>250</td>
</tr>
<tr>
<td>Deferred income taxes</td>
<td>24,228</td>
<td>23,430</td>
</tr>
<tr>
<td><strong>Total Long-term Liabilities</strong></td>
<td>26,228</td>
<td>23,680</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td>43,788</td>
<td>41,102</td>
</tr>
<tr>
<td><strong>Members’ Equity</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Memberships</td>
<td>20,934</td>
<td>20,934</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>111,062</td>
<td>103,670</td>
</tr>
<tr>
<td><strong>Total Members’ Equity</strong></td>
<td>131,996</td>
<td>124,604</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$175,784</td>
<td>$165,706</td>
</tr>
</tbody>
</table>

## CONSOLIDATED STATEMENTS OF CASH FLOWS

Chicago Board Options Exchange, Incorporated and Subsidiaries

For the Years Ended June 30, 2003 and 2002 (in thousands)

<table>
<thead>
<tr>
<th>Cash Flows from Operating Activities:</th>
<th>2003</th>
<th>2002</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Income (Loss)</td>
<td>$7,392</td>
<td>($5,620)</td>
</tr>
<tr>
<td>Adjustments to reconcile net income to net cash flows from operating activities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>29,252</td>
<td>29,709</td>
</tr>
<tr>
<td>Long-term settlement obligations</td>
<td>(5,333)</td>
<td>(5,333)</td>
</tr>
<tr>
<td>Deferred income taxes</td>
<td>798</td>
<td>5,294</td>
</tr>
<tr>
<td>Equity in income of CSE</td>
<td>(1,867)</td>
<td>(1,411)</td>
</tr>
<tr>
<td>Equity in loss of OneChicago</td>
<td>4,165</td>
<td>1,483</td>
</tr>
<tr>
<td>Gain on disposition of property</td>
<td>(277)</td>
<td>(277)</td>
</tr>
<tr>
<td>Changes in assets and liabilities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>(1,266)</td>
<td>5,005</td>
</tr>
<tr>
<td>Income taxes</td>
<td>2,842</td>
<td>1,048</td>
</tr>
<tr>
<td>Prepaid medical benefits</td>
<td>(749)</td>
<td>(101)</td>
</tr>
<tr>
<td>Other prepaid expenses</td>
<td>(58)</td>
<td>(220)</td>
</tr>
<tr>
<td>Other current assets</td>
<td>(239)</td>
<td>(119)</td>
</tr>
<tr>
<td>Accounts payable and accrued expenses</td>
<td>737</td>
<td>793</td>
</tr>
<tr>
<td>Marketing fee payable</td>
<td>(392)</td>
<td>(8,095)</td>
</tr>
<tr>
<td>Unearned income</td>
<td>2,000</td>
<td>1,396</td>
</tr>
<tr>
<td>Membership transfer deposits</td>
<td>(457)</td>
<td>657</td>
</tr>
<tr>
<td>Other deposits</td>
<td>(416)</td>
<td>(416)</td>
</tr>
<tr>
<td><strong>Net Cash Flows from Operating Activities</strong></td>
<td>42,158</td>
<td>22,967</td>
</tr>
</tbody>
</table>

Cash Flows from Investing Activities:

| Capital and other assets expenditures | (25,047) | (21,871) |
| OneChicago investment                 | (3,414)  | (4,388) |
| Proceeds from disposition of property | 413 | |
| **Net Cash Flows from Investing Activities** | (28,461) | (25,846) |

Net Increase (Decrease) in Cash and Cash Equivalents | 13,697 | (2,879) |

Cash and Cash Equivalents at Beginning of Year | 6,861 | 9,740 |

Cash and Cash Equivalents at End of Year | $20,558 | $6,861 |

Supplemental Disclosure of Cash Flow Information

Cash paid for income taxes | $3,875 | $0 |

See notes to consolidated financial statements.
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, CBOE, 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.

Revenue Recognition – Transaction Fees revenue is considered earned upon the execution of the trade and is recognized on a trade date basis. Other Member Fees revenue is recognized during the period the service is provided. OPRA income is allocated based upon the market share of the OPRA members and is received quarterly. Estimates of OPRA’s quarterly revenue are made and accrued each month. Regulatory Fees are predominately received in the month of January and are amortized monthly to coincide with the services rendered during the fiscal year.

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, (“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 initial investment in ONE (approximately 40% 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 – SFAS No. 142, “Goodwill and Other Intangible Assets,” requires that goodwill and separately identified intangible assets with indefinite lives 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. Upon review by Exchange management, it was determined there has been no impairment of the intangible assets included in the financial statements. Goodwill is amortized over fifteen years for income tax purposes.

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.

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.
Recent Accounting Pronouncement – In November 2002, the FASB issued FASB Interpretation Number 45 (FIN), “Guarantor's Accounting and Disclosure Requirements for Guarantees, including Indirect Guarantees of Indebtedness of Others,” effective June 30, 2003. FIN45 is an interpretation of FASB Statements No. 5, 57 and 107 and a rescission of FASB Interpretation No. 34. This interpretation elaborates on the disclosures to be made by a guarantor in its interim and annual financial statements about its obligations under certain guarantees that it has issued. It also clarifies that a guarantor is required to recognize, at the inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee. The Exchange has determined the impact of adopting FIN45 to be immaterial.

In January 2003, the FASB issued FIN46, “Consolidation of Variable Interest Entities,” effective July 1, 2003. This interpretation of Accounting Research Bulletin No. 51, Consolidated Financial Statements, addresses consolidation by business enterprises of variable interest entities that meet one or all of certain preset characteristics. The Exchange has determined the impact of adopting FIN46 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, 2003 and 2002 are as follows (in thousands):

<table>
<thead>
<tr>
<th>2003</th>
<th>2002</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Balance Sheets</strong></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$15,734</td>
</tr>
<tr>
<td>Securities available-for-sale</td>
<td>525</td>
</tr>
<tr>
<td>Other current assets</td>
<td>12,449</td>
</tr>
<tr>
<td>Long-term securities available-for-sale</td>
<td>11,508</td>
</tr>
<tr>
<td>Other long-term assets</td>
<td>4,862</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td><strong>45,078</strong></td>
</tr>
<tr>
<td>Current liabilities</td>
<td>26,888</td>
</tr>
<tr>
<td>Deferred income taxes</td>
<td>982</td>
</tr>
<tr>
<td>Members’ equity</td>
<td>17,208</td>
</tr>
<tr>
<td><strong>Total liabilities and members’ equity</strong></td>
<td><strong>45,078</strong></td>
</tr>
<tr>
<td>The Exchange’s share of members’ equity</td>
<td>$12,175</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>2003</th>
<th>2002</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Statement of Operations</strong></td>
<td></td>
</tr>
<tr>
<td>Transaction revenue</td>
<td>$4,160</td>
</tr>
<tr>
<td>Other revenue</td>
<td>14,885</td>
</tr>
<tr>
<td><strong>Total revenues</strong></td>
<td><strong>19,045</strong></td>
</tr>
<tr>
<td>Employee costs</td>
<td>2,342</td>
</tr>
<tr>
<td>Other expenses</td>
<td>13,948</td>
</tr>
<tr>
<td><strong>Total expenses</strong></td>
<td><strong>16,290</strong></td>
</tr>
<tr>
<td><strong>Net income</strong></td>
<td><strong>2,755</strong></td>
</tr>
<tr>
<td>The Exchange’s equity in net income</td>
<td>$1,867</td>
</tr>
</tbody>
</table>

3. RELATED PARTIES

The Exchange's equity in the net assets of OCC exceeded its cost by approximately $8.3 million and $8.6 million at June 30, 2003 and 2002, respectively. The Exchange collected transaction and other fees of $129.0 million and $123.4 million for the years ended June 30, 2003 and 2002, respectively, by drawing on accounts of the Exchange's members held at OCC. For the years ended June 30, 2003 and 2002, respectively, the amount collected includes $8.2 million and $19.3 million of marketing fees (see note 8). The Exchange had a receivable due from OCC of $11.9 million and $11.1 million at June 30, 2003 and 2002, respectively.

The Exchange incurred rebillable expenses on behalf of CSE, for expenses such as employee costs, computer equipment and office space of $3.7 million and $2.6 million for the years ended June 30, 2003 and 2002, respectively. The Exchange had a receivable from CSE of $890 thousand and $485 thousand at June 30, 2003 and 2002, 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 $15.6 million and $18.9 million for the years ended June 30, 2003 and 2002, respectively. The Exchange had a receivable from OPRA of $4.1 million and $4.5 million at June 30, 2003 and 2002, 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. The Exchange contributed $3.4 million and $4.4 million in capital to ONE during the years ended June 30, 2003 and 2002, respectively. The Exchange had a receivable due from ONE of $1.0 million and $391 thousand at June 30, 2003 and June 30, 2002, respectively.

4. LEASES
The Exchange leases office space with lease terms of six months and five years. Rent expenses related to leases during FY03 and FY02 were $735 thousand and $1.8 million, respectively. Future minimum lease payments under these noncancelable operating leases are as follows at June 30, 2003 (in thousands):

<table>
<thead>
<tr>
<th>Year</th>
<th>Payment</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>$ 758</td>
</tr>
<tr>
<td>2005</td>
<td>776</td>
</tr>
<tr>
<td>2006</td>
<td>736</td>
</tr>
<tr>
<td>2007</td>
<td>112</td>
</tr>
<tr>
<td>2008</td>
<td>66</td>
</tr>
<tr>
<td>Total</td>
<td>$ 2,448</td>
</tr>
</tbody>
</table>

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 $3.5 million and $3.4 million to the SMART Plan for the years ended June 30, 2003 and 2002, 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 $788 thousand and $579 thousand to the SERP Plan for the years ended June 30, 2003 and 2002, 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 2003 and 2002, the Exchange contributed $2.7 million and $1.8 million, respectively, to the trust.

6. COMMITMENTS
In September 2000, the Exchange reached an agreement in principle to settle a consolidated civil class action lawsuit filed against the Exchange and 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.

7. INCOME TAXES
A reconciliation of the statutory federal income tax rate to the effective income tax rate, for the years ended June 30, 2003 and 2002, is as follows:

<table>
<thead>
<tr>
<th></th>
<th>2003</th>
<th>2002</th>
</tr>
</thead>
<tbody>
<tr>
<td>Statutory federal income tax rate</td>
<td>35.0%</td>
<td>34.0%</td>
</tr>
<tr>
<td>State income tax rate, net of federal income tax effect</td>
<td>4.7</td>
<td>4.7</td>
</tr>
<tr>
<td>Equity in income of CSE</td>
<td>0.0</td>
<td>(98.0)</td>
</tr>
<tr>
<td>Other permanent differences, net</td>
<td>5.1</td>
<td>(4.6)</td>
</tr>
<tr>
<td><strong>Effective income tax rate</strong></td>
<td><strong>44.8%</strong></td>
<td><strong>(63.9%)</strong></td>
</tr>
</tbody>
</table>

At June 30, 2003 and 2002, the net deferred income tax liability approximated (in thousands):

<table>
<thead>
<tr>
<th></th>
<th>2003</th>
<th>2002</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deferred tax assets</td>
<td>$ 11,369</td>
<td>$ 9,261</td>
</tr>
<tr>
<td>Deferred tax liabilities</td>
<td>35,597</td>
<td>32,691</td>
</tr>
<tr>
<td><strong>Net deferred income tax liability</strong></td>
<td><strong>$ 24,228</strong></td>
<td><strong>$ 23,430</strong></td>
</tr>
</tbody>
</table>

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.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Due to 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

Even though the original Exchange-sponsored marketing fee was suspended effective August 1, 2001, the Exchange continued to facilitate the collection of payment for order flow funds from DPMs and distributed funds to order provider firms, as directed by the DPMs each month. Effective June 2, 2003, the Exchange re-instituted a new marketing fee program. As of June 30, 2003 and 2002 amounts held by CBOE on behalf of others included accounts receivable balances of $687 thousand and $1.1 million, respectively.

9. LITIGATION

A former member of the Exchange has requested compensation for losses it alleges to have incurred because the Exchange terminated that member's appointment as a designated primary market maker. The former member states that it has suffered substantial lost profits and that it lost the opportunity to sell its business at a multiple of those profits. The Exchange has informed the former member that specific Exchange rules preclude claims of this type from being made against the Exchange. The former member has initiated no lawsuit or other formal legal proceeding.

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, 2003 and 2002, and the related consolidated statements of income and retained earnings and of cash flows for the years then ended. These 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, 2003 and 2002, the Exchange's investment in which is accounted for by use of the equity method. The Exchange's equity of $12.2 million and $10.3 million in the CSE's net assets at June 30, 2003 and 2002, respectively, and of $1.9 million and $141 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, 2003 and 2002, 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.

August 15, 2003
BOARD OF DIRECTORS

William J. Brodsky  Chairman of the Board and Chief Executive Officer
Mark F. Duffy  Vice Chairman  Floor Director
Robert J. Birnbaum  Former President  New York Stock Exchange
James R. Boris  Chairman  JB Capital Management, LLC
Duane R. Kullberg  Former Chairman and Chief Executive Officer
EVEREN Securities, Inc.  Public Director
Silas Keehn  President (Retired)  Federal Reserve Bank of Chicago  Public Director
Leon T. Kendall  Chairman (Retired)  Mortgage Guaranty Insurance Corporation  Public Director
Daniel P. Koutris  Vice President  Knight Financial Products  At-Large Director
Duane R. Kullberg  Former Chief Executive Officer, 1980–1989  Andersen Worldwide Public Director
Richard F. Lynch  Senior Vice President  Equity Trading  Prudential Securities  Off-Floor Director
James P. MacGilvray  Executive Vice President  National Financial Services, LLC  Off-Floor Director
Scott P. Marks, Jr.  Former Vice Chairman  First Chicago NBD Corporation  Public Director
R. Eden Martin  Partner  Sidley Austin Brown & Wood  President  The Commercial Club of Chicago  Public Director
Roderick Palmore  Senior Vice President, General Counsel & Secretary  Sara Lee Corporation  Public Director
Thomas H. Patrick, Jr.  Managing Director  Equity Linked Trading for the Americas  Merrill Lynch & Co., Inc.  Off-Floor Director
James P. MacGilvray  Executive Vice President  National Financial Services, LLC  Off-Floor Director
John E. Smollen  Managing Director  SLK/Hull Derivatives, LLC  Floor Director
John M. Streibich  Designated Primary Market Maker  Susquehanna International Group  At-Large Director
Eugene S. Sunshine  Senior Vice President for Business and Finance  Northwestern University  Public Director
Edward T. Tilly  Market Maker  Botta Capital Management, LLC  Floor Director
Alvin G. Wilkinson  Market Maker  Wilkinson Management, LLC  Floor Director

STANDING COMMITTEES OF THE BOARD

AUDIT COMMITTEE
Duane R. Kullberg  Chairman
Silas Keehn  Daniel P. Koutris  Roderick Palmore  Eugene S. Sunshine

COMPENSATION COMMITTEE
R. Eden Martin, Chairman

EXECUTIVE COMMITTEE
William J. Brodsky, Chairman

GOVERNANCE COMMITTEE
Robert J. Birnbaum, Chairman
William R. Power, Vice Chairman

REGULATORY OVERSIGHT COMMITTEE
Susan M. Phillips, Chairwoman
Robert J. Birnbaum  Silas Keehn  Leon T. Kendall

COMMITTEES OF THE MEMBERSHIP

ALLOCATION/SPECIAL PRODUCT ASSIGNMENT COMMITTEE
Daniel P. Carver, Chairman

ARBITRATION AND APPEALS COMMITTEE
Peter C. Guth, Co-Chairman
Patrick J. McDermott, Co-Chairman
Courtney T. Andrews  Daniel Baldwin


Matthew T. Garrity
Ann Grady
Allen D. Greenberg
Mark A. Hamilton  Mark A. Horan  Michael P. Helft  William G. Hohenadel, Jr.
Paul J. Jiganti  Mark E. Kalas
B. Michael Kelly  Richard Kevin  Joseph G. Kinahan  John A. Koltes  Craig Luce


21 • CBIE 2003
COMMITTEES OF THE MEMBERSHIP (CONTINUED)

Antanas Siuma
Fred Teichert
John Waterfield
J. Todd Weingart
Dennis M. Wetzel
James U. Wietjes

BUSINESS CONDUCT COMMITTEE
John F. Burnsides, Chairman

CBOE/CBOT JOINT ADVISORY COMMITTEE
John E. Callahan, Chairman
Jesse L. Stamer, William J. Terman, Ex-Officio
Norman D. Friedman, Gary P. Lahey, Paul L. Richards

CLEARING PROCEDURE COMMITTEE
John E. O'Donnell, Chairman

ELECTION COMMITTEE
Joanne Moffic-Silver, Chairwoman
Jaime Galvan, Stanley E. Leimer

EQUITY FLOOR COMMITTEE
Anthony J. Carone, Chairman
Mark A. Esposito, Vice Chairman
Daniel P. Carver, James D. Coughlan, Stephen M. Dillingier, Damon M. Fawcett, James Gazis, James A. Gray, Kevin J. Hincks, Frank A. Hirsch, Paul J. Giganti, Stuart J. Kipnes, Lucia J. Leslie, David F. Miller, Jr., Kenneth D. Mueller, John P. O'Grady, Joel A. Tenner
Ex-Officio
Edward T. Tilly

FINANCIAL MARKET DEVELOPMENT AND MARKET PERFORMANCE COMMITTEE
John E. Smollen, Chairman

FINANCIAL REGULATORY COMMITTEE
Richard E. Schell, Chairman
Margaret E. Wiermanski, Vice Chairwoman
Ex-Officio
Linda C. Haven, Andrew J. Naughton, Jacqueline L. Sloan

FLOOR DIRECTORS COMMITTEE
Mark F. Duffy, Chairman

FLOOR OFFICIALS COMMITTEE
Damon M. Fawcett, Chairman

INDEX FLOOR PROCEDURE COMMITTEE
Richard J. Tobin, Chairman
Steven J. Pettinato, Co-Vice Chairman
Michael R. Quaid, Co-Vice Chairman

INDEX MARKET DEVELOPMENT AND MARKET PERFORMANCE COMMITTEE
Jonathan G. Flatow, Chairman
Dennis A. Carta, Vice Chairman
Donald C. Cullen, David A. Filippini, Michael F. Gallagher, Paul Kepes, I. Patrick Kernan, Jeffrey L. Klein, Todd A. Koster, Jeffrey S. Latham, Joseph A. Marenco, Charles A. Maylee, Michael T. Merucci, Christopher Nevin, Raymond P. Dempsey, Vice Chairman

LESSOR ADVISORY COMMITTEE
William R. Power, Chairman
Richard Silverstein, Vice Chairman

MEMBER FIRM OPERATIONS COMMITTEE
David F. Miller, Chairman
COMMITTEES OF THE MEMBERSHIP (CONTINUED)

MEMBERSHIP COMMITTEE
Robert B. Gianone, Chairman
Mary Rita Ryder, Vice Chairwoman
Anthony P. Arciero
Kenneth J. Bellavia
William E. Billings
Daniel S. Caputo
Matthew J. Filpovich
Ian R. Galleher
Joseph J. Gregory
Andrew J. Hodgman
Charles F. Imburgia
Jeffrey H. Melgard
Lloyd William Montgomery
Andrew B. Newmark
Philip G. Oakley
Steven Padley
Jason S. Paul
Gregg A. Prskalo
Jason S. Paul
Montgomery
Andrew B. Newmark
Philip G. Oakley
Steven Padley
Jason S. Paul
Gregg A. Prskalo

MODIFIED TRADING SYSTEM (MTS) APPOINTMENTS COMMITTEE
William J. D’Keefe, Chairman
Anthony Arciero
Daniel P. Carver, Sr.
Mark F. Duffy
James P. Fitzgerald
Michael B. Frazin
Joseph A. Frehr
Richard Fuller
Kevin J. Keller
Gerald T. McNulty
John E. Smollen

NEW PRODUCT DEVELOPMENT COMMITTEE
John M. Streibich, Chairman
Boris Furman, Vice Chairman
Barton Bergman
Peter Bottini
Edward G. Boyle
Michael F. Gallagher
Jean R. Hanrahan
Steven Hessing
David C. Ho
Jason Knupp
Gary P. Lahey
Gavin Lowry
Martin F. O’Connell
Dominic Salvino
Matthew Shapiro
Robert C. Sheehan

NOMINATING COMMITTEE
Steven M. Chilow, Chairman
Lawrence J. Blum
James J. Boyle
Jonathan G. Flatow
Donald P. Jacobs
Paul J. Jiganti
Gerald T. McNulty
Newton N. Minow
Kenneth D. Mueller
John R. Power

SPX FLOOR PROCEDURE COMMITTEE
Richard T. Marneris, Chairman
Jeffrey J. Kupets, Vice Chairman
Salvatore J. Aiello
Eoin T. Gallery
S. Mark Cavanagh
Timothy P. Feeney
Michael J. Hayes
I. Patrick Kernan
Kraig D. Koester
John J. Massarelli
Michael M. Mayor
Timothy S. McGugan
Mark T. Morse
Christopher Nevins
Daniel J. Quinn
David A. Scatena
Joseph F. Sullivan
Wayne A. Weiss

STOCK SELECTION COMMITTEE
John M. Streibich, Chairman
Benjamin E. Parker, Vice Chairman
Adam Adent
Steven M. Chilow
Mark G. Eddy
Geoffrey D. Fahy
James Gray
Brock R. Mcinerney
Steven Mennecke

SYSTEMS COMMITTEE
Terrance G. Boyle, Chairman
Mark A. Esposito, Vice Chairman
Michael E. Barry
Barton Bergman
Thomas J. Corbett
Sam L. Edie, Jr.
David R. Glynn
Mark A. Harmon
David S. Kalt
Mark J. Karrasch
Benjamin R. Londergan
Bruce R. Meegan
David F. Miller
Thomas J. Neil
John E. O’Donnell
Steven J. Pettinato
Michael L. Rodnick
David B. Schmeuck

TASK FORCES

CORPORATE STRUCTURE TASK FORCE
Edward T. Tilly, Chairman
William J. Brodsky
Mark F. Duffy
Scott P. Marks, Jr.
R. Eden Martin
Thomas H. Patrick, Jr.
Michael J. Post
William R. Power
Robert A. Roshol
Robert Silverstein

HYBRID IMPLEMENTATION TASK FORCE
Terrance G. Boyle
Anthony J. Carone
Mark A. Esposito

EDUCATIONAL TASK FORCE
Edward J. Joyce
David P. Koutris
John E. Smollen
John M. Streibich

ADVISORY COMMITTEES

COMPLIANCE ADVISORY PANEL
Kevin Ahearn
David A. DeMuro
Allen Holman
James Huff
James Keohoe
Pat Levy
Mark Manning
David A. DeMuro
Michelle Moran
Lou Moschetta
Robert Palleschi
Luigi Ricciardi
Mark Straubel
Brian Underwood
David Whitcomb

INSTITUTIONAL TRADERS GROUP
Alan Augarten
John Cassol
Arnaud Desombre
Gerald Donini
Scott Draper
Joseph Gahtan
Leonard Greenbaum
Kenneth MacKenzie
Val Mihan
Kenneth Monahan
Lawrence Motola
Brett Overacker
Jack Skiba
Daniel Waldron
Simon Yates

MANAGING DIRECTORS ADVISORY COMMITTEE
Joseph Baglio
Joseph Bile
Joseph Dattolo
Matthew Gelber
Rich Gueren
Lawrence Hanson
David Johnson
Ronald Kessler
Richard Lynch
Edward Lynn
James MacGillivray
Anthony McCormick
Kurt Muller
Kevin Murphy
Henry Nothnagel

REGIONAL FIRM ADVISORY COMMITTEE
Vincent Bonato
Joseph Fenton
Gary Franklin
Mary Hanan
Sharon Jensen
David Kalt
Brian Killefer
James Knight
Dennis Moorman

Michael Perry
Christopher Sandel
Thomas Stotts
Joseph Valenza
Stewart Winner

Kevin Murphy
Christopher Nagy
Frank O’Connor
Robert Paset
Nancy Penwell
John Sagness
Greg Schebe
James Schnitz
Joseph Sellitto
Terri Strickland-Smith
Caro Zenk

J. Slade Winchester
William Phillip Verby
David Zalesky
EXECUTIVE OFFICERS AND STAFF OFFICIALS

EXECUTIVE
William J. Brodsky
Chairman and Chief Executive Officer
Mark F. Duffy
Vice Chairman
Edward J. Joyce
President and Chief Operating Officer

BROADCAST DEVELOPMENT
Edward L. Provost
Executive Vice President
Thomas A. Brady
Vice President Member Trading Services
Daniel R. Hustad
Vice President Market Quality and Assurance and DPM Administration
Matthew T. Moran
Vice President Institutional Marketing
Debra L. Peters
Vice President The Options Institute

 mooie
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

 Joanne Moffic-Silver
General Counsel and Corporate Secretary
Arthur B. Reinstein
Deputy General Counsel

 REGULATORY SERVICES
Timothy H. Thompson
Senior Vice President and Chief Regulatory Officer

 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

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

 James J. Necedo
Vice President Systems Development
Mark S. Novak
Vice President and Chief Technology Officer 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 and Chief Technology Officer Systems Operations

 Philip M. Slocum
Senior Vice President Reporting Services

 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 Systems Development

 Michael Todorofsky
Vice President Market Operations

 Timothy T. Watkins
Vice President Trading Systems Development

 CLEARING MEMBER FIRMS

 A A Sage Corporation
ABN AMRO, Inc.
ABN AMRO Sage Corporation
A.G. Edwards & Sons, Inc.
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 World Markets Corp.

 Compass Execution Services, LLC
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 Electronic Brokerage Systems, LLC
Fahnestock & Co., Inc.
FINMAT, USA, Inc.
First Clearing, LLC
First Options of Chicago, Inc.
Goldman Sachs & Co.
Hertzog, Heine, Geduld, Inc.
ING Barings Corp.

 Instinet Clearing Services Inc.
Interactive Brokers, Inc./Timber Hill
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.
Legent Clearing Corporation
Lek Securities Corporation
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
National Investor Services Corp.
Nomura Securities International, Inc.
O’Connor & Company, LLC
PaineWebber, Inc.
PAX Clearing Corporation
PAX Clearing Corp.-AB
Penon Financial Services, Inc.
Preferred Capital Markets, 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.
Wachovia Securities, LLC
Weiss, Peck & Greer, LLC
Ziv Investment Company

 24 • CBDE 2003