



Regulatory Circular RG04-102

Date: 5 October 2004

To: Annual Election Candidates

From: Office of the Secretary

Re: 2004 Annual Election Process

The Nominating Committee's recommended slate of candidates for the Board of Directors, the Nominating Committee and the MTS Appointments Committee was posted on the Exchange bulletin boards and the members' Web site on September 30, 2004 (See Informational Circular IC04-149). Candidates in the 2004 annual election should be aware of the following procedures relating to the annual election to be held on **Thursday, November 18, 2004**. The procedures are derived from the Exchange's Constitution and Rules and procedures approved by the Board of Directors.

Petition Process

Nominations of candidates made by petition must be signed by not less than 100 voting members of the Exchange. Petitions must be submitted to the Office of the Secretary by 5:00 p.m. on Monday, November 1, 2004. After November 1, 2004, members cannot petition against the slate.

Once the petition signatures are verified, valid petition candidates' names will be posted on the Exchange's bulletin boards and the members' Web site. Both the Nominating Committee's recommended slate and the list of petition candidates are published in the Exchange Bulletin.

Mailing Lists

For campaign purposes, candidates may request in writing from the Office of the Secretary a mailing list of voting members. Membership mailing lists will be provided in the form of a computer printout or computer disk. Mailing labels will not be provided. Candidates are responsible for processing their own campaign mailings.

Campaign Materials

Members and associated persons of members are advised that creation or distribution of unsigned, defamatory, false, or other inappropriate election or campaign materials may be viewed as engaging in conduct inconsistent with just and equitable principles of trade in violation of CBOE Rule 4.1. Violation of this Rule could lead to Exchange disciplinary proceedings or other Exchange action.

Election Process

The 2004 annual election meeting will be held at 3:30 p.m. on Thursday, November 18, 2004.

Record Date

According to the Constitution, the Board of Directors may fix a record date to determine the members entitled to notice of and to vote at a meeting of the members or any adjournment thereof ("Record Date"). The Record Date will be set not be more than 60 days nor less than 10 days before the date of the annual election meeting. If no Record Date is fixed by the Board of Directors for the annual election meeting, the Record Date for the meeting shall be at the close of business on the day preceding the date on which notice of the meeting is given by the Exchange.

An Information Circular will be issued shortly announcing the Record Date for the 2004 annual election meeting. All voting members who are effective at the close of business on the Record Date will be entitled to vote at the annual election meeting.

Notice

Written notice of the annual election meeting is mailed to members entitled to vote not more than 60 days and not less than 10 days prior to the date of the meeting. The notice states the purpose, date, time and place of the annual election meeting. Notice is deemed to be given by mail at the time of deposit in the U.S. Mail.

After expiration of the nomination by petition period, the Office of the Secretary will prepare a ballot listing all candidates. According to the Constitution, the order of listing on the ballot is chosen by lot. The ballot will mention whether candidates have been nominated by petition or by the Nominating Committee. Additionally, the positions for which the candidates qualify are noted on the ballot.

Candidates should submit a brief biographical sketch (approximately 250 words) to the Office of the Secretary **no later than Monday, November 1, 2004.** Petition candidates who submit their petitions on November 1, 2004 will be given an additional day to submit biographical sketches. The Exchange reserves the right to edit the sketches, which will be mailed with the voting materials.

The Office of the Secretary mails the notice, ballot, proxy, an envelope marked "For Ballot Only", a return envelope and any Exchange-prepared supplemental materials to all voting members. We expect to mail the voting materials to voting members by Thursday, November 4, 2004.

Voting

Members entitled to vote may cast a ballot in-person or by proxy. The ballot is unsigned and sealed in the ballot envelope. Members voting by proxy must deliver, by mail or otherwise, the sealed ballot and signed proxy to the Office of the Secretary so that it is received prior to the annual election meeting. At least two election assistants will be available to accept sealed ballots and proxies from members in-person on the trading floor prior to the meeting and accept ballots from members voting at the meeting. The Election Committee keeps records of the members voting and oversees the security of the voting documents and records.

Electioneering is prohibited near the voting stations on the trading floor. A circular regarding electioneering will be issued prior to the annual election.

Quorum

The quorum requirement for the 2004 annual election is a majority of the members entitled to vote, provided that in the event of an uncontested election, one-third of the members entitled to vote shall

constitute a quorum. If a quorum is not reached by 3:30 p.m. on Thursday November 18, 2004, the meeting will be adjourned until the following business day at 3:30 p.m. Ballots and proxies will continue to be collected on the trading floor, by mail and by delivery until 3:30 p.m. the day that quorum is reached and the annual election meeting held.

Election Results

After the annual election meeting is adjourned, the Election Committee separates the ballots and proxies, then opens the sealed ballot envelopes and counts the votes. An auditor from an independent accredited accounting firm will observe the counting of the ballots.

A plurality of votes will elect candidates for the Board of Directors, the Nominating Committee and the MTS Appointments Committee. The candidate receiving the highest vote totals among those candidates qualified for the particular position will be elected.

Once the votes are counted, the Election Committee will post the election results on the Exchange's 4th floor bulletin board, the Members' Web site, and on the Voting Results Hotline (312) 786-8150. Results will also be published in the Exchange Bulletin.

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If you have any questions concerning the annual election process, please contact Jaime Galvan at 312-786-7058 (galvanj@cboe.com).