



Regulatory Circular RG99-210

MEMORANDUM

To: 1999 Annual Election Candidates

Date: November 11, 1999

From: Office of the Secretary

Re: 1999 Annual Election Process

As candidates in the 1999 annual election, you should be aware of the following matters relating to the upcoming annual election. The policies and procedures relating to the annual election are derived from the Exchange's Constitution. The Board of Directors has also approved certain recommendations of the Governance Task Force.

Mailing Lists

Candidates may request, in writing, a mailing list of voting members and certain other member mailing lists, if available, for campaign purposes. 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

In accordance with the recently adopted Constitutional amendments, the annual election meeting will be held on expiration Friday in November each year. **The 1999 annual election meeting will be held on Friday, November 19, 1999.**

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 at the time of deposit in the U.S. Mail. The following voting documents were mailed to voting members on November 5, 1999: ballot, proxy, an envelope marked "For Ballot Only", a return envelope, notice of the election, and for the contested positions a biographical sketch of each candidate.

After expiration of the nomination by petition period, the Office of the Secretary prepared a ballot listing all candidates. According to the Constitution, the order of candidate listing on the ballot was determined by lot. The ballot indicates whether candidates have been nominated by petition or by the Nominating Committee. For Board candidates, the directorships for which the candidate qualifies (Public, Lessor, Floor, Off-Floor and At-Large) are also noted on the ballot.

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 members of the Election Committee will be available to accept sealed ballots and proxies from members in-person on the trading floor prior to the meeting and to 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.

Quorum

The quorum requirement for the 1999 election, to elect candidates for the Board, Nominating Committee and MTS Appointments Committee, is a majority of the members entitled to vote. If a quorum is not reached by 3:30 p.m. on Friday, November 19th, the meeting will be adjourned until the following business day, Monday, November 22nd, at 3:30 p.m. Ballots and proxies will continue to be collected on the trading floor, by mail, by delivery and in-person until 3:30 p.m. on the day that quorum is reached. All ballots and proxies received by 3:30 p.m. on the day that quorum is reached. will be counted in the election results.

Election Results

After reaching quorum at any election meeting, the Election Committee will adjourn the meeting, open the sealed ballots and count the votes. An auditor from Deloitte & Touche, an independent accredited accounting firm, will observe the counting of the ballots. A plurality of votes will elect nominees for the Board of Directors, Nominating and MTS Committees. The candidate receiving the highest vote totals among those candidates qualified for the particular directorship will be elected. Conceivably, this could result in the election of a candidate with

fewer total votes, over a candidate with a higher vote total who is qualified only for limited positions.

Once the votes are counted, the Election Committee will post the election results on the Exchange's 4th floor bulletin boards, the members-only website, in the Exchange Bulletin, and on the Voting Results Hotline (312) 786-8150.

If you have any questions, contact Debora Barnes at (312) 786-7416.