

May 30, 2003

Volume 31, Number 22

The Constitution and Rules of the Chicago Board Options Exchange, Incorporated ("Exchange"), in certain specific instances, require the Exchange to provide notice to the Exchange membership. To satisfy this requirement, a complimentary copy of the *Exchange Bulletin*, including the *Regulatory Bulletin*, is delivered to all effective members on a weekly basis.

Additional subscriptions may be obtained by submitting your name, firm, mailing address, e-mail address and telephone number to: Chicago Board Options Exchange, Accounting Department, 400 South LaSalle, Chicago, Illinois 60605, Attention: Bulletin Subscriptions. The cost of an annual subscription (July 1 through June 30) is \$200 (\$100 after January 1) for hard copy delivery or \$100 (\$50 after January 1) for e-mail delivery, payable in advance. Non-members are welcome to subscribe.

It's easy to stay informed about issues at CBOE! CBOE Members can now receive informational and news notices via-email or fax. To sign up, simply e-mail your name and desired e-mail address or fax number to: [luzzi@cboe.com](mailto:luzzi@cboe.com) or contact Doug Luzzi at 312-786-7105.

Members are required to report any address or telephone number changes to the Membership Department at (312) 786-7449 pursuant to Exchange Rule 3.7(b).

For more current Seat Market Quotes, call (312) 786-7456 or refer to the CBOE Membership website at [cboe.com](http://cboe.com). Members may obtain access to the Membership website by calling the Membership Department at (312) 786-7449.

SEAT MARKET QUOTES AS OF FRIDAY, MAY 23, 2003				
CLASS	BID	OFFER	LAST SALE AMOUNT	LAST SALE DATE
CBOE/FULL	\$160,000.00	\$184,000.00	\$170,000.00	May 14, 2003
CBOE/OTP	\$4,500	\$8,000.00	\$6,000.00	May 8, 2003
CBOT/FULL	\$348,000.00	\$368,000.00	\$365,000.00	May 19, 2003

  

OPTION TRADING PERMIT LEASE POOL AS OF FRIDAY, MAY 23, 2003			
Highest Bid:	No Bid	Highest Monthly Rate:	\$1,000.00
OTPs Available:	Twenty-Five	Lowest Monthly Rate:	\$1,000.00
Last Lease:	\$1,000.00 on May 1, 2003		

## MEMBERSHIP INFORMATION FOR 5/15/03 THROUGH 5/21/03

### MEMBERSHIP APPLICATIONS RECEIVED FOR WHICH A POSTING PERIOD IS REQUIRED

#### Individual Membership Applicants

**Michael DeNardis, Nominee**  
**Everest Trading, LLC**  
111 S. Morgan, #301  
Chicago, IL 60607

**John M. Conway, Nominee**  
**Kevin Galassini Limited Partnership**  
221 Pombroke Dr.  
Lake Forest, IL 60045

**Robert J. Grum, Nominee**  
**Timber Hill LLC**  
621 S. Plymouth Ct., #502  
Chicago, IL 60605

**Robert Chapel, Nominee**  
**Timber Hill LLC**  
20453 Acorn Ridge Dr.  
Frankfort, IL 60423

**Thomas M. Kenny, Nominee**  
**Wellington Capital Markets, LLC**  
8300 W. 138th Pl.  
Orland Park, IL 60462

Date Posted

5/16/03

5/17/03

5/20/03

5/20/03

5/21/03

#### Member Organization Applicants

Date Posted

**CYP Trading Inc.**  
440 S. LaSalle - Ste. 2500  
Chicago, IL 60605

5/19/03

Roma M. Colwell-Steinke-President  
Roma M. Colwell-Steinke-Nominee

**Wachovia Securities, LLC**  
901 East Byrd Street  
Richmond, VA 23219

5/19/03

Wachovia/Prudential Financial Advisors LLC-Member  
Wachovia Securities Holdings LLC-Member  
Everen Capital Corporation -Stockholder  
Wachovia Corporation-Stockholder  
Prudential Securities Inc.- Member  
Prudential Capital &Investment Services LLC-Stockholder  
Pruco Inc.-Stockholder  
Prudential Financial Inc.-Stockholder  
Richard Castro-Director of Operations  
Stephen T. Gannon-Chief Legal Officer  
Daniel J. Ludeman-President/CEO Manager  
Thomas Lux-CFO  
Robert T. Mooney-Director of Compliance  
Paul Costello-Manager  
Brand Meyer-Manager  
Dwight Moody-Manager  
Michael Rice-Manager  
William L. Short Jr.-Srop/Crop

## MEMBERSHIP LEASES

		Nominee(s) / Inactive Nominee(s):	Termination Date
<b>New Leases</b>			
Lessor:	<b>Citigroup Global Markets Inc.</b>	<b>Luke M. Gerdes (LWK)</b>	<b>5/15/03</b>
Lessee:	<b>TJM Investments, LLC</b>	<b>LaSalle Capital Markets, LP</b>	
Rate:	1% Term: Yearly	440 S. LaSalle – Ste. 2500 Chicago, IL 60605	
Lessor:	<b>Citigroup Global Markets Inc.</b>	<b>Douglas C. Draeger (DGR)</b>	<b>5/16/03</b>
Lessee:	<b>TJM Investments, LLC</b>	<b>Calabria Trading, LLC</b>	
Rate:	1% Term: Yearly	440 S. LaSalle - Ste. 701 Chicago, IL 60605	
Lessor:	<b>Gordon M. Binder</b>	<b>Patrick S. Hamilton (HUK)</b>	<b>5/16/03</b>
Lessee:	<b>SMC Option Management LLC</b>	<b>TD Options, LLC</b>	
Rate:	1 1/8% Term: Monthly	230 S. LaSalle St., Ste. 688 Chicago, IL 60604	
Lessor:	<b>Robert K. Ellis</b>	<b>Robert B. Duddy (DUD)</b>	<b>5/16/03</b>
Lessee:	<b>Market Street Securities, Inc.</b>	<b>Bear Stearns Securities Corp.</b>	
Rate:	1 1/8% Term: Monthly	200 W. Madison, Ste. #1030 Chicago, IL 60606	
Lessor:	<b>Robert K. Ellis</b>	<b>Jess Riefe (RDJ)</b>	<b>5/19/03</b>
Lessee:	<b>Market Street Securities, Inc.</b>	<b>Calabria Trading, LLC</b>	
Rate:	1 1/8% Term: Monthly	440 S. LaSalle, Suite 701 Chicago, IL 60605	

## Terminated Leases

		Termination Date	
Lessor:	<b>First Clearing Corporation</b>	<b>5/15/03</b>	<b>Norman F. Anderson (NAA)</b>
Lessee:	<b>ABN AMRO Incorporated</b>		<b>Equitec Proprietary Markets LLC</b>
	<b>H. Thomas Hampton (TMY), NOMINEE</b>		25655 Shedley Road Minooka, IL 60447
Lessor:	<b>Citigroup Global Markets Inc.</b>	<b>5/15/03</b>	<b>Donald D. Ziol (DZD)</b>
Lessee:	<b>Fimat USA, Inc.</b>		<b>Tahoe Trading, LLC</b>
	<b>Robert M. Bleser (RAT), NOMINEE</b>		440 S. LaSalle – Ste. 2500 Chicago, IL 60605
Lessor:	<b>Citigroup Global Markets Inc.</b>	<b>5/15/03</b>	<b>Michael D. Thelin (KDO)</b>
Lessee:	<b>Fimat USA, Inc.</b>		<b>Cutler Group, LP</b>
	<b>Matthew S. Heyn (HEY), NOMINEE</b>		440 S. LaSalle, Suite 1110 Chicago, IL 60605
Lessor:	<b>M.B. Partners</b>	<b>5/19/03</b>	<b>Arash Adam Foroughi (OPM)</b>
Lessee:	<b>SMC Option Management LLC</b>		<b>Cutler Group, LP</b>
	<b>Alec S. Milam (ALK), NOMINEE</b>		440 S. LaSalle, Ste. 1124 Chicago, IL 60605
Lessor:	<b>Robert K. Ellis</b>	<b>5/19/03</b>	<b>Patrick Emmett McDermott (PEM)</b>
Lessee:	<b>Pioneer Capital, LLC</b>		<b>Ronin Capital, LLC</b>
			230 S. LaSalle St., Ste. 688 Chicago, IL 60604

## MEMBERSHIP TERMINATIONS

### Individual Members

CBT Registered For:	Termination Date
<b>James K. Zaura (JKZ)</b>	<b>5/15/03</b>
<b>JKZ Trading Inc.</b>	
650 Essex Road Glen Ellyn, IL 60137	
<b>Stavros Lazos (SVS)</b>	<b>5/15/03</b>
<b>DRW Securities, LLC</b>	
10 S. Riverside Plz. – Ste. 2100 Chicago, IL 60606	
<b>Lanny I. Brooks (LBK)</b>	<b>5/20/03</b>
<b>Tahoe Trading, LLC</b>	
1232 Lincoln Ave. S. Highland Park, IL 60035	
<b>George A. Makris (GAM)</b>	<b>5/20/03</b>
<b>Grace Trading LLC</b>	
440 S. LaSalle Ste., #3100 Chicago, IL 60605	

### Member Organizations

Affiliated with CBT Registered For:	Termination Date
<b>JKZ Trading Inc.</b>	<b>5/15/03</b>
650 Essex Road Glen Ellyn, IL 60137	

## EFFECTIVE MEMBERSHIPS

### Individual Members

CBT Exercisers:	Effective Date
<b>Michael J. Pergande (ZIP)</b>	<b>5/15/03</b>
440 S. LaSalle Chicago, IL 60605	
Type of Business to be Conducted: Floor Broker/Market Maker	

**CBT Registered For:**

Effective Date

**James J. Lazzarini (LZZ)**  
**Sparta Group Of Chicago, LP**  
 141 W. Jackson – Ste. 1310A  
 Chicago, IL 60604

5/19/03

Type of Business to be Conducted: Floor Broker /Market Maker

**Nominee(s) / Inactive Nominee(s):**

Effective Date

**Brendan Cunningham (BCE)**  
**LaSalle Capital Markets, LP**  
 440 S. LaSalle, Ste. #2500  
 Chicago, IL 60605

5/15/03

Type of Business to be Conducted: Market Maker

**Patrick S. Hamilton (HUK)**  
**TD Options, LLC**

5/15/03

230 S. LaSalle St., Ste. 688  
 Chicago, IL 60604

Type of Business to be Conducted: Floor Broker/Market Maker

**Jess Riefe (RDJ)**  
**Calabria Trading, LLC**

5/16/03

440 S. LaSalle, Suite 701  
 Chicago, IL 60605

Type of Business to be Conducted: Market Maker

**Russel L. Miron (RUS)**  
**Bear Stearns Securities Corp.**

5/16/03

70 W. Madison  
 Chicago, IL 60602

Type of Business to be Conducted: No Floor Function

**Clint Blackburn (CJB)**  
**Lakeshore Securities, LP**

5/19/03

401 S. LaSalle, Ste. #1000  
 Chicago, IL 60605

Type of Business to be Conducted: Floor Broker/Market Maker

**Jeffrey M. Carity (JEF)**  
**Knight Financial Products, LLC**

5/19/03

111 W. Jackson Blvd., 10th Floor  
 Chicago, IL 60614

Type of Business to be Conducted: Floor Broker/Market Maker  
 Floor Broker Market Maker None

**Douglas C. Draeger (DGR)**  
**Calabria Trading, LLC**

5/19/03

440 S. LaSalle - Ste. 701  
 Chicago, IL 60605

Type of Business to be Conducted: Market Maker

**Sean P. Kinney (SPG)**  
**Market Street Securities, Inc.**

5/19/03

1818 Market St., 18th Floor  
 Philadelphia, PA 19103

Type of Business to be Conducted: Market Maker

**Norman F. Anderson (NAA)**  
**Equitec Proprietary Markets LLC**

5/19/03

25655 Shedley Road  
 Minooka, IL 60447

Type of Business to be Conducted: Floor Broker/Market Maker

**Michael W. Korich (MWK)**  
**Timber Hill LLC**

5/19/03

17712 S. 71st Ave.  
 Tinley Park, IL 60477

Type of Business to be Conducted: Market Maker

**Michael J. Pinto (PIN)**  
**X-Change Financial Access LLC**

5/20/03

6842 Zurich Ct.  
 Tinley Park, IL 60477

Type of Business to be Conducted: Floor Broker

**Member Organizations**

**Lessee(s):**

Effective Date

**Market Street Securities, Inc.**

5/19/03

1818 Market Street, 18th Floor  
 Philadelphia, PA 19103

Type of Business to be Conducted: Market Maker

**JOINT ACCOUNTS**

**New Participants**

Acronym

Effective Date

**Brendan Cunningham**

**QWQ**

5/15/03

**Jeffrey M. Carity**

**QCM**

5/19/03

**Michael W. Korich**

**QTH**

5/19/03

**Thomas A. Brooks**

**QNT**

5/20/03

**Jeffrey D. Hersh**

**QNT**

5/20/03

**Edward P. McFadden III**

**QNT**

5/20/03

**Megan K. Morgan**

**QNT**

5/20/03

**Peter V. Rogus**

**QNT**

5/20/03

**New Accounts**

Acronym

Effective Date

**Jeffrey M. Carity**

**QKD**

5/21/03

**Matthew John Arndt**

**QKD**

5/21/03

**Kelly T. Brown**

**QKD**

5/21/03

**Marc S. Ferro**

**QKD**

5/21/03

**Matthew T. Garrity**

**QKD**

5/21/03

**John P. Lourigan**

**QKD**

5/21/03

**Joumana J. Said**

**QKD**

5/21/03

**Terminated Participants**

Acronym

Termination Date

**Luke M. Gerdes**

**QWQ**

5/15/03

**George A. Makris**

**QBI**

5/20/03

**George A. Makris**

**QDW**

5/20/03

**Donald D. Ziol**

**QBR**

5/20/03

**Patrick Emmett McDermott**

**QWC**

5/21/03

**CHANGES IN MEMBERSHIP STATUS**

**Individual Members**

Effective Date

**Robert M. Bleser**

5/15/03

From: Nominee For Fimat USA, Inc.; Floor Broker

To: Nominee For TJM Investments, LLC; Floor Broker

**Mark T. Morse**

5/15/03

From: CBT Registered For Fimat USA, Inc.; Floor Broker

To: CBT Registered For TJM Investments, LLC; Floor Broker

**Matthew S. Heyn**

5/15/03

From: Nominee For Fimat USA, Inc.; Floor Broker

To: Nominee For TJM Investments, LLC; Floor Broker

Member Organizations	Effective Date		Effective Date
<b>TJM Investments, LLC</b>	<b>5/15/03</b>	<b>Jerome B. Solar</b>	<b>5/19/03</b>
From: Member Organization Affiliated with Registered For/ Lessee; Floor Broker		71 E. Division St., Apt. 1506 Chicago, IL 60610	
To: Non-Member Customer Business /Member Organization Affiliated with Registered For/Lessee; Floor Broker		<b>John W. Hurubean</b>	<b>5/21/03</b>
		1227 Royal Dublin Lane Dyer, IN 46311	

## MEMBER ADDRESS CHANGES

Individual Members	Effective Date	Member Organizations	Effective Date
<b>Steven T. Sladoje</b>	<b>5/16/03</b>	<b>Quiet Light Securities LLC</b>	<b>5/16/03</b>
3429 N. Seeley Ave. Chicago, IL 60618		141 W. Jackson, Ste. 2020A Chicago, IL 60604	
<b>Kurt J. Steib</b>	<b>5/19/03</b>	<b>R &amp; D Partnership</b>	<b>5/19/03</b>
3449 N. Janssen Ave. Chicago, IL 60657		4545 W. Touhy Ave., Apt. 202E Lincolnwood, IL 60712	

## RESEARCH CIRCULARS

The following Research Circulars were distributed between May 16 and May 22, 2003. If you wish to read the entire document, please refer to the CBOE website at [www.cboe.com](http://www.cboe.com) and click on the "Trading Tools" Tab. New listings and series information is also available in the Trading Tools section of the website. For questions regarding information discussed in a Research Circular, please call The Options Clearing Corporation at 1-888-OPTIONS.

**Research Circular #RS03-201**  
**May 16, 2003**  
**eResearchTechnology, Inc. ("ERES/UDB/LTK/ZSJ")**  
**2-for-1 Stock Split**  
**Ex-Distribution Date: May 30, 2003**

**Research Circular #RS03-202**  
**May 16, 2003**  
**FLIR Systems, Inc. ("FLIR/FFQ")**  
**2-for-1 Stock Split**  
**Ex-Distribution Date: May 30, 2003**

**Research Circular #RS03-203**  
**May 16, 2003**  
**NeoPharm, Inc. ("NEOL/UOE")**  
**15% Stock Dividend**  
**Ex-Distribution Date: May 30, 2003**

**Research Circular #RS03-204**  
**May 20, 2003**  
**FTI Consulting, Inc. ("FCN")**  
**3-for-2 Stock Split**  
**Ex-Distribution Date: June 5, 2003**

**Research Circular #RS03-205**  
**May 20, 2003**  
**Activision, Inc. ("ATVI/AQV/KLO")**  
**3-for-2 Stock Split**  
**Ex-Distribution Date: June 9, 2003**

**Research Circular #RS03-206**  
**May 20, 2003**  
**Dean Foods Company ("DF")**  
**3-for-2 Stock Split**  
**Ex-Distribution Date: June 10, 2003**

**Research Circular #RS03-212**  
**May 22, 2003**  
**Moore Corporation Limited ("MCL")**  
**Name, Stock and Option Symbol Change to**  
**Moore Wallace Incorporated ("MWI")**  
**Effective Date: May 27, 2003**

**Research Circular #RS03-213**  
**May 22, 2003**  
**Broadwing Inc. ("BRW")**  
**Name, Stock and Option Symbol Change to**  
**Cincinnati Bell Inc. ("CBB")**  
**Effective Date: May 27, 2003**

May 30, 2003

Volume RB14, Number 22

The Constitution and Rules of the Chicago Board Options Exchange, Incorporated ("Exchange"), in certain specific instances, require the Exchange to provide notice to the membership. The weekly *Regulatory Bulletin* is delivered to all effective members to satisfy this requirement.

## Regulatory Circulars

### Regulatory Circular 03-35

**Date:** May 16, 2003

**To:** Members and Member Firms

**From:** Floor Directors

**Re:** Payment for Order Flow

The Exchange's Board of Directors has determined to reinstitute a marketing fee for the purpose of facilitating payment for order flow. The decision of the Board to reinstitute a marketing fee is based upon the absence of regulatory action to prohibit payment for order flow and in recognition of the competitive forces within the options industry which require such a fee so that the Exchange can remain competitive.

The program, which differs significantly from the program that was in place at CBOE from July 2000 to August 2001, will operate as follows:

- A five person Oversight Committee consisting of 4 market makers (3 of which are not associated with a DPM) and 1 DPM representative, will determine all administrative procedures pertaining to the program in accordance with the rules.
- The program will become effective beginning Monday, June 2, 2003 for a minimum of 90 calendar days in all trading crowds where the DPM has determined to engage in payment for order flow.
- DPMs will be solely responsible for negotiating with firms any payment for order flow arrangements for the option classes assigned to them.
- Only customer orders of 200 contracts or less, originating from payment-accepting firms, are eligible for the program.
- DPMs and Market Makers will be charged \$.40 per contract only when they trade against eligible orders received from payment-accepting firms.
- If a DPM has negotiated a payment to a firm in excess of \$.40 per contract, any cost beyond \$.40 per contract will be the financial responsibility of the DPM.
- In the event that a DPM has negotiated a payment of less than \$.40 per contract, the difference between \$.40 and the actual payment will be returned to the DPM and/or Market Makers.

- The \$.40 fee will be electronically drafted from the appropriate DPM and/or Market Maker's account and credited to the account of the appropriate order-sending firm. (i.e. there will be no pools created as in the old program)

Voting Procedures

- After 90 calendar days each crowd may choose to terminate or continue participation in the program by means of an in-crowd vote to be conducted as follows:
  - i. Members of a trading crowd eligible to participate in the vote will include the DPM and those Market Makers who have transacted at least 80% of their market maker contracts and transactions in-person in each of the three immediately preceding calendar months in option classes traded in the trading crowd, and who continue to be members of the trading crowd in the capacity of a Market Maker at the time of the vote.
  - ii. Members of a crowd who are absent at the time of the vote may vote by written and signed proxy. Eligible Market Makers have one vote. The DPM organization operating in that crowd will have only one vote, regardless of the number of DPM designees in the crowd.
  - iii. A trading crowd will be deemed to have indicated that it will cease to participate in the payment program if a majority of the eligible members of the trading crowd participate in the vote and if a majority of the total votes cast is in favor of terminating the program. If a crowd determines to cease participation, another vote may not be called for 30 calendar days.
  - iv. A trading crowd will be deemed to have indicated that it will reinstate a program that has been discontinued if a majority of eligible members participate in the vote and if a majority of the total votes cast is in favor of reinstating the program. If a crowd determines to reinstate participation, another vote may not be called for 90 calendar days.
  - v. In the event of a tie vote, no change will occur (i.e. if the plan is in place, it will remain in place, and if the plan has been discontinued, it will remain discontinued).
  - vi. The Exchange will post a notice at the trading station at least 10 calendar days prior to the time of the vote and ballots will be in written form.
  - vii. DPMs must disclose the identity of the firms they propose to pay. The list of firms must be presented to the crowd seven calendar days prior to the vote and the list will also be printed on the ballot used during the crowd voting procedure.
  - viii. The identity of any and all members requesting to schedule a vote will be held anonymous with the Secretary of the Exchange who is responsible for determining if such member(s) is/are eligible to request a vote in a certain crowd.

Any questions concerning the operation of the program or requests for copies of the rules regarding the program should be directed to Daniel Hustad at 312-786-7715 or Edward Provost at 312-786-7717.

Regulatory Circular RG03-36

**Date:** May 22, 2003

**To:** DPM's, Exchange Members and Member Organizations

**From:** Department of Market Monitoring  
Legal Division  
Floor Officials Committee

**Re:** DPM's Failure to Activate or Deactivate RAES

Please be advised that Exchange Rule 6.8 *RAES Operations* requires RAES be activated after quotes in the eligible series have been updated following the opening of the option class.

In addition, Exchange Rule 6.6 *Unusual Market Conditions* requires the approval by Floor Officials for the deactivation of RAES due to Fast Market conditions. Also, a Post Director or Order Book Official ("OBO") may turn off RAES for a period of time not to exceed five minutes if fast market conditions exist.<sup>1</sup> Whenever such action is taken, notice thereof shall immediately be given to two Floor Officials who may continue the deactivation of RAES for more than five minutes or take such actions pursuant to their authority under this Rule 6.6.

Regulatory Circular RG02-101 *Violations of Trading Conduct and Decorum Policies* imposes a Summary Fine as a Class "B" Offense for a DPM's failure to activate or deactivate RAES two Floor Officials may impose a summary fine not to exceed \$2,500 within the following ranges:

1 <sup>st</sup> Offense	2 <sup>nd</sup> Offense	Subsequent Offenses
\$100 to \$500	\$500 to \$1,000	\$1,000 to \$2,500

Any questions in connection with this circular should be directed to Douglas Beck of the Department of Market Monitoring at (312) 786-7959 or to Andrew Spiwak of the Legal Division at (312) 786-7483.

**Disciplinary  
Decisions**

At its meeting on April 23, 2003, the Business Conduct Committee ("BCC") resolved the following disciplinary matters by accepting three Offers of Settlement in which the respondents consented to stipulations of facts and findings as detailed below without admitting or denying that Exchange Rules had been violated.

File No. 03-0005 (Offer of Settlement)

Bruce Gaylord, a former Registered Representative of A.G. Edwards & Sons, Inc. ("AGE"), an Exchange member organization, at AGE's Indianapolis, IN branch office was censured and fined \$2,500. In accepting the Offer of Settlement the Committee considered the fact that Gaylord contributed approximately \$15,000 towards a total Settlement of \$25,000 to the public customer described herein. Gaylord: 1) failed to follow his customer's instructions, in violation of just and equitable principles of trade; and 2) effected several unauthorized stock and options transactions for a public customer's account. (CBOE Rules 4.1 - Just and Equitable Principles of Trade and 9.10(a) - Discretionary Accounts Authorization and Approval Required.)

<sup>1</sup> Please be advised that the DPM and/or market-maker does not have authority to deactivate RAES.

File No. 03-0007 (Offer of Settlement)

Investec Ernst, an Exchange member organization was censured and fined \$5,000 for the following conduct. On or about June 19, 2001, Ernst failed to exercise due diligence on behalf of Ernst's client, whereby Ernst and its phone clerk failed to take adequate measures to ensure that the verbal execution report provided by the Primary DPM concerning an order that Ernst had entered with the DPM to buy 100 IDK Oct 35 puts and sell 100 IDK Jan 35 puts at a net price of \$1.00 was honored on behalf of Ernst's customer. (CBOE Rules: 4.1 – Just and Equitable Principles of Trade; 4.2 – Adherence to Law; and 6.73(a) and Interpretation and Policy .03 thereunder – Responsibilities of Floor Brokers.)

File No. 03-0009 (Offer of Settlement)

Blue Capital Group LLC, an Exchange member organization and Michael F. Rubin, a market-maker and nominee of Blue Capital were each censured and jointly and severally fined \$10,000 for the following conduct. Rubin, on behalf of Blue Capital, purchased and/or sold numerous options contracts and submitted these option contracts for clearance as one-lot transactions for the purpose of inflating his in-person trading percentage. Additionally, Rubin, on behalf of Blue Capital, failed to submit in a timely manner to the Exchange the transactions described above. (CBOE Rules 4.1 – Just and Equitable Principles of Trade, 6.51 – Reporting Duties, and 8.7 – Obligations of Market-Makers.)