



Exchange Bulletin

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 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. 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

Applicant Name	Date Posted
Michael DeNardis, Nominee Everest Trading, LLC 111 S. Morgan, #301 Chicago, IL 60607	5/16/03
John M. Conway, Nominee Kevin Galassini Limited Partnership 221 Pombroke Dr. Lake Forest, IL 60045	5/17/03
Robert J. Grum, Nominee Timber Hill LLC 621 S. Plymouth Ct., #502 Chicago, IL 60605	5/20/03
Robert Chapel, Nominee Timber Hill LLC 20453 Acorn Ridge Dr. Frankfort, IL 60423	5/20/03
Thomas M. Kenny, Nominee Wellington Capital Markets, LLC 8300 W. 138th Pl. Orland Park, IL 60462	5/21/03

Member Organization Applicants

Organization Name	Date Posted
CYP Trading Inc. 440 S. LaSalle - Ste. 2500 Chicago, IL 60605 Roma M. Colwell-Steinke-President Roma M. Colwell-Steinke-Nominee	5/19/03
Wachovia Securities, LLC 901 East Byrd Street Richmond, VA 23219 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	5/19/03

MEMBERSHIP LEASES

New Leases

Effective Date

Lessor: **Citigroup Global Markets Inc.** 5/15/03
 Lessee: **TJM Investments, LLC**
Matthew S. Heyn, NOMINEE

Rate: 1% Term: Yearly

Lessor: **Citigroup Global Markets Inc.** 5/15/03
 Lessee: **TJM Investments, LLC**
Robert M. Bleser, NOMINEE

Rate: 1% Term: Yearly

Lessor: **Gordon M. Binder** 5/19/03
 Lessee: **SMC Option Management LLC**
Alec S. Milam, NOMINEE

Rate: 1 1/8% Term: Monthly

Lessor: **Robert K. Ellis** 5/19/03
 Lessee: **Market Street Securities, Inc.**
Sean P. Kinney, NOMINEE

Rate: 1 1/8% Term: Monthly

Nominee(s) / Inactive Nominee(s): Termination Date

Luke M. Gerdes (LWK) 5/15/03
LaSalle Capital Markets, LP
 440 S. LaSalle – Ste. 2500
 Chicago, IL 60605

Douglas C. Draeger (DGR) 5/16/03
Calabria Trading, LLC
 440 S. LaSalle - Ste. 701
 Chicago, IL 60605

Patrick S. Hamilton (HUK) 5/16/03
TD Options, LLC
 230 S. LaSalle St., Ste. 688
 Chicago, IL 60604

Robert B. Duddy (DUD) 5/16/03
Bear Stearns Securities Corp.
 200 W. Madison, Ste. #1030
 Chicago, IL 60606

Jess Riefe (RDJ) 5/19/03
Calabria Trading, LLC
 440 S. LaSalle, Suite 701
 Chicago, IL 60605

Terminated Leases

Termination Date

Lessor: **First Clearing Corporation** 5/15/03
 Lessee: **ABN AMRO Incorporated**
H. Thomas Hampton (TMY), NOMINEE

Lessor: **Citigroup Global Markets Inc.** 5/15/03
 Lessee: **Fimat USA, Inc.**
Robert M. Bleser (RAT), NOMINEE

Lessor: **Citigroup Global Markets Inc.** 5/15/03
 Lessee: **Fimat USA, Inc.**
Matthew S. Heyn (HEY), NOMINEE

Lessor: **M.B. Partners** 5/19/03
 Lessee: **SMC Option Management LLC**
Alec S. Milam (ALK), NOMINEE

Lessor: **Robert K. Ellis** 5/19/03
 Lessee: **Pioneer Capital, LLC**

Norman F. Anderson (NAA) 5/20/03
Equitec Proprietary Markets LLC
 25655 Shedley Road
 Minooka, IL 60447

Donald D. Ziol (DZD) 5/20/03
Tahoe Trading, LLC
 440 S. LaSalle – Ste. 2500
 Chicago, IL 60605

Michael D. Thelin (KDO) 5/20/03
Cutler Group, LP
 440 S. LaSalle, Suite 1110
 Chicago, IL 60605

Arash Adam Foroughi (OPM) 5/20/03
Cutler Group, LP
 440 S. LaSalle, Ste. 1124
 Chicago, IL 60605

MEMBERSHIP TERMINATIONS

Individual Members

CBT Registered For:

Termination Date

James K. Zaura (JKZ) 5/15/03
JKZ Trading Inc.
 650 Essex Road
 Glen Ellyn, IL 60137

Stavros Lazos (SVS) 5/15/03
DRW Securities, LLC
 10 S. Riverside Plz. – Ste. 2100
 Chicago, IL 60606

Lanny I. Brooks (LBK) 5/20/03
Tahoe Trading, LLC
 1232 Lincoln Ave. S.
 Highland Park, IL 60035

George A. Makris (GAM) 5/20/03
Grace Trading LLC
 440 S. LaSalle Ste., #3100
 Chicago, IL 60605

Member Organizations

Affiliated with CBT Registered For: Termination Date

JKZ Trading Inc. 5/15/03
 650 Essex Road
 Glen Ellyn, IL 60137

EFFECTIVE MEMBERSHIPS

Individual Members

CBT Exercisers: Effective Date

Michael J. Pergande (ZIP) 5/15/03
 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) 5/19/03
Sparta Group Of Chicago, LP
 141 W. Jackson – Ste. 1310A
 Chicago, IL 60604
 Type of Business to be Conducted: Floor Broker /Market Maker

Nominee(s) / Inactive Nominee(s): Effective Date
Brendan Cunningham (BCE) 5/15/03
LaSalle Capital Markets, LP
 440 S. LaSalle, Ste. #2500
 Chicago, IL 60605
 Type of Business to be Conducted: Market Maker

Patrick S. Hamilton (HUK) 5/15/03
TD Options, LLC
 230 S. LaSalle St., Ste. 688
 Chicago, IL 60604
 Type of Business to be Conducted: Floor Broker/Market Maker

Jess Riefe (RDJ) 5/16/03
Calabria Trading, LLC
 440 S. LaSalle, Suite 701
 Chicago, IL 60605
 Type of Business to be Conducted: Market Maker

Russel L. Miron (RUS) 5/16/03
Bear Stearns Securities Corp.
 70 W. Madison
 Chicago, IL 60602
 Type of Business to be Conducted: No Floor Function

Clint Blackburn (CJB) 5/19/03
Lakeshore Securities, LP
 401 S. LaSalle, Ste. #1000
 Chicago, IL 60605
 Type of Business to be Conducted: Floor Broker/Market Maker

Jeffrey M. Carity (JEF) 5/19/03
Knight Financial Products, LLC
 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) 5/19/03
Calabria Trading, LLC
 440 S. LaSalle - Ste. 701
 Chicago, IL 60605
 Type of Business to be Conducted: Market Maker

Sean P. Kinney (SPG) 5/19/03
Market Street Securities, Inc.
 1818 Market St., 18th Floor
 Philadelphia, PA 19103
 Type of Business to be Conducted: Market Maker

Norman F. Anderson (NAA) 5/19/03
Equitec Proprietary Markets LLC
 25655 Shedley Road
 Minooka, IL 60447
 Type of Business to be Conducted: Floor Broker/Market Maker

Michael W. Korich (MWK) 5/19/03
Timber Hill LLC
 17712 S. 71st Ave.
 Tinley Park, IL 60477
 Type of Business to be Conducted: Market Maker

Michael J. Pinto (PIN) 5/20/03
X-Change Financial Access LLC
 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
TJM Investments, LLC	5/15/03	Jerome B. Solar	5/19/03
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		John W. Hurubean	5/21/03
		1227 Royal Dublin Lane Dyer, IN 46311	

MEMBER ADDRESS CHANGES

Individual Members	Effective Date	Member Organizations	Effective Date
Steven T. Sladoje	5/16/03	Quiet Light Securities LLC	5/16/03
3429 N. Seeley Ave. Chicago, IL 60618		141 W. Jackson, Ste. 2020A Chicago, IL 60604	
Kurt J. Steib	5/19/03	R & D Partnership	5/19/03
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 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

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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.

Regulatory Circular RG03-05 continued

- 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.¹ 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 st Offense	2 nd 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.)

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

**Disciplinary Decisions
continued**

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.)