

CBOE Holdings, Inc.
Form S-4/A
May 11, 2007

As filed with the Securities and Exchange Commission on May 11, 2007

Registration No. 333-140574

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

Amendment No. 1 to

FORM S-4

REGISTRATION STATEMENT
UNDER THE SECURITIES ACT OF 1933

CBOE Holdings, Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

6200
(Primary Standard Industrial
Classification Code Number)

20-5446972
(I.R.S. Employer Identification No.)

c/o Chicago Board Options Exchange, Incorporated
400 South LaSalle Street
Chicago, Illinois 60605, (312) 786-5600
(Address, including zip code, and telephone number, including area code, of Registrant's principal executive offices)

Joanne Moffic-Silver
Executive Vice President and General Counsel
Chicago Board Options Exchange, Incorporated
400 South LaSalle Street
Chicago, Illinois 60605
(312) 786-7462
(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:

Michael L. Meyer, Esq.
Robert J. Minkus, Esq.
Schiff Hardin LLP
6600 Sears Tower
Chicago, Illinois 60606
(312) 258-5500

Approximate date of commencement of proposed sale of the securities to the public: As soon as practicable after this Registration Statement becomes effective and all other conditions to the consummation of the proposed restructuring transaction described herein have been satisfied or waived.

If the securities being registered on this Form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box:

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

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If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

CALCULATION OF REGISTRATION FEE

Title of each class of securities to be registered	Proposed maximum aggregate offering price(1)(2)	Amount of registration fee(3)
Class A Common Stock, including shares of Series A-1, Series A-2 and Series A-3 Common Stock, each par value \$0.01 per share	\$183,800,000	\$19,667

(1) Estimated solely for the purpose of calculating the registration fee in accordance with Rule 457(f)(2) under the Securities Act, based on the aggregate book value of Chicago Board Options Exchange, Incorporated, a Delaware non-stock, corporation, or the CBOE, as of December 31, 2006, of \$183,800,000. The securities to be registered are to be offered in connection with the restructuring transactions, a series of transactions in which such securities will be distributed to current members of the CBOE in respect of such current members' existing memberships in the CBOE on the date of the restructuring transaction.

(2) In accordance with Rule 457(o) under the Securities Act of 1933, the number of shares is not set forth herein. Pursuant to Rule 457(o), the registration fee has been computed on the basis of the maximum aggregate offering price, as established above, of all the common stock to be issued upon completion of the restructuring transaction.

(3) Previously paid.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until this Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

EXPLANATORY NOTE

This registration statement is being filed in connection with the proposed demutualization of the Chicago Board Options Exchange, Incorporated, a Delaware non-stock corporation (the "CBOE"), in which the outstanding memberships in the CBOE would be converted into stock of the registrant. Certain current members of the CBOE hold their memberships by virtue of a right (commonly referred to as the "Exercise Right"), granted to full members of The Board of Trade of the City of Chicago, Inc. (the "CBOT"), pursuant to paragraph (b) of Article Fifth of the CBOE's certificate of incorporation (Article Fifth(b)). On October 17, 2006, Chicago Mercantile Exchange Holdings, Inc. ("CME Holdings") and CBOT Holdings Inc. ("CBOT Holdings"), the parent corporation of the CBOT, announced that CME Holdings has agreed to acquire the CBOT through a merger with CBOT Holdings (the "CME/CBOT Transaction"). On December 12, 2006, the CBOE submitted a rule filing with the Securities and Exchange Commission (the "SEC") in which the CBOE provided its interpretation that following the completion of the CME/CBOT Transaction there would no longer be any members of the CBOT who would qualify to become or remain a member of CBOE pursuant to the Exercise Right. The CBOE amended its rule filing on January 17, 2007, and on February 6, 2007, the SEC published notice of the CBOE's rule filing and solicited comments from interested parties. Comments were due on February 27, 2007.

The Registration Statement on Form S-4 of CME Holdings filed with the Securities and Exchange Commission, as amended (Registration No. 333-139538), states that the CME/CBOT Transaction is expected to close in mid-2007. Based on those statements, the description of the restructuring transaction in this registration statement, including the description of the common stock into which the memberships in the CBOE will be converted, assumes that the CME/CBOT Transaction will have been completed prior to this registration statement being declared effective. The description of the restructuring transaction also assumes that the SEC will have approved the CBOE's rule filing with respect to its interpretation of the impact of the CME/CBOT Transaction on the Exercise Right prior to this registration statement being declared effective.

SUBJECT TO COMPLETION, DATED _____, 2007

The information contained in this document is subject to completion or amendment. A registration statement relating to these securities has been filed with the United States Securities and Exchange Commission. These securities may not be sold nor may offers to buy be accepted prior to the time the registration statement becomes effective. This document is not an offer to sell these securities and it is not soliciting an offer to buy these securities, nor shall there be any sale of these securities, in any jurisdiction in which such offer, solicitation or sale is not permitted or would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

Dear Members:

In response to the many changes that have taken place in U.S. options exchanges and other securities markets in recent years, the Board of Directors of the Chicago Board Options Exchange, Incorporated has concluded that it would be in the best interest of the CBOE and its members for the CBOE to change its organizational structure from a non-stock corporation owned by its members to become a wholly-owned subsidiary of a new holding company, CBOE Holdings, Inc., organized as a stock corporation owned by its stockholders. This type of organizational restructuring is sometimes referred to as a demutualization transaction.

We are sending you this proxy statement and prospectus in order to provide you with important information concerning the proposed restructuring of the CBOE, which must be approved by a vote of the CBOE membership before it can be implemented. It also must be approved by the Securities and Exchange Commission.

In the proposed restructuring transaction, each membership in the CBOE existing on the date of the restructuring transaction will be converted into _____ shares of Class A common stock of CBOE Holdings, consisting of _____ shares of Series A-1 common stock, _____ shares of Series A-2 common stock and _____ shares of Series A-3 common stock. Our members will receive a total of _____ shares of common stock in CBOE Holdings in the restructuring transaction.

Following the restructuring transaction, the CBOE will become a wholly-owned subsidiary of CBOE Holdings, the newly formed holding company. The CBOE Holdings common stock issued in the restructuring transaction will not provide its holders with physical or electronic access to the CBOE's trading facilities. Following the restructuring transaction, physical and electronic access to the CBOE trading facilities, subject to such limitations and requirements as will be specified in the rules of the CBOE, will be available to individuals and organizations that have obtained a trading permit from the CBOE.

The common stock of CBOE Holdings will represent an equity ownership interest in that company and will have traditional features of common stock. In the event CBOE Holdings engages in a public offering of its common stock in the future, the shares of CBOE Holdings common stock automatically would become subject to certain transfer restrictions or lock-up restrictions under CBOE Holdings' certificate of incorporation.

We do not currently intend to list the common stock of CBOE Holdings on any stock exchange immediately following the completion of the restructuring transaction. If CBOE Holdings engages in a public offering in the future, we expect that the common stock of CBOE Holdings would be listed at that time. There can be no assurances, however, that a public offering of CBOE Holdings will occur or that the common stock of CBOE Holdings will ultimately be listed on any stock exchange.

We will hold a special meeting at which we will ask all of the Voting Members of the CBOE to approve the restructuring transaction. Approval of the restructuring transaction requires the affirmative vote of a majority of all of the memberships outstanding.

OUR BOARD OF DIRECTORS HAS APPROVED THE RESTRUCTURING TRANSACTION AND RECOMMENDS THAT THE MEMBERS VOTE FOR ITS APPROVAL.

Your vote is very important. Whether or not you plan to attend the special meeting of members, please vote as soon as possible to make sure your membership is represented at the special meeting. Your failure to vote will have the same effect as voting against the restructuring transaction.

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We urge you to read this document carefully, including the Risk Factors section that begins on page 12.

Sincerely,

William J. Brodsky
Chairman and Chief Executive Officer

Neither the Securities and Exchange Commission nor any state securities regulator has approved or disapproved these securities, or determined if this proxy statement and prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

This document is dated _____, _____ and was first mailed, with the form of proxy, to members on or about _____, _____.

CHICAGO BOARD OPTIONS EXCHANGE, INCORPORATED

Notice of Special Meeting of Members

To Be Held on _____, 2007

To the Members of the Chicago Board Options Exchange, Incorporated:

A special meeting of members of the Chicago Board Options Exchange, Incorporated will be held in the _____ at 400 South LaSalle Street, Chicago, Illinois 60605, on _____, 2007 at _____ a.m., local time, for the following purposes:

- (1) to vote on the adoption of the Agreement and Plan of Merger that will facilitate the restructuring of the CBOE;
- (2) to consider and vote on any proposal that may be made by the Vice Chairman of the Board of the CBOE to adjourn or postpone the CBOE special meeting for the purpose of soliciting proxies with respect to the proposal to adopt the Agreement and Plan of Merger; and
- (3) to transact any other business that may properly come before the CBOE special meeting or any adjournment or postponement of the CBOE special meeting.

Each Voting Member of the CBOE of record and in good standing as of the close of business on _____, 2007, the record date for the meeting, will be entitled to vote on the matters presented at the special meeting and at any adjournment thereof. Each Voting Member of the CBOE entitled to vote will be entitled to one vote for each membership with respect to which it has the right to vote. The presence in person or by proxy of CBOE members entitled to cast a majority of the total number of votes entitled to be cast at the meeting constitutes a quorum at the meeting.

The adoption of the Agreement and Plan of Merger requires the affirmative vote of a majority of the CBOE memberships entitled to vote on the proposal at the special meeting. *If you do not vote or if you abstain from voting on this proposal, it will have the same effect as a vote against the proposal.*

If no quorum of the CBOE members is present in person or by proxy at the special meeting, the special meeting may be adjourned by the members present and entitled to vote at that meeting.

THE CBOE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE FOR THE APPROVAL AND ADOPTION OF THE AGREEMENT AND PLAN OF MERGER TO ACCOMPLISH THE RESTRUCTURING TRANSACTION AND FOR ANY PROPOSAL THAT MAY BE MADE BY THE VICE CHAIRMAN OF THE BOARD OF THE CBOE TO ADJOURN OR POSTPONE THE CBOE SPECIAL MEETING FOR THE PURPOSE OF SOLICITING PROXIES.

You may vote your CBOE membership in person or by proxy. You may submit your ballot and proxy by phone, through the Internet or by delivering your ballot and proxy to the Office of the Secretary by mail, fax or hand. Members submitting ballots and proxies by phone or through the Internet must do so no later than _____, 2007, and members submitting ballots and proxies by mail, fax or hand should do so no later than _____, 2007.

Please vote promptly whether or not you expect to attend the special meeting.

Returning your completed ballot and signed proxy will not prevent you from changing your vote or revoking your proxy and voting in person at the special meeting of members. Please note, however, that if you submit your ballot and proxy through one of the available methods prior to the meeting, you will not need to attend the special meeting of members, or take any further action in connection with the special meeting, because you already will have directed your proxy to deliver your ballot with respect to the proposals. You may change your vote and revoke your proxy any time before the special meeting by providing written notice to the Secretary of the Exchange or by submission of a later-dated ballot and proxy.

By order of the board of directors,

Joanne Moffic-Silver
Executive Vice President,
General Counsel and Secretary
On behalf of the board
_____, 2007

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CERTAIN FREQUENTLY USED TERMS

Unless otherwise specified or if the context so requires:

- The CBOE or Chicago Board Options Exchange refers to (1) prior to the completion of the restructuring transaction, Chicago Board Options Exchange, Incorporated, a Delaware non-stock corporation, and (2) after the completion of the restructuring transaction, the Chicago Board Options Exchange, Incorporated, a Delaware stock corporation.
- CBOE Holdings refers to CBOE Holdings, Inc., a Delaware stock corporation and, following the consummation of the restructuring transaction, the parent corporation of the CBOE.
- CBOE Seat refers to a regular membership that was made available by the CBOE in accordance with its Rules and which was acquired by a CBOE Member.
- member or members refers to (1) prior to the completion of the restructuring transaction, any person or organization (or any designee of any organization) that holds a membership in the CBOE, and (2) after the completion of the restructuring transaction, any individual, corporation, partnership, limited liability company or other entity authorized by the Rules of the CBOE (i) that holds a trading permit in the CBOE or (ii) that is otherwise deemed a member pursuant to the Securities Exchange Act of 1934, as amended.
- Voting Member of the CBOE means (i) an owner of a CBOE Seat who has not delegated its right to vote to a lessee and (ii) a lessee of a CBOE Seat, to whom voting rights have been delegated via a lease agreement.
- We, us or our refers to (1) prior to the completion of the restructuring transaction, the CBOE, and (2) after the completion of the restructuring transaction, CBOE Holdings and its wholly-owned subsidiaries.

SUMMARY

This summary highlights selected information in this document and may not contain all of the information that is important to you. You should carefully read this entire document, including its annexes and exhibits, and the documents incorporated by reference into this document for a more complete understanding of the matters to be considered at the special meeting.

Our Business

Founded as a member-owned, non-stock Delaware corporation, the CBOE began operating as an exchange on April 26, 1973 as the first organized marketplace for the trading of standardized, listed options on equity securities. Since the CBOE's inception, the CBOE has grown to become one of the world's leading exchanges for the trading of derivatives and is recognized globally for its leadership role in the trading of options on individual equities and equity indexes. As of December 31, 2006, the CBOE has 632 employees.

The CBOE's volume of contracts traded in 2006 was over 674 million contracts, representing an increase of 44% over its volume in 2005, for a daily average of 2,688,189 contracts. In 2005, volume of contracts traded at the CBOE was over 468 million contracts with an average of 1,858,132 contracts per day, representing an increase of 29.7% over 2004. In 2004, volume of contracts traded at the CBOE was over 361 million contracts for an average of 1,432,884 contracts per day. In 2006, 2005 and 2004, trades at the CBOE represented 33.3%, 31.1% and 30.5%, respectively, of the total contracts traded on all U.S. options markets. For the twelve months ended December 31, 2006 and 2005, the CBOE generated revenue of approximately \$255 million and \$203 million, respectively. The CBOE generates revenue primarily from the following sources:

- Transaction fees;
- Market data fees;
- Systems services;
- Regulatory fees;
- Facilities and equipment fees; and
- Membership dues.

The CBOE is a self-regulatory organization, or SRO, under the Securities Exchange Act of 1934, and as such are subject to regulation and oversight by the SEC. As an SRO, the CBOE plays a critical role in the U.S. securities markets: it conducts market surveillance and examines members and member organizations for, and enforce, compliance with federal securities laws and its Rules. Since March 24, 2004, the CBOE has also operated the CBOE Futures Exchange, LLC as a designated contract market under the oversight of the Commodity Futures Trading Commission. On July 27, 2006, the CBOE announced the creation of the CBOE Stock Exchange, LLC, a facility of the CBOE in which the CBOE holds a 50% interest, which is scheduled to begin trading stocks in the first quarter of 2007.

Our principal executive offices are located at 400 South LaSalle Street, Chicago, Illinois 60605, and our telephone number is (312) 786-5600.

The Proposed Restructuring Transaction (See page 29)

General. In the restructuring transaction, the CBOE will change from a Delaware non-stock corporation owned by its members to a Delaware stock corporation that will be a wholly-owned subsidiary of CBOE Holdings, Inc., a newly created holding company organized as a Delaware stock corporation. After the restructuring transaction, the owners of CBOE membership interests will become stockholders of

CBOE Holdings through the conversion of their memberships into shares of common stock, par value \$0.01 per share, of CBOE Holdings. CBOE Holdings will hold all of the outstanding common stock of the CBOE. The CBOE will continue to function as an SRO and to operate its options exchange business. Immediately following the restructuring transaction, the CBOE will transfer all of its interest in its subsidiaries (other than CBOE Stock Exchange, LLC) to CBOE Holdings, and as a result, each of the CBOE's subsidiaries (other than CBOE Stock Exchange, LLC), will become a wholly-owned direct subsidiary of CBOE Holdings.

CBOE Stock Exchange, LLC will remain a subsidiary of the CBOE. The CBOE currently holds a 50% interest in CBOE Stock Exchange, LLC.

Reasons for the Restructuring Transaction (See page 34)

For the reasons described in this proxy statement and prospectus, see *The Restructuring Transaction* *The CBOE's Reason for the Restructuring Transaction* on page 34, the CBOE board of directors recommends that you vote **FOR the proposal to approve the agreement and plan of merger to accomplish the restructuring transaction.**

Implementation of the Restructuring Transaction (See page 29)

The restructuring transaction will be completed through the merger of CBOE Merger Sub, Inc. with and into the CBOE, with the CBOE surviving the merger as a Delaware stock, for-profit corporation. We refer to this transaction as the *Merger*. Upon the effectiveness of the *Merger*:

- the outstanding stock of CBOE Merger Sub will be converted into common stock of the CBOE,
- the memberships in the CBOE existing on the date of the restructuring transaction will be converted into CBOE Holdings Class A common stock and
- the CBOE Holdings common stock held by the CBOE will be cancelled.

As a result, CBOE Holdings will become the sole stockholder of the CBOE. The form of agreement and plan of merger is attached hereto as Annex G to this proxy statement and prospectus. For purposes of this proxy statement and prospectus, we refer to this agreement as the *Agreement and Plan of Merger*. Immediately following the *Merger*, the CBOE will distribute as a dividend to CBOE Holdings the shares the CBOE owns in its subsidiaries (other than CBOE Stock Exchange LLC), making them first-tier, wholly-owned subsidiaries of CBOE Holdings.

What You Will Receive in the Restructuring Transaction (See page 36)

CBOE Holdings, Inc. Common Stock. In the restructuring transaction, each membership existing on the date of the restructuring transaction will be converted into _____ shares of Class A common stock of CBOE Holdings, consisting of _____ shares of Series A-1 common stock, _____ shares of Series A-2 common stock and _____ shares of Series A-3 common stock.

Transfer of CBOE Holdings Common Stock Following the Restructuring Transaction. Following the restructuring transaction and unless and until a public offering by CBOE Holdings of its common stock has been completed, pursuant to the certificate of incorporation of CBOE Holdings, transfers of the Series A-1, A-2 and A-3 common stock of CBOE Holdings may only take place through the CBOE membership department or through an agent of CBOE Holdings that has been designated by CBOE Holdings to manage such transfers. It is intended that this process will function much like the existing process for the sale and transfer of CBOE Seats.

Transfer Restrictions on CBOE Holdings Common Stock Following a Public Offering. In the event CBOE Holdings engages in a public offering of its common stock in the future, the Series A-1, A-2 and A-3 common stock of CBOE Holdings

common stock automatically would become subject to certain

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transfer restrictions or lock-up restrictions under CBOE Holdings certificate of incorporation, with these lock-up restrictions expiring on the Series A-1, A-2 and A-3 common stock as of the 180th, 360th and 540th day, respectively, following the closing date of any such public offering. During any applicable lock-up period, shares of the affected series of CBOE Holdings Class A common stock may not be directly or indirectly assigned, offered for sale, sold, transferred or otherwise disposed of, except pursuant to limited exceptions set forth in the CBOE Holdings certificate of incorporation, which provides for certain permitted transfers to affiliates, family members, qualified trusts and estates, as well as certain pledges and the potential transfer upon a *bona fide* foreclosure resulting therefrom. Subject to possible extension in the event of an organized sale, as set more fully in this proxy statement and prospectus, upon the expiration of the applicable lock-up period with respect to each of the Series A-1, A-2 and A-3 common stock, the shares of the Series A-1, A-2 and A-3 common stock then scheduled to expire will automatically convert from restricted Class A common stock to unrestricted common stock, which will be freely transferable.

Who Will Receive the Restructuring Consideration (See page 36)

The CBOE Holdings common stock issued in the restructuring transaction will be issued to the owner of the CBOE Seat. A lessee of a membership will not receive any CBOE Holdings common stock in the restructuring transaction. Members who are lessees of their memberships, however, will have the opportunity to apply for a trading permit following the restructuring transaction. For information regarding the terms and conditions of the CBOE trading permits and the process for obtaining such a permit, please see *The Restructuring Transaction Trading Permits* on page 38.

CBOE Holdings Capital Stock (See page 119)

General. The Class A common stock of CBOE Holdings will represent an equity ownership interest in that company and will have traditional features of common stock, including dividend, voting and liquidation rights. The common stock will provide the holder with the right to receive dividends as determined by the CBOE Holdings board of directors and the right to share in the proceeds of liquidation, in each case, ratably on the basis of the number of shares held and subject to the rights of holders of CBOE Holdings preferred stock, if any.

Authorized. As of the effective time of the restructuring transaction, CBOE Holdings will be authorized to issue up to (i) _____ shares of unrestricted common stock, \$0.01 par value per share, (ii) _____ shares of Class A common stock, \$0.01 par value per share, initially divided into three series of restricted Class A common stock, designated Series A-1, A-2 and A-3 and (iii) up to 20,000,000 shares of preferred stock, \$0.01 par value per share. The unrestricted common stock and the Class A common stock will have the same rights and privileges, except the Class A common stock will be subject to the transfer restrictions described in *What You Will Receive in the Restructuring Transaction* above. The unrestricted common stock will be freely transferable. The three series of Class A common stock will be identical, except that the transfer restrictions associated with each series will be of a different duration. CBOE Holdings will have the ability to issue preferred stock and unrestricted common stock, including in connection with a public offering of shares of stock to investors who were not members of the CBOE prior to the restructuring transaction and are not holders of trading permits in the CBOE following the restructuring transaction. CBOE Holdings has no current intention to issue any shares of its preferred stock.

Lock-Ups & Restrictions. The CBOE Holdings certificate of incorporation imposes certain transfer restrictions, or lock-ups, on the Series A-1, A-2 and A-3 common stock of CBOE Holdings issued to the CBOE members in the restructuring transaction. For a discussion of these restrictions, please see *The Restructuring Transaction What You Will Receive in the Restructuring Transaction Transfer Restrictions on CBOE Holdings Common Stock Following the Restructuring Transaction* on page 36.

Ownership and Voting Limitations. The CBOE Holdings certificate of incorporation imposes certain ownership and voting limitations on the Series A-1, A-2 and A-3 common stock of CBOE Holdings. For a description of these restrictions, please see *Description of CBOE Holdings Capital Stock Ownership and Voting Limits on CBOE Holdings Common Stock* on page 122.

Organized Sales (See page 124)

After the completion of a public offering, CBOE Holdings will have the right to conduct organized sales of the Class A common stock of CBOE Holdings issued in the restructuring transactions when the transfer restriction period applicable to the Series A-1, A-2 and A-3 common stock of CBOE Holdings is scheduled to expire. The purpose of this right is to enable CBOE Holdings to facilitate a more orderly distribution of its common stock into the public market.

If CBOE Holdings elects to conduct an organized sale, no shares of the Series A-1, A-2 or A-3 common stock of CBOE Holdings for which transfer restrictions are scheduled to lapse or of any other series that is subject to transfer restrictions may be sold until the 91st day after the later of the expiration of the related transfer restriction period and the completion of the organized sale, except as part of the organized sale or in a permitted transfer.

For a discussion of organized sales and the procedures to be followed in the event CBOE Holdings determines to conduct an organized sale, please see *Description of CBOE Holdings Capital Stock Organized Sales* on page 124.

Effect of the Restructuring Transaction on Trading Access (See page 37)

In the restructuring transaction, memberships in the CBOE and the trading rights they represent will be cancelled when the CBOE memberships are converted into shares of common stock in CBOE Holdings. The CBOE Holdings common stock issued in the restructuring transaction will not provide the holder with any right to physical or electronic access to the CBOE's trading facilities. Following the restructuring transaction, physical and electronic access to the trading facilities of the CBOE, subject to such limitations and requirements as will be specified in the rules of the CBOE, will be available to individuals and organizations that have obtained a trading permit from the CBOE.

In addition, effective upon completion of the restructuring transaction, each lease of a CBOE Seat will be voided, by operation of rule or law, and the lessee members will cease to have any rights to trading access under the lease after termination. Current lessees will have the opportunity to apply for a trading permit following the restructuring transaction, which will provide them with physical and/or electronic access to the trading facilities of the CBOE, subject to the limitations and requirements as will be specified in the rules of the CBOE. For more information regarding trading access following the restructuring transaction, please see *The Restructuring Transaction Trading Permits* on page 38.

Our Corporate Structure Before and After the Restructuring

In order to help you understand the restructuring transactions and how it will affect our corporate organizational structure, the following charts show, in simplified form, the structure of the CBOE before and immediately after the completion of the restructuring transaction:

Before the Restructuring Transaction

Amendments to the CBOE Certificate of Incorporation, Constitution, Bylaws and Rules

Currently the CBOE has a certificate of incorporation, Constitution and Rules. The Constitution and Rules of the CBOE are collectively referred to as the bylaws. Following the restructuring transaction, the CBOE's rules will no longer be part of the bylaws and what has been historically referred to as the Constitution, will now be referred to as the bylaws. As a result, following the restructuring transaction, the certificate of incorporation, bylaws and Rules of the CBOE will be similar to the CBOE's current certificate of incorporation, Constitution and Rules, except each of these documents will be revised to reflect that the CBOE will become wholly owned by CBOE Holdings and will be revised in other ways to, among other things, streamline the CBOE governance and incorporate provisions required by the SEC in the case of for-profit exchanges.

In addition, as part of the restructuring transaction, the certificate of incorporation of the CBOE will be updated to reflect the fact that following the CME/CBOT Transaction, there will no longer be members of the CBOT who qualify to become a member of the CBOE under Article Fifth(b) of the CBOE's certificate of incorporation without having to purchase a separate CBOE membership. Other revisions to our certificate of incorporation, Constitution, bylaws and Rules will reflect the way in which access to our trading facilities will be provided following the restructuring. These amendments are described below under the headings *The Restructuring Transaction Amendments to the CBOE Certificate of Incorporation, Constitution and Bylaws* on page 40 and *The Restructuring Transaction Amendments to the CBOE Rules* on page 41. For more information regarding the differences between the rights before and after the restructuring transaction, please see *Comparison of Rights Prior to and After the Restructuring Transaction* on page 130.

The CBOE Special Meeting (See page 25)

The special meeting of the CBOE members will be held in _____ at 400 South LaSalle Street, Chicago, Illinois 60605, on _____, 2007 at _____ a.m., local time. You may vote at the CBOE special meeting or any adjournments thereof if you are a Voting Member of the CBOE of record and in good standing as of the close of business on _____, 2007, the record date for the special meeting.

Proposal to Approve the Restructuring Transaction. To approve the restructuring transaction, CBOE members holding a majority of the outstanding memberships must approve the Agreement and Plan of Merger.

Proposal to Adjourn or Postpone the Meeting. To approve any proposal to adjourn or postpone the meeting, should such a proposal be made at the meeting, CBOE members holding a majority of the memberships present or represented by proxy at the meeting must approve such proposal.

Other Proposals. The approval of any other proposal presented at the special meeting requires the affirmative vote of a majority of the votes cast by the CBOE members at the special meeting.

The CBOE board of directors recommends that the CBOE members vote **FOR** the adoption of the Agreement and Plan of Merger that will effect the restructuring transaction. In addition, the CBOE board of directors recommends that the CBOE members vote **FOR** any proposal that may be made by the Vice Chairman of the Board of Directors of the CBOE to adjourn or postpone the CBOE special meeting for the purpose of soliciting additional proxies with respect to the proposal to adopt the Agreement and Plan of Merger.

Material U.S. Federal Income Tax Consequences (See page 126)

It is a condition to the obligation of the CBOE to consummate the Merger that it receive an opinion from its counsel, dated as of the closing date of the Merger, to the effect that the Merger will qualify as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code. Subject to the

limitations and qualifications described under *Material U.S. Federal Income Tax Consequences*, it is the opinion of Schiff Hardin LLP, counsel to the CBOE, that the Merger will qualify as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code. As a result:

- No gain or loss will be recognized by the CBOE upon the Merger.
- A CBOE member will not recognize any gain or loss upon receipt of CBOE Holdings common stock received in connection with the Merger.

There can be no assurance that the Internal Revenue Service will agree with the conclusions of Schiff Hardin LLP that the Merger constitutes a reorganization for U.S. federal income tax purposes. You should read *Material U.S. Federal Income Tax Consequences* for a more complete discussion of the U.S. federal income tax consequences of the Merger. We urge you to consult with your tax advisor for a full understanding of the tax consequences of the Merger to you.

Accounting Treatment

The restructuring transaction will be treated as a merger of entities under common control. Accordingly, the financial position and results of operations of the CBOE will be included in the consolidated financial statements of CBOE Holdings on the same basis as currently presented.

Regulatory Approvals (See page 42)

The restructuring transaction is subject to the approval of the SEC to the extent that changes to our certificate of incorporation, Constitution and Rules are necessary to effectuate the restructuring transaction. These changes must be filed with, and in most cases approved by, the SEC before they may become effective. Accordingly, we intend to make appropriate filings with the SEC seeking approval of the proposed restructuring transaction and associated amendments as described in this document. While we believe that we will receive the requisite regulatory approvals from the SEC, there can be no assurances regarding the timing of the approvals or our ability to obtain the approvals on satisfactory terms. Subject to the satisfaction of these conditions, we expect to complete the restructuring transaction in the third quarter of 2007.

Appraisal Rights (See page 44)

Under Delaware law, the CBOE members have the right to an appraisal of the fair value of their memberships in connection with the restructuring transaction. To exercise appraisal rights, a CBOE Voting Member must not vote for adoption of the Agreement and Plan of Merger and must strictly comply with all of the procedures required by Delaware law. These procedures are described more fully in *The Restructuring Transaction Appraisal Rights of Dissenting Members* on page 44.

A copy of Delaware General Corporation Law Section 262 *Appraisal Rights* is included as Annex H to this document.

Directors and Management of CBOE Holdings and the CBOE Following the Restructuring Transaction (See page 98)

Following the restructuring transaction, the CBOE Holdings board of directors will consist of 13 directors, one of whom will be CBOE Holdings chief executive officer. At all times no less than two-thirds of the directors of CBOE Holdings will be independent as defined by CBOE Holdings board of directors, which definition will satisfy the New York Stock Exchange's listing standards for independence. The CBOE Holdings board will be a classified board with staggered terms of office, consisting of two classes of directors, each of which will serve for two-year terms. There is no limit on the number of terms a director may serve on the board.

The CBOE's board of directors also will consist of 13 directors, one of whom will be the CBOE's chief executive officer, at least seven of whom will be non-industry directors, and the remainder of whom will be industry directors. For a description of non-industry director and industry director as well as for more information on the specific requirements for the CBOE Holdings and the CBOE boards of directors, please see Directors and Management of the CBOE and CBOE Holdings After the Restructuring Transaction. The CBOE board will be a classified board with staggered terms of office, consisting of two classes of directors, each of which will serve for two-year terms. There is no limit on the number of terms a director may serve on the board.

On or prior to the completion of the restructuring transaction, in addition to its current officers, CBOE Holdings will elect certain additional individuals as officers of CBOE Holdings. See Directors and Management of the CBOE and CBOE Holdings After the Restructuring Transaction.

Stock Exchange Listing and Stock Prices (See page 43)

CBOE Holdings common stock currently is not traded or quoted on a stock exchange or quotation system. We do not currently intend to list the common stock of CBOE Holdings on any stock exchange immediately following the completion of the restructuring transaction. If CBOE Holdings subsequently pursues a public offering, CBOE Holdings likely would apply to list its common stock at that time. There can be no assurances, however, that a public offering of CBOE Holdings will occur or that the common stock of CBOE Holdings will ultimately be listed on any stock exchange.

CBOE memberships are not traded or quoted on a stock exchange or quotation system. All transfers of CBOE memberships, including transfers through private sales, currently must be processed through the CBOE. The CBOE records the sale prices of CBOE memberships.

Because all transfers of memberships, including private sales, must be processed through the CBOE membership department, the CBOE is aware of the price of all transfers, including nominal transfers. The following table sets forth, for the periods indicated, the high and low sale prices of CBOE memberships as recorded in the CBOE's records.

Calendar Quarter	High	Low
2005:		
First Quarter	\$439,500	\$299,000
Second Quarter	\$595,000	\$425,100
Third Quarter	\$755,000	\$600,000
Fourth Quarter	\$875,000	\$625,000
2006:		
First Quarter	\$1,150,000	\$850,000
Second Quarter	\$1,375,000	\$1,200,000
Third Quarter	\$1,400,000	\$975,000
Fourth Quarter	\$1,775,000	\$1,375,000
2007:		
First Quarter	\$2,270,000	\$1,800,000
Second Quarter (Through April 30, 2007)	\$2,400,000	\$2,100,000

On January 24, 2007, the day prior to the date of public announcement of the restructuring transaction, the most recent sale price of a membership in the CBOE was \$1,900,000, and the most recent sale of a membership in the CBOE prior to the date of this prospectus was on April 30, 2007, at a price of \$2,400,000, in each case as recorded by the CBOE's membership department.

Certain Differences in the Rights of a CBOE Member Before the Restructuring Transaction and a CBOE Holdings Stockholder after the Restructuring Transaction (See page 130)

Upon completion of the restructuring transaction, CBOE Holdings' certificate of incorporation and bylaws will govern the rights of the CBOE Holdings stockholders. Please read carefully the form of CBOE Holdings certificate of incorporation and bylaws that will be in effect upon completion of the restructuring transaction, copies of which are attached as Annex C and D, respectively, to this proxy statement and prospectus, as well as a summary of the material differences between the rights of the CBOE Holdings stockholders and the CBOE members under **Comparison of Rights Prior to and After the Restructuring Transaction.**

UNAUDITED SUMMARY CONDENSED CONSOLIDATED FINANCIAL DATA

The following table sets forth a summary of our historical financial and other information. When you read this summary condensed consolidated financial data, it is important that you read along with it the historical financial statements and related notes, as well as, the section titled Selected Consolidated Financial Data and Management's Discussion and Analysis of Financial Condition and Results of Operations, included elsewhere in this proxy statement and prospectus. In 2005 the CBOE converted from a fiscal year that ended on June 30 to a fiscal year that ends on December 31. Because of this conversion, it was necessary for the CBOE to have a six-month reporting period (which we refer to as the 2004 Stub) ending on December 31, 2004.

	Year Ended Dec 31, 2006	Year Ended Dec 31, 2005	Six Mos. Ended Dec 31, 2005	Six Mos. Ended Dec 31, (1) 2004	Year Ended June 30,		2002
	(dollars in thousands, except per share data)						
Operating Data							
Total revenues	\$ 257,986	\$ 203,055	\$ 105,879	\$ 88,926	\$ 173,714	\$ 163,792	\$ 148,823
Operating expenses	185,959	183,162	94,662	86,493	171,059	150,401	152,251
Income (Loss) from operations	72,027	19,893	11,217	2,433	2,655	13,391	(3,428)
Income Taxes (Credit)	29,919	8,998	5,032	1,240	1,004	5,999	2,192
Net Income (Loss)	\$ 42,108	\$ 10,895	\$ 6,185	\$ 1,193	\$ 1,651	\$ 7,392	\$ (5,620)
Balance Sheet Data							
Total assets	\$ 255,826	\$ 202,185	\$ 202,185	\$ 198,967	\$ 176,234	\$ 175,784	\$ 165,706
Total liabilities	72,437	61,277	61,277	64,127	42,587	43,788	41,102
Total equity	183,389	140,908	140,908	134,840	133,647	131,996	124,604
Pro forma Data							
Net income (loss) per share (2)	[_]	[_]	[_]	[_]	[_]	[_]	[_]
Other Data							
Current Ratio (3)	2.85	2.59	2.59	2.16	3.02	2.72	1.98
Working capital	\$ 94.1	\$ 59,912	\$ 59,912	\$ 42,911	\$ 36,788	\$ 30,143	\$ 17,114
Capital expenditures (4)	28,700	21,011	10,948	15,462	23,334	25,047	\$ 21,871
Number of full time employees at the end of the period	626	673	673	686	698	725	720
Sales price per CBOE membership							
High	\$ 1,750	\$ 875	875	\$ 420	\$ 340	\$ 210	\$ 381
Low	850	299	600	270	190	132	160

(1) In 2004, the CBOE converted its fiscal year from the year ending June 30 to the year ending December 31. Because of this transition, the CBOE is reporting results for the six months ending December 31, 2004.

(2) Based on _____ shares issued and outstanding immediately following the completion of the restructuring transactions.

(3) Equals current assets divided by current liabilities.

(4) Does not include new investments in affiliates or the disposition of interests in affiliates.

RISK FACTORS

In this section, we describe the material risks known to us pertaining to the proposed restructuring of the CBOE and to our business in general. You should carefully consider each of the following risks, together with all other information set forth in this document, before deciding whether to vote for or against the proposal to approve the restructuring transaction.

Risks Relating to the Restructuring Transaction

We are subject to the following risks in connection with the restructuring transaction, including the changes in our form of corporate organization and in our governance structure:

The costs of restructuring and of maintaining a holding company structure may outweigh the benefits intended to be realized by making these changes.

Although we expect that the proposed restructuring into a holding company form of organization will provide us increased flexibility to raise capital, make acquisitions, form strategic alliances and otherwise to operate in a manner that will allow us to pursue our strategic goals, it is possible that we will not be able to achieve some or all of these benefits as a result of unfavorable market conditions, the regulatory environment or other circumstances. As a result, we could incur the added costs of restructuring and of maintaining a holding company structure without realizing the intended benefits.

We have no significant experience in operating as a for-profit exchange.

From our formation in 1973 until our change to a for-profit business model at the beginning of 2006, we have operated as a member-owned organization essentially on a break-even basis and for the benefit of our members, subject to our obligations as a self-regulatory organization, or SRO, under the Exchange Act. In that capacity, our business decisions were focused not on maximizing our own profitability, but instead on delivering member benefits and enhancing member opportunity at reasonable cost in conformity with our obligations under the Exchange Act. Beginning in 2006 and carrying forward after the restructuring transaction, our business was and will be operated for the long-term benefit of our owners rather than primarily for the purpose of delivering member benefits and enhancing member opportunity. Our management, therefore, has limited experience operating a for-profit business. Consequently, our transition to for-profit operations will be subject to risks, expenses and difficulties that we cannot predict and may not be capable of handling in an efficient manner.

CBOE Holdings has not determined its dividend policy. The ability of CBOE Holdings to pay dividends will depend upon the earnings of its operating subsidiaries to meet obligations and invest appropriately in the business prior to payment of any dividends. Accordingly, there can be no guarantee that CBOE Holdings will, or will be able to, pay dividends to its stockholders.

Any future decision to pay dividends on CBOE Holdings common stock will be at the discretion of the CBOE Holdings board of directors. The CBOE Holdings board of directors may or may not determine to declare dividends in the future. The board's determination to issue dividends will depend upon the profitability and financial condition of CBOE Holdings and its subsidiaries, contractual restrictions, restrictions imposed by applicable law and the SEC, and other factors that the CBOE Holdings board of directors deems relevant. As a holding company with no significant business operations of its own, CBOE Holdings will depend entirely on distributions, if any, it may receive from its subsidiaries to meet its obligations and pay dividends to its stockholders. If these subsidiaries are not profitable or, even if they are and they determine to retain their profits for use in their businesses, CBOE Holdings will be unable to pay dividends to its stockholders. We expect that most of the earnings and cash flow of the CBOE will initially be retained and used by it in its operations and will therefore not be available for distribution to CBOE Holdings and to stockholders of CBOE Holdings. We are not now able to state what will be the long-term dividend policy adopted by CBOE Holdings' board of directors.

We must obtain the approval of the Securities and Exchange Commission and the Commodity Futures Trading Commission before we can complete the proposed restructuring transaction, which may result in additional conditions being imposed and may be a source of delay.

The SEC must approve the proposed amendments to the CBOE's certificate of incorporation, Constitution and Rules as well as certain terms of the certificate of incorporation and bylaws of CBOE Holdings, in each case, that result from or are a part of the restructuring transaction. SEC approval might not be forthcoming in a timely manner or may be conditioned on changes to these documents that could limit or otherwise adversely affect your rights as holders of CBOE Holdings common stock after the restructuring. Certain changes may require us to obtain the approval of the CBOE members even if we have already received membership approval to complete the restructuring as originally proposed. This could require us to re-solicit proxies, which could cause us to incur significant additional expenses and delay.

In addition, we will need to obtain the approval of CFTC for the transfer of certain of our subsidiaries from the CBOE to CBOE Holdings. This approval could delay our ability to consummate the restructuring transaction.

The Class A common stock of CBOE Holdings you receive in the restructuring transaction will not be listed on a national securities exchange, and will not be a liquid investment unless an active marketplace develops.

The shares of Class A common stock that you will receive in the restructuring transaction will not be listed on a national securities exchange. In addition, the shares you will receive will only be permitted to be traded through the CBOE Membership Department or through an agent to be designated by the CBOE Membership Department to manage such transfers. Accordingly, unless this market develops into an active marketplace for our common stock, you will be required to bear the risk of your investment in these shares for an extended period of time.

A public offering of our common stock may never be completed.

There can be no guarantee that there will be a future public offering of common stock of CBOE Holdings. Whether or not our board of directors determines to proceed with public offering will depend on many factors, including market conditions, the trading performance of and investor demand for the equity of comparable companies and our operating performance relative to comparable companies. We may not be able to complete a public offering in the near future or at all. Even if a public offering is completed the price you would be able to receive for the shares you receive in the restructuring transaction may be less than the current market value of your membership.

Following a public offering shares of CBOE Holdings Class A common stock will be subject to transfer restrictions and will not be a liquid investment until these restrictions lapse.

Because the common stock of CBOE Holdings issued in the restructuring transaction would become subject to transfer restrictions in the event CBOE Holdings engaged in a public offering, these shares will not be a liquid investment until such transfer restrictions have expired and a trading market in the shares has developed. In addition, even if a market in shares of CBOE Holdings common stock does develop, the market price of the stock may fluctuate due to actual or anticipated variations in the operating results of CBOE Holdings and its subsidiaries, and as a result of conditions or trends in the businesses in which CBOE Holdings and its subsidiaries are engaged, including regulatory, competitive or other developments affecting only CBOE Holdings or its subsidiaries or affecting financial markets in general.

Your ownership of CBOE Holdings may be diluted if additional capital stock is issued to raise capital, to finance acquisitions or in connection with strategic relationships.

CBOE Holdings may seek to raise additional funds, finance acquisitions or develop strategic relationships by issuing equity or convertible debt securities, which would reduce the percentage ownership

of existing CBOE Holdings stockholders. Following the restructuring transaction, the CBOE Holdings board of directors will have the authority, without action or vote of the stockholders, to issue all or any part of our authorized but unissued shares of common or preferred stock. Our certificate of incorporation authorizes 300,000,000 shares of common stock and 20,000,000 shares of preferred stock. Following the restructuring transaction, shares of common stock and 20,000,000 shares of preferred stock will be authorized and unissued. Issuance of common or preferred stock would reduce your influence over matters on which stockholders vote and would be dilutive to earnings.

In addition, any newly issued preferred stock could have rights, preferences and privileges senior to those of the CBOE Holdings common stock. Those rights, preferences and privileges could include, among other things, the establishment of dividends which must be paid prior to declaring or paying dividends or other distributions to holders of our common stock; greater or preferential liquidation rights which could negatively affect the rights of holders of our common stock; and the right to convert such preferred stock into shares of our common at a rate or price which would have a dilutive effect on the outstanding shares of our common stock.

The CBOE may not be able to generate significant revenue by making trading access available in exchange for a fee paid directly to the CBOE, rather than having access be an attribute of CBOE membership.

The ability to trade on the CBOE is currently an inherent right of every CBOE member. One of the consequences of the restructuring transaction will be to separate trading access from ownership, and thereby eliminate access as an inherent right of ownership of the CBOE. Upon the effectiveness of the restructuring transaction, the right to trade on the CBOE will be made available to holders of trading permits issued by the CBOE that will be subject to fees paid directly to the CBOE. These fees are expected to account for a significant portion of the revenues of the CBOE, hence of CBOE Holdings. If the demand for access to the CBOE is less than planned, we would not likely be able to generate as much revenue as we anticipate through the granting of permits for trading access, which could adversely affect the profitability of the CBOE and of CBOE Holdings. For a discussion of trading access after the restructuring transaction, please see *The Restructuring Transaction Effect of the Restructuring Transaction on Trading Access* on page 37.

We are a party to a pending lawsuit in connection with the restructuring transaction which could delay or affect the structure of the restructuring transaction.

On August 23, 2006, the CBOE and its directors were sued by The Board of Trade of the City of Chicago, Inc. (the CBOT), CBOT Holdings, Inc. (CBOT Holdings, the CBOT's parent company) and two members of the CBOT who purport to represent a class of individuals who became, or have the right to become, members of the CBOE, without paying for such membership, by virtue of the Exercise Right granted to CBOT members pursuant to paragraph (b) of Article Fifth of the CBOE's certificate of incorporation. These plaintiffs seek a judicial declaration that, among other things, persons who become CBOE members pursuant to the Exercise Right (Exercise Members), are entitled to receive the same consideration in the CBOE's restructuring transaction as all other CBOE members, and plaintiffs also seek an injunction to bar the CBOE and the CBOE's directors from issuing any stock to CBOE members as part of the restructuring transaction unless Exercise Members receive the same stock and other consideration as other CBOE members. Plaintiffs also seek a declaratory judgment and an injunction to prevent the CBOE from implementing an interpretation of Article Fifth(b) of the CBOE's certificate of incorporation that the CBOE has submitted to the SEC for approval, under which no person would qualify as an Exercise Member upon the consummation of an announced transaction between CBOT Holdings and Chicago Mercantile Exchange Holdings, Inc. Prior to this action we have been subject to other legal proceedings and claims relating to the Exercise Right. It is possible that this claim or other claims that could be brought in the future relating to the restructuring transaction or other matters could delay or affect the structure of the restructuring transaction as well as lead to additional expenses or require us to

issue significantly more equity, which would dilute materially the equity of our stockholders. See Business Legal Proceedings Litigation with respect to the Restructuring Transaction on page 84 for a description of this litigation.

Risks Relating to Our Business

Our business, and thus the value of CBOE Holdings common stock, is subject to the following risks, which include risks relating to the industry in which we operate.

The CBOE operates in a highly regulated industry and may be subject to censures, fines and other legal proceedings if it fails to comply with its legal and regulatory obligations.

The CBOE, which will be CBOE Holdings' principal operating subsidiary, is a registered national securities exchange and an SRO and, as such, is subject to comprehensive regulation by the SEC. The CBOE's ability to comply with applicable laws and rules is largely dependent on its establishment and maintenance of appropriate systems and procedures, as well as its ability to attract and retain qualified personnel. The SEC has broad powers to audit, investigate and enforce compliance and to punish noncompliance by SROs with the Exchange Act, the SEC's rules and regulations under the Exchange Act and the rules and regulations of the SRO. If the SEC were to find the CBOE's program of enforcement and compliance to be deficient, the CBOE could be the subject of SEC investigations and enforcement proceedings that may result in substantial sanctions, including revocation of its registration as a national securities exchange. Any such investigations or proceedings, whether successful or unsuccessful, could result in substantial costs and diversions of resources and potential harm to the CBOE's reputation, any of which could have a material adverse effect on the business, financial condition and operating results of CBOE Holdings.

Although CBOE Holdings itself will not be a registered entity, CBOE Holdings will be subject to regulation by the SEC over its activities that involve the CBOE because CBOE Holdings will control the CBOE, which is an SRO. Specifically, the SEC will exercise oversight over the governance of CBOE Holdings and its relationship with the CBOE. See Regulation Regulatory Responsibility, below.

As a regulated entity, CBOE's ability to implement or amend rules could be limited or delayed, which could negatively affect its ability to implement needed changes.

The CBOE must submit proposed rule changes to the SEC for its review and, in most cases, its approval. Even where a proposed rule change may be put into effect upon its being filed with the SEC, the SEC retains the right to abrogate such rule changes. The SEC review process can be lengthy and can significantly delay the implementation of proposed rule changes that the CBOE believes are necessary in the operation of its market. If the SEC refuses to approve a proposed rule change or delays its approval, this could negatively affect the ability of the CBOE to make needed changes or implement business decisions.

Intense competition could materially adversely affect our market share and financial performance.

The options industry is highly competitive. Competition among options exchanges has continued to expand since the CBOE was created in 1973. We currently face greater competition than ever before in our history not only because virtually all of the equity options listed and traded on the CBOE are also listed and traded on other U.S. options exchanges, but also because options are now traded on all-electronic exchanges. For certain types of orders, all-electronic exchanges often have been able to offer more immediate and more efficient execution than traditional floor-based exchanges. Some order-providing firms have taken ownership positions in options exchanges that compete with us, thereby giving those firms an added incentive to direct orders to the exchanges they own. As a result of these competitive developments, although our trading volume has increased in absolute terms in recent years, our market share of equity options traded in the United States fell from approximately 44% in 1999 to about 26% in 2006.

In response to these developments, we developed our own electronic trading facility that we operate as part of a hybrid model combining electronic trading and remote off-floor market-makers with traditional floor-based, open outcry trading. We have also administered a program through which we collect a marketing fee on market maker transactions. The funds collected are made available to the specialist for use in payment for order flow. These changes to our hybrid trading model have proven to be successful in maintaining and expanding our market share. These changes, however, may not be successful in maintaining or expanding our marketshare in the future. Likewise, our future responses to these or other competitive developments may not be successful in maintaining or expanding our market share.

CBOE's business may be adversely affected by price competition.

The business of operating an options exchange is characterized by intense price competition. The pricing model for trade execution for options has changed in response to competitive market conditions. Some of the CBOE's competitors have lowered their transaction fees while at the same time increasing the marketing fees that they collect from market makers and make available to specialists for use in paying for order flow. This has resulted in significant pricing and cost pressures on the CBOE and its members. It is likely that this pressure will continue and even intensify as our competitors continue to seek to increase their share of trading by further reducing their transaction fees and by offering higher payments or other financial incentives to order providers to induce them to direct orders to our competitors' markets. In any of these events, the CBOE's operating results and profitability could be adversely affected, which in turn would affect the profitability of CBOE Holdings. For example, the CBOE could lose a substantial percentage of its share of trading if it is unable to price its transactions in a competitive manner. Also, the CBOE's profit margins could decline if competitive pressures force it to reduce its fees.

We may not be able to protect our intellectual property rights.

We rely on patent, trade secret, copyright and trademark laws, the law of the doctrine of misappropriation and contractual protections to protect our proprietary technology, proprietary index products and index methodologies and other proprietary rights. In addition, we rely on the intellectual property rights of our licensors in connection with our trading of exclusively-licensed index products. We and our licensors may not be able to prevent third parties from copying, or otherwise obtaining and using, our proprietary technology without authorization or from trading our proprietary or exclusively-licensed index products without licenses, or otherwise infringing on our rights. We and our licensors may have to rely on litigation to enforce our intellectual property rights, determine the validity and scope of the proprietary rights of others or defend against claims of infringement or invalidity. We and our licensors may not be successful in this regard. In any event, any such litigation, whether successful or unsuccessful, could result in substantial costs to us and diversions of our resources, either of which could materially adversely affect our business. For a description of current litigation involving these matters, please see Business Legal Proceedings on page 84.

Loss of our market share in the index options we trade or the loss of our exclusive licenses to trade certain index options could have a material adverse effect on our financial performance.

A significant contribution to the CBOE's revenue and profitability comes as a result of our market share in broad-based index options. Our market share in these products results in part because we hold exclusive licenses to trade index options granted to us by the owners of the S&P 500 Index and S&P 100 Index and the Dow Jones Industrial Average, or DJIA. However, even these index options face competition from other indexed derivatives, such as index futures traded on futures exchanges, indexed exchange-traded funds, or ETFs, options on ETFs and futures on ETFs and various over-the-counter options, swaps and other derivatives, some of which may be used by investors to achieve the same or similar purposes as the options we trade.

In addition, the value of our exclusive licenses to trade index options depends on the continued ability of index owners to require licenses for the trading of options based on their indexes. Although recent court decisions have allowed the trading of options overlying ETFs based on indexes without licenses from the owners of the indexes, none of these decisions has overturned existing legal precedent that requires an exchange to be licensed by the owner of an index before it may trade options based on the index. However, on November 2, 2006, International Securities Exchange, Inc., or ISE, filed a lawsuit against the owners of the S&P 500 Index and the DJIA two of the most popular indexes on which the CBOE trades options pursuant to exclusive licenses. ISE seeks a judicial declaration that it (and, by extension, other options exchanges) has the right to list and trade options based on those indexes without licenses and, therefore, without regard to the CBOE's exclusive licenses to trade options on those indexes. This litigation remains pending, and there is a risk that ISE may be successful in eliminating the right of index owners to require licenses to use their indexes for options trading, including on an exclusive basis. There is also a risk that competing exchanges may convince the SEC to limit the right of index owners to grant exclusive licenses for index options trading or to prevent exchanges from entering into such exclusive licenses. If unlicensed trading of index options were permitted or if exclusive licenses for index options trading were prohibited, the value of the CBOE's exclusive licenses to trade index options would be eliminated, and the CBOE likely would lose some market share in these index options. There is also a risk, with respect to each of our current exclusive licenses, that the owner of the index may determine not to renew the license on an exclusive basis, or not to renew it at all, upon the expiration of the current term. In the first event, we would be subject to competition in the trading of what is now an exclusive index product, resulting in a likely reduction of the profitability to the CBOE of trading the product. In the second event, we could lose the right to trade the index product entirely.

Our decision to operate both open outcry trading and electronic trading systems may have a material adverse effect on our operating costs, markets and profitability.

Our current business strategy involves the operation of a hybrid trading system that includes both floor-based, or open outcry, trading and electronic trading for most of our products. In addition, certain index products are traded solely through our floor-based trading system. It is expensive to continue operating both electronic and floor-based markets for the same products. This may result in resource allocation decisions that adversely impact one or both systems and put us at a competitive disadvantage to other exchanges. If we determine to continue to operate both systems without reducing the resources provided to either one, the costs of doing so could reduce our profitability.

We may be unable to keep up with rapid technological changes.

To remain competitive, we must continue to enhance and improve the responsiveness, functionality, accessibility and features of our automated trading and communications systems in the face of rapid technological change, changes in use and customer requirements and preferences, frequent product and service introductions embodying new technologies and the emergence of new industry standards and practices. This will require us to continue to attract and retain a highly-skilled technology staff and invest the financial resources necessary to keep our systems up to date. If we fail to do so, our systems could become obsolete, which could result in the loss of customers and volume and have a material adverse effect on the business, financial condition and operating results of the CBOE and CBOE Holdings.

Computer and communications systems failures and capacity constraints could harm our reputation and our business.

A failure on our part to operate, monitor or maintain our computer systems and network services, including those systems and services related to our electronic trading system, could have a material adverse effect on the functionality and reliability of our market, hence on our reputation, business, financial condition and operating results. System failure or degradation could lead our customers to file formal complaints with industry regulatory organizations, file lawsuits against us or cease doing business with us or

could lead other regulators to initiate inquiries or proceedings for failure to comply with applicable laws and regulations.

The computer systems and communication networks upon which we rely in the operation of our exchange may be vulnerable to security risks and other disruptions.

The secure and reliable operation of our computer systems and of our own communications networks and those of our service providers, our members and our customers is a critical element of our operations. These systems and communications networks may be vulnerable to unauthorized access, computer viruses and other security problems, as well as to acts of terrorism, natural disasters and other events of *force majeure*. If our security measures are compromised or if there are interruptions or malfunctions in our systems or communications networks, this could have a material adverse effect on our business, financial condition and operating results. We may be required to expend significant resources to protect against the threat of security breaches or to alleviate problems, including harm to reputation and litigation, caused by any breaches in security or system failures. Although we intend to continue to implement industry-standard security measures and otherwise to provide for the integrity and reliability of our systems, these measures may prove to be inadequate in preventing system failures or delays in our systems or communications networks that could lower trading volume and have a material adverse effect on our business, financial condition and operating results.

Our market data fees may be reduced or eliminated due to a decline in our market share, regulatory action or a reduction in the numbers of market data users.

We obtain substantial revenues from our share of the revenues collected by the Options Price Reporting Authority, or OPRA, for the dissemination of options market data. For the fiscal year ended December 31, 2006, our share of OPRA market data revenue represented approximately 7.8% of our total revenue. If our share of options trading were to decline, our share of OPRA market data revenue would also decline. Market data revenue could also decline as a result of a reduction in the numbers of market data users, for example because of consolidation among market data subscribers. Finally, the SEC could take regulatory action to revise the formula for allocating options market data revenues among the options exchanges as it did in 2005 when it adopted Regulation NMS in respect of market data revenue in the stock market, or it could take other regulatory action, and any such action could have the effect either of reducing total options market data revenue or our share of that revenue. Any significant decline in the revenue we realize from the dissemination of market data could materially adversely affect the profitability of the CBOE and CBOE Holdings.

Market fluctuations and other risks beyond CBOE Holdings control could significantly reduce demand for our services and harm our business.

The volume of options transactions and the demand for CBOE Holdings subsidiaries other products and services are directly affected by economic, political and market conditions in the United States and elsewhere in the world that are beyond our control, including:

- broad trends in business and finance;
- concerns about terrorism and war;
- concerns over inflation and wavering institutional or retail confidence levels;
- changes in government monetary policy and foreign currency exchange rates;
- the availability of short-term and long-term funding and capital;
- the availability of alternative investment opportunities;
- changes in the level of trading activity;

- changes and volatility in the prices of securities;
- changes in tax policy;
- the level and volatility of interest rates;
- legislative and regulatory changes; and
- unforeseen market closures or other disruptions in trading.

General economic conditions affect options trading in a variety of ways, from influencing availability of capital to affecting investor confidence. The economic climate in recent years has been characterized by challenging business, economic and political conditions throughout the world. Adverse changes in the economy can have a negative impact on the CBOE's revenues by causing a decline in trading volume or in the demand for options market data. Because the CBOE's management structure and overhead will be based on assumptions of certain levels of market activity, significant declines in trading volumes or demand for market data may have a material adverse effect on the business, financial condition and operating results of the CBOE and of CBOE Holdings.

A significant portion of CBOE Holdings' revenues will depend, either directly or indirectly, on our transaction-based business, which, in turn, is dependent on our ability to attract and maintain order flow, both in absolute terms and relative to other market centers. If the amount of trading volume on the CBOE decreases, CBOE Holdings' revenue from transaction fees will decrease. There may also be a reduction in revenue from market data fees or other sources of revenue. If the CBOE's share of total trading volumes decreases relative to our competitors, it may be less attractive to market participants and may lose trading volume and associated transaction fees and market data fees as a result. In addition, declines in the CBOE's share of trading volume could adversely affect the growth, viability and importance of several of our market information products, which will constitute an important portion of CBOE Holdings' revenues.

The financial services industry and particularly the options and futures business are dynamic and uncertain environments, and we expect a highly competitive environment, as well as exchange consolidation and member firm consolidation in the future. This environment has encouraged the introduction of alternative trading venues with varying market structures and new business models. Well-capitalized competitors from outside the United States may seek to expand their operations in the U.S. market. In addition, the financial services industry is subject to extensive regulation, which may change dramatically in ways that affect industry market structure. If the CBOE is unable to adjust to structural changes within our markets, technological and financial innovation, and other competitive factors, the business will suffer and competitors will take advantage of opportunities to our detriment.

Risks Relating to Regulation and Litigation

We are subject to the following risks in connection with the regulation of, and litigation relating to, our business.

We may not be able to maintain our self-regulatory responsibilities.

Some financial services regulators have publicly stated their concerns about the ability of a securities exchange, organized as a for-profit corporation, to adequately discharge its self-regulatory responsibilities. Our regulatory programs and capabilities contribute significantly to our brand name and reputation. In the future we may be required to modify or restructure our regulatory functions in order to address these or other concerns. Any such modifications or restructuring of our regulatory functions could entail material costs for which we have not currently planned.

Damage to the reputation of the CBOE could have a material adverse effect on the businesses of CBOE Holdings.

One of our competitive strengths is our strong reputation and brand name. This reputation could be harmed in many different ways, including by regulatory failures, governance failures or technology failures. Damage to the reputation of the CBOE could adversely affect our ability to attract liquidity providers and order flow, which in turn could impair the competitiveness of our market. This, in turn, may have a material adverse effect on the business, financial condition and operating results of CBOE Holdings.

We are subject to significant risks of litigation.

Many aspects of our business involve substantial risks of liability. For example, dissatisfied customers may make claims regarding quality of trade execution, improperly settled trades, mismanagement or even fraud against their brokers. We may become subject to these claims as the result of failures or malfunctions, or alleged failures or malfunctions, of systems and services provided by us. We could incur significant legal expenses defending claims, even those without merit. An adverse resolution of any lawsuits or claims against us could have a material adverse effect on our reputation, business, financial condition and/or operating results. We are currently subject to various litigation matters. For a discussion of litigation involving the CBOE, please see [Business Legal Proceedings](#) on page 84.

Any infringement by us on patent rights of others could result in litigation and could have a material adverse effect on our operations.

Our competitors as well as other companies and individuals may have obtained, and may be expected to obtain in the future, patents that concern products or services related to the types of products and services we offer or plan to offer. We might not be aware of all patents containing claims that may pose a risk of infringement by our products, services or technologies. Claims of infringement are not uncommon in our industry. For instance, in a lawsuit filed on November 22, 2006, ISE claims that the CBOE's hybrid trading system infringes ISE's patent directed towards an automated exchange for trading derivative securities. If any portion of our hybrid trading system or one or more of our other products, services or technologies were determined to infringe a patent held by another party, we might be required to stop developing or marketing those products, services or technologies, to obtain a license to develop and market those services from the holders of the patents or to redesign those products, services or technologies in such a way as to avoid infringing the patent. If we were unable to obtain these licenses, we might not be able to redesign our products, services or technologies to avoid infringement, which could materially adversely affect our business, financial condition and operating results. For a discussion of patent litigation involving the CBOE, please see [Business Legal Proceedings Patent Litigation](#) on page 87.

Member misconduct could harm us and is difficult to detect.

Although we perform significant self-regulatory functions, we run the risk that the members of the CBOE, other persons who use our markets or our employees will engage in fraud or other misconduct, which could result in regulatory sanctions and serious harm to our reputation. It is not always possible to deter misconduct, and the precautions we take to prevent and detect this activity may not be effective in all cases.

Risks Relating to Changes in Our Corporate Governance Structure

The following risks relate to the significant changes to our corporate governance structure that will occur as part of the restructuring transaction.

CBOE Holdings stockholders will have reduced influence in the day-to-day management and operation of our business from that enjoyed by former members.

If we complete the restructuring transaction, the CBOE Holdings stockholders will have less ability to influence the day-to-day management and operation of our business than our members currently do. Holders of CBOE Holdings common stock will not be stockholders of the CBOE and will not, therefore, have any vote with respect to matters acted on at the CBOE. CBOE Holdings, as the holder of all of the outstanding stock of the CBOE, will have the right to vote on all matters affecting the CBOE, such as any proposal to merge the CBOE with a third party, to sell a significant amount of the CBOE assets to a third party, to cause the CBOE to acquire, invest in or enter into a business in competition with the then existing business of the CBOE or to dissolve or liquidate the CBOE.

In addition to these changes to voting rights and the manner of amending the certificate of incorporation and bylaws of CBOE Holdings, we will be making changes to the size and classification of our board of directors and the manner in which directors are nominated. Also, we will eliminate the ability of our members to take action by written consent.

Collectively, these changes will reduce the influence of our members and may lead to decisions and outcomes that differ from those made under our current certificate of incorporation, Constitution and Rules and regulations. Moreover, additional changes to our corporate governance and capital structure may be required upon the occurrence of a public offering of CBOE Holdings which could reduce even further the influence of holders of CBOE Holdings stock.

Effects of certain provisions in the CBOE and CBOE Holdings organizational documents could enable the board of directors of CBOE Holdings to prevent or delay a change of control.

Following the restructuring, CBOE Holdings organizational documents will contain provisions that may have the effect of discouraging, delaying or preventing a change of control of, or unsolicited acquisition proposals for, CBOE Holdings that a stockholder might consider favorable. These include provisions:

- vesting the CBOE Holdings board of directors with sole power to set the number of directors;
- limiting the persons that may call special stockholders meetings; and
- staggering the CBOE Holdings board of directors.

In addition, CBOE Holdings organizational documents will include provisions that:

- restrict any person (either alone or together with its related persons) from voting or causing the voting of shares of stock representing more than 10% of CBOE Holdings outstanding voting capital stock (including as a result of any agreement by any other persons not to vote shares of stock); and
- restrict any person (either alone or together with its related persons) from beneficially owning shares of stock representing more than 10% of the outstanding shares of any class or series of CBOE Holdings capital stock. In the case of each of these restrictions, the percentage thresholds would increase to 20% of the outstanding shares of any class or series of CBOE Holdings capital stock following a public offering of CBOE Holdings capital stock, should such an offering occur.

For a more detailed description of these provisions, see Description of CBOE Holdings Capital Stock on page 119, as well as the form of CBOE Holdings certificate of incorporation and bylaws attached as Annexes C and D, respectively, to this document.

Furthermore, the CBOE Holdings board of directors has the authority to issue shares of preferred stock in one or more series and to fix the rights and preferences of these shares without stockholder

approval. Any series of CBOE Holdings preferred stock is likely to be senior to the CBOE Holdings common stock with respect to dividends, liquidation rights and, possibly, voting rights. The ability of the CBOE Holdings board of directors to issue preferred stock also could have the effect of discouraging unsolicited acquisition proposals, thus adversely affecting the market price of the common stock.

In addition, Delaware law makes it difficult for stockholders that recently have acquired a large interest in a corporation to cause the merger or acquisition of the corporation against the directors' wishes. Under Section 203 of the Delaware General Corporation Law, a Delaware corporation may not engage in any merger or other business combination with an interested stockholder for a period of three years following the date that the stockholder became an interested stockholder except in limited circumstances, including by approval of the corporation's board of directors.

Certain aspects of the certificate of incorporation, bylaws and structure of CBOE Holdings and its subsidiaries will be subject to SEC oversight. See Regulation on page 88.

If CBOE Holdings is unable to favorably assess the effectiveness of its internal controls over financial reporting, or if its Independent Registered Public Accounting Firm is unable to provide an unqualified attestation report on CBOE Holdings' assessment, the stock price of CBOE Holdings could be adversely affected.

The rules governing Sections 302 and 404 of the Sarbanes-Oxley Act of 2002 that must be met for management to assess CBOE Holdings' internal controls over financial reporting are new and complex, and require significant documentation, testing and possible remediation. The CBOE currently is in the process of reviewing, documenting and testing their internal controls over financial reporting. The continuing effort to comply with regulatory requirements relating to internal controls will likely cause us to incur increased expenses and will cause a diversion of management's time and other internal resources. We also may encounter problems or delays in completing the implementation of any changes necessary to make a favorable assessment of our internal controls over financial reporting. In addition, in connection with the attestation process by CBOE Holdings' Independent Registered Public Accounting Firm, CBOE Holdings may encounter problems or delays in completing the implementation of any requested improvements or receiving a favorable attestation. If CBOE Holdings cannot favorably assess the effectiveness of its internal controls over financial reporting, or if its Independent Registered Public Accounting Firm is unable to provide an unqualified attestation report on its assessment, investor confidence and the stock price of CBOE Holdings common stock could be adversely affected.

FORWARD-LOOKING STATEMENTS

We make forward-looking statements under the Summary, Risk Factors, Information About the CBOE, Information About CBOE Holdings, CBOE Management's Discussion and Analysis of Financial Condition and Results of Operations, and in other sections of this document, as well as in other documents and sources of information that may be made a part of this document by appearing in other documents that we file with the SEC and incorporated by reference into this document. These statements may include statements regarding the period following completion of the restructuring transaction. In some cases, you can identify these statements by forward-looking words such as may, might, should, expect, plan, anticipate, believe, estimate, predict, potential or continue, and the negative of these terms or comparable terminology. These forward-looking statements, which are subject to known and unknown risks, uncertainties and assumptions about us, may include projections of our future financial performance based on our growth strategies and anticipated trends in our business. These statements are only predictions based on our current expectations and projections about future events. There are important factors that could cause our actual results, level of activity, performance or achievements to differ materially from the results, level of activity, performance or achievements expressed or implied by the forward-looking statements. In particular, you should consider the numerous risks and uncertainties described under Risk Factors.

While we believe we have identified material risks, these risks and uncertainties are not exhaustive. Other sections of this document describe additional factors that could adversely impact our business and financial performance. Moreover, we operate in a very competitive and rapidly changing environment. New risks and uncertainties emerge from time to time, and it is not possible to predict all risks and uncertainties, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.

Although we believe the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, level of activity, performance or achievements. Moreover, neither we nor any other person assumes responsibility for the accuracy or completeness of any of these forward-looking statements. You should not rely upon forward-looking statements as predictions of future events. We are under no duty to update any of these forward-looking statements after the date of this document to conform our prior statements to actual results or revised expectations, and we do not intend to do so.

Forward-looking statements include, but are not limited to, statements about:

- our business possible or assumed future results of operations and operating cash flows;
- our business strategies and investment policies;
- our business financing plans and the availability of capital;
- our business competitive position;
- potential growth opportunities available to our business;
- the risks associated with potential acquisitions or alliances by us;
- the recruitment and retention of our officers and employees;
- our expected levels of compensation;
- our business potential operating performance, achievements, productivity improvements, efficiency and cost reduction efforts;
- the likelihood of success and impact of litigation;

- our protection or enforcement of our intellectual property rights;
- our expectation with respect to securities, options and future markets and general economic conditions;
- our ability to keep up with rapid technological change;
- the effects of competition on our business; and
- the impact of future legislation and regulatory changes on our business.

We caution you not to place undue reliance on the forward-looking statements, which speak only as of the date of this document in the case of forward-looking statements contained in this document, or the dates of the documents incorporated by reference into this document in the case of forward-looking statements made in those incorporated documents.

WE EXPRESSLY QUALIFY IN THEIR ENTIRETY ALL FORWARD-LOOKING STATEMENTS ATTRIBUTABLE TO THE CBOE OR CBOE HOLDINGS OR ANY PERSON ACTING ON OUR BEHALF BY THE CAUTIONARY STATEMENTS CONTAINED OR REFERRED TO IN THIS SECTION.

SPECIAL MEETING OF CBOE MEMBERS

Time, Place and Purpose of the CBOE Special Meeting

The special meeting of the CBOE members will be held in the _____ at 400 South LaSalle Street, Chicago, Illinois 60605, on _____, 2007 at _____ a.m., local time, for the following purposes:

- (1) to vote on the adoption of the Agreement and Plan of Merger that will facilitate the restructuring of the CBOE;
- (2) to consider and vote on any proposal that may be made by the Vice Chairman of the CBOE board of directors to adjourn or postpone the CBOE special meeting for the purpose of soliciting proxies with respect to the proposal to adopt the Agreement and Plan of Merger; and
- (3) to transact any other business that may properly come before the CBOE special meeting or any adjournment or postponement of the CBOE special meeting.

The CBOE board of directors recommends that you vote for the adoption of the Agreement and Plan of Merger to accomplish the restructuring transaction and for any proposal that may be made by the Vice Chairman of the Board of the CBOE to adjourn or postpone the CBOE special meeting for the purpose of soliciting proxies.

Who Can Vote at the CBOE Special Meeting

Each Voting Member of the CBOE of record and in good standing as of the close of business on _____, 2007, the record date for the meeting, will be entitled to vote on the matters presented at the meeting and at any adjournment thereof. On each proposal set forth at the CBOE special meeting, each Voting Member of the CBOE is entitled to one vote with respect to each membership for which the Voting Member has the right to vote. As of the date of this document, there are 930 total memberships entitled to vote.

Vote Required

The proposal to adopt the Agreement and Plan of Merger requires the affirmative vote of a majority of the memberships entitled to vote on such matter. As a result, if a CBOE member does not vote or abstains from voting on this proposal, it will have the same effect as a vote against the proposal.

The presence in person or by proxy of CBOE members entitled to cast a majority of the total number of votes entitled to be cast at the meeting constitutes a quorum at the meeting.

Directors and officers of the CBOE hold memberships entitling them to cast an aggregate of thirteen votes on the proposal, representing approximately 1.4% of the total membership votes that may be cast.

Adjournments

If no quorum of the CBOE members is present at the CBOE special meeting, the CBOE special meeting may be adjourned by the majority of the members present and entitled to vote at that meeting from time to time, without notice other than announcement at the meeting, unless otherwise required by statute. If the Vice Chairman of the CBOE board of directors proposes to adjourn the CBOE special meeting and this proposal is approved by the CBOE members, the CBOE special meeting will be adjourned. At any adjourned meeting of the special meeting at which a quorum is present, any business may be transacted which might have been transacted at the special meeting as originally notified. In order for the special meeting to be adjourned, the proposal to adjourn the meeting must be approved by the majority of the members present or represented by proxy at the meeting and entitled to vote.

Manner of Voting

If you are a Voting Member of the CBOE, you may cast your ballot for or against the proposals submitted at the CBOE special meeting either in person at the meeting or by proxy prior to the time the meeting is called. To vote in person, you must be present at the special meeting and cast your ballot.

The Election Committee (or their designees) will collect ballots in-person on the trading floor beginning _____, _____, 2007. Two voting stations will be set up on the trading floor near the escalators on the North and South walls (or at such other location as the Election Committee may designate).

To vote by proxy, and avoid the inconvenience of in-person voting at the Special Meeting, you may submit your ballot along with your proxy to cast your ballot on your behalf at any time prior to the time the special meeting is called to order. The following materials are enclosed with this proxy statement and prospectus: a ballot, proxy card and a postage paid return envelope. You may submit your ballot (along with your proxy to cast your ballot on your behalf) by mail, fax or hand delivery to the Office of the Secretary on the 7th floor of the Exchange, or you can submit your ballot and proxy through the Internet or by telephone. When voting by proxy, your ballot indicates how you are voting on the proposals at issue, and the proxy authorizes a designated person to place your ballot in the ballot box at the meeting and to vote on your behalf on any other matters that may properly come before the meeting.

The following is a detailed description of how to vote by proxy using the telephone, Internet and mail methods:

By Telephone (Available only until 3:30 p.m. Central Standard Time on _____, 2007.)

- This method of voting is available for residents of the U.S. and Canada.
- On a touch tone telephone, call **TOLL FREE 1-877-450-9556**, 24 hours a day, 7 days a week.
- You will be asked to enter **ONLY** the CONTROL NUMBER shown on the ballot.
- Have your ballot ready, and then follow the simple instructions.
- Your vote will be confirmed and cast as you directed.

****If you are voting by telephone, please do not mail your ballot.**

By Internet (Available only until 3:30 p.m. Central Standard Time on _____, 2007.)

- Visit the internet voting Website at ***http://*** _____.
- Enter the COMPANY NUMBER AND CONTROL NUMBER shown on the ballot and follow the instructions on your screen.
- You will incur only your usual internet charges.

****If you are voting by internet, please do not mail your ballot.**

By Mail

- Mark the ballot. LEGIBLY PRINT the voting member name (Individual Member or Member Organization), acronym (if applicable), and the name of the authorized signatory (e.g., executive officer) voting for a firm (if applicable), on the ballot. Be sure to indicate the legal name in which your membership is held.

- Sign and date your ballot and return it in the postage-paid envelope by _____, 2007.

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- Only ballots sealed in the appropriate envelope (unless transmitted by fax) *and* accompanied by a legibly executed proxy or ballots cast in person at the meeting will be counted.

****If you are voting by telephone or the internet, please do not mail your ballot.**

Members are encouraged to submit the ballot promptly in order to ensure timely receipt and an efficient election. You may verify receipt of your ballot at the voting stations on the trading floor or by contacting Georgeson at (866) 278-8941 or Jaime Galvan at (312) 786-7058 (galvanj@cboe.com).

Upon completion of the vote count, the vote results will be posted on the Member's website at *www.CBOE.com* and on the Election Results Hotline at (312) 786-8150.

Ballots, along with a duly executed proxy authorizing the persons designated herein to cast such ballot at the special meeting, must be received at the Chicago Board Options Exchange, Incorporated, Office of the Secretary, at 400 South LaSalle Street, Chicago, Illinois 60605, prior to [p.m.], Central Time, on , 2007 in order to be counted.

All ballots (including those given by phone or through the Internet) received before the deadline stated above or by any later established deadline for any adjourned meeting, as the case may be, will, unless revoked, be cast as indicated in those ballots. If no vote is indicated on a ballot that has been delivered with a properly executed proxy card, the CBOE membership(s) represented by the ballot and proxy card will be voted in accordance with the recommendation of the CBOE board of directors and, therefore, FOR the adoption of the Agreement and Plan of Merger to affect the restructuring transaction and FOR any proposal that may be made to adjourn or postpone the special meeting.

If you return a ballot and properly executed proxy card and have indicated that you have abstained from voting on a proposal, your CBOE memberships represented by the ballot and proxy will be considered present at the CBOE special meeting for purposes of determining a quorum. We urge you to mark each applicable box on the ballot or voting instruction card to indicate how to vote your CBOE membership.

You may change your ballot and revoke your proxy at any time before it is cast by:

- submitting a written revocation dated after the date of the proxy that is being revoked to Chicago Board Options Exchange, Incorporated, Office of the Secretary, at 400 South LaSalle Street, Chicago, Illinois 60605;
- submitting a later-dated ballot and proxy by mail, fax, telephone or internet; or
- attending the CBOE special meeting and voting by paper ballot in person.

Attendance at the CBOE special meeting will not, in and of itself, constitute revocation of a previously delivered ballot or granted proxy. If the CBOE special meeting is adjourned or postponed, it will not affect the ability of CBOE members to exercise their voting rights or to change any previously delivered ballot or to revoke any previously granted proxy using the methods described above.

Returning your completed ballot and proxy will not prevent you from changing your vote or revoking your proxy and voting in person at the special meeting of Members. Please note, however, that if you submit your ballot and proxy through one of the available methods, you will not need to attend the special meeting of Members or take any further action in connection with the special meeting because you already will have directed your proxy to deliver your ballot with respect to the proposal to be brought at the special meeting.

Confidential Voting

It is the CBOE's policy that all ballots and voting tabulations that identify the CBOE members be kept confidential. The CBOE intends to engage a third-party firm to count the ballots. The CBOE Election Committee will serve as the inspector of election and will oversee the third-party firm selected to count the ballots.

Solicitation of Ballots and Proxies

The CBOE board of directors is making the solicitation of ballots and proxies. The CBOE will pay the expenses incurred in connection with the printing and mailing of this document. To assist in the solicitation of ballots and proxies, the CBOE has retained _____ for a fee not to exceed \$ _____ plus reimbursement of out-of-pocket expenses. Solicitation of ballots and proxies by mail may be supplemented by telephone and other electronic means, advertisements and personal solicitation by the directors, officers or employees of the CBOE. No additional compensation will be paid to our directors, officers or employees for solicitation.

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THE RESTRUCTURING TRANSACTION

This section of the document describes material aspects of the proposed restructuring transaction. This summary may not contain all of the information that is important to you. You should carefully read this entire document, including the full text of the Agreement and Plan of Merger, which is attached as Annex G, and the other documents we refer you to for a more complete understanding of the restructuring transaction. In addition, we incorporate important business and financial data about us into this document by reference. You may obtain the information incorporated by reference into this document without charge by following the instructions described under Where You Can Find More Information, which begins on page 141.

General

The restructuring transaction will be completed through the following steps:

- The creation of CBOE Holdings, Inc. as a new Delaware stock, for-profit subsidiary corporation, and CBOE Merger Sub, Inc. as a second-tier, Delaware stock, for-profit corporation.
- Pursuant to the Agreement and Plan of Merger to be entered into in the near future, CBOE Merger Sub, Inc. will merge with and into the CBOE, with the CBOE surviving the merger as a Delaware stock, for-profit corporation, which we refer to as the Merger.
- Upon the effectiveness of the Merger, the outstanding stock of CBOE Merger Sub, Inc. will be converted into common stock of the CBOE, the memberships in the CBOE existing on the date of the restructuring transaction will be converted into CBOE Holdings common stock and the CBOE Holdings common stock held by the CBOE will be cancelled. As a result, CBOE Holdings will become the sole stockholder of the CBOE and will be entitled to the exclusive right to receive all dividends and distributions, including proceeds upon liquidation, from the CBOE and all associated voting rights.
- Immediately following the Merger, the CBOE will dividend up to CBOE Holdings all of the shares or interests the CBOE owns in its subsidiaries other than CBOE Stock Exchange, LLC (CBOE Futures Exchange, LLC, Chicago Options Exchange Building Corporation, CBOE, LLC, CBOE II, LLC, DerivaTech Corporation, Market Data Express, LLC and The Options Exchange, Incorporated), making them first-tier, wholly-owned subsidiaries of CBOE Holdings. CBOE Stock Exchange, LLC will remain a facility of the CBOE in which the CBOE holds a 50% interest.

As part of the restructuring transaction, each membership in the CBOE existing as of the date of the restructuring transaction will be converted into shares of Class A CBOE Holdings common stock, consisting of shares of Series A-1 common stock, shares of Series A-2 common stock and shares of Series A-3 common stock. As a result, the owners of the CBOE memberships outstanding immediately prior to the restructuring transaction will own 100% of the outstanding shares of CBOE Holdings common stock immediately following the restructuring transaction.

The common stock of CBOE Holdings will represent an equity ownership interest in CBOE Holdings and will have traditional features of common stock, including equal per share dividend, voting and liquidation rights. The rights of holders of CBOE Holdings common stock will be different from the rights of the CBOE members because the CBOE Holdings certificate of incorporation and bylaws in effect immediately after the restructuring transaction will be different from the governing documents of the CBOE. See Comparison of Rights Prior to and After the Restructuring Transaction on page 130 for a description of material differences.

The CBOE Holdings common stock issued in the restructuring transaction, however, will not provide its holders with physical or electronic access to the CBOE's trading facilities. Following the restructuring transaction, physical and electronic access to the CBOE trading facilities, subject to such limitations and requirements as will be specified in the rules of the CBOE, will be available to individuals and

organizations that have obtained a trading permit from the CBOE. For more information regarding trading access following the restructuring transaction, please see [Trading Permits](#) on page 38.

Background of the Restructuring Transaction

Over the past several years, the CBOE has been faced with competition from both new and existing exchanges. Some of these competitors were established as for-profit exchanges, and others were converted from not-for-profit membership organizations to for-profit stock corporations. Along with changing their focus to that of a for-profit business, these demutualized exchanges typically have corporate and governance structures more like those of other for-profit businesses, which gives them greater flexibility in responding to the demands of the rapidly changing regulatory and business environment in which they conduct their activities. In addition, by being structured as stock, for-profit corporations, these other exchanges have opportunities to engage in business combinations and joint ventures with other organizations and to access capital markets in ways that are not available to non-stock membership corporations.

In January 2005, responding to these changes, the CBOE's board of directors authorized the formation of a Business Model Task Force, charged with the responsibility to develop a strategic plan that would respond to the challenges faced by the CBOE. Specifically, the Task Force was directed to consider the advantages and disadvantages of changing the business model of the CBOE to that of a for-profit business and making related changes to the ownership, corporate structure, and governance of the CBOE, possibly extending to the complete restructuring of the CBOE whereby it would be converted into a stock, for-profit corporation. The Task Force was directed to report its conclusions and recommendations to the full board.

The Business Model Task Force consisted of four independent directors and three member directors and was chaired by James Boris, an independent director. Although the Business Model Task Force often met in executive sessions at which only members of the Task Force were present, in conducting its review and analysis, the Task Force was assisted by the management of the CBOE and by Goldman, Sachs & Co., an investment banking firm hired by the Task Force for this purpose. The Task Force obtained legal support from Schiff Hardin LLP, legal counsel to the CBOE, Richards, Layton & Finger, special Delaware legal counsel to the Exchange, and Sullivan & Cromwell LLP, special counsel to the CBOE in matters pertaining to the restructuring transaction.

The Business Model Task Force held 12 formal meetings, beginning on February 17, 2005, and continuing until September 1, 2005. From the outset, the Task Force realized that any restructuring plan that it might recommend would have to deal with the valuation of the Exercise Right held by full members of the CBOT, pursuant to the CBOE's certificate of incorporation. Nevertheless, the Task Force determined it should first consider what changes to the structure, ownership and governance of the CBOE it would recommend before giving consideration to the Exercise Right.

Accordingly, at its first few meetings the Task Force focused on how the CBOE should change its business model and how it should be organized and governed. Early in its deliberations, the Task Force concluded that formal changes to the corporate structure and ownership would take some time to put into effect, not only on account of the many steps required to accomplish this goal, but also because the implementation of these changes required that the Exercise Right be addressed. On the other hand, the Task Force also determined that several of the changes necessary to convert the CBOE to a for-profit business model could be put into effect prior to the time the CBOE would be in a position to implement a formal corporate restructuring. This determination was incorporated in the Task Force's preliminary recommendation made to the CBOE's board of directors at a meeting held on September 13 and 14, 2005. That recommendation included both near-term and long-term components, as follows:

For the near term, the Task Force recommended that, effective January 1, 2006, the CBOE should adopt a for-profit business model to the extent compatible with its current corporate structure. Under such a business model, the CBOE would modify its governance and otherwise conduct its business activities with a focus on maximizing its profit potential in a manner consistent with the fulfillment of its responsibilities as a self-regulatory organization, even though it would not yet be structured as a for-profit stock corporation. For the longer term, the Task Force recommended that the CBOE should move forward with a program designed to provide for the restructuring of the CBOE by separating ownership of the Exchange from trading access and by changing the Exchange's corporate structure from that of a Delaware non-stock, corporation owned by its members to that of a Delaware stock, for-profit corporation that would be a subsidiary of a new Delaware stock, for-profit holding company owned by its stockholders.

On September 14, 2005, at a regularly scheduled meeting, the CBOE's board of directors adopted these preliminary recommendations of the Task Force and directed the Exchange's management to proceed with the development of a detailed plan to implement both the near-term and long-term components of the recommendations. Specifically, management was directed to start transitioning to a for-profit business model commencing January 1, 2006, by addressing both the budgetary and governance implications of such a change. The board also directed the development of the necessary corporate documents and regulatory filings needed to implement the restructuring recommended by the Task Force. The board also encouraged management to engage in discussions with other organizations regarding transactions that might further the goals articulated by the Business Model Task Force and adopted by the board. The board requested that management present a business plan and budget at its January 26, 2006 meeting that reflected the transition to a for-profit business model, including adjustments to the CBOE's fee structure. Following the September 2005 board meeting, the CBOE engaged the Boston Consulting Group, or the BCG, to assist in a review of the CBOE's strategy. Over the next eleven weeks BCG worked with management on pricing strategy, overall strategy and change management.

On October 27, 2005, at a regularly scheduled meeting of the board of directors of the CBOE, management reported to the board on the progress with respect to its plans to effect the conversion of the CBOE to a for-profit stock corporation and to start the transition to a for-profit operation beginning January 1, 2006.

At the regularly scheduled board meeting of December 8, 2005, the BCG presented to the board the results of their eleven-week review of the CBOE relating to strategy, pricing and managing change. Following discussion, the board of directors reaffirmed the goal of unlocking value for its members through the conversion of the CBOE to a for-profit stock corporation with the transition to a for-profit model to start January 1, 2006. The board also approved several governance changes designed to streamline decision-making and enhance the efficiency of the advisory committees.

On January 26, 2006 at a regularly scheduled meeting of the CBOE's board of directors, the board approved the business plan and budget proposed by management that addressed the strategic priorities established during the December 8, 2005 board meeting and began the transition to a for-profit business model. Management also proposed and the board adopted the creation of a Strategy and Implementation Task Force, or the SITF. The SITF consisted of five independent directors, the Vice Chairman, one floor director, the lessor director and a member firm director. Its role was to oversee the implementation of the CBOE's strategy with respect to its restructuring, including making recommendations to the board of directors regarding the details of the CBOE's demutualization. Management also established a demutualization team that would be responsible for developing an S-4 Registration Statement for such a restructuring.

The SITF had six formal meetings between March and July 2006, as well as a number of less formal discussions among its members. At these meetings, the task force addressed various aspects of the CBOE's demutualization, including the form the demutualization would take; the steps required to implement the demutualization; the consideration to be received by CBOE members; tax and accounting treatment;

restrictions to be placed on the stock received by CBOE members; the centralization of access rights within the CBOE how access would be granted after the demutualization; special petition rights for members prior to an initial public offering, if any; ownership and voting limitations; potential organized sales of CBOE Holdings stock; the form governance would take after demutualization; and the amendments required to the CBOE's Constitution and Rules. The Task Force was assisted in its deliberations by its financial advisors, Goldman Sachs, its legal counsel, Schiff Hardin, and special legal counsel, Sullivan & Cromwell and special Delaware counsel, Richards, Layton & Finger. The results of these deliberations are reflected in the transaction proposed in this document.

Over this same period of time, management also held discussions with several financial exchanges regarding potential transactions with the CBOE. These discussions included the potential for investments by the CBOE, the potential acquisition of other organizations by the CBOE and the potential acquisition of the CBOE by other organizations. Management was assisted in these explorations by the financial and legal advisors mentioned above. In one case, these exploratory discussion lead to an extensive due diligence process. Ultimately, management did not recommend, and the board of directors did not pursue, any of these potential transactions.

On March 23, 2006, at a regularly scheduled meeting of the board of directors of the CBOE, the board was briefed regarding the status of work on the restructuring transaction and was briefed by outside counsel regarding the registration process, the additional obligations that are applicable to registered companies, and various relevant provisions under the securities laws.

On May 11, 2006, at a regularly scheduled meeting of the board of directors of the CBOE, management described and discussed with the Board the primary components of the then-contemplated restructuring transaction and post-demutualization structure, as well as the next steps in the process and key open issues. The chairman of the SITF, discussed with the Board the transition from the current Board composition to the streamlined boards for the CBOE and CBOE Holdings contemplated under the post-demutualization structure. The chairman of the SITF noted that a SITF subcommittee composed of three independent directors had been formed to develop recommendations regarding the initial composition of these boards upon the completion of the demutualization. The chairman of the SITF indicated that the subcommittee would be individually meeting with all of the directors to obtain their input in this regard and would also be obtaining input from the Nominating Committee.

On July 27, 2006, at a regularly scheduled meeting of the CBOE board of directors, the SITF presented its recommendations regarding the demutualization of the CBOE. The board of directors approved the restructuring as recommended by the SITF, authorized the creation of CBOE Holdings and CBOE Merger Sub and authorized the preparation of an S-4 Registration Statement for purposes of implementing the demutualization of the CBOE. The board approved interim boards for CBOE Holdings and CBOE Merger Sub and authorized management to file an S-4 registration statement. The board also approved the creation of a Special Independent Directors Committee consisting of four independent directors (the Special Committee). The board delegated to the Special Committee the sole authority to determine the manner in which the membership interest held by CBOE exercise members and CBOE Seat owners would be converted into the consideration to be received in any demutualization of the CBOE. The Board resolved not to approve or recommend any demutualization providing for a conversion of membership interests in the CBOE into other interests unless the consideration to be received in such transaction is consistent with the conversion of membership interests as determined by the Special Committee. The Special Committee was empowered to engage its own legal counsel and its own financial advisor to assist it in discharging these duties.

Following the creation of the Special Committee at the July 27, 2006 board meeting through January 2007, the SITF met five times to consider open issues related to the restructuring transaction that had not been delegated to the Special Committee.

On August 23, 2006, the CBOT, in concert with others, initiated a purported class action lawsuit in Delaware against the CBOE and its directors regarding the demutualization of the CBOE. The CBOT lawsuit alleged that the CBOE board had already decided that the CBOE exercise members would not be entitled to the same consideration as other CBOE members in connection with the restructuring of the CBOE and sought to have the Delaware Chancery Court issue a declaratory judgment and an injunction to require that any CBOE exercise member would be entitled to the same consideration as a CBOE Seat owner. The CBOE's position was that this suit was premature, as the Special Committee had not arrived at any conclusions regarding the consideration to be received by a CBOE exercise member.

On September 28, 2006, at a regularly scheduled meeting of the CBOE board of directors, the board was briefed regarding the work on the restructuring transaction. At the request of the Special Committee, the Special Committee's charter was broadened to give the Special Committee the authority to determine whether any of the administrative or regulatory requirements the CBOE's Rules impose upon persons who apply to become CBOE exercise members should be modified or waived in the event of a CBOE demutualization.

On October 17, 2006 the Chicago Mercantile Exchange Holdings, Inc., or CME Holdings, and CBOT Holdings Inc. announced that CME Holdings would acquire the CBOT. Because of the significant changes to the structure and ownership of the CBOT, and to the rights of CBOT members, that would result from the completion of this proposed transaction, its announcement required the CBOE board to consider the possible impact of the proposed acquisition transaction on the eligibility of CBOT members to become and remain members of the CBOE pursuant to the Exercise Right provided for in Article Fifth(b) of the CBOE's certificate of incorporation.

On December 12, 2006, at a regularly scheduled meeting of the board of directors of the CBOE, lawyers from the CBOE's outside legal counsel, Schiff Hardin, presented a legal analysis of the impact of the CME/CBOT Transaction on the CBOE Exercise Right. Following a discussion from which members of the Special Committee were recused, the board determined that CBOT would no longer have members as contemplated by Article Fifth(b) upon the completion of the CME/CBOT Transaction and authorized CBOE management to submit a rule filing to the SEC consisting of (1) an interpretation of Article Fifth(b) in a manner consistent with this determination and (2) authorization for the CBOE, upon completion of the CME/CBOT transaction, to grant temporary access to former CBOE exercise members who had exercised and were in good standing as members of the CBOE on December 11, 2006, to the extent and for the period of time necessary to avoid disruption to the CBOE's market as a result of the ineligibility of such persons to maintain the status of CBOE exercise members. The CBOE submitted this rule filing on December 12, 2006, and amended it on January 17, 2007. The SEC published notice of the rule filing on February 6, 2007. Comments are due by February 27, 2007.

Following the approval of this action, the directors on the Special Committee were invited to rejoin the meeting and were informed of the board's decision. The Special Committee informed the board that, based on the board's interpretation of the impact of the CME Holdings' acquisition on the Exercise Right and based on the board's understanding that the acquisition would likely close prior to the demutualization of the CBOE, the Special Committee would defer further deliberations until such time as it becomes appropriate to either reinstate the Special Committee's deliberations, terminate the Special Committee's existence, or take such other action as is warranted.

On January 4, 2007, the CBOT and the other plaintiffs in the Delaware action against the CBOE filed an amended complaint that challenged the interpretation of Article Fifth(b) that the CBOE had filed with the U.S. Securities and Exchange Commission on December 12, 2006. On January 11, 2007, plaintiffs submitted a motion for summary judgment on their claims. In addition to continuing to assert their claims about the amount of consideration to which exercise members would be entitled as part of the CBOE restructuring transaction, plaintiffs sought a declaratory judgment and an injunction to prevent the CBOE from implementing the interpretation of Article Fifth(b) that the CBOE had filed with the Commission.

On January 16, 2007, CBOE and the director defendants moved to dismiss the amended complaint to the extent it challenges CBOE's interpretation, on the ground that the U.S. Securities and Exchange Commission's jurisdiction to consider such interpretations of Article Fifth(b) preempts any state law challenge to that interpretation. In this motion, defendants further moved to stay consideration of plaintiffs' claims regarding the consideration to which exercise members otherwise would be entitled until it is known whether the CME Holdings acquisition of CBOT will close before CBOE's restructuring.

On January 25, 2007, at a regular scheduled meeting of the CBOE board of directors, management made a presentation describing the restructuring transaction and the board approved the proposed terms of the restructuring transaction and authorized the board of CBOE Holdings to file the registration statement of which this prospectus is a part with the SEC.

The CBOE's Reasons for the Restructuring Transaction

In approving the restructuring transaction, the CBOE board of directors considered a number of factors, including the ones discussed in the following paragraphs. In light of the number and wide variety of factors considered in connection with its evaluation of the transaction, the CBOE board of directors did not consider it practicable to, and did not attempt to, quantify or otherwise assign relative weights to the specific factors it considered in reaching its determination. The CBOE board viewed its position as being based on all of the information available and the factors presented to and considered by it. In addition, individual directors may have given different weight to different factors. This explanation of the CBOE's reasons for the proposed restructuring transaction and all other information presented in this section is forward-looking in nature and, therefore, should be read in light of the factors discussed under **Forward-Looking Statements** on page 23.

In reaching its decision, the CBOE board of directors consulted with the CBOE management with respect to strategic, operational and regulatory matters, as well as with its outside legal counsel and financial advisors and the board's special counsel.

The CBOE board of directors believes that changing the CBOE's focus to that of a for-profit business along with modifying the CBOE's corporate and governance structures to be more like those of other for-profit businesses will provide the CBOE with greater flexibility to respond to the demands of a rapidly changing business environment. By being structured as a stock, for-profit corporation, the CBOE will be able to pursue strategic opportunities to engage in business combinations and joint ventures with other organizations and to access capital markets in ways that are not available to non-stock, membership corporations. As a stock corporation, ownership will be separated from access. Stock will provide a currency separate from access that can be used in acquisitions and mergers. Furthermore, our stock will give us the ability to raise capital through stock issuances. We believe that the restructuring transaction will move us one step closer to achieving our key objectives of providing our owners a more liquid investment and creating a framework for a possible future public offering of CBOE Holdings common stock.

The CBOE board of directors also believes that the restructuring of the CBOE will enable the CBOE to enhance its competitiveness with other options exchanges, including both open outcry and electronic markets, while preserving the CBOE's ability to provide trading opportunities and benefits to our members. The proposed changes in our structure will streamline the governance and decision-making process, which will allow us to respond more quickly to changes in the competitive environment. In addition, our for-profit structure will remove ambiguity with respect to objective and priorities and establish shareholder interest as the primary guidepost for decision making. At the same time, our new structure will allow us to provide trading access through trading permits, which will be issued by the exchange. See **The Restructuring Transaction Trading Permits** on page 38 for a discussion of this access. This shift in how access is granted will also alter how we think of the users of our marketplace. Users, as distinct from owners, will become customers of the exchange. It will be clear that the interest of shareholders is served by providing trading opportunities and other benefits to these customers in a way

that prompts them to continue to prefer the CBOE to alternative marketplaces. The board believes that the restructuring transactions will allow the CBOE to:

- maximize the value of the CBOE's business by adopting a for-profit approach to business with a view towards increasing volume, efficiency and liquidity in the markets it provides;
- increase the CBOE's ability to respond more efficiently to changes within the industry, markets and regulations that govern the CBOE through a more streamlined governance and decision making structure, including a reduction in the size of the board and a reduction in the number of member committees;
- increase the CBOE's flexibility to diversify and expand its business;
- segregate more easily the CBOE's different lines of business into separate subsidiaries through a holding company structure, which could provide greater flexibility in administration and allow these subsidiaries to focus more effectively on particular markets, products or services; and
- distribute profits from the operation of its business to its stockholders as determined by its board of directors and as permitted by applicable law.

As such, the restructuring transaction is designed to:

- facilitate CBOE Holdings' engaging in other businesses that are either unregulated, or are regulated differently from the CBOE's current business;
- provide greater flexibility to finance, acquire or dispose of individual businesses;
- create a framework to facilitate public markets for equity securities of CBOE Holdings, capital-raising transactions and other securities issuances, such as the issuance of securities as consideration in an acquisition or merger; and
- satisfy the SEC's current policy that at least 20% of the Board of the CBOE should be selected by the members, while providing flexibility in governance at the holding company level.

The board also considered the following potentially negative factors associated with the restructuring transaction:

- the possibility that regulatory or governmental authorities might seek to impose conditions on or otherwise prevent or delay the restructuring transaction;
- the risks and costs to the CBOE if the restructuring transaction is not completed, including the potential diversion of management and employee attention, potential employee attrition and the potential effect on business and customer relationships;
- the risk that the potential benefits of the restructuring transaction may not be fully or partially realized;
- the risk of diverting management focus and resources from other strategic opportunities and from operational matters, and potential disruption associated with the restructuring transaction;
- the risk that CBOE members may fail to approve the restructuring transaction;

- the risk that the restructuring transaction may be challenged in litigation brought against the CBOE by members of the CBOE, CBOT, CBOT Holdings, stockholders of CBOT Holdings or other persons;
- the fees and expenses associated with completing the transaction; and
- various other risks associated with the restructuring transaction described under Risk Factors.

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Alternatives to the Restructuring Transaction

In considering the restructuring transaction, the CBOE board of directors also considered a number of strategic alternatives available to the CBOE, including:

- remaining a not-for-profit, non-stock membership corporation;
- converting to a for-profit, non-stock corporation;
- pursuing one or more acquisitions of or by other U.S. or non-U.S. exchanges; and
- exploring mergers, alliances and joint ventures with other entities.

The CBOE board of directors believed and continues to believe that these potential risks and drawbacks are outweighed by the potential benefits that the CBOE board expects the CBOE and its members to achieve as a result of the proposed restructuring transaction.

What You Will Receive in the Restructuring Transaction

CBOE Holdings, Inc. Common Stock. In the restructuring transaction, each membership existing on the date of the restructuring transaction will be converted into _____ shares of Class A common stock of CBOE Holdings, consisting of _____ shares of Series A-1 common stock, _____ shares of Series A-2 common stock and _____ shares of Series A-3 common stock.

Transfer of CBOE Holdings Common Stock Following the Restructuring Transaction. Following the restructuring transaction and unless and until a public offering by CBOE Holdings of its common stock has been completed, pursuant to the certificate of incorporation of CBOE Holdings, transfers of the Series A-1, A-2 and A-3 common stock of CBOE Holdings may only take place through the CBOE membership department or through an agent of CBOE Holdings that has been designated by CBOE Holdings to manage such transfers. The membership department, or its agent, will maintain a record of the prices bid and offered by sellers and buyers and the time such bids and offers are submitted to the membership department. When a bid and offer match, the membership department or its agent will consummate the transaction and inform the parties. It is intended that this process will function much like the existing process for the sale and transfer of CBOE Seats.

Transfer Restrictions on CBOE Holdings Common Stock Following a Public Offering. In the event CBOE Holdings engages in a public offering of its common stock in the future, the Series A-1, A-2 and A-3 common stock of CBOE Holdings automatically would become subject to certain transfer restrictions or lock-up restrictions under CBOE Holdings certificate of incorporation, with these lock-up restrictions expiring on the Series A-1, A-2 and A-3 common stock as of the 180th, 360th and 540th day, respectively, following the closing date of any such public offering. During any applicable lock-up period, shares of the affected series of CBOE Holdings Class A common stock may not be directly or indirectly assigned, offered for sale, sold, transferred or otherwise disposed of, except pursuant to limited exceptions set forth in the CBOE Holdings certificate of incorporation, which provides for certain permitted transfers to affiliates, family members, qualified trusts and estates, as well as certain pledges and the potential transfer upon a *bona fide* foreclosure resulting therefrom. Subject to possible extension in the event of an organized sale, as set more fully in this proxy statement and prospectus, upon the expiration of the applicable lock-up period with respect to each of the Series A-1, A-2 and A-3 common stock, the shares of the Series A-1, A-2 and A-3 common stock then scheduled to expire will automatically convert from restricted Class A common stock to unrestricted common stock that will be freely transferable.

Who Will Receive the Restructuring Consideration

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The CBOE Holdings common stock issued in the restructuring transaction will be issued to the owner of a CBOE Seat. Therefore, if you are currently a member who owns a CBOE Seat, you will receive the CBOE Holdings common stock issued in the restructuring transaction in exchange for your current

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membership. On the other hand, because we permit owners of CBOE Seats to lease their CBOE memberships to other persons, it is possible that more than one person may have an interest in the same membership. For instance, during the term of a lease, the lessee is considered to be a member of the CBOE for trading purposes, although, under Delaware law, the owner of the CBOE Seat (or lessor) retains the equity right represented by the CBOE membership and is the member of the CBOE for purposes of ownership. The CBOE Holdings Class A common stock being issued in the restructuring transaction represents an equity interest in CBOE Holdings that is being issued in exchange for the former CBOE member's equity interest in the CBOE. The CBOE Holdings common stock, therefore, will be issued to the owner of the CBOE Seat and not a lessee of a seat.

The Board of Directors of the CBOE has determined that following the CME/CBOT Transaction, there will no longer be members of the CBOT who qualify to become a member of the CBOE under Article Fifth(b) of CBOE's certificate of incorporation without having to purchase a separate CBOE membership. Because the CME/CBOT Transaction is expected to close in mid-2007, prior to the date the registration statement of which this proxy statement is a part is expected to be declared effective, and because once that transaction closes there will no longer be members of the CBOT eligible to become exercise members of the CBOE, memberships formerly held by CBOT members pursuant to the Exercise Right under Article Fifth(b) will not be converted into shares of CBOE Holdings common stock in the restructuring transaction.

Effect of the Restructuring Transaction on Trading Access

In the restructuring transaction, memberships in the CBOE and the trading rights they represent will be cancelled when the CBOE memberships are converted into shares of common stock in CBOE Holdings. The CBOE Holdings common stock issued in the restructuring transaction will not provide the holder with any right to have physical or electronic access to the CBOE's trading facilities. Following the restructuring transaction, physical and electronic access to the trading facilities of the CBOE, subject to such limitations and requirements as will be specified in the rules of the CBOE, will be available to individuals and organizations that have obtained a trading permit from the CBOE. For more information regarding trading access following the restructuring transaction, please see [Trading Permits](#) below. In addition, effective upon completion of the restructuring transaction, each lease of a CBOE Seat will be voided, by operation of law or rule, and the lessee members will cease to have any trading rights under the lease after termination. Members who currently lease their memberships, however, will have the opportunity to apply for a trading permit following the restructuring transaction. See [Trading Permits](#) below.

In the restructuring transaction, all CBOE memberships existing on the date of the restructuring transaction will be converted into CBOE Holdings Class A common stock, and the concept of a member of the CBOE under Delaware law (i.e., as a holder of equity) will cease to exist. The concept of member and member organizations of the CBOE for purposes of the Securities Exchange Act of 1934, however, will continue to exist after the restructuring transaction (generally including individuals and organizations that have direct access to the CBOE as a result of obtaining a trading permit in the CBOE and those individuals and organizations that are otherwise regulated by the CBOE). Such individuals or organizations, however, will not, by virtue of being a member for purposes of the Securities Exchange Act of 1934, be an equity owner of CBOE Holdings or any of its subsidiaries. Instead, such individuals and organizations will hold trading permits at the CBOE and, therefore, be subject to the rules and policies of the CBOE.

Trading Permits

Trading Permits Following the Restructuring Transaction. While some of the details of the access plan following demutualization are still being developed, we expect that trading permits following the restructuring transaction are likely to have the following attributes:

- *Duration.* Initial trading permits will be issued prior to the restructuring transaction and will become effective upon the closing of the restructuring transaction. The CBOE currently plans to issue trading permits that will be valid for terms of one, three or twelve calendar months. The initial trading permits will be valid from the closing date of the restructuring transaction until the end of the applicable period depending on the duration of the permit for which a person has applied. In the future, the CBOE may modify the duration of trading permits depending on various considerations including member demand.
- *Availability.* Prior to the date of the restructuring transaction, a member will be able to submit an application for a trading permit to the CBOE in accordance with the procedures that will be established by the CBOE. Provided the applicant is in good standing as of the date of the restructuring transaction and complies with the application procedures established by the CBOE, the CBOE will issue to the applicant a trading permit in respect of each membership owned by the applicant that is not subject to an effective lease as of the date of the restructuring transaction. In addition, the CBOE will issue to the lessee applicant a trading permit in respect of each membership leased by the applicant as of the date of the restructuring transaction. In this regard, a lessor will not be issued a trading permit with respect to any of the lessor's memberships that are subject to effective leases as of the date of the restructuring transaction. The CBOE also will have the ability to increase the number of authorized trading permits by issuing additional trading permits, or to reduce the number of authorized trading permits to the number of trading permits outstanding at the time of such reduction. In addition to the CBOE's authority to reduce the number of authorized trading permits to the number of trading permits outstanding at the time of such reduction, the CBOE after the restructuring transaction also will have the ability to reduce the number of authorized trading permits through a rule filing submitted to the SEC.
- *Pricing.* The CBOE will determine the prices of trading permits from time to time and announce those prices to the members. Prices of trading permits may vary based on, for example, whether a person is a liquidity provider or whether a person has floor access.
- *Payment.* The entire cost of a trading permit will be due and payable in full in advance on a nonrefundable basis.
- *Issuance.* Permits will be issued to member organizations and individuals. A member organization holding a trading permit in its name will be responsible for paying all fees and charges for that trading permit. An individual holding a trading permit in his or her name will be responsible for paying all fees and charges for that trading permit.
- *Extent of Access.* All trading access to CBSX will be through trading permits issued by the Exchange that grant holders the right to trade on CBSX. In addition, any trading permit issued by the Exchange would allow the holder to obtain trading access to OneChicago.
- *Ability to Transfer or Assign.* Trading permits will only be issued by the CBOE and cannot be leased or transferred to any person under any circumstances, except as described below. In this regard, a member organization may change the designation of the nominee in respect of each trading permit it holds on a form and in a manner prescribed by the CBOE. In addition, a holder of a trading permit may, with the prior written consent of the CBOE, transfer a trading permit to a qualified and approved member organization (i) which is an affiliate or (ii) which continues substantially the same business of such trading permit holder without regard to the form of the transaction used to achieve

such continuation, for example, merger, sale of substantially all assets, reincorporation, reorganization or the like.

- *Approval.* Any individual or organization wishing to obtain a trading permit would be subject to applicable regulatory requirements under the Rules.
- *Renewal.* Prior to the expiration of a trading permit, the holder of the trading permit may notify the Exchange that the holder is terminating the trading permit or may file an application with the Exchange to change the trading permit. If the holder does not take either of these actions, the holder's trading permit will be automatically renewed for the same period of time as the expiring permit.

Following the restructuring transaction, the CBOE intends to keep the existing appointment process (e.g., class quoting and appointment costs) specified in the rules. The CBOE also will have the authority to issue various types of trading permits that will allow holders to: (i) act in one or more of the trading functions permitted under the Exchange's rules (e.g., floor broker, market maker, etc.); and (ii) subject to the appointment process (e.g., class quoting limits and appointment costs) in the rules, to trade one or more of the securities permitted to be traded on the Exchange. Under this provision, for example, the Exchange would have the authority to issue trading permits that will allow applicants to act as specific types liquidity providers in particular options classes.

The CBOE's program for providing trading access following the restructuring transaction will be in accordance with the CBOE's rules as in effect at that time. Before the rules go into effect, they must be filed with and approved by the SEC. As part of that process, they will be published for comment by interested persons. Accordingly, the access rules as finally adopted may differ from those described above.

Procedure to Obtain Trading Permit Following the Restructuring Transaction. Prior to the completion of the restructuring transaction, the CBOE will notify the current members of the CBOE (whether owners or lessees) of the timing of the proposed restructuring transaction as well as the terms and conditions then applicable to the trading permits, and will explain the manner and terms upon which an individual or organization may obtain a trading permit. As described above, all members who are currently using a membership to trade on the CBOE as of the close of the restructuring transaction will be granted permits if they are in good standing and comply with the application procedures. A member as of the close of the restructuring transaction who does not apply to receive a new permit at the time of the restructuring transaction will not receive any priority if he or she should return and seek a permit at a later date. Depending on the level of interest indicated by the members, the CBOE may allow persons who did not previously have memberships to receive trading permits upon completion of the restructuring transaction. The rules applicable to trading permits will be substantially similar to those in place today with respect to memberships. Subject to applicable legal requirements, the CBOE reserves the right to limit the number of trading permits to be made available at any time and may reduce the number of authorized trading permits, as described above.

Organized Sales

After the completion of a public offering, CBOE Holdings will have the right to conduct organized sales of the Class A common stock of CBOE Holdings issued in the restructuring transactions when the transfer restriction period applicable to the Series A-1, A-2 and A-3 common stock of CBOE Holdings is scheduled to expire. The purpose of this right is to enable CBOE Holdings to facilitate a more orderly distribution of its common stock into the public market. If CBOE Holdings elects to conduct an organized sale, no shares of the Series A-1, A-2 or A-3 common stock of CBOE Holdings for which transfer restrictions are scheduled to lapse or of any other series that is subject to transfer restrictions may be sold during the applicable transfer restriction period, except as part of the organized sale or in a permitted

transfer. Holders of the Series A-1, A-2 and A-3 common stock may elect to participate in such organized sale but are not required to do so.

For a discussion of organized sales and the procedures to be followed in the event CBOE Holdings determines to conduct an organized sale, please see [Description of CBOE Holdings Capital Stock Organized Sales](#) on page 124.

Amendments to the CBOE Certificate of Incorporation, Constitution and Bylaws

As part of the restructuring transaction, the bylaws and certificate of incorporation for the CBOE will be amended and restated to reflect the new holding company structure, certain technical amendments required as a result of converting from a membership organization to a stock corporation and to change the capital structure and governing structure contained in such documents. The amended bylaws of the CBOE will replace the CBOE's current Constitution, and following the restructuring transaction, the CBOE bylaws will no longer include the CBOE Rules. Please review carefully all the terms and conditions of the bylaws and certificate of incorporation of not only the CBOE, but also CBOE Holdings. We have included the form of certificate of incorporation for CBOE Holdings and form of bylaws for CBOE Holdings in this proxy statement and prospectus as Annex C and D, respectively. The form of amended and restated certificate of incorporation of the CBOE and form of bylaws of the CBOE are also included in this proxy statement and prospectus as Annex E and F, respectively.

Some of the more significant provisions of the CBOE and CBOE Holdings certificates of incorporation and bylaws are summarized below. For additional information on capital stock and corporate governance of the CBOE and CBOE Holdings see [Comparison Of Rights Prior to and After the Restructuring Transaction](#) on page 130.

Capital Stock. Pursuant to its certificate of incorporation, CBOE Holdings is authorized to issue (i) _____ shares of unrestricted common stock, par value \$0.01 per share, (ii) _____ shares of Class A common stock, par value \$0.01 as per share and (iii) and 20,000,000 shares of preferred stock. After the restructuring transaction, the CBOE will be authorized to issue 1,000 shares of common stock, par value \$0.01 per share. All CBOE shares will be held by CBOE Holdings.

Voting Rights. After the restructuring transaction, you will hold ownership interests in CBOE Holdings and not the CBOE. These new ownership interests will entitle you to vote on matters pertaining to CBOE Holdings. You will no longer vote on matters at the CBOE. CBOE Holdings, as the sole stockholder of the CBOE, will have the right to vote generally with respect to CBOE matters, including for the election of directors and on other matters as required by the bylaws, certificate of incorporation and the law of the State of Delaware. As a stockholder of CBOE Holdings you will be entitled to vote along with all other holders of CBOE Holdings common stock generally with respect to CBOE Holdings matters, including for the election of directors and on other matters required by the bylaws, certificate of incorporation or the laws of the State of Delaware.

Voting Limitations. No person, together with its related persons, may vote or cause to vote more than 10% of the voting power of CBOE Holdings without the prior approval of the board of directors of CBOE Holdings and, in certain circumstances, the SEC. In the event that CBOE Holdings completes a public offering of its common stock, the voting percentage that any person would be permitted to control, whether through beneficially ownership or other agreement, would increase from 10% to 20% of the total number of votes entitled to be cast on any matter. This limitation is described in more detail below at [Description Of CBOE Holdings Capital Stock](#).

Ownership Limitations. No person, together with its related persons, may directly or indirectly beneficially own more than 10% of any class of securities of CBOE Holdings without the prior approval of the board of directors of CBOE Holdings and, in certain circumstances, the SEC. In the event that CBOE

Holdings completes a public offering of its common stock, the ownership percentage that a person would be permitted to beneficially own would increase from 10% to 20% of the total outstanding shares of CBOE Holdings common stock. For additional information about this limitation and additional information about the capital stock of CBOE Holdings see *Description of CBOE Holdings Capital Stock* on page 119.

Board of Directors. There will be a separate board of directors for each of the CBOE and CBOE Holdings. It is anticipated that the same individuals will be on each board immediately following the restructuring transaction. After the restructuring transaction, the CBOE board will be reduced from 23 directors to 13 directors. The CBOE Holdings board will also have 13 directors. The CBOE Holdings board will consist of the CBOE Holdings chief executive officer and 12 other directors, no less than two-thirds of whom will at all times meet the independence requirements of CBOE Holdings and those established by the New York Stock Exchange, or the NYSE, listing standards. The CBOE board will consist of the CBOE's chief executive officer as well as seven non-industry directors and five industry directors, as each term is defined in the applicable bylaws and certificate of incorporation. Failure of a director to maintain the categorical requirements of either a non-industry or an industry director may result in the director's removal from the board. Directors of each of the CBOE and CBOE Holdings will be elected by a plurality of votes. The CBOE board will continue to be a classified board with staggered terms of office, however, the board will consist of two classes of directors, each of which will serve for two years, as opposed to the current board that consists of three classes of directors, each of which serves for a term of three years. There is no limit on the number of terms a director may serve on either board.

Nomination of Directors. After the restructuring transaction, the Nominating and Governance Committee of the CBOE will be comprised solely of board members and will nominate all directors for election at the CBOE. It is currently anticipated that the members of the Nominating and Governance Committee of the CBOE will be the same as the members of the Nominating and Governance Committee of CBOE Holdings. At the CBOE, however, the Nominating and Governance Committee will have an Industry Director-Subcommittee, which will consist of all of the industry directors serving on the Nominating and Governance Committee. The Industry Director-Subcommittee shall select industry directors that equal at least 20% of the directors serving on the board of the CBOE. For a discussion of the nomination procedures at each of CBOE Holdings and the CBOE, please see *Directors and Management of the CBOE And CBOE Holdings After the Restructuring Transaction Committees of the CBOE Holdings Board of Directors Nominating and Governance Committee* on page 100.

Exercise Right. The Board of Directors of the CBOE has determined that following the CME/CBOT Transaction, there will no longer be members of the CBOT who qualify to become a member of the CBOE under Article Fifth(b) of CBOE's certificate of incorporation without having to purchase a separate CBOE membership. In connection with the other amendments being made to the CBOE's certificate of incorporation, Article Fifth(b) of the CBOE's certificate of incorporation, therefore, will be deleted as part of the restructuring transaction. As a result of the CME/CBOT Transaction, there will no longer be any reference in the CBOE certificate of incorporation to the Exercise Right described in the former certificate of incorporation of the CBOE.

Amendments to the CBOE Rules

As part of the restructuring transaction, the CBOE's Rules will be amended to reflect that access to the CBOE's trading facilities will be made available through the issuance of trading permits. The CBOE has not yet submitted its rule filing to the SEC with respect to these changes.

Shares of CBOE Holdings reserved for future issuance to CBOE Holdings Management

The CBOE is currently discussing the possible adoption of equity compensation plans pursuant to which management of CBOE Holdings would be granted equity compensation as determined by the board

of directors of CBOE Holdings from time to time. As of January 31, 2007, however, no such equity compensation plans had been adopted.

Certain Relationships and Related-Party Transactions

Currently, 11 of the 23 CBOE directors are individuals who are members of the CBOE or are officers, directors or employees of or are affiliated with organizations that are members of the CBOE. Following the restructuring transaction, approximately five of the 13 directors of CBOE Holdings will be individuals who either will hold trading permits in the CBOE or will be officers, directors, employees or affiliates of organizations that will hold trading permits in the CBOE. These individuals and organizations that are currently members of the CBOE (and who will become holders of trading permits in the CBOE) derive a substantial portion of their income from their trading or clearing activities on or through the CBOE. The amount of income that a current member and a future holder of a trading permit may derive from its trading or clearing activities at the CBOE is in part dependent on the fees these individuals or organizations are charged to trade, clear and access our markets and the rules and structure of our markets. Current members and future holders of trading permits, many of whom do or will act as brokers and traders, benefit from trading rules, privileges and discounts that enhance their trading opportunities and profits. Current members pay fees (and future holders of CBOE trading permits will pay fees), either directly or indirectly, to the CBOE in connection with the services we provide, which in many cases could be substantial to the member (or future permit holder). The payments made by our directors that are currently members of the CBOE or affiliated with members of the CBOE (and who will become holders of trading permits or affiliated with holders of trading permits following the restructuring transaction) are on terms no more favorable than terms given to unaffiliated persons.

Over the past three years, three different CBOE directors, Edward T. Tilly, John E. Smollen and Bradley G. Griffith, served as the Vice Chairman of the CBOE and received compensation from the CBOE for such service. For a description of the compensation paid to these individuals as Vice Chairman, please see [Directors and Management of the CBOE and CBOE Holdings After the Restructuring Transaction Compensation of Directors and Executive Officers](#) on page 109.

The CBOE has a one-year consulting arrangement, commencing on January 1, 2007, with Mark F. Duffy, one of its directors, under which Mr. Duffy advises the CBOE on various matters related to the restructuring and other business initiatives. Mr. Duffy is paid for services actually provided at an hourly rate, subject to a retainer for the year of \$200,000.

Regulatory Approvals

SEC Approvals. The CBOE is registered as a national securities exchange pursuant to Section 6 of the Exchange Act. As a registered national securities exchange, the CBOE must comply with certain obligations under the Exchange Act. Under Section 19 of the Exchange Act and the related rules of the SEC, all changes in the rules of an SRO, such as the CBOE, must be submitted to the SEC for approval, including proposed amendments to the certificate of incorporation, bylaws or Constitution of the CBOE. No proposed rule change can take effect unless approved by the SEC or otherwise permitted by Section 19. As such, the proposed amendments to the CBOE's certificate of incorporation, Constitution and Rules that are a necessary part of the restructuring transaction will need to be approved by the SEC prior to the restructuring transaction and these amendments taking effect.

Under Section 19 of the Exchange Act, the text of the proposed rule changes, together with a concise general statement of the statutory basis and the purpose of the change, must be submitted to the SEC, which then gives interested parties the opportunity to comment by publishing the proposal in the Federal Register. Critical comment letters typically are forwarded to the SRO for response. Within a period of 35 days of the publication of the proposed rule change (or a longer period of up to 90 days of the

publication, if the SEC considers it appropriate), the SEC must either approve the proposal, or institute proceedings to determine whether the proposed rule change should be disapproved. Such proceedings should be concluded within 180 days of the date of the publication of the proposed rule change, although the SEC may extend the deadline by another 60 days if necessary. The date of publication also may be delayed for reasons outside the control of the CBOE; therefore, the time periods provided above will not begin to run until the proposal is published. The SEC will approve a proposed rule change if it finds that the change is consistent with the requirements of the Exchange Act and the rules and regulations of the Exchange Act. SROs may consent to extensions of any of these periods and, as a practical matter, will generally do so while addressing any concerns raised by the SEC staff.

Pursuant to Rule 19b-4 under the Exchange Act, the SEC's approval of the changes to the certificate of incorporation, Constitution and Rules of the CBOE as well as the forms of certificate of incorporation and bylaws of CBOE Holdings, is a condition to the completion of the restructuring transaction.

Approvals under State Securities and Blue Sky Laws. Approvals or authorizations may be required under applicable state securities, or blue sky, laws in connection with the issuance of CBOE Holdings common stock in the restructuring transaction. Any approval of any governmental entity required for the consummation of the restructuring transaction is a condition to the completion of the restructuring transaction, unless the failure to obtain this approval would not reasonably be expected to result in a material adverse effect on the CBOE and its subsidiaries.

General. While we believe that we will receive the requisite regulatory approvals for the changes to our certificate of incorporation, Constitution and Rules that will be part of the restructuring transaction, there can be no assurances regarding the timing of the approvals, our ability to obtain the approvals on satisfactory terms or the absence of litigation challenging these approvals. There can likewise be no assurance that U.S. federal, state or foreign regulatory authorities will not attempt to challenge the restructuring transaction, or, if a challenge is made, as to the results of the challenge.

Restrictions on Sales of Shares by Affiliates of the CBOE

The shares of CBOE Holdings Class A common stock to be issued in connection with the restructuring transaction will be registered under the Securities Act of 1933, as amended, and will be freely transferable under the Securities Act, except for shares of CBOE Holdings common stock issued to any person who is deemed to be an affiliate of the CBOE at the time of the special meeting. While the CBOE Holdings Class A common stock issued in the restructuring transaction may be freely transferable under the Securities Act, it will be subject to transfer restrictions under the CBOE Holdings certificate of incorporation. Following the transfer restriction period established in the certificate of incorporation, stock issued in the restructuring transaction will be freely transferable. For a description of these restrictions, see Amendments to the CBOE Certificate of Incorporation, Constitution and Bylaws above. Persons who may be deemed to be affiliates include individuals or entities that control, are controlled by, or are under common control with the CBOE, and may include our executive officers and directors, as well as our significant stockholders. In addition to the other restrictions imposed on shares of CBOE Holdings stock, affiliates may not sell their shares of CBOE Holdings common stock acquired in connection with the restructuring transaction except pursuant to:

- an effective registration statement under the Securities Act covering the resale of those shares;
- an exemption under paragraph (d) of Rule 145 under the Securities Act; or
- any other applicable exemption under the Securities Act.

The CBOE expects that each of its affiliates will agree with CBOE Holdings that the affiliate will not transfer any shares of stock received in the restructuring transaction, except in compliance with the

Securities Act. Resales of CBOE Holdings common stock by affiliates of the CBOE and CBOE Holdings are not being registered pursuant to the registration statement of which this document forms a part.

Stock Exchange Listing

We do not currently intend to list the common stock of CBOE Holdings on any stock exchange immediately following the completion of the restructuring transaction. If CBOE Holdings engages in a public offering, the common stock of CBOE Holdings likely would be listed at that time. There can be no assurances, however, that a public offering of CBOE Holdings will occur or that the common stock of CBOE Holdings will ultimately be listed on any stock exchange.

Appraisal Rights of Dissenting Members

Holders of CBOE memberships are entitled to appraisal rights under Section 262 of the Delaware General Corporation Law (Section 262) in connection with the Merger, provided that they comply with the conditions established by Section 262. Section 262 is reprinted in its entirety as Annex H hereto. The following discussion does not purport to be a complete statement of the law relating to appraisal rights and is qualified in its entirety by reference to Annex H. The following summary does not constitute any legal or other advice nor does it constitute a recommendation that members exercise their appraisal rights under Section 262.

THIS DISCUSSION AND ANNEX H SHOULD BE REVIEWED CAREFULLY BY ANY HOLDER WHO WISHES TO EXERCISE STATUTORY APPRAISAL RIGHTS OR WHO WISHES TO PRESERVE THE RIGHT TO DO SO, AS FAILURE TO COMPLY WITH THE PROCEDURES SET FORTH HEREIN OR THEREIN MAY RESULT IN THE LOSS OF APPRAISAL RIGHTS.

Members of record who desire to exercise their appraisal rights must: (i) hold a CBOE membership on the date of making a demand for appraisal; (ii) continuously hold such CBOE membership through the effective time of the restructuring transaction; (iii) deliver a properly executed written demand for appraisal to the CBOE prior to the taking of the vote on the restructuring transaction at the special meeting of members; (iv) file any necessary petition in the Delaware Court of Chancery, as more fully described below, within 120 days after the effective time of the restructuring transaction; (v) not vote in favor of adoption of the restructuring transaction; and (vi) otherwise satisfy all of the conditions described more fully below and in Annex H.

A CBOE member who makes the demand described below with respect to a CBOE membership, who continuously is a member through the effective time of the merger, who otherwise complies with the statutory requirements of Section 262 and who neither votes in favor of the restructuring transaction nor consents thereto in writing will be entitled, if the restructuring transaction is consummated, to have his or her membership appraised by the Delaware Court of Chancery and to receive payment in cash of the fair value of the membership, exclusive of any element of value arising from the accomplishment or expectation of the restructuring transaction, together with a fair rate of interest, if any, as determined by the court. Pursuant to paragraph (a) of Section 262, all references to stockholder and shares in Section 262, to the extent applicable, apply to members and the membership interests held by such members, respectively. All references in this summary of appraisal rights to a member or holders of CBOE memberships are to the record holder or holders of CBOE memberships.

ANY HOLDER OF A CBOE MEMBERSHIP WHO DESIRES TO EXERCISE HIS OR HER RIGHT TO DISSENT FROM THE RESTRUCTURING TRANSACTION MUST DELIVER TO THE CBOE A WRITTEN DEMAND FOR APPRAISAL OF HIS OR HER MEMBERSHIP PRIOR TO THE TAKING OF THE VOTE ON THE RESTRUCTURING TRANSACTION AT THE SPECIAL MEETING OF MEMBERS. SUCH WRITTEN DEMAND MUST REASONABLY INFORM THE

CBOE OF THE IDENTITY OF THE MEMBER OF RECORD AND OF SUCH MEMBER'S INTENTION TO DEMAND APPRAISAL OF ANY MEMBERSHIPS HELD BY SUCH MEMBER.

A demand for appraisal must be executed by or on behalf of the CBOE member of record.

A MEMBER WHO ELECTS TO EXERCISE APPRAISAL RIGHTS SHOULD MAIL OR DELIVER HIS OR HER WRITTEN DEMAND TO: CHICAGO BOARD OPTIONS EXCHANGE, INCORPORATED, 400 SOUTH LASALLE, CHICAGO, ILLINOIS 60605, ATTENTION: OFFICE OF THE SECRETARY.

Prior to or within ten days after the effective time of the restructuring transaction, the surviving corporation must provide notice of the effective time to all members who have complied with Section 262. Within 120 days after the effective time, either the surviving corporation or any member who has complied with the required conditions of Section 262 may file a petition in the Delaware Court, with a copy served on the surviving corporation in the case of a petition filed by a member, demanding a determination of the fair value of the memberships of all dissenting members. The surviving corporation does not currently intend to file an appraisal petition, and members seeking to exercise appraisal rights should not assume that the surviving corporation will file such a petition or that the surviving corporation will initiate any negotiations with respect to the fair value of such memberships. Accordingly, members who desire to have their memberships appraised should initiate any petitions necessary for the perfection of their appraisal rights within the time periods and in the manner prescribed in Section 262. Within 120 days after the effective time, any member who has theretofore complied with the applicable provisions of Section 262 will be entitled, upon written request, to receive from the surviving corporation a statement setting forth the aggregate number of memberships not voted in favor of the merger and with respect to which demands for appraisal were received by the CBOE and the number of holders of such memberships. Such statement must be mailed within ten days after the written request thereof has been received by the surviving corporation or within ten days after expiration of the time for delivery of demands for appraisal under Section 262, whichever is later.

If a petition for an appraisal is timely filed, by a holder of a membership and a copy thereof served upon the surviving corporation, the surviving corporation will then be obligated within twenty (20) days to file with the Delaware Register in Chancery a duly verified list containing the names and addresses of all members who have demanded an appraisal of their membership and with whom agreements as to the value of their membership have not been reached. After notice to the members as required by the court, the Delaware Court of Chancery is empowered to conduct a hearing on the Petition to determine those members who have complied with Section 262 and who have become entitled to appraisal rights thereunder.

After determining the holders of memberships entitled to appraisal, the Delaware Court of Chancery will appraise the CBOE memberships owned by such members, determining the fair value of such memberships exclusive of any element of value arising from the accomplishment or expectation of the restructuring transaction, together with a fair rate of interest, if any, to be paid upon the amount to be the fair value. In determining fair value, the Delaware Court is to take into account all relevant factors. The Delaware Supreme Court has stated that proof of value by any techniques or methods which are generally considered acceptable in the financial community and otherwise admissible in court should be considered in an appraisal proceeding, and that, fair price obviously requires consideration of all relevant factors involving the value of a company.

The Delaware Supreme Court stated that, in making this determination of fair value, the court must consider market value, asset value, dividends, earnings prospects, the nature of the enterprise and any other facts that could be ascertained as of the date of the transaction that throw any light on future prospects of the surviving corporation. Section 262 provides that fair value is to be exclusive of any element of value arising from the accomplishment or expectation of the merger. In *Cede & Co. v.*

Technicolor, Inc., the Delaware Supreme of Delaware stated that such exclusion is a narrow exclusion [that] does not encompass known elements of value, but which rather applies only to the speculative elements of value arising from such accomplishment or expectation. In *Weinberger v. UOP, Inc.*, the Supreme Court of Delaware also stated that elements of future value, including the nature of the enterprise, which are known or susceptible of proof as of the date of the merger and not the product of speculation, may be considered.

Members considering seeking appraisal should recognize that the fair value of their memberships as determined under Section 262 could be more than, the same as or less than the consideration to be received in the restructuring transaction if they did not seek appraisal of their memberships. The cost of the appraisal proceeding (which do not include attorneys fees or fees and expenses of experts) may be determined by the Delaware Court and taxed against the parties as the Delaware Court deems equitable in the circumstances. Upon application of dissenting members of the CBOE, the Delaware Court may order that all or a portion of the expenses incurred by any dissenting members in connection with the appraisal proceeding, including, without limitation, reasonable attorneys fees and the fees and expenses of experts, be charged pro rata against the value of all memberships entitled to appraisal.

If any member who demands appraisal of his or her membership fails to perfect, or successfully withdraws or loses such holder's right to appraisal, the holder's membership will be deemed to have been converted at the effective time of the restructuring transaction into the restructuring consideration applicable to other memberships. A member will fail to perfect, or effectively lose or withdraw, the member's right to appraisal if no petition for appraisal is filed within 120 days after the effective time of the restructuring transaction or if the member delivers to the surviving corporation a written withdrawal of the member's demand for appraisal and an acceptance of the consideration in accordance with Section 262. Any holder of CBOE memberships who has duly demanded appraisal in compliance with Section 262 will not, after the effective time, be entitled to vote for any purpose any memberships subject to such demand or to receive payment of dividends or other distributions on such memberships, except for dividends or distributions payable to members of record at a date prior to the effective time.

Any member may withdraw a demand for appraisal and accept the restructuring transaction consideration by delivering to the surviving corporation a written withdrawal of the demand for appraisal, except that (1) any attempt to withdraw made more than 60 days after the effective time of the restructuring transaction will require written approval of the surviving corporation, and (2) no appraisal proceeding in the Delaware Court will be dismissed as to any member without the approval of the Delaware Court, and the approval may be conditioned upon terms the Delaware Court deems just. If the member fails to perfect, successfully withdraws or loses the appraisal right, the member's membership will be converted into solely the restructuring transaction consideration.

FAILURE TO TAKE ANY REQUIRED STEP IN CONNECTION WITH THE EXERCISE OF APPRAISAL RIGHTS MAY RESULT IN TERMINATION OF SUCH RIGHTS. IN VIEW OF THE COMPLEXITY OF THESE PROVISIONS OF THE DELAWARE GENERAL CORPORATION LAW, MEMBERS WHO ARE CONSIDERING EXERCISING THEIR RIGHTS UNDER SECTION 262 SHOULD CONSULT WITH THEIR LEGAL ADVISORS.

Recommendation of the Restructuring Transaction by the CBOE Board of Directors

On January 25, 2007, the CBOE board of directors determined, by vote, that the restructuring transaction is advisable and in the best interests of the CBOE and its members and approved the associated amendments to the CBOE's Constitution and Rules. **The CBOE board of directors recommends that CBOE members vote FOR the adoption of the agreement and plan or merger to effect the restructuring transaction at the CBOE's special meeting of members.**

UNAUDITED SELECTED CONDENSED CONSOLIDATED FINANCIAL DATA

The following table sets forth selected consolidated financial and other information for the CBOE. You should read the following selected consolidated financial and other information together with our consolidated financial statements and the related notes, the unaudited pro forma condensed consolidated financial statements and other financial information included elsewhere in this document and the Management's Discussion and Analysis of Financial Condition and Results of Operations section of this proxy statement and prospectus. We have derived the balance sheet data as of December 31, 2006, 2005 and 2004 and June 30, 2004, and operating data for the fiscal years ended December 31, 2006 and 2005, the six month periods ended December 31, 2005 and 2004, and the fiscal years ended June 30, 2004 from the audited consolidated financial statements and related notes included in Annex A of this proxy statement and prospectus. We have derived the balance sheet data for fiscal years ended June 30, 2003 and 2002 and the operating data for fiscal years ended June 30, 2003 and 2002 from our audited consolidated financial statements which are not included in this proxy statement and prospectus. In 2004 the CBOE converted from a fiscal year that ended on June 30 to a fiscal year that ends on December 31. Because of this conversion, it was necessary for the CBOE to have a six-month reporting period (2004 Stub) ending on December 31, 2004.

	Year Ended Dec 31, 2006	Year Ended Dec 31, 2005	Six Mos. Ended Dec 31, 2005	Six Mos. Ended Dec 31, (1) 2004	Year Ended June 30, 2004 2003		2002
	(dollars in thousands, except per share data)						
Operating Data							
Revenue							
Transaction Fees	\$ 186,285	\$ 143,254	\$ 75,457	\$ 60,763	\$ 116,344	\$ 104,827	\$ 89,436
Other Member Fees	22,270	23,347	11,544	12,035	25,465	26,642	24,641
Communication Fees	19,965	16,749	8,417	7,885	14,543	15,614	18,884
Regulatory Fees	13,817	11,835	6,085	5,730	11,289	10,800	11,231
Other	15,649	7,870	4,376	2,513	6,073	5,909	4,631
Total	257,986	203,055	105,879	88,926	173,714	163,792	148,823
Expenses							
Employee Costs	79,782	74,678	38,545	33,155	69,304	64,094	68,419
Outside Services	20,455	18,404	10,730	8,934	15,242	11,794	13,458
Facilities Costs	4,281	3,925	2,272	1,978	4,389	4,240	4,351
Data Processing	19,078	19,304	9,736	9,169	18,022	17,771	17,492
Travel & Promotion	7,209	6,796	3,458	2,869	6,406	4,853	5,428
Equity in loss of OneChicago	832	2,569	1,046	1,391	4,359	4,165	1,483
Depreciation & Amortization	28,189	28,349	14,372	15,950	29,685	29,252	29,709
Royalty Fees	23,552	21,950	10,676	8,997	15,847	11,028	8,989
Other	2,581	7,187	3,827	4,050	7,805	3,204	2,922
Total Expense	185,959	183,162	94,662	86,493	171,059	150,401	152,251
Income Before Taxes	72,027	19,893	11,217	2,433	2,655	13,391	(3,428)
Provision for Taxes							
Current	34,495	9,925	5,540	(1,454)	1,333	5,201	(3,102)
Deferred	(4,576)	(927)	(508)	2,694	(329)	798	5,294
Total Tax Provision	29,919	8,998	5,032	1,240	1,004		