

may be examined at the places specified in Item IV below. The CBOE has prepared summaries, set forth in Sections A, B, and C below, of the most significant aspects of such statements.

A. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

The purpose of the proposed rule change is to permit the Exchange to list and trade cash-settled, European-style, stock index options on the Russell 1000® Index, Russell 1000® Growth Index, Russell 1000® Value Index, Russell 2000® Growth Index, Russell 2000® Value Index, Russell 3000® Index, Russell 3000® Growth Index,

Russell 3000® Value Index, Russell Midcap® Index, Russell Midcap® Growth Index, Russell Midcap® Value Index ("Russell Indexes" or "Indexes"). Each Russell Index is a capitalization-weighted index containing various groups of stocks drawn from the largest 3,000 companies incorporated in the U.S. and its territories. All component securities of the Russell Indexes are traded on the New York Stock Exchange, Inc. ("NYSE"), the American Stock Exchange LLC ("AMEX"), or the NASDAQ. The CBOE currently is approved to trade options on the Russell 2000® Index.⁴

Index Design. The Russell Indexes are designed to be a comprehensive representation of the investable U.S. equity market. These Indexes are

capitalization-weighted and include only common stocks belonging to corporations domiciled in the U.S. and its territories and that are traded on the NYSE, NASDAQ or the AMEX. The component securities are weighted by their "available" market capitalization, which is calculated by multiplying the primary market price by the "available" shares; that is, total shares outstanding less corporate cross-owned shares, ESOP and LESOP-owned shares comprising 10% or more of shares outstanding, unlisted share classes and shares held by an individual, a group of individuals acting together, or a corporation not in the index that owns 10% or more of the shares outstanding. The following is a brief description of each index:

Russell 3000®	Measures the performance of the 3,000 largest U.S. companies based on total market capitalization, which represents approximately 98% of the investable U.S. equity market.
Russell 1000®	Measures the performance of the 1,000 largest companies in the Russell 3000 Index, which represents approximately 92% of the total market capitalization of the Russell 3000 Index.
Russell Midcap®	Measures the performance of the 800 smallest companies in the Russell 1000 Index, which represent approximately 26% of the total market capitalization of the Russell 1000 Index.
Russell 1000® Growth	Measures the performance of those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth values.
Russell 1000® Value	Measures the performance of those Russell 1000 companies with lower price-to-book ratios and lower forecasted growth values.
Russell 2000® Growth	Measures the performance of those Russell 2000 companies with higher price-to-book ratios and higher forecasted growth values.
Russell 2000® Value	Measures the performance of those Russell 2000 companies with lower price-to-book ratios and lower forecasted growth values.
Russell 3000® Growth	Measures the performance of those Russell 3000 Index companies with higher price-to-book ratios and higher forecasted growth values. The stocks in this index are also members of either the Russell 1000 Growth or the Russell 2000 Growth indexes.
Russell 3000® Value	Measures the performance of those Russell 3000 Index companies with lower price-to-book ratios and lower forecasted growth values. The stocks in this index are also members of either the Russell 1000 Value or the Russell 2000 Value indexes.
Russell Midcap® Growth	Measures the performance of those Russell Midcap companies with higher price-to-book ratios and higher forecasted growth values. The stocks are also members of the Russell 1000 Growth index.
Russell Midcap® Value	Measures the performance of those Russell Midcap companies with lower price-to-book ratios and lower forecasted growth values. The stocks are also members of the Russell 1000 Value index.

All companies listed on the NYSE, AMEX or NASDAQ are considered for inclusion in the universe of stocks that comprise the Russell Indexes, with the following exceptions: (1) Stocks trading less than \$1.00 per share on May 31; (2) non-U.S. incorporated companies; and (3) preferred and convertible preferred stock, redeemable shares, participating preferred stock, warrants and rights, trust receipts, royalty trusts, limited liability companies, bulletin board, pink sheet stocks, closed-end investment companies, limited partnerships, and foreign stocks. The Russell 3000 Index is comprised of the top 3,000 eligible stocks ranked by available market capitalization. The CBOE represents that all of these components are "reported securities" as defined in Rule 11Aa3-1 under the Act.

All of the remaining Russell Indexes are subsets of the Russell 3000 Index. The Growth and Value versions of each primary Index (Russell 1000, Russell 2000, Russell 3000 and Russell Midcap) may contain common components, but the capitalization of those components is apportioned so that the sum of the total capitalization of the Growth and Value indexes equals the total capitalization of the respective primary index.

As provided in Exhibit B to the proposed rule change, on February 28, 2003, the stocks comprising the Russell 3000 Index (and the other Russell Indexes) had an average market capitalization of \$2.93 billion ranging from a high of \$239 billion (General Electric Co.) to a low of \$2 million (Deltagen, Inc.). The number of available

shares outstanding ranged from a high of 9.95 billion (General Electric Co.) to a low of 310,000 (Seaboard Corp.), and averaged 123.4 million shares. The six-month average daily trading volume for Russell 3000 Index components was 977,000 shares per day, ranging from a high of 82.6 million shares per day (Cisco Systems, Inc.) to a low of 433 shares per day (Seaboard Corp.). Component securities that averaged less than 50,000 shares per day for the previous six months accounted for 1.3% of the index weight. Over 83% of the Russell 3000 Index components satisfied CBOE's listing criteria for equity options as set forth in CBOE Rule 5.3, representing over 99% of the index weight.

The Russell Indexes themselves range in capitalization from a high of \$8.6

⁴ See Securities Exchange Act Release No. 31382 (October 30, 1992), 57 FR 52802 (November 5, 1992)

(order approving the listing and trading of options on the Russell 2000 Index).