

CHICAGO MERCANTILE EXCHANGE HOLDINGS INC

Form S-3/A

November 06, 2003

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As filed with the Securities and Exchange Commission on November 6, 2003

Registration No. 333-109265

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

AMENDMENT NO. 1

TO

FORM S-3

REGISTRATION STATEMENT

UNDER THE SECURITIES ACT OF 1933

CHICAGO MERCANTILE EXCHANGE HOLDINGS INC.

(Exact name of Registrant as Specified in Its Charter)

Delaware

(State or other jurisdiction of incorporation or organization)

36-4459170

(I.R.S. Employer Identification Number)

30 South Wacker Drive

Chicago, Illinois 60606

(312) 930-1000

(Address, Including Zip Code, and Telephone Number, Including Area Code, of Registrant's Principal Executive Offices)

Kathleen M. Cronin, Esq.

Managing Director, General Counsel and Corporate Secretary

Chicago Mercantile Exchange Holdings Inc.

30 South Wacker Drive

Chicago, Illinois 60606

(312) 930-1000

(Name, Address, Including Zip Code, and Telephone Number, Including Area Code, of Agent for Service)

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APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO THE PUBLIC: As soon as practicable after the effective date of this Registration Statement.

If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, check the following box. "

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, 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, please 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(c) 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. "

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. "

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 Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

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The information in this prospectus is not complete and may be changed. The selling shareholders may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and the selling shareholders are not soliciting offers to buy these securities in any state where the offer or sale is not permitted.

PROSPECTUS (Subject to Completion)

Issued November 5, 2003

2,057,451 Shares

CLASS A COMMON STOCK

All of the shares of Class A common stock in the offering are being sold by the selling shareholders identified in this prospectus. Chicago Mercantile Exchange Holdings Inc. will not receive any of the proceeds from the sale of the shares by the selling shareholders.

Our Class A common stock is listed on the New York Stock Exchange under the symbol CME. On November 5, 2003, the reported last sale price of our Class A common stock on the New York Stock Exchange was \$66.30 per share.

Investing in our common stock involves risks. See Risk Factors beginning on page 8.

PRICE \$ A SHARE

	<i>Price</i>	<i>Underwriting</i>	<i>Proceeds</i>
	<i>to Public</i>	<i>Discounts and</i>	<i>to Selling</i>
	<u> </u>	<u> </u>	<u> </u>
<i>Per Share</i>	\$	\$	\$
<i>Total</i>	\$	\$	\$

The selling shareholders have granted the underwriters the right to purchase up to an additional 308,618 shares to cover over-allotments.

The Securities and Exchange Commission and state securities regulators have not approved or disapproved these securities, or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

Morgan Stanley & Co. Incorporated expects to deliver the shares to purchasers on _____, 2003.

MORGAN STANLEY

GOLDMAN, SACHS & CO.

UBS INVESTMENT BANK

CITIGROUP JPMORGAN WILLIAM BLAIR & COMPANY

, 2003

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Our principal executive offices are located at 30 South Wacker Drive, Chicago, Illinois 60606, and our telephone number is (312) 930-1000. In this prospectus, we refer to Chicago Mercantile Exchange Holdings Inc. as "CME Holdings" and to Chicago Mercantile Exchange Inc., a wholly owned subsidiary of CME Holdings, as "CME". The terms "we," "us" and "our" refer to CME Holdings and CME.

Unless otherwise indicated, all information in this prospectus assumes the underwriters do not exercise their over-allotment option. In this prospectus, unless otherwise indicated, we refer to our Class A, Class A-1, Class A-2, Class A-3 and Class A-4 common stock collectively as our Class A common stock, and we refer to our Class B-1, Class B-2, Class B-3 and Class B-4 common stock collectively as our Class B common stock.

You should rely only on the information contained or incorporated by reference in this prospectus. We have not authorized anyone to provide you with information that is different. The selling shareholders are offering to sell shares of Class A common stock and seeking offers to buy shares of Class A common stock only in jurisdictions where offers and sales are permitted. The information contained or incorporated by reference in this prospectus is accurate only as of the date of this prospectus, regardless of the time of delivery of this prospectus or of the Class A common stock. It is important for you to read and consider all information contained and incorporated by reference in this prospectus in making your investment decision. You should also read and consider the information in the documents to which we have referred you in the section of this prospectus entitled "Where You Can Find Additional Information."

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S&P[®], S&P 500[®], Nasdaq[®], NASDAQ-100[®], NASDAQ-100 Index[®], NASDAQ Composite[®], NASDAQ Composite Index[®], TRAKRSSM, Total Return Asset ContractsSM and other trade names, service marks, trademarks and registered trademarks that are not proprietary to us, are the property of their respective owners and are used herein under license.

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PROSPECTUS SUMMARY

We urge you to read this entire prospectus carefully, especially the risks of investing in our Class A common stock discussed under Risk Factors and our consolidated financial statements and notes to those financial statements and other information included elsewhere and incorporated by reference in this prospectus.

Overview

We are the largest futures exchange in the United States and the second largest exchange in the world for the trading of futures and options on futures, as measured by 2002 annual trading volume. In 2002, our customers traded futures and options on futures contracts with a notional dollar value of \$328.6 trillion, making us the world's largest exchange by this measure. We also have the largest futures and options on futures open interest of any exchange in the world. As of November 4, 2003, our open interest record was nearly 29.9 million contracts, set on September 11, 2003. Open interest is a widely recognized indicator of the level of customer interest in an exchange's products.

We bring together buyers and sellers of derivatives products on our open outcry trading floors, on the GLOBEX electronic trading platform and through privately negotiated transactions that we clear. We offer market participants the opportunity to trade futures contracts and options on futures on interest rates, stock indexes, foreign exchange and commodities. Our key products include Eurodollar contracts and contracts based on major U.S. stock indexes, including the S&P 500 and the NASDAQ-100. We also offer contracts for the principal foreign currencies and for a number of commodity products, including cattle, hogs and dairy. We believe several of our key products serve as global financial benchmarks. Our Eurodollar contract provides a benchmark for measuring the relative value of U.S. dollar-denominated, short-term fixed-income securities. Similarly, our S&P 500 Index and NASDAQ-100 Index contracts are closely linked to the benchmark indexes for U.S. equity performance.

Our products provide a means for hedging, speculation and asset allocation relating to the risks associated with interest rate sensitive instruments, equity ownership, changes in the value of foreign currency and changes in the prices of commodity products. Our customer base includes professional traders, financial institutions, institutional and individual investors and major corporations, manufacturers, producers, supranational entities and governments.

Trading on our trading floors is conducted exclusively by our members, either through open outcry or by using GLOBEX terminals located on our trading floors. Trades executed by our members can be for their own account or for the account of non-member customers. Members also conduct trading electronically through remote access to our GLOBEX platform and through privately negotiated transactions that we clear. Non-members may also access our markets through the GLOBEX electronic trading platform. Generally, member customers are charged lower fees than our non-member customers. Our members were responsible for approximately 78% of our trading volume during both the year ended December 31, 2002 and the nine months ended September 30, 2003.

Our principal source of revenue is from charges for trade execution and clearing that we assess on each contract traded on our exchange or using our clearing house. We assess clearing and transaction fees based on the product traded, the membership status of the individual executing the trade and whether the trade is executed on our open outcry trading floors, through the GLOBEX electronic trading platform or as a privately negotiated transaction. In addition to clearing and transaction fees, we derive revenue from the sale of valuable data and information regarding pricing and trading activity generated by our markets.

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Our 2002 net revenues were \$453.2 million, an increase of 17.1% from the \$387.2 million recorded during 2001. For the nine months ended September 30, 2003, our net revenues were \$403.4 million, an increase of

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20.9% from \$333.8 million for the nine months ended September 30, 2002. In 2002, we derived \$356.4 million, or 78.6% of our net revenues, from fees associated with trading and clearing products on or through our exchange. For the nine months ended September 30, 2003, we derived \$326.1 million, or 80.8% of our net revenues, from such fees. In 2002, we derived approximately 50% of our clearing and transaction fees revenue from open outcry trading, nearly 42% from electronic trading and approximately 8% from privately negotiated transactions. During the first nine months of 2003, approximately 45% of our clearing and transaction fees revenue was generated from open outcry trading, approximately 45% from electronic trading and approximately 10% from privately negotiated transactions. Revenues from market data products totaled \$48.7 million, or 10.8% of our net revenues, in 2002 and \$39.0 million, or 9.7% of our net revenues, in the nine months ended September 30, 2003.

Our net income for 2002 was \$94.1 million, compared to net income of \$75.1 million during 2001. Our net income for the nine months ended September 30, 2003 was \$92.5 million, compared to net income of \$62.5 million for the nine months ended September 30, 2002.

We own our clearing house and are able to guarantee, clear and settle every contract traded through our exchange. During the first nine months of 2003, we processed an average of approximately 593,000 clearing transactions per day. We currently have the capacity to clear more than 1.5 million transactions per day. Our systems are scalable and give us the ability to substantially increase our capacity with very little lead time. As of September 30, 2003, we acted as custodian for approximately \$29.6 billion in collateral. In the first nine months of 2003, we moved an average of \$1.5 billion of settlement funds through our clearing system each day.

In April 2003, we entered into an agreement with the Chicago Board of Trade, or CBOT, for us to provide clearing and related services for CBOT futures and futures options contracts. Under the CME/CBOT Common Clearing Link, clearing services for commodity, equity and some interest rate products are expected to begin on November 24, 2003 and for all other CBOT futures and futures options contracts on January 2, 2004. In addition, 42 exchanges and clearing organizations worldwide have adopted our Standard Portfolio Analysis of Risk, or SPAN, risk evaluation system. The New York Mercantile Exchange, or NYMEX, and Euronext N.V. also use CLEARING 21, our state-of-the-art clearing system.

CME was founded in 1898 as a not-for-profit corporation. In November 2000, we became the first U.S. financial exchange to demutualize and become a shareholder-owned corporation. As a consequence, we have adopted a for-profit approach to our business, including strategic initiatives aimed at optimizing volume, efficiency and liquidity. We posted record trading volume of 558.4 million contracts in 2002, an increase of 35.6% over 2001, which was previously our busiest year. During the first nine months of 2003, we posted trading volume of 482.3 million contracts, an increase of 16.5% over the same period in 2002. Additionally, in December 2002, we completed our initial public offering, and our Class A common stock began trading on the New York Stock Exchange, making us the first publicly traded financial exchange in the United States.

Currently, we have or are developing strategic relationships with the leading exchanges and clearing houses in Singapore, England, France, Spain, Japan, Korea and China. These relationships are intended to extend the market reach of our global derivatives business.

We devote substantial resources to introducing new products based on new markets or securities. For example, in 2001, we formed OneChicago, LLC, our joint venture with Chicago Board Options Exchange, or CBOE, and CBOT to trade single stock futures and futures on narrow-based stock indexes. OneChicago commenced its trading operations on November 8, 2002. We also entered into an agreement with NYMEX in 2002 to introduce smaller-sized versions of key NYMEX energy futures contracts for trading on our GLOBEX electronic trading platform. The products, based on our successful E-mini stock index contracts, are called e-miNY energy futures and clear at the NYMEX clearing house.

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Competitive Strengths

We have established ourselves as a premier global marketplace for financial risk management. We believe our principal competitive strengths are:

Highly Liquid Markets. Our deep and liquid markets tend to attract additional customers. This further enhances our liquidity.

Global Benchmark Products. We believe our key Eurodollar product serves as a global financial benchmark for measuring the relative value of U.S. dollar-denominated, short-term fixed-income securities. Similarly, our stock index products are closely linked to the benchmark indexes for U.S. equity performance. As a result, our products are increasingly recognized by our customers as efficient tools for managing and hedging their interest rate and equity market risks.

Diverse Portfolio of Products and Services. We differentiate ourselves from our competitors by developing and offering to our customers a diverse array of products. We also offer a broad range of trade execution and clearing services.

Wholly Owned Clearing House. We believe our performance guarantee and capital-efficient clearing systems are major attractions of our markets. In addition, because we own our clearing house and have significant available capacity, we are able to efficiently introduce new products. We are also able to provide clearing services to other exchanges.

Proven and Scalable Technology. We possess fast, reliable and fully integrated trading and clearing systems. Our systems are highly scalable and designed to accommodate additional products with relatively limited modifications and low incremental costs.

Global Reach. Our electronic trading services are available around the world approximately 23 hours a day and five days per week.

Growth Strategy

Globalization, deregulation and advances in technology offer significant opportunities for expanding futures markets, and exchange markets generally. We intend to increase our revenues and profitability by implementing the following four strategies:

Expand Our Current Core Business. We intend to advance our position as a leader in the futures industry by:

Expanding Customer Access. We continue to expand our customer base and trading volume by broadening the access, order routing, trading and clearing solutions we offer to existing and prospective customers.

Expanding Electronic and Other Trade Execution Choices. Our strategy is to offer our customers a broad range of trade execution choices, including increased electronic trading, enhanced facilities for privately negotiated transactions and new links with exchanges around the world.

Enhancing Our Market Data and Information Products. We intend to leverage the value of our market data and information capabilities by developing enhancements to our existing information products and creating new products.

Add New Products. We intend to continue to introduce, either directly or through alliances with other exchanges, new products based on new markets or securities. In addition, we intend to continue working with emerging cash market trading platforms to jointly develop innovative futures products.

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Provide Transaction Processing and Other Business Services to Third Parties. We intend to leverage our existing capacity and scalable technology and business processes to offer a broad range of services to other exchanges, clearing organizations and e-marketplaces. We believe that third parties will be attracted by our proven ability to process high volumes of transactions.

Pursue Select Alliances and Acquisitions. We plan to supplement our internal growth through the formation of joint ventures or alliances and select acquisitions of businesses or technologies that help us to enter new markets, provide services that we currently do not offer, open access to our markets and advance our technology.

Corporate Information

We were incorporated in Delaware in August 2001. Our principal executive offices are located at 30 South Wacker Drive, Chicago, Illinois 60606, and our telephone number is (312) 930-1000. Our Web site is <http://www.cme.com>. Information contained in our Web site is not incorporated by reference into this prospectus. You should not consider information contained in our Web site as part of this prospectus.

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THE OFFERING

Class A common stock offered by the selling shareholders	2,057,451 shares
Common stock to be outstanding immediately after this offering:	
Class A common stock	32,889,028 shares
Class B common stock	3,138 shares
Use of proceeds	We will not receive any proceeds from the sale of Class A common stock in this offering by the selling shareholders.
New York Stock Exchange symbol	CME

The number of shares of our Class A common stock outstanding immediately after this offering is based on the number of shares outstanding at October 27, 2003 and assumes the issuance in this offering of 77,814 shares of Class A common stock that are subject to stock options held by some of the selling shareholders. This number does not take into account:

58,000 shares of Class A common stock subject to restricted stock awards, which are not vested;

1,384,237 shares of Class A common stock issuable upon the exercise of outstanding stock options issued under our stock option plan, with a weighted average exercise price of \$36.16 per share, which are not being sold in this offering; and

1,442,629 shares of Class A common stock issuable upon the exercise of the outstanding stock options issued to our chief executive officer, at a weighted average exercise price of \$27.73 per share, based on the \$68.00 per share closing price for our Class A common stock on October 27, 2003, and assuming the exercisable portion of the option was exercised on that date, the exercise price was paid in cash and the option was settled only in Class A common stock. For a more detailed description of the option granted to our chief executive officer, see the section of this prospectus entitled "Principal and Selling Shareholders."

If the underwriters exercise their over-allotment option in full, the selling shareholders will sell 308,618 additional shares of Class A common stock, including 9,533 shares that are subject to stock options, and the number of shares of Class A common stock outstanding immediately after this offering will be 32,898,561.

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The summary information set forth below is not necessarily indicative of the results of future operations and should be read in conjunction with Selected Financial Data, Management's Discussion and Analysis of Financial Condition and Results of Operations, the financial statements and related notes and other information included elsewhere and incorporated by reference in this prospectus.

	Year Ended December 31,			Nine Months Ended September 30,	
	2000 (restated)	2001 (restated)	2002	2002 (restated)	2003
	(in thousands, except per share amounts)				
Income Statement Data:(1)					
Net revenues	\$ 226,552	\$ 387,153	\$ 453,177	\$ 333,789	\$ 403,417
Total expenses	241,814	261,387	298,948	230,004	247,412
Limited partners' interest in earnings of PMT Limited Partnership	(1,165)				
Net income (loss)	(10,496)	75,108	94,067	62,548	92,531
Earnings (loss) per share:(2)					
Basic	(0.36)	2.61	3.24	2.17	2.84
Diluted		2.57	3.13	2.11	2.73

	As of September 30, 2003
	(unaudited) (in thousands)
Balance Sheet Data:	
Assets:	
Cash and cash equivalents(3)	\$ 391,534
Proceeds from securities lending activities(4)	800,000
Short-term investments of interest earning facilities(5)	339,647
Cash performance bonds and security deposits(6)	2,027,710
Total current assets(7)	3,654,617
Total assets	3,795,607
Liabilities and shareholders' equity:	
Payable under securities lending agreements(4)	800,000
Payable to participants in interest earning facilities(5)	339,647
Cash performance bonds and security deposits(6)	2,027,710
Total current liabilities	3,240,302
Shareholders' equity	537,066

- (1) Income statement data for 2000 and 2001 and the nine months ended September 30, 2002 have been restated to reflect the adoption of SFAS No. 123, Accounting for Stock-Based Compensation. Prior to the restatement, net income (loss) was (\$5.9) million and \$68.3 million for 2000 and 2001, respectively, and \$61.0 million for the nine months ended September 30, 2002. The basic loss per share was \$0.21 for 2000, basic and diluted earnings per share were \$2.37 and \$2.33, respectively, for 2001 and basic and diluted earnings per share were \$2.12 and \$2.04, respectively, for the nine months ended September 30, 2002.
- (2) Earnings per share are presented as if common stock issued on December 3, 2001 as part of our reorganization into a holding company structure had been outstanding for all periods presented. For 2000, diluted loss per share is not presented, since shares issuable for stock options would have an anti-dilutive effect.
- (3) Cash equivalents consist of money market mutual funds.
- (4) Securities lending transactions utilize a portion of the securities that clearing firms have deposited to satisfy their proprietary performance bond requirements. Securities lending proceeds change daily. The related investment of these proceeds is short-term in nature. Investments consist principally of money market mutual funds. Securities lending activity is represented by an equal and offsetting current asset and current liability. See the section of this prospectus entitled Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources for a more detailed discussion of our securities lending program.

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- (5) Clearing firms, at their option, may instruct us to invest cash on deposit for performance bond purposes in a portfolio of securities that is part of the first Interest Earning Facility (IEF) program. Interest earned, net of expenses, is passed on to participating clearing firms. The principal balance totaled \$339.6 million at September 30, 2003, is guaranteed by CME as long as clearing firms maintain investment balances in this portfolio and is included in our consolidated financial statements under the provisions of FIN No. 46.
- (6) Our clearing firms are subject to performance bond requirements pursuant to the rules of our exchange. These requirements can be satisfied in cash or by depositing securities, at the clearing firms' election. The deposit of cash is reflected in our financial statements while the deposit of securities is not reflected in our financial statements. The amount of cash performance bonds and security deposits that are deposited by our clearing firms may change daily as a result of changes in the number of the clearing firms' open positions and how clearing firms elect to satisfy their performance bond requirements. The balance of cash performance bonds and security deposits will also fluctuate daily based on the change in the value of positions held by clearing firms. When clearing firms deposit cash, it is held or invested by us on an overnight basis. We are required to return these funds when performance bond requirements are reduced, as these funds ultimately represent assets of the respective clearing firms. Therefore, the current asset represented by cash performance bonds and security deposits has an equal and offsetting current liability. See the section of this prospectus entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources" for a more detailed discussion of cash performance bonds and security deposits.
- (7) Current assets consist of cash and cash equivalents, marketable securities, accounts receivable and other current assets in addition to cash performance bonds and security deposits, securities lending proceeds and short-term investments of interest earning facilities. Current assets are short-term in nature and are generally converted to cash in one year or less.

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	Year Ended December 31,			Nine Months Ended September 30,	
	2000	2001	2002	2002	2003
(in thousands, except notional value of trading volume)					
Other Data:					
Total trading volume (round turns, in contracts)(8)	231,110	411,712	558,448	413,790	482,260
GLOBEX trading volume (round turns, in contracts)(8)	34,506	81,895	197,975	131,685	208,545
Open interest at period-end (contracts)	8,021	15,039	18,792	17,618	26,826
Notional value of trading volume (in trillions)	\$ 155.0	\$ 293.9	\$ 328.6	\$ 257.8	\$ 253.2

(8) A round turn represents a matched buy and sell.

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RISK FACTORS

You should carefully consider the risks below before making an investment decision. The risks described below are not the only ones facing our company. Additional risks not presently known to us or that we currently deem immaterial may also impair our operations.

Our business, financial condition or results of operations could be materially adversely affected by any of these risks. The trading price of our Class A common stock could decline due to any of these risks, and you may lose all or part of your investment.

Risks Related to Our Business

Our shareholders who are members and own trading rights on our exchange, and who may have interests that differ from or conflict with those of shareholders who are not also members, currently own a substantial majority of our voting stock. Shareholders who own trading rights on our exchange account for 15 of the 20 directors on our board and currently control the election of all directors. Our dependence on the trading and clearing activities of our members, combined with their ability to control the election of directors, enables them to exert substantial influence over the operation of our business.

We estimate that, immediately following this offering, our shareholders who own memberships will together own, of record, shares representing approximately 70% of our outstanding Class A common stock. As a result, they will, if voting in the same manner, control all matters submitted to our shareholders for approval, including electing directors and approving changes of control. As of the date of this prospectus, 15 of the 20 directors on our board own or are officers or directors of others who own memberships on our exchange. In addition, we are dependent on the revenues from the trading and clearing activities of our members. This dependence also gives them substantial influence over how we operate our business.

Many of our trading members and clearing firms derive a substantial portion of their income from their trading or clearing activities on or through our exchange. In addition, trading rights on our exchange have substantial independent value. The amount of income that members derive from their trading or clearing activities and the value of their trading rights are, in part, dependent on the fees they are charged to trade, clear and access our markets and the rules and structure of our markets. Our trading members, many of whom act as floor brokers and floor traders, benefit from trading rules, membership privileges and fee discounts that enhance their open outcry trading opportunities and profits. Our predominantly electronic trading members benefit from fee discounts and transaction fee caps that enhance their electronic trading opportunities and profits. Our clearing firms benefit from all of the foregoing, as well as decisions that increase electronic trading, which over time, will reduce their costs of doing business on our exchange. As a result, holders of our Class A common stock may not have the same economic interests as our members. In addition, our members may have differing interests among themselves depending on the role they serve in our markets, their method of trading and the products they trade. Consequently, members may advocate that we enhance and protect their clearing and trading opportunities and the value of their trading privileges over their economic interest in us represented by Class A common stock they own.

The share ownership of our members, in combination with their board representation rights and charter provision protections described in the immediately following risk factor, could be used to influence how our business is changed or developed, including how we address competition and how we seek to grow our volume and revenue and enhance shareholder value.

Our certificate of incorporation grants special rights to holders of Class B common stock, which protect their trading rights and give them special board representation, and requires that we maintain open outcry trading until volumes are not significant.

Under the terms of our certificate of incorporation, our Class B shareholders have the ability to protect their rights to trade on our exchange by means of special approval rights over changes to the operation of our markets.

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In particular, these provisions include a grant to the holders of our Class B common stock of the right to approve any changes to:

the trading floor rights;

access rights and privileges that a member has;

the number of memberships in each membership class and the related number of authorized shares of each class of Class B common stock; and

the eligibility requirements to exercise trading rights or privileges.

For a more detailed description of the approval rights of our Class B shareholders, see the section of this prospectus entitled "Description of Capital Stock." Our Class B shareholders are also entitled to elect six of the 20 directors on our board. As the transfer restrictions on shares of Class A common stock held by Class B shareholders terminate over time, Class B shareholders will continue to have these board representation rights, even if their Class A share ownership interest is very small.

Our certificate of incorporation also includes a provision requiring us to maintain open outcry floor trading on our exchange for a particular traded product as long as the open outcry market is liquid. Our certificate of incorporation requires us to maintain a facility for conducting business, disseminating price information, clearing and delivery and to provide reasonable financial support for technology, marketing and research for open outcry markets. Our certificate of incorporation provides specific tests as to whether an open outcry market will be deemed liquid, as measured on a quarterly basis. If a market is deemed illiquid as a result of a failure to meet any of these tests, our board will determine whether or not that market will be closed.

We only recently began operating as a for-profit company and have a limited operating history as a for-profit company. Accordingly, our historical and recent financial and business results may not be representative of what they may be in the future.

We have only operated as a for-profit company with private ownership interests since November 13, 2000. We have a limited operating history as a for-profit business on which you can evaluate our management decisions, business strategy and financial results. As a result, our historical and recent financial and business results may not be representative of what they may be in the future. We are subject to risks, uncertainties, expenses and difficulties associated with changing and implementing our business strategy that are not typically encountered by established for-profit companies. The major U.S. futures exchanges have operated historically as mutual, membership organizations. There is little history or experience in operating an exchange as a for-profit corporation upon which we can draw. As a not-for-profit company, our business strategy and fee structure were designed to provide profit opportunities for our members. We targeted profit levels that provided sufficient levels of working capital. Today, our for-profit initiatives are designed to increase our revenues, make us profitable, optimize volume and liquidity and create operating efficiencies. These initiatives may not yield the benefits or efficiencies we expect. For example, fee increases, volume and member discounts and new access rules to our markets may not separately result in higher revenues and profits or greater volume or liquidity in our markets. As a result, we may not be able to operate effectively as a for-profit corporation. It is possible that we may incur significant operating losses in the future and that we may not be able to achieve or sustain long-term profitability.

Our business is subject to the impact of domestic and international market and economic conditions, many of which are beyond our control and could significantly reduce our trading volumes and make our financial results more volatile.

We generate revenues primarily from our trade execution services, clearing services and market data and information services. We expect to continue to do so for the foreseeable future. Each of these revenue sources is

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substantially dependent on the trading volume in our markets. Our trading volume is directly affected by U.S. domestic and international factors that are beyond our control, including:

economic, political and market conditions;

broad trends in industry and finance;

changes in levels of trading activity, price levels and price volatility in the derivatives markets and in underlying fixed-income, equity, foreign exchange and commodity markets;

legislative and regulatory changes;

competition;

changes in government monetary policies and foreign exchange rates;

consolidation in our customer base and within our industry; and

inflation.

Any one or more of these factors may contribute to reduced activity in our markets. Our recent operating results and trading volume have been favorably impacted by global and domestic economic and geopolitical uncertainty. This is because our customers have sought to hedge or manage the risks associated with volatility in the U.S. equity markets, fluctuations in interest rates and price changes in the foreign exchange and commodities markets. The future economic environment will be subject to periodic downturns, including possible recession and lower volatility in financial markets, and may not be as favorable as it has been in recent years. As a result, period-to-period comparisons of our financial results are not necessarily meaningful. Trends less favorable than those of recent periods could result in decreased trading volume, decreased capital formation and a more difficult business environment for us. Material decreases in trading volume would have a material adverse effect on our financial condition and operating results.

Our operating results are subject to significant fluctuations due to seasonality and a number of other factors. As a result, you will not be able to rely on our operating results in any particular period as an indication of our future performance.

A number of factors beyond our control may contribute to substantial fluctuations in our operating results-particularly in our quarterly results. In the three years prior to 2001, we experienced relatively higher volume during the first and second quarters, and we generally expect that the third quarter will have lower trading volume. This trend was not evident in 2001 or 2002 in part because of the volatility of interest rates and U.S. equities in the third quarter in each of those years. As a result of seasonality and the factors described in the preceding risk factors, you will not be able to rely on our operating results in any particular period as an indication of our future performance. If we fail to meet securities analysts expectations regarding our operating performance, the price of our Class A common stock could decline substantially.

Our cost structure is largely fixed. If we are unable to reduce our costs if our revenues decline, our profitability will be adversely affected.

Our cost structure is largely fixed. We base our cost structure on historical and expected levels of demand for our products and services. If demand for our products and services and our resulting revenues decline, we may not be able to adjust our cost structure on a timely basis. In that event, our profitability will be adversely affected.

The global trend toward electronic trading may divert volume away from our open outcry trading facilities. Our revenues, profits and stock price will be adversely affected if we experience reductions in our open outcry trading volume that are not offset by increases in our electronic trading volume.

Both newly formed organizations and established exchanges are increasingly employing trading systems that provide fast, low-cost execution of trades by matching buyers and sellers electronically. These organizations

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are attracting order flow away from some traditional open outcry trading markets. Many market participants believe that these electronic trading systems represent a threat to the continued viability of the open outcry method of trading. Some major European and Asian futures exchanges have closed their traditional open outcry trading facilities and replaced them entirely with electronic systems. Although we offer an electronic trading system, during the first nine months of 2003 approximately 45% of our revenues from clearing and transaction fees were generated by open outcry trading. Reductions in our open outcry trading volume that are not offset by increases in our electronic trading volume would have a material adverse effect on our revenue, earnings and stock price.

The success of our markets will depend on our ability to complete development of and successfully implement electronic marketplaces that have the functionality, performance, reliability, speed and liquidity required by customers.

The future success of our business depends in large part on our ability to create interactive electronic marketplaces in a wide range of derivatives products that have the required functionality, performance, reliability, speed and liquidity to attract and retain customers. A significant portion of our current overall volume is generated through electronic trading of our E-mini S&P 500 and E-mini NASDAQ-100 products. However, during the first nine months of 2003, approximately 55% of our volume and approximately 45% of our clearing and transaction fees revenue was generated through our open outcry trading facilities. Most of that open outcry volume is related to trading in Eurodollar contracts. Until recently, our electronic functionality has not been capable of accommodating the complex trading strategies typically used for trading our Eurodollar contracts. As a result, our electronic trading facilities for these products have met with limited success. In January 2003, we implemented a new electronic system upgrade called Eagle. This software is designed to provide the required functionality to replicate electronically some of the trading strategies used by open outcry Eurodollar traders. We are currently developing additional functionality to accommodate more Eurodollar trading strategies. We may not complete the development of or successfully implement the required electronic functionality for our Eurodollar marketplace. Moreover, our Eurodollar customers may not accept our electronic trading systems. In either event, our ability to increase our electronic Eurodollar trading volume would be adversely affected. In addition, if we are unable to develop our electronic trading systems to include other products and markets, or if our electronic marketplaces do not have the required functionality, performance, reliability, speed and liquidity, we may not be able to compete successfully in a new environment that we expect to be increasingly dominated by electronic trading.

We maintain the simultaneous operation of open outcry trading and electronic trade execution facilities, which may, over time, prove to be inefficient and costly and ultimately adversely affect our profitability.

Currently, we maintain both open outcry trade execution facilities and electronic trade execution facilities. For some products, we maintain side-by-side trading facilities for both open outcry and electronic trading. We are obligated, through the inclusion of provisions in our certificate of incorporation, to maintain the operation of our open outcry trading facilities until the trading volumes in them are not significant. If we continue to operate both trading facilities for the same product, liquidity of markets on each may be less than the liquidity of competing markets on a unified trading platform. In addition, it may be expensive to continue operating two trading systems for the same product. We may incur substantial expenses and experience delays because of our efforts to create trading links between the separate trading platforms to facilitate trading on both systems. Any loss of efficiency or increase in time to market of new or improved products could be detrimental to our business. In addition, we may expend resources on the maintenance of our open outcry facilities that could be more efficiently used to develop our capacity and reduce our costs in the increasingly competitive market for electronic trading facilities.

The development of our electronic trading facilities exposes us to risks inherent in operating in the new and evolving market for electronic transaction services. If we do not successfully develop our electronic

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trading facilities, or if our customers do not accept them, our revenues, profits and stock price will be adversely affected.

We must further develop our electronic trading facilities to remain competitive. As a result, we will continue to be subject to risks, expenses and uncertainties encountered in the rapidly evolving market for electronic transaction services. These risks include our failure or inability to:

provide reliable and cost-effective services to our customers;

develop, in a timely manner, the required functionality to support electronic trading in some of our key products in a manner that is competitive with the functionality supported by other electronic markets;

match fees of our competitors that offer only electronic trading facilities;

increase the number of trading and order routing terminals capable of sending orders to our floor and to our electronic trading system;

attract independent software vendors to write front-end software that will effectively access our electronic trading system and automated order routing system;

respond to technological developments or service offerings by competitors; and

generate sufficient revenue to justify the substantial capital investment we have made and will continue to make to develop our electronic trading facilities.

If we do not successfully develop our electronic trading facilities, or our current or potential customers do not accept them, our revenues, profits and stock price will be adversely affected.

Our market data fees may be reduced or eliminated by the growth of electronic trading and electronic order entry systems. If we are unable to offset that reduction through terminal usage fees or transaction fees, we will experience a reduction in revenue.

Electronic trading systems do not usually impose separate charges for supplying market data to trading terminals. If we do not separately charge for market data supplied to trading terminals, and trading terminals with access to our markets become widely available, we would lose quote fee revenue from those who have access to trading terminals. We will experience a reduction in our revenues if we are unable to recover that lost quote fee revenue through terminal usage fees or transaction fees.

Our change to a for-profit company may cause members to seek alternative trading venues and products and negatively impact the liquidity of our markets and our trading volume.

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The trading activities of our members accounted for approximately 78% of our trading volume during both 2002 and the first nine months of 2003. When we became a for-profit company, we changed the role of our members in the operation of our business. We eliminated many member-dominated committees or converted them into advisory bodies. We gave our professional staff greater decision-making responsibilities. Subject to the oversight of our board of directors, our management is charged with making decisions that are designed to enhance shareholder value, which may lead to decisions or outcomes with which our members disagree. These changes may make us less attractive to our members and encourage them to conduct their business at, or seek membership in, another exchange or to trade in equivalent products among themselves on a private, bilateral basis. A material decrease in member trading activity would negatively impact liquidity and trading volume in our products and reduce our revenues. A loss or material reduction in the number of our clearing firms and the capital they provide to guarantee their trades and the trades of their customers would also diminish the strength and attractiveness of our clearing house and our markets.

Despite our governance changes, our dependence on our members gives them substantial influence over how we operate our business. Members could use their ownership of Class A and Class B common stock, and ability to elect our board of directors, to change or modify our policies or business practices with which they do not agree.

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Our trading volume, and consequently our revenues and profits, would be adversely affected if we are unable to retain our current customers or attract new customers to our exchange.

The success of our business depends, in part, on our ability to maintain and increase our trading volume. To do so, we must maintain and expand our product offerings, our customer base and our trade execution alternatives. Our success also depends on our ability to offer competitive prices and services in an increasingly price sensitive business. In addition, our success depends on our ability to increase the base of individual customers who trade our products. We cannot assure you that we will be able to continue to expand our product lines, or that we will be able to retain our current customers or attract new customers. We also cannot assure you that we will not lose customers to low-cost competitors with comparable or superior products, services or trade execution facilities. If we fail to expand our product offerings or execution facilities, or lose a substantial number of our current customers, or are unable to attract new customers, our business will be adversely affected.

We face intense competition from other companies, including some of our members. If we are not able to successfully compete, our business will not survive.

The derivatives, securities and financial services industries are highly competitive. We expect that competition will intensify in the future. Our current and prospective competitors, both domestically and around the world, are numerous. They include securities and securities option exchanges, futures exchanges, over-the-counter, or OTC, markets, clearing organizations, market data and information vendors, electronic communications networks, crossing systems and similar entities, consortia of large customers, consortia of some of our clearing firms and electronic brokerage and dealing facilities. At year-end 2002, there were 57 futures exchanges located in 30 countries, including 11 futures exchanges in the United States. In September 2003, Eurex announced it would launch its new fully electronic, registered U.S. derivatives exchange on February 1, 2004.

We believe we may also face competition from large computer software companies and media and technology companies. The number of businesses providing Internet-related financial services is rapidly growing. Other companies have entered into or are forming joint ventures or consortia to provide services similar to those provided by us. Others may become competitive with us through acquisitions. Recent changes in federal law allow institutions that have been major participants on our exchange to trade the same or similar products among themselves without utilizing any exchange or trading system. Many of our competitors and potential competitors have greater financial, marketing, technological and personnel resources than we do. These factors may enable them to develop similar products, to provide lower transaction costs and better execution to their customers and to carry out their business strategies more quickly and efficiently than we can. In addition, our competitors may:

respond more quickly to competitive pressures due to their corporate governance structures, which may be more flexible and efficient than our corporate governance structure;

develop products that are preferred by our customers;

develop risk transfer products that compete with our products;

price their products and services more competitively;

develop and expand their network infrastructure and service offerings more efficiently;

utilize better, more user-friendly and more reliable technology;

take greater advantage of acquisitions, alliances and other opportunities;

more effectively market, promote and sell their products and services;

better leverage existing relationships with customers and alliance partners or exploit better recognized brand names to market and sell their services; and

exploit regulatory disparities between traditional, regulated exchanges and alternative markets that benefit from a reduced regulatory burden and lower-cost business model.

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If our products, markets and services are not competitive, our business, financial condition and operating results will be materially harmed. In addition, even if new entrants do not significantly erode our market share, we may be required to reduce our fees significantly to remain competitive, which could have a material adverse effect on our profitability.

The enactment of the Commodity Futures Modernization Act will increase competition and enable many of our customers to trade futures contracts other than on exchanges. These events could result in lower trading volume, revenue and profits.

Our industry has been subject to several fundamental regulatory changes, including changes in the statute under which we have operated since 1974. The Commodity Exchange Act generally required all futures contracts to be executed on an exchange that has been approved by the Commodity Futures Trading Commission, or CFTC. The exchange trading requirement was modified by CFTC regulations and interpretations to permit privately negotiated swap contracts to be transacted in the OTC market. The CFTC exemption under which the OTC derivatives market operated precluded the OTC market from using exchange-like electronic transaction systems and clearing facilities. These barriers to competition from the OTC market were largely repealed by the Commodity Futures Modernization Act. It is possible that the chief beneficiaries of the Commodity Futures Modernization Act will be OTC dealers and competitors that operate or intend to open electronic trading facilities or to conduct their futures business directly among themselves on a bilateral basis. The customers who may access these trading facilities or engage in bilateral private transactions are the same customers who account for a substantial portion of our trading volume. The Commodity Futures Modernization Act also permits banks, broker-dealers and some of their affiliates to engage in foreign exchange futures transactions for or with retail customers without being subject to regulation under the Commodity Exchange Act.

The Commodity Futures Modernization Act also permits bank clearing organizations and clearing organizations regulated by the Securities and Exchange Commission, or SEC, to clear a broad array of derivatives products in addition to the products that these clearing organizations have traditionally cleared. This allocation of jurisdiction may be advantageous to competing clearing organizations and result in a lower volume of trading cleared through our clearing house.

If we are not able to keep up with rapid technological changes, our business will be materially harmed.

To remain competitive, we must continue to improve the responsiveness, functionality, accessibility and other features of our software, network distribution systems and technologies. The markets in which we compete are characterized by rapidly changing technology, changes in customer demand and uses of our products and services, frequent product and service introductions embodying new technologies and the emergence of new industry standards and practices that could render our existing technology and systems obsolete. Our future success will depend in part on our ability to anticipate and adapt to technological advancements and changing standards in a timely, cost-efficient and competitive manner. We cannot assure you that we will successfully implement new technologies or adapt our technology to customer and competitive requirements or emerging industry standards.

Any significant decline in the trading volume of our Eurodollar, S&P 500 or NASDAQ-100 futures and options on futures contracts or in privately negotiated foreign exchange transactions using our clearing house would adversely affect our revenues and profitability.

We are substantially dependent on trading volume from three product offerings for a significant portion of our clearing and transaction fees revenues and profits. The clearing and transaction fees revenues attributable to transactions in our Eurodollar contracts, all our contracts based on the S&P 500 and NASDAQ-100, including our E-mini products, and privately negotiated foreign exchange transactions using our clearing house were approximately 40%, 32%, 13% and 7%, respectively, of our total clearing and transaction fees revenues during 2002 and approximately 35%, 35%, 11% and 8%, respectively, during the nine months ended September 30, 2003. Any significant decline in our trading

volume in any of these products would negatively impact our business, financial condition and operating results.

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We believe our Eurodollar product serves as a global financial benchmark, but we cannot assure you that, in the future, other products will not become preferred alternatives to the Eurodollar contract as a means of managing or speculating on interest rate risk. We also cannot assure you that competitors will not enter the Eurodollar market, or that our members will not trade Eurodollars in privately negotiated bilateral transactions without the use of our clearing house. In either of these events, our trading volume, revenues and profitability would be adversely affected.

Our rights to the Standard & Poor's and NASDAQ products were obtained through licensing arrangements. Our license agreement with Standard & Poor's provides that the S&P 500 Index futures products will be exclusive until December 31, 2008 and non-exclusive from December 31, 2008 until December 31, 2013.

In October 2003, we expanded our license agreement with The Nasdaq Stock Market, Inc. to develop new products based on the NASDAQ Composite Index and to extend the initial term of our license agreement to October 2007, with an automatic four-year extension term thereafter. Our license with NASDAQ will be exclusive with respect to futures and options on futures contracts based on the NASDAQ-100 Index or the NASDAQ Composite Index through the term of the agreement. However, NASDAQ has the right, under certain circumstances, following October 27, 2005, to terminate the license or our exclusivity solely with respect to the NASDAQ Composite Index if certain minimum performance requirements are not satisfied.

We cannot assure you that either of our Standard & Poor's or NASDAQ license agreements will be renewed when they terminate or that we will be able to achieve or maintain the performance requirements necessary to continue to have exclusive rights to the NASDAQ Composite Index. In addition, we cannot assure you that others will not succeed in creating stock index futures based on information similar to that which we have obtained by license or that market participants will not increasingly use alternative instruments, including securities and options based on the S&P and NASDAQ indexes, to manage or speculate on U.S. stock risks. We also cannot assure you that NASDAQ will not directly or indirectly through other exchanges offer security futures contracts that compete with our broad-based index futures contracts based upon NASDAQ indexes. Currently, NQLX, LLC offers futures contracts based on an exchange-traded fund called QQQ, which may compete with our NASDAQ-100 futures contracts. Any of these events could have an adverse effect on our trading volume, revenues and profits.

Some of our largest clearing firms have indicated their belief that clearing facilities should not be owned or controlled by exchanges and should be operated as utilities and not for profit. These clearing firms are seeking legislative or regulatory changes that would, if adopted, enable them to use alternative clearing services for positions established on our exchange. Even if they are not successful, these factors may cause them to limit or stop the use of our markets.

Some of our largest clearing firms, which are significant customers and intermediaries in our products, have increasingly stressed the importance to them of centralizing clearing of futures contracts and options on futures in order to maximize the efficient use of their capital, exercise greater control over their value at risk and extract greater operating leverage from clearing activities. Many clearing firms have expressed the view that clearing firms should control the governance of clearing houses or that clearing houses should be operated as utilities rather than as for-profit enterprises. Some of these firms, along with the Futures Industry Association, are attempting to cause legislative or regulatory changes to be adopted that would facilitate mechanisms or policies that allow market participants to transfer positions from an exchange-owned clearing house to a clearing house owned and controlled by clearing firms. Our strategic business plan is to operate a vertically integrated transaction execution and clearing and settlement business. If these legislative or regulatory changes are adopted, our strategy and business plan may lead clearing firms to establish, or seek to use, alternative clearing houses for clearing positions established on our exchange. Even if they are not successful in their efforts, the factors described above may cause clearing firms to limit or stop the use of our products and markets. If any of these events occur, our revenues and profits would be adversely affected.

Our clearing house operations expose us to substantial credit risk of third parties. Our financial condition will be adversely affected in the event of a significant default.

Our clearing house acts as the counterparty to all trades consummated on or through our exchange. As a result, we are exposed to significant credit risk of third parties, including our clearing firms. We are also exposed,

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indirectly, to the credit risk of customers of our clearing firms. These parties may default on their obligations due to bankruptcy, lack of liquidity, operational failure or other reasons. A substantial part of our working capital is at risk if a clearing firm defaults on its obligations to our clearing house and its margin and security deposits are insufficient to meet its obligations. Although we have policies and procedures to help assure that our clearing firms can satisfy their obligations, these policies and procedures may not succeed in detecting problems or preventing defaults. We also have in place various measures intended to enable us to cover any default and maintain liquidity. However, we cannot assure you that these measures will be sufficient to protect us from a default or that we will not be materially and adversely affected in the event of a significant default.

We may not realize any or all of the anticipated benefits of our agreement to provide clearing and related services for CBOT products.

In April 2003, we entered into an agreement with CBOT to provide clearing and related services for CBOT futures and futures options contracts. Under the CME/CBOT Common Clearing Link, clearing services for commodity, equity and some interest rate products are expected to begin on November 24, 2003 and for all other CBOT futures and futures options contracts on January 2, 2004. The initial term of the agreement is four years, with three year renewals upon the mutual consent of the parties. Under the terms of the agreement, CBOT will pay us a fee for the clearing services we provide. This fee will vary based on transaction volume but is guaranteed to be at least \$4.5 million per quarter. Pursuant to the agreement, CBOT reimbursed us \$2.0 million in initial development costs, which is the maximum reimbursable amount of such costs under the agreement. CBOT will also reimburse us for the ongoing costs associated with the telecommunications equipment and services that are necessary for us to provide clearing services.

Successful implementation of the agreement is subject to a number of risks and uncertainties. Among these risks are unforeseen technical difficulties in either implementing or operating our clearing systems, failure to obtain necessary regulatory or governmental approvals and our or CBOT's inability to perform our respective obligations under the agreement as a result of legal or regulatory restrictions. Any of these factors might delay the launch date or result in termination of the agreement.

Even if we successfully provide clearing services under the agreement, the anticipated net revenues and net income will be dependent on CBOT's ability to maintain and/or expand its trading volume, which is subject to a number of factors beyond CBOT's control. As a futures exchange, CBOT's ability to maintain or expand its volume and operate its business is subject to the same types of risks to which we are subject and that are described in this section of the prospectus entitled Risk Factors. For example, in September 2003, Eurex announced that it would launch a registered U.S. derivatives exchange on February 1, 2004, which would initially offer, among other products, contracts on U.S. Treasury notes and bonds that will compete with contracts currently traded at CBOT. Our net income from the Common Clearing Link will also depend on our ability to control our costs associated with providing the clearing services.

Both we and CBOT may terminate the agreement in some circumstances. Depending on the circumstances of the termination, under the terms of the agreement, CBOT's liability to us is generally limited to amounts ranging between \$8.0 million and \$30.0 million. Similarly, depending on the circumstances of the termination, under the terms of the agreement, our liability to CBOT is generally limited to amounts ranging between \$10.0 million and \$30.0 million. If either we or CBOT are prohibited from performing our obligations under the agreement by law or governmental legal action, the agreement may be terminated without liability to either party. As a result of all of the risks and uncertainties described above, we cannot assure you that the agreement will not be terminated prior to the commencement of clearing operations or the end of the term of the agreement or that we will be able to realize any or all of the anticipated benefits of our clearing agreement with CBOT. Any such event could have an adverse effect on the price of our Class A common stock.

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If we experience systems failures or capacity constraints, our ability to conduct our operations and execute our business strategy could be materially harmed and we could be subjected to significant costs and liabilities.

We are heavily dependent on the capacity and reliability of the computer and communications systems and software supporting our operations. We receive and/or process a large portion of our trade orders through electronic means, such as through public and private communications networks. Our systems, or those of our third party providers, may fail or operate slowly, causing one or more of the following to occur:

unanticipated disruptions in service to our customers;

slower response times;

delays in our customers' trade execution;

failed settlement of trades;

incomplete or inaccurate accounting, recording or processing of trades;

financial losses;

litigation or other customer claims; and

regulatory sanctions.

We cannot assure you that we will not experience systems failures from power or telecommunications failure, acts of God, war or terrorism, human error, natural disasters, fire, sabotage, hardware or software malfunctions or defects, computer viruses, acts of vandalism or similar events. If any of our systems do not operate properly or are disabled, including as a result of system failure, customer error or misuse of our systems, we could suffer financial loss, liability to customers, regulatory intervention or reputational damage that could affect demand by current and potential users of our market.

From time to time, we have experienced system errors and failures that have resulted in some customers being unable to connect to our electronic trading platform or erroneous reporting, such as transactions that were not authorized by any customer or reporting of filled orders as cancelled. In September 2002 and in May 2003, we experienced hardware failures that resulted in a temporary suspension of trading on our GLOBEX platform. The impact of these events has not been material.

Our status as a CFTC registrant requires that our trade execution and communications systems be able to handle anticipated present and future peak trading volume. Heavy use of our computer systems during peak trading times or at times of unusual market volatility could cause our systems to operate slowly or even to fail for periods of time. We constantly monitor system loads and performance and regularly implement system upgrades to handle estimated increases in trading volume. However, we cannot assure you that our estimates of future trading volume

will be accurate or that our systems will always be able to accommodate actual trading volume without failure or degradation of performance. For example, in June and July 2002, the volume on our GLOBEX electronic trading platform repeatedly exceeded one million contracts in a single day. During the initial period of increased GLOBEX trading volume, there were instances of connectivity problems or erroneous reports that affected some users of the platform. 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 the CFTC or other regulators to initiate inquiries or proceedings for failure to comply with applicable laws and regulations.

We will need to continue to upgrade, expand and increase the capacity of our systems as our business grows and we execute our business strategy. Our systems were designed to handle at least twice our peak transactions in our highest volume products. As volumes grow, the ability of our systems to meet this goal on an ongoing basis depends on our ability to increase our system capacity on a timely basis while maintaining system reliability. Although many of our systems are designed to accommodate additional volume and products and services without redesign or replacement, we will need to continue to make significant investments in additional hardware and software to accommodate increased volume and to provide transaction processing and business services to third parties. If we cannot increase the capacity and capabilities of our systems to accommodate an increasing volume of transactions and to execute our business strategy, our ability to maintain or expand our businesses would be adversely affected.

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We depend on third party suppliers and service providers for a number of services that are important to our business. An interruption or cessation of an important supply or service by any third party could have a material adverse effect on our business.

We depend on a number of suppliers, such as banking, clearing and settlement organizations, telephone companies, online service providers, data processors, and software and hardware vendors for elements of our trading, clearing and other systems, as well as communications and networking equipment, computer hardware and software and related support and maintenance. We cannot assure you that any of these providers will be able to continue to provide these services in an efficient, cost-effective manner or that they will be able to adequately expand their services to meet our needs. An interruption in or the cessation of an important supply or service by any third party and our inability to make alternative arrangements in a timely manner, or at all, would result in lost revenue and higher costs.

Our networks and those of our third party service providers may be vulnerable to security risks, which could result in wrongful use of our information or cause interruptions in our operations that cause us to lose customers and trading volume and result in significant liabilities. We could also be required to incur significant expense to protect our systems.

We expect the secure transmission of confidential information over public networks to continue to be a critical element of our operations. Our networks and those of our third party service providers, our members and our customers may be vulnerable to unauthorized access, computer viruses and other security problems. Persons who circumvent security measures could wrongfully use our information or cause interruptions or malfunctions in our operations. Any of these events could cause us to lose customers or trading volume. We may be required to expend significant resources to protect against the threat of security breaches or to alleviate problems, including reputational harm and litigation, caused by breaches. Although we intend to continue to implement industry-standard security measures, these measures may prove to be inadequate and result in system failures and delays that could cause us to lose customers, experience lower trading volume and incur significant liabilities.

We operate in a heavily regulated environment that imposes significant costs and competitive burdens on our business.

Although the Commodity Futures Modernization Act significantly reduced our regulatory burdens, we remain extensively regulated by the CFTC. Our international operations may be subject to similar regulations in specific jurisdictions. We have registered in the United Kingdom as a recognized foreign exchange. We may be required to register or become subject to regulation in other jurisdictions in order to accept business from customers in those jurisdictions.

Many aspects of our operations are subject to oversight and regulation by the CFTC. Our activities relating to single stock and narrow-based stock index futures products are subject to oversight by the SEC. Our operations are subject to ongoing review and oversight, including:

the security and soundness of our order routing and trading systems;

record keeping and record retention procedures;

maintaining a fair and orderly market;

the licensing of our members and many of their employees; and

the conduct of our directors, officers, employees and affiliates.

If we fail to comply with applicable laws, rules or regulations, we may be subject to censure, fines, cease-and-desist orders, suspension of our business, removal of personnel or other sanctions, including revocation of our designations as a contract market and a derivatives clearing organization. Changes in laws, regulations or governmental policies could have a material adverse effect on the way we conduct our business.

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The CFTC has broad powers to investigate and enforce compliance and punish non-compliance with its rules and regulations. We cannot assure you that we and/or our directors, officers and employees will be able to fully comply with these rules and regulations. We also cannot assure you that we will not be subject to claims or actions by the CFTC or other agencies.

Demutualization and utilization of electronic trading systems by traders from remote locations will, among other developments, impact our ability to continue the traditional forms of self-regulation that have been an integral part of the CFTC regulatory program. The CFTC is reviewing that impact, and it is unclear at this time whether the CFTC will make modifications to its regulations that will have an adverse effect on the way we conduct our business.

From time to time, it is proposed in Congress that federal financial markets regulators should be consolidated, including a possible merger between the CFTC and the SEC. While those proposals have not been adopted to date, the perceived convergence of product lines offered on the securities and commodity exchanges could make adoption more likely. To the extent the regulatory environment following such consolidation is less beneficial for us, our business could be negatively affected.

From time to time, the President's budget includes a proposal that a transaction tax be imposed on futures and options on futures transactions. While those proposals have not been adopted to date, except for a per-contract fee imposed under the Securities Exchange Act of 1934 on single stock futures and futures on narrow-based stock indexes, the imposition of any such tax would increase the cost of using our products and, consequently, could adversely impact our trading volumes, revenues and profits.

Our compliance and risk management methods might not be effective and may result in outcomes that could adversely affect our reputation, financial condition and operating results.

Generally, the CFTC has broad enforcement powers to censure, fine, issue cease-and-desist orders, prohibit us from engaging in some of our businesses or suspend or revoke our designation as a contract market or the registration of any of our officers or employees who violate applicable laws or regulations. Our ability to comply with applicable laws and rules is largely dependent on our establishment and maintenance of compliance, audit and reporting systems, as well as our ability to attract and retain qualified compliance and other risk management personnel. We face the risk of significant intervention by regulatory authorities, including extensive examination and surveillance activity. In the case of non-compliance or alleged non-compliance with applicable laws or regulations, we could be subject to investigations and judicial or administrative proceedings that may result in substantial penalties or civil lawsuits, including by customers, for damages, which can be significant. Any of these outcomes would adversely affect our reputation, financial condition and operating results. In extreme cases, these outcomes could adversely affect our ability to conduct our business.

Our policies and procedures to identify, monitor and manage our risks may not be fully effective. Some of our risk management methods depend upon evaluation of information regarding markets, customers or other matters that are publicly available or otherwise accessible by us. That information may not in all cases be accurate, complete, up-to-date or properly evaluated. Management of operational, legal and regulatory risk requires, among other things, policies and procedures to record properly and verify a large number of transactions and events. We cannot assure you that our policies and procedures will always be effective or that we will always be successful in monitoring or evaluating the risks to which we are or may be exposed.

As a financial services provider, we are subject to significant litigation risk and potential securities law liability.

Many aspects of our business involve substantial liability risks. While we enjoy governmental immunity for some of our market-related activities, we could be exposed to substantial liability under federal and state laws and court decisions, as well as rules and regulations promulgated by the SEC and the CFTC. These risks include, among others, potential liability from disputes over terms of a trade, the claim that a system failure or delay

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caused monetary losses to a customer, that we entered into an unauthorized transaction or that we provided materially false or misleading statements in connection with a transaction. Dissatisfied customers frequently make claims regarding quality of trade execution, improperly settled trades, mismanagement or even fraud against their service providers. We may become subject to these claims as the result of failures or malfunctions of our systems and services we provide. We could incur significant legal expenses defending claims, even those without merit. In addition, an adverse resolution of any future lawsuit or claim against us could have a material adverse effect on our business.

We could be harmed by employee misconduct or errors that are difficult to detect and deter.

There have been a number of highly publicized cases involving fraud or other misconduct by employees of financial services firms in recent years. Misconduct by our employees, including employees of GFX Corporation, our wholly owned subsidiary that engages in proprietary trading in foreign exchange and Eurodollar futures, could include hiding unauthorized activities from us, improper or unauthorized activities on behalf of customers or improper use of confidential information. Employee misconduct could subject us to financial losses or regulatory sanctions and seriously harm our reputation. It is not always possible to deter employee misconduct, and the precautions we take to prevent and detect this activity may not be effective in all cases. Our employees also may commit errors that could subject us to financial claims for negligence, or otherwise, as well as regulatory actions.

Our acquisition, investment and alliance strategy involves risks. If we are unable to effectively manage these risks, our business will be materially harmed.

To achieve our strategic objectives, in the future we may seek to acquire or invest in other companies, businesses or technologies. Acquisitions entail numerous risks, including the following:

difficulties in the assimilation of acquired businesses or technologies;

diversion of management's attention from other business concerns;

assumption of unknown material liabilities;

failure to achieve financial or operating objectives; and

potential loss of customers or key employees of acquired companies.

We may not be able to integrate successfully any operations, personnel, services or products that we have acquired or may acquire in the future.

We also may seek to expand or enhance some of our operations by forming joint ventures or alliances with various strategic partners throughout the world. Entering into joint ventures and alliances also entails risks, including difficulties in developing and expanding the business of newly formed joint ventures, exercising influence over the activities of joint ventures in which we do not have a controlling interest, and potential conflicts with our joint venture or alliance partners. For example, in 2001 we entered into an operating agreement governing OneChicago, our

joint venture with CBOE and CBOT, to trade single stock futures and futures based on narrow-based stock indexes. Under the terms of our operating agreement, we own approximately a 40% interest in OneChicago, CBOE owns approximately a 40% interest and CBOT and management of OneChicago each own a minority interest. Our ability to control key decisions relating to the operation and development of OneChicago will be limited. In addition, under the terms of our operating agreement, until May 31, 2005, we are restricted from in any way engaging in the business of trading, marketing, regulating, selling, purchasing, clearing or settling transactions in single stock futures other than in conjunction with the joint venture. This restriction on our ability to compete applies whether or not we remain part of the joint venture, but it does not apply to futures based on narrow-based stock indexes. In 2002, we entered into an agreement with NYMEX to introduce e-miNY energy futures contracts, which trade on our GLOBEX electronic trading platform and clear at the NYMEX clearing house. During the term of the agreement and for one year thereafter, we are generally

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prohibited, other than in cooperation with NYMEX, from providing for or facilitating electronic trading in futures or options on futures contracts on any underlying commodity (or index of commodities) that is also the underlying commodity for a product listed for trading by NYMEX. We cannot assure you that any joint venture or alliance that we have entered or may enter into will be successful.

Our ability to successfully trade single stock futures and futures on narrow-based stock indexes may be impaired by statutory and regulatory provisions that limit our natural competitive advantages and expand opportunities for competitors.

The Commodity Futures Modernization Act, which authorized us to trade futures contracts based on individual securities and narrow-based stock indexes, or security futures, prohibited the implementation in connection with these contracts of many traditional features of futures trading that would have made using security futures cheaper, tax advantaged and more efficient than using similar security options and OTC security derivatives. The Commodity Futures Modernization Act also created a system of dual registration and regulation for security futures intermediaries and exchanges that may be costly and burdensome to the intermediaries and the exchanges and may discourage intermediaries and investors from using security futures. The Commodity Futures Modernization Act also eliminated most legal impediments to unregulated trading of security futures or similar products between qualified investors. In addition, foreign exchanges may be allowed to trade similar products under terms that will be more favorable than the terms we are permitted to offer our customers. Finally, security futures are subject to a number of complicated and controversial regulations. As a result, we cannot assure you that we, either directly or through our joint venture, OneChicago, will be successful in offering single stock futures or futures on narrow-based stock indexes.

The imposition in the future of regulations requiring that clearing houses establish linkages with other clearing houses whereby positions at one clearing house can be transferred to and maintained at, or otherwise offset by a fungible position existing at, another clearing house may have a material adverse effect on the operation of our business.

In connection with the trading of single stock futures and futures on narrow-based stock indexes, the Commodity Futures Modernization Act contemplates that clearing houses will, after an initial period, establish linkages enabling a position in any such product executed on an exchange for which it clears these products to be offset by an economically linked or fungible position on the opposite side of the market that is executed on another exchange utilizing a different clearing house. If, in the future, a similar requirement is imposed with respect to futures contracts generally, the resulting unbundling of trade execution and clearing services would have a material adverse effect on our revenues and profits.

Expansion of our operations internationally involves special challenges that we may not be able to meet, which could adversely affect our financial results.

We plan to continue to expand our operations internationally, including by directly placing order entry terminals with members and/or customers outside the United States and by relying on distribution systems established by our current and future strategic alliance partners. We face certain risks inherent in doing business in international markets, particularly in the regulated derivatives exchange business. These risks include:

restrictions on the use of trading terminals or the contracts that may be traded;

becoming subject to extensive regulations and oversight, tariffs and other trade barriers;

reduced protection for intellectual property rights;

difficulties in staffing and managing foreign operations; and

potentially adverse tax consequences.

In addition, we will be required to comply with the laws and regulations of foreign governmental and regulatory authorities of each country in which we conduct business. These may include laws, rules and

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regulations relating to any aspect of the derivatives business. To date, we have had limited experience in marketing and operating our products and services internationally. We cannot assure you that we will be able to succeed in marketing our products and services in international markets. We may also experience difficulty in managing our international operations because of, among other things, competitive conditions overseas, management of foreign exchange risk, established domestic markets, language and cultural differences and economic or political instability. Any of these factors could have a material adverse effect on the success of our international operations and, consequently, on our business, financial condition and operating results.

We may not be able to protect our intellectual property rights, which may materially harm our business.

We rely primarily on trade secret, copyright, service mark, trademark and patent law and contractual protections to protect our proprietary technology and other proprietary rights. We have filed several patent applications covering our technology. Notwithstanding the precautions we take to protect our intellectual property rights, it is possible that third parties may copy or otherwise obtain and use our proprietary technology without authorization or otherwise infringe on our rights. We also seek to protect our software and databases as trade secrets and under copyright law. We have copyright registrations for certain of our software, user manuals and databases. The copyright protection afforded to databases, however, is fairly limited. While the arrangement and selection of data generally are protectable, the actual data may not be, and others may be free to create databases that would perform the same function. In some cases, including a number of our most important products, there may be no effective legal recourse against duplication by competitors. In addition, in the future, we may have to rely on litigation to enforce our intellectual property rights, protect our trade secrets, determine the validity and scope of the proprietary rights of others or defend against claims of infringement or invalidity. Any such litigation, whether successful or unsuccessful, could result in substantial costs to us and diversions of our resources, either of which could adversely affect our business.

Any infringement by us on patent rights of others could result in litigation and adversely affect our ability to continue to provide, or increase the cost of providing, electronic execution services.

Patents of third parties may have an important bearing on our ability to offer certain of our products and services. Our competitors as well as other companies and individuals may obtain, and may be expected to obtain in the future, patents related to the types of products and services we offer or plan to offer. We cannot assure you that we are or will be aware of all patents containing claims that may pose a risk of infringement by our products and services. In addition, some patent applications in the United States are confidential until a patent is issued and, therefore, we cannot evaluate the extent to which our products and services may be covered or asserted to be covered by claims contained in pending patent applications. In general, if one or more of our products or services were to infringe patents held by others, we may be required to stop developing or marketing the products or services, to obtain licenses to develop and market the services from the holders of the patents or to redesign the products or services in such a way as to avoid infringing on the patent claims. We cannot assess the extent to which we may be required in the future to obtain licenses with respect to patents held by others, whether such licenses would be available or, if available, whether we would be able to obtain such licenses on commercially reasonable terms. If we were unable to obtain such licenses, we may not be able to redesign our products or services to avoid infringement, which could materially adversely affect our business, financial condition and operating results.

As a holding company, we are totally dependent on dividends from our operating subsidiary to pay dividends and other obligations.

We are a holding company with no business operations. Our only significant asset is the outstanding capital stock of our subsidiary. As a result, we must rely on payments from our subsidiary to meet our obligations. In February 2003, we declared our first regular quarterly dividend of \$0.14 per share to Class A and Class B shareholders, which was paid on March 25, 2003. On May 8, 2003 and August 7, 2003, we declared quarterly dividends of \$0.14 per share to Class A and Class B shareholders, which were paid on June 25, 2003 and

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September 25, 2003, respectively. We intend to continue to pay regular quarterly dividends to our shareholders. On September 3, 2003, we announced that, beginning with the dividend payment in the fourth quarter of 2003, our annual dividend target will be increased from 20% of the prior year's cash earnings to 30% of the prior year's cash earnings. On November 5, 2003, we declared a quarterly dividend of \$0.21 per share to Class A and Class B shareholders, payable on December 26, 2003 to shareholders of record on December 10, 2003. We currently expect that the earnings and cash flow of our subsidiary will primarily be retained and used by it in its operations, including servicing any debt obligations it may have now or in the future. Accordingly, our subsidiary may not be able to generate sufficient cash flow to pay a dividend or distribute funds to us in order to allow us to pay a dividend on or make a distribution in respect of our Class A common stock. Our existing credit facility, as well as future credit facilities, other future debt obligations and statutory provisions, may limit our ability to pay dividends.

Risks Associated With Purchasing Our Class A Common Stock In This Offering

If we settle the option granted to our CEO only in shares of Class A common stock, we could be required to issue substantial additional shares of Class A common stock. In addition, if our Class B shares and the associated trading rights increase in value relative to our Class A shares, holders of our Class A shares will experience additional dilution.

We granted our CEO an option to purchase our Class A and Class B shares, with two separately exercisable tranches. Each tranche of the option is for 2.5% of each class of our common stock outstanding as of the date of our demutualization, as adjusted for our reorganization. We may settle the exercise of the option with any combination of Class A shares or cash, at our discretion. If the exercisable portion of the option was exercised on October 27, 2003, the exercise price was paid in cash and the option was settled only with Class A common stock, we would have been required to issue 1,442,629 shares of Class A common stock, based on the \$68.00 per share closing price of our Class A common stock on that date.

The value of our Class A shares is not directly linked to the value of our Class B shares and the associated trading rights. As a result, if we decide to settle the entire option by issuing only Class A shares, the amount of dilution experienced by holders of our Class A shares would increase if our Class B shares and the associated trading rights increased in value relative to our Class A shares. As of September 30, 2003, the value of the trading rights associated with our Class B shares had decreased by approximately 17% and 4% compared to their value as of December 31, 2002 and December 31, 2001, respectively.

Sales of our Class A common stock may have an adverse impact on the market price of our Class A common stock.

Sales of a substantial number of shares of our Class A common stock in the public market following this offering, or the perception that large sales could occur, could cause the market price of our Class A common stock to decline. Either of these circumstances could also limit our future ability to raise capital through an offering of equity securities. All of the shares of Class A common stock sold in this offering will be freely tradable without restriction or further registration under the Securities Act by persons other than our affiliates within the meaning of Rule 144 under the Securities Act.

The currently issued and outstanding shares of our Class A-1, A-2, A-3 and A-4 common stock are registered under the Securities Act but are subject to significant transfer restrictions. The transfer restrictions on all our Class A-1, A-2, A-3 and A-4 shares that are issued and outstanding immediately after this offering, which will total 24,147,219 shares, will expire on June 4, 2004 if all of the Class A-2 shares offered in this offering are sold. Upon expiration, these shares of Class A common stock held by existing shareholders will be freely transferable unless held by affiliates within the meaning of Rule 144 under the Securities Act. If our shareholders sell a large number of shares of our Class A common stock upon the expiration of some or all of these restrictions, the market price for our Class A common stock could decline significantly. For a

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more detailed description of the transfer restrictions imposed on our Class A-1, A-2, A-3 and A-4 common stock, see the section of this prospectus entitled Description of Capital Stock.

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SPECIAL NOTE ABOUT FORWARD-LOOKING STATEMENTS

Some of the statements under Prospectus Summary, Risk Factors, Management's Discussion and Analysis of Financial Condition and Results of Operations and elsewhere in this prospectus and in the documents we incorporate by reference in this prospectus constitute forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Securities Exchange Act. These statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements. These factors include, among other things, those listed under Risk Factors and elsewhere in this prospectus and the documents we incorporate by reference in this prospectus.

In some cases, you can identify forward-looking statements by terminology such as may, will, should, could, expects, plans, anticipates, believes, estimates, predicts, potential or continue or the negative of such terms or other comparable terminology.

Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. Moreover, neither we nor any other person assumes responsibility for the accuracy and completeness of such statements. We are under no duty to update any of the forward-looking statements after the date of this prospectus.

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All of the shares of Class A common stock offered by this prospectus are being sold by the selling shareholders. We will not receive any proceeds from the sale of Class A common stock in this offering.

DIVIDEND POLICY

On June 4, 2002, our board of directors declared a special cash dividend on each outstanding and restricted share of our Class A and Class B common stock in the amount of \$0.60 per share to shareholders of record as of June 17, 2002. The aggregate amount of the dividend was \$17.3 million, which was paid on June 28, 2002. We did not pay a dividend in 2001.

We intend to pay regular quarterly dividends to our shareholders. In February 2003, we declared our first regular quarterly dividend of \$0.14 per share to Class A and Class B shareholders. On May 8, 2003 and August 7, 2003, we declared quarterly dividends of \$0.14 per share to Class A and Class B shareholders, which were paid on June 25, 2003 and September 25, 2003, respectively. On September 3, 2003, we announced that, beginning with the dividend payment in the fourth quarter of 2003, our annual dividend target will be increased from 20% of the prior year's cash earnings to 30% of the prior year's cash earnings. On November 5, 2003, we declared a quarterly dividend of \$0.21 per share to Class A and Class B shareholders, payable on December 26, 2003 to shareholders of record on December 10, 2003.

The decision to pay a dividend remains within the discretion of our board of directors and may be affected by various factors, including our earnings, financial condition, capital requirements, level of indebtedness and other considerations our board of directors deems relevant. Our existing credit facility, as well as future credit facilities, other future debt obligations and statutory provisions, may limit our ability to pay dividends.

PRICE RANGE OF OUR CLASS A COMMON STOCK

Our Class A common stock is listed on the New York Stock Exchange under the symbol CME. The following table sets forth, for each of the periods indicated, the high and low closing sale prices per share of our Class A common stock as reported by the New York Stock Exchange.

	<u>High</u>	<u>Low</u>
2002:		
Fourth Quarter (from December 6, 2002)	\$ 45.06	\$ 42.00
2003:		
First Quarter	\$ 49.62	\$ 41.50
Second Quarter	69.63	46.46
Third Quarter	78.98	66.41
Fourth Quarter (through November 5, 2003)	74.70	65.37

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On November 5, 2003, the reported last sale price of our Class A common stock on the New York Stock Exchange was \$66.30 per share.

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The following table sets forth our capitalization as of September 30, 2003. The outstanding share information excludes:

58,000 shares of Class A common stock subject to restricted stock awards, which are not vested;

1,466,265 shares of Class A common stock issuable upon the exercise of outstanding stock options issued under our stock option plan, with a weighted average exercise price of \$35.44 per share; and

1,451,054 shares of Class A common stock issuable upon the exercise of the outstanding stock options issued to our chief executive officer, at a weighted average exercise price of \$27.56 per share, based on the \$68.81 per share closing price for our Class A common stock on September 30, 2003, and assuming the exercisable portion of the option was exercised on that date, the exercise price was paid in cash and the option was settled only in Class A common stock. For a more detailed description of the option granted to our chief executive officer, see the section of this prospectus entitled **Principal and Selling Shareholders**.

The information set forth below should be read in conjunction with **Selected Financial Data**, **Management's Discussion and Analysis of Financial Condition and Results of Operations** and our financial statements and related notes included elsewhere and incorporated by reference in this prospectus.

	As of September 30, 2003
	(in thousands, except share data)
Cash and cash equivalents	\$ 391,534
Long-term debt (including current portion)(1)	\$ 2,156
Shareholders' equity	
Preferred stock, \$.01 par value; 9,860,000 shares authorized; no shares issued and outstanding	\$
Series A junior participating preferred stock, \$.01 par value; 140,000 shares authorized, no shares issued and outstanding	
Class A common stock, \$.01 par value; 138,000,000 shares authorized; 32,810,762 shares issued and outstanding	328
Class B common stock, \$.01 par value; 3,138 shares authorized, issued and outstanding	
Additional paid-in capital	192,210
Unearned restricted stock compensation	(1,097)
Retained earnings	345,625
Total shareholders' equity	537,066
Total capitalization	\$ 539,222

(1) Long-term debt consists of capitalized lease obligations.

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The following selected consolidated financial data with respect to each of the years in the five-year period ended December 31, 2002 have been derived from our audited consolidated financial statements. The financial information provided as of and for the nine months ended September 30, 2002 and 2003 is unaudited, but in the opinion of management contains all adjustments, consisting only of normal recurring accruals, necessary for a fair presentation of our results of operations and financial position for such periods. The information set forth below is not necessarily indicative of the results of future operations and should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations and the financial statements and related notes included elsewhere and incorporated by reference in this prospectus.

	Year Ended December 31,					Nine Months Ended September 30,	
	1998	1999	2000 (restated)	2001 (restated)	2002	2002 (restated)	2003
	(unaudited)						
	(in thousands, except per share amounts)						
Income Statement Data:(1)							
Revenues							
Clearing and transaction fees	\$ 126,524	\$ 140,305	\$ 156,649	\$ 292,459	\$ 356,396	\$ 261,414	\$ 326,053
Quotation data fees	40,079	43,005	36,285	48,250	48,717	36,507	38,980
GLOBEX access fees	1,013	1,899	3,971	11,987	12,945	9,770	11,566
Communication fees	8,128	8,165	9,391	9,330	9,733	7,364	7,243
Investment income	10,117	9,091	9,736	8,956	7,740	6,098	5,661
Securities lending interest income				10,744	18,169	14,702	7,327
Other	11,304	8,137	10,520	14,904	15,379	10,943	13,326
Total revenues	197,165	210,602	226,552	396,630	469,079	346,798	410,156
Securities lending interest expense				(9,477)	(15,902)	(13,009)	(6,739)
Net revenues	197,165	210,602	226,552	387,153	453,177	333,789	403,417
Expenses							
Compensation and benefits	72,386	80,957	102,278	111,465	118,710	88,433	107,878
Occupancy	19,702	17,773	19,629	20,420	22,400	16,970	18,996
Professional fees, outside services and licenses	28,038	28,319	23,131	27,289	32,549	24,747	22,789
Communications and computer and software maintenance	22,731	28,443	41,920	43,598	46,569	33,816	33,986
Depreciation and amortization	17,943	25,274	33,489	37,639	48,509	35,504	39,863
Patent litigation settlement					6,240	13,695	
Marketing, advertising and public relations	9,586	7,702	5,219	6,326	6,514	4,398	8,963
Other	12,586	15,490	16,148	14,650	17,457	12,441	14,937
Total expenses	182,972	203,958	241,814	261,387	298,948	230,004	247,412
Income (loss) before limited partners' interest in PMT and income taxes	14,193	6,644	(15,262)	125,766	154,229	103,785	156,005
Limited partners' interest in earnings of PMT	(2,849)	(2,126)	(1,165)				
Income tax (provision) benefit	(4,315)	(1,855)	5,931	(50,658)	(60,162)	(41,237)	(63,474)
Net income (loss)	\$ 7,029	\$ 2,663	\$ (10,496)	\$ 75,108	\$ 94,067	\$ 62,548	\$ 92,531
Earnings (loss) per share:(2)							

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Basic	\$	0.24	\$	0.09	\$	(0.36)	\$	2.61	\$	3.24	\$	2.17	\$	2.84
Diluted		0.24		0.09				2.57		3.13		2.11		2.73

- (1) Income statement data for 2000 and 2001 and the nine months ended September 30, 2002 have been restated to reflect the adoption of SFAS No. 123, Accounting for Stock-Based Compensation. Prior to the restatement, net income (loss) was (\$5.9) million and \$68.3 million for 2000 and 2001, respectively, and \$61.0 million for the nine months ended September 30, 2002. The basic loss per share was \$0.21 for 2000, basic and diluted earnings per share were \$2.37 and \$2.33, respectively, for 2001 and basic and diluted earnings per share were \$2.12 and \$2.04, respectively, for the nine months ended September 30, 2002.
- (2) Earnings per share are presented as if common stock issued on December 3, 2001 as part of our reorganization into a holding company structure had been outstanding for all periods presented. For 2000, diluted loss per share is not presented, since shares issuable for stock options would have an anti-dilutive effect.

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	As of December 31,					As of September 30,	
	1998	1999	2000 (restated)	2001 (restated)	2002	2002 (restated)	2003
	(in thousands)					(unaudited)	
Balance Sheet Data:(3)							
Assets:							
Cash and cash equivalents(4)	\$ 14,841	\$ 14,249	\$ 30,655	\$ 69,101	\$ 339,260	\$ 197,164	\$ 391,534
Proceeds from securities lending activities(5)				882,555	985,500	554,870	800,000
Short-term investments of interest earning facilities(6)							339,647
Cash performance bonds and security deposits(7)	71,803	73,134	156,048	855,227	1,827,991	1,920,032	2,027,710
Total current assets(8)	205,186	178,401	267,432	1,946,110	3,215,131	2,723,747	3,654,617
Total assets	295,090	303,467	384,035	2,066,878	3,355,016	2,860,819	3,795,607
Liabilities and shareholders equity:							
Payable under securities lending agreements(5)				882,555	985,500	554,870	800,000
Payable to participants in interest earning facilities(6)							339,647
Cash performance bonds and security deposits(7)	71,803	73,134	156,048	855,227	1,827,991	1,920,032	2,027,710
Total current liabilities	112,555	111,717	198,294	1,801,845	2,889,494	2,543,993	3,240,302
Long-term obligations and limited partners interest in PMT	15,638	23,087	19,479	16,667	19,383	20,267	18,239
Shareholders equity	166,897	168,663	166,262	248,366	446,139	296,559	537,066
	Year Ended December 31,					Nine Months Ended September 30,	
	1998	1999	2000	2001	2002	2002	2003
	(in thousands, except notional value of trading volume)						
Other Data:							
Total trading volume (round turns, in contracts)(9)	226,619	200,737	231,110	411,712	558,448	413,790	482,260
GLOBEX trading volume (round turns, in contracts)(9)	9,744	16,135	34,506	81,895	197,975	131,685	208,545
Open interest at period-end (contracts)	7,282	6,412	8,021	15,039	18,792	17,618	26,826
Notional value of trading volume (in trillions)	\$ 161.7	\$ 138.3	\$ 155.0				