

RGC RESOURCES INC
Form 4
March 03, 2005

FORM 4

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

OMB APPROVAL

OMB Number: 3235-0287
Expires: January 31, 2005
Estimated average burden hours per response... 0.5

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. See Instruction 1(b).

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *
GOODLATTE MARYELLEN F

2. Issuer Name and Ticker or Trading Symbol
RGC RESOURCES INC [RGC0]

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

(Last) (First) (Middle)
PO BOX 2887

(Street)

3. Date of Earliest Transaction (Month/Day/Year)
03/01/2005

Director 10% Owner
 Officer (give title below) Other (specify below)

ROANOKE, VA 24001

(City) (State) (Zip)

4. If Amendment, Date Original Filed(Month/Day/Year)

6. Individual or Joint/Group Filing(Check Applicable Line)
 Form filed by One Reporting Person
 Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1. Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)	4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)	5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Ownership (Instr. 4)
Common Stock	03/01/2005		A ⁽¹⁾	V Amount (A) or (D) Price \$ 16.157 A 26.82	2,389.651	D	

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

Persons who respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned (e.g., puts, calls, warrants, options, convertible securities)

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1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)	5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)	6. Date Exercisable and Expiration Date (Month/Day/Year)	7. Title and Amount of Underlying Securities (Instr. 3 and 4)	8. Price of Derivative Security (Instr. 5)	9. Number of Derivative Securities Owned Following Transaction (Instr. 5)
--	--	--------------------------------------	--	--------------------------------	---	--	---	--	---

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
GOODLATTE MARYELLEN F PO BOX 2887 ROANOKE, VA 24001		X		

Signatures

Maryellen F. Goodlatte by Howard T. Lyon, POA dated 03/25/02 03/03/2005

**Signature of Reporting Person
Date

Explanation of Responses:

- * If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).
 - ** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).
- (1) Shares purchased pursuant to the Restricted Stock Plan for Outside Directors of RGC Resources, Inc.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure. Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. x;margin-bottom:0px" ALIGN="right">3,161

7,500

A
A-1
A-2
A-3

A-4

8,839

4,500

12,000

11,996

A

A-1

A-2

A-3

A-4

*

*

*

*

*

37,335 *

Gary M. Segal

3,000

3,000

3,000

1,799

A

A-1

Explanation of Responses:

3

A-2

A-3

A-4

*

*

*

*

*

1

B-1

B-2

B-3

B-4

*

*

*

*

1,799

A

A-1

A-2

A-3

A-4

3,000

1,201

3,000

1,799

A

A-1

A-2

A-3

A-4

*

*

*

*

*

9,000 *

Robert G. Senft

1,500

A

A-1

A-2

A-3

A-4

*

*

*

*

*

B-1

B-2

B-3

B-4

*

*

*

*

1,054

A

A-1

A-2

A-3

A-4

446

A

A-1

A-2

A-3

A-4

*

*

*

*

*

446 *

Explanation of Responses:

7

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Susan M. Serota(148)

525

10,525

10,525

520

A

A-1

A-2

A-3

A-4

*

*

*

*

*

1

1

1

1

B-1

B-2

B-3

B-4

*
*
*
*

4,095

A
A-1
A-2
A-3
A-4

525
6,430
10,525
520

A
A-1
A-2
A-3
A-4

*

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*
*
*
*

18,000 *

Brian O. Shannon Revocable Trust(149)

12,306
13,525
13,525
13,519

A
A-1
A-2
A-3
A-4

*
*
*
*
*

2

3

1

Explanation of Responses:

10

B-1

B-2

B-3

B-4

*

*

*

*

20

13,525

9,502

9,498

A

A-1

A-2

A-3

A-4

12,286

4,023

4,021

A

A-1

A-2

A-3

A-4

*

*

*

*

*

20,330

*

(continued on following page)

* Represents beneficial ownership of less than 1%.

(146) Includes 4,500 Class A-2, 4,500 Class A-3 and 2,500 Class A-4 shares and one Class B-1 share held in a trust over which Mr. Schwartz exercises voting and investment power.

(147) Includes 7,500 Class A-1, 7,500 Class A-2, 7,500 Class A-3 and 7,497 Class A-4 shares and one Class B-2 share over which Mr. Schwartz shares beneficial ownership and has voting and investment power. Also includes 4,500 Class A-1, 4,500 Class A-2, 4,500 Class A-3 and 4,499 Class A-4 shares held in a trust over which Mr. Schwartz exercises voting and investment power.

(148) Includes 525 Class A-1, 10,525 Class A-2, 10,525 Class A-3 and 520 Class A-4 shares and one Class B-1, one Class B-2, one Class B-3 and one Class B-4 share held in a trust over which Ms. Serota exercises voting and investment power.

(149) Includes 12,306 Class A-1, 13,525 Class A-2, 13,525 Class A-3 and 13,519 Class A-4 shares and two Class B-1, three Class B-3 and one Class B-4 share held in a trust over which Susan M. Shannon and James Shannon exercise voting and investment power.

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Beneficial Owner	Shares of Common Stock						Shares of Class A Common Stock Beneficially Owned After This Offering							
	Beneficially Owned Prior to This Offering						Shares of Class A Common Stock Offered Hereby		Aggregate # of Class A					
	Class A			Class B										
	# of Shares	Class	% of Class	# of Shares	Class	% of Class	# of Shares	Class	# of Shares	Class	% of Class	# of Shares	% of Class	
James P. Shannon		A	*		B-1	*		A		A	*	4,000	*	
	501	A-1	*		B-2	*		A-1	501	A-1	*			
	1,500	A-2	*	1	B-3	*	1,000	A-2	500	A-2	*			
	1,500	A-3	*		B-4	*		A-3	1,500	A-3	*			
	1,499	A-4	*					A-4	1,499	A-4	*			
Patrick J. Shannon Jr.(150)		A	*	1	B-1	*		A		A	*	21,444	*	
	6,000	A-1	*		B-2	*	1,054	A-1	4,946	A-1	*			
	6,000	A-2	*	1	B-3	*	1,500	A-2	4,500	A-2	*			
	6,000	A-3	*		B-4	*		A-3	6,000	A-3	*			
	5,998	A-4	*					A-4	5,998	A-4	*			
Leon C. Shender	10	A	*		B-1	*		A	10	A	*	4,158	*	
	1,500	A-1	*		B-2	*	351	A-1	1,149	A-1	*			
	1,500	A-2	*	1	B-3	*	1,500	A-2		A-2	*			
	1,500	A-3	*		B-4	*		A-3	1,500	A-3	*			
	1,499	A-4	*					A-4	1,499	A-4	*			
Burton L. Shender Trust(151)		A	*		B-1	*		A		A	*	1,500	*	
	1,500	A-1	*		B-2	*		A-1	1,500	A-1	*			
	1,500	A-2	*	1	B-3	*	1,500	A-2		A-2	*			
		A-3	*		B-4	*		A-3		A-3	*			
		A-4	*					A-4		A-4	*			
Shender Revocable Trust(152)		A	*	1	B-1	*		A		A	*	34,997	*	
	9,000	A-1	*	1	B-2	*		A-1	9,000	A-1	*			
	9,000	A-2	*	1	B-3	*	1,000	A-2	8,000	A-2	*			
	9,000	A-3	*		B-4	*		A-3	9,000	A-3	*			

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	8,997	A-4	*				A-4	8,997	A-4	*			
John J. Sheridan		A	*		B-1	*	A		A	*	1,338	*	
	1,500	A-1	*		B-2	*	1,054	A-1	446	A-1	*		
	1,500	A-2	*	1	B-3	*	1,500	A-2		A-2	*		
	1,500	A-3	*		B-4	*	1,054	A-3	446	A-3	*		
	1,499	A-4	*				1,053	A-4	446	A-4	*		
James M. Shortall		A	*		B-1	*		A		A	*	1,107	*
		A-1	*	1	B-2	*		A-1		A-1	*		
		A-2	*		B-3	*		A-2		A-2	*		
	723	A-3	*		B-4	*	508	A-3	215	A-3	*		
	2,999	A-4	*				2,107	A-4	892	A-4	*		
Ann Shuman(153)		A	*		B-1	*		A		A	*	1,002	*
	600	A-1	*		B-2	*	316	A-1	284	A-1	*		
	600	A-2	*		B-3	*	450	A-2	150	A-2	*		
	600	A-3	*		B-4	*	316	A-3	284	A-3	*		
	600	A-4	*				316	A-4	284	A-4	*		

(continued on following page)

* Represents beneficial ownership of less than 1%.

(150) Includes 4,500 Class A-1, 4,500 Class A-2, 4,500 Class A-3 and 4,499 Class A-4 shares and one Class B-1 share owned by P & P Holdings Inc., of which Mr. Shannon is a partner.

(151) Includes 1,500 Class A-1 and 1,500 Class A-2 shares and one Class B-3 share held in a trust controlled by Marjorie Shender as trustee.

(152) Includes 9,000 Class A-1, 9,000 Class A-2, 9,000 Class A-3 and 8,997 Class A-4 shares and one Class B-1, one Class B-2 and one Class B-3 share held in a trust over which Martin H. Shender exercises voting and investment power.

(153) Ms. Shuman's Class A-1, Class A-2, Class A-3 and Class A-4 totals include 450 Class A-1, 450 Class A-2, 450 Class A-3 and 450 Class A-4 shares which are subject to options that are exercisable within 60 days of October 27, 2003. Ms. Shuman is currently Director, Business Development of CME.

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Beneficial Owner	Shares of Common Stock Beneficially Owned Prior to This Offering						Shares of		Shares of Class A Common Stock Beneficially Owned After This Offering					
	Class A			Class B			Class A Common Stock Offered Hereby					Aggregate # of Class A		
	# of Shares	Class	% of Class	# of Shares	Class	% of Class	# of Shares	Class	# of Shares	Class	% of Class	# of Shares	% of Class	
Michael L. Sidel		A	*		B-1	*		A		A	*	3,900	*	
	1,500	A-1	*	1	B-2	*		A-1	1,500	A-1	*			
	3,000	A-2	*		B-3	*	600	A-2	2,400	A-2	*			
		A-3	*		B-4	*		A-3		A-3	*			
		A-4	*					A-4		A-4	*			
Ronald C. Sidler		A	*		B-1	*		A		A	*	4,783	*	
	3,000	A-1	*	1	B-2	*	2,108	A-1	892	A-1	*			
	3,000	A-2	*		B-3	*	3,000	A-2		A-2	*			
	3,000	A-3	*		B-4	*	2,108	A-3	892	A-3	*			
	2,999	A-4	*					A-4	2,999	A-4	*			
Brian P. Sindler		A	*		B-1	*		A		A	*	500	*	
		A-1	*		B-2	*		A-1		A-1	*			
	1,500	A-2	*	1	B-3	*	1,000	A-2	500	A-2	*			
		A-3	*		B-4	*		A-3		A-3	*			
		A-4	*					A-4		A-4	*			
Joseph J. Sinopoli		A	*		B-1	*		A		A	*	1,917	*	
		A-1	*		B-2	*		A-1		A-1	*			
		A-2	*	1	B-3	*		A-2		A-2	*			
	1,121	A-3	*		B-4	*	703	A-3	418	A-3	*			
	1,499	A-4	*					A-4	1,499	A-4	*			
Patrick F. Skelton		A	*		B-1	*		A		A	*	3,445	*	
	1,500	A-1	*		B-2	*	1,054	A-1	446	A-1	*			
	1,500	A-2	*	1	B-3	*	1,500	A-2		A-2	*			
	1,500	A-3	*		B-4	*		A-3	1,500	A-3	*			

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	1,499	A-4	*				A-4	1,499	A-4	*			
Jerome Sklar(154)		A	*	1	B-1	*	A		A	*	16,019	*	
	4,505	A-1	*		B-2	*	A-1	4,505	A-1	*			
	4,505	A-2	*		B-3	*	2,000	A-2	2,505	A-2	*		
	4,505	A-3	*		B-4	*		A-3	4,505	A-3	*		
	4,504	A-4	*					A-4	4,504	A-4	*		
Larry B. Slavin		A	*	1	B-1	*			A	A	*	12,094	*
	4,500	A-1	*		B-2	*	1,405	A-1	3,095	A-1	*		
	4,500	A-2	*		B-3	*	4,500	A-2		A-2	*		
	4,500	A-3	*		B-4	*		A-3	4,500	A-3	*		
	4,499	A-4	*					A-4	4,499	A-4	*		
SLK-Hull Derivatives LLC(155)		A	*		B-1	*			A	A	*	5,354	*
	6,000	A-1	*	1	B-2	*	4,215	A-1	1,785	A-1	*		
	6,000	A-2	*	2	B-3	*	6,000	A-2		A-2	*		
	6,000	A-3	*		B-4	*	4,215	A-3	1,785	A-3	*		
	5,997	A-4	*				4,213	A-4	1,784	A-4	*		

(continued on following page)

* Represents beneficial ownership of less than 1%.

(154) Includes 4,505 Class A-1, 4,505 Class A-2, 4,505 Class A-3 and 4,504 Class A-4 shares and one Class B-1 share held in a trust over which Mr. Sklar exercises voting and investment power.

(155) SLK-Hull Derivatives LLC is an affiliate of Goldman, Sachs & Co., which is an underwriter for this offering.

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Beneficial Owner	Shares of Common Stock						Shares of Class A Common Stock						
	Beneficially Owned Prior to This Offering						Shares of Class A		Beneficially Owned After This Offering				
	Class A			Class B			Common Stock Offered Hereby		Aggregate # of Class A				
	# of Shares	Class	% of Class	# of Shares	Class	% of Class	# of Shares	Class	# of Shares	Class	% of Class	# of Shares	% of Class
Nathan H. Slutsky		A	*	1	B-1	*		A		A	*	5,839	*
	4,500	A-1	*		B-2	*	3,161	A-1	1,339	A-1	*		
	4,500	A-2	*		B-3	*	4,500	A-2		A-2	*		
	4,500	A-3	*		B-4	*		A-3	4,500	A-3	*		
		A-4	*					A-4		A-4	*		
Paul J. Smilgius		A	*	1	B-1	*		A		A	*	10,363	*
	4,525	A-1	*		B-2	*	3,161	A-1	1,364	A-1	*		
	4,500	A-2	*		B-3	*	4,500	A-2		A-2	*		
	4,500	A-3	*		B-4	*		A-3	4,500	A-3	*		
	4,499	A-4	*					A-4	4,499	A-4	*		
B. Perry Smith		A	*		B-1	*		A		A	*	8,000	*
	3,000	A-1	*	1	B-2	*		A-1	3,000	A-1	*		
	3,000	A-2	*		B-3	*	1,000	A-2	2,000	A-2	*		
	3,000	A-3	*		B-4	*		A-3	3,000	A-3	*		
		A-4	*					A-4		A-4	*		
Daniel J. Smith		A	*		B-1	*		A		A	*	6,499	*
	500	A-1	*	1	B-2	*		A-1	500	A-1	*		
	3,000	A-2	*		B-3	*	3,000	A-2		A-2	*		
	3,000	A-3	*		B-4	*		A-3	3,000	A-3	*		
	2,999	A-4	*					A-4	2,999	A-4	*		
Robert J. Smith		A	*		B-1	*		A		A	*	2,676	*
	3,000	A-1	*	1	B-2	*	2,108	A-1	892	A-1	*		
	3,000	A-2	*		B-3	*	3,000	A-2		A-2	*		

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	3,000	A-3	*		B-4	*	2,108	A-3	892	A-3	*		
	2,999	A-4	*				2,107	A-4	892	A-4	*		
Sheldon Snyder		A	*		B-1	*		A		A	*	907	*
		A-1	*		B-2	*		A-1		A-1	*		
		A-2	*	1	B-3	*		A-2		A-2	*		
	1,525	A-3	*	1	B-4	*	1,071	A-3	454	A-3	*		
	1,523	A-4	*				1,070	A-4	453	A-4	*		
Lee J. Sobier		A	*	1	B-1	*		A		A	*	4,131	*
	4,575	A-1	*		B-2	*	3,196	A-1	1,379	A-1	*		
	4,575	A-2	*		B-3	*	4,575	A-2		A-2	*		
	4,575	A-3	*	4	B-4	*	3,197	A-3	1,378	A-3	*		
	4,571	A-4	*				3,197	A-4	1,374	A-4	*		
Scott Sohn(156)		A	*		B-1	*		A		A	*	3,000	*
	1,000	A-1	*		B-2	*		A-1	1,000	A-1	*		
	1,500	A-2	*	1	B-3	*	1,000	A-2	500	A-2	*		
	1,500	A-3	*		B-4	*		A-3	1,500	A-3	*		
		A-4	*					A-4		A-4	*		
Robert L. Solomon		A	*		B-1	*		A		A	*	7,500	*
	3,000	A-1	*	1	B-2	*		A-1	3,000	A-1	*		
	3,000	A-2	*		B-3	*	1,500	A-2	1,500	A-2	*		
	3,000	A-3	*		B-4	*		A-3	3,000	A-3	*		
		A-4	*					A-4		A-4	*		

(continued on following page)

* Represents beneficial ownership of less than 1%.
 (156) Includes 1,000 Class A-1, 1,500 Class A-2 and 1,500 Class A-3 shares and one Class B-3 share held in a trust over which Mr. Sohn exercises voting and investment power.

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Beneficial Owner	Shares of Common Stock						Shares of Class A Common Stock						
	Beneficially Owned Prior to This Offering						Shares of		Beneficially Owned After This				
	Class A			Class B3			Class A		Offering				
	# of Shares	Class	% of Class	# of Shares	Class	% of Class	# of Shares	Class	# of Shares	Class	% of Class	Aggregate # of Class A	
						Offered Hereby						# of Shares	% of Class
Scott M. Solovy		A	*		B-1	*	A		A	*	4,499	*	
	1,500	A-1	*		B-2	*	A-1	1,500	A-1	*			
	1,500	A-2	*	1	B-3	*	1,500	A-2	A-2	*			
	1,500	A-3	*		B-4	*	A-3	1,500	A-3	*			
	1,499	A-4	*				A-4	1,499	A-4	*			
John G. Sommesi		A	*		B-1	*	A		A	*	8,999	*	
	2,000	A-1	*	1	B-2	*	A-1	2,000	A-1	*			
	3,000	A-2	*		B-3	*	2,000	A-2	1,000	A-2	*		
	3,000	A-3	*		B-4	*	A-3	3,000	A-3	*			
	2,999	A-4	*				A-4	2,999	A-4	*			
Robert L. Sonshine		A	*		B-1	*	A		A	*	1,189	*	
	3,000	A-1	*		B-2	*	2,108	A-1	892	A-1	*		
	3,000	A-2	*		B-3	*	3,000	A-2	A-2	*			
	999	A-3	*		B-4	*	702	A-3	297	A-3	*		
		A-4	*				A-4		A-4	*			
Anthony L. Spalla		A	*		B-1	*	A		A	*	6,891	*	
	3,000	A-1	*	1	B-2	*	2,108	A-1	892	A-1	*		
	3,000	A-2	*		B-3	*	3,000	A-2	A-2	*			
	3,000	A-3	*		B-4	*	A-3	3,000	A-3	*			
	2,999	A-4	*				A-4	2,999	A-4	*			
Thomas A. Spratt		A	*		B-1	*	A		A	*	4,148	*	
	1,500	A-1	*		B-2	*	351	A-1	1,149	A-1	*		
	1,500	A-2	*	1	B-3	*	1,500	A-2	A-2	*			

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	1,500	A-3	*		B-4	*		A-3	1,500	A-3	*	
	1,499	A-4	*					A-4	1,499	A-4	*	
David M. Springer		A	*		B-1	*		A		A	*	2,999 *
		A-1	*		B-2	*		A-1		A-1	*	
	1,500	A-2	*	1	B-3	*	1,500	A-2		A-2	*	
	1,500	A-3	*		B-4	*		A-3	1,500	A-3	*	
	1,499	A-4	*					A-4	1,499	A-4	*	
Edward A. Springer		A	*		B-1	*		A		A	*	5,999 *
		A-1	*	1	B-2	*		A-1		A-1	*	
	2,000	A-2	*		B-3	*	2,000	A-2		A-2	*	
	3,000	A-3	*		B-4	*		A-3	3,000	A-3	*	
	2,999	A-4	*					A-4	2,999	A-4	*	
Linda M. Springer		A	*		B-1	*		A		A	*	6,009 *
		A-1	*	1	B-2	*		A-1		A-1	*	
	2,005	A-2	*		B-3	*	2,005	A-2		A-2	*	
	3,005	A-3	*		B-4	*		A-3	3,005	A-3	*	
	3,004	A-4	*					A-4	3,004	A-4	*	
Anthony J. Stavros		A	*		B-1	*		A		A	*	3,451 *
	1,503	A-1	*		B-2	*	1,055	A-1	448	A-1	*	
	1,503	A-2	*	1	B-3	*	1,503	A-2		A-2	*	
	1,502	A-3	*		B-4	*		A-3	1,502	A-3	*	
	1,501	A-4	*					A-4	1,501	A-4	*	

(continued on following page)

* Represents beneficial ownership of less than 1%.

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Beneficial Owner	Shares of Common Stock Beneficially Owned Prior to This Offering						Shares of Class A Common Stock Offered Hereby		Shares of Class A Common Stock Beneficially Owned After This Offering				
	Class A			Class B			# of Shares	Class	# of Shares	Class	% of Class	Aggregate # of Class A	
	# of Shares	Class	% of Class	# of Shares	Class	% of Class						# of Shares	% of Class
Russell W. Steger II		A	*		B-1	*		A		A	*	5,999	*
		A-1	*	1	B-2	*		A-1		A-1	*		
	3,000	A-2	*		B-3	*	3,000	A-2		A-2	*		
	3,000	A-3	*		B-4	*		A-3	3,000	A-3	*		
	2,999	A-4	*					A-4	2,999	A-4	*		
Kurt J. Steib		A	*		B-1	*		A		A	*	1,107	*
		A-1	*	1	B-2	*		A-1		A-1	*		
		A-2	*		B-3	*		A-2		A-2	*		
	723	A-3	*		B-4	*	508	A-3	215	A-3	*		
	2,999	A-4	*				2,107	A-4	892	A-4	*		
Jeremiah S. Steinberger(157)		A	*		B-1	*		A		A	*	3,400	*
	1,500	A-1	*		B-2	*		A-1	1,500	A-1	*		
	1,500	A-2	*	1	B-3	*	900	A-2	600	A-2	*		
	1,300	A-3	*		B-4	*		A-3	1,300	A-3	*		
		A-4	*					A-4		A-4	*		
Chris Stenger		A	*		B-1	*		A		A	*	16,497	*
	1,500	A-1	*		B-2	*		A-1	1,500	A-1	*		
	7,500	A-2	*	1	B-3	*	7,500	A-2		A-2	*		
	7,500	A-3	*		B-4	*		A-3	7,500	A-3	*		
	7,497	A-4	*					A-4	7,497	A-4	*		
Scott C. Stenn		A	*		B-1	*		A		A	*	3,799	*
	500	A-1	*		B-2	*		A-1	500	A-1	*		
	1,500	A-2	*	1	B-3	*	1,200	A-2	300	A-2	*		
	1,500	A-3	*		B-4	*		A-3	1,500	A-3	*		

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	1,499	A-4	*				A-4	1,499	A-4	*		
Ronald S. Stephani		A	*		B-1	*	A		A	*	4,506	*
	1,503	A-1	*		B-2	*	A-1	1,503	A-1	*		
	1,503	A-2	*	1	B-3	*	1,503	A-2	A-2	*		
	1,502	A-3	*		B-4	*	A-3	1,502	A-3	*		
	1,501	A-4	*				A-4	1,501	A-4	*		
Todd T. Stewart		A	*		B-1	*	A		A	*	2,148	*
	1,500	A-1	*		B-2	*	351	A-1	1,149	A-1	*	
	1,500	A-2	*	1	B-3	*	1,500	A-2	A-2	*		
	999	A-3	*		B-4	*	A-3	999	A-3	*		
		A-4	*				A-4		A-4	*		
Michael H. Stoltzner		A	*	1	B-1	*	A		A	*	4,016	*
	4,500	A-1	*		B-2	*	3,161	A-1	1,339	A-1	*	
	4,500	A-2	*		B-3	*	4,500	A-2	A-2	*		
	4,500	A-3	*		B-4	*	3,161	A-3	1,339	A-3	*	
	4,499	A-4	*				3,161	A-4	1,338	A-4	*	
Jeffrey K. Stran		A	*		B-1	*	A		A	*	8,999	*
	3,000	A-1	*	1	B-2	*	A-1	3,000	A-1	*		
	3,000	A-2	*		B-3	*	3,000	A-2	A-2	*		
	3,000	A-3	*		B-4	*	A-3	3,000	A-3	*		
	2,999	A-4	*				A-4	2,999	A-4	*		

(continued on following page)

* Represents beneficial ownership of less than 1%.

(157) Includes 1,500 Class A-1, 1,500 Class A-2 and 1,300 Class A-3 shares and one Class B-3 share held in a trust over which Mr. Steinberger exercises voting and investment power.

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Beneficial Owner	Shares of Common Stock Beneficially Owned Prior to This Offering						Shares of Class A Common Stock Beneficially Owned After This Offering						
	Class A			Class B			Shares of Class A Common Stock Offered Hereby		Aggregate # of Class A				
	# of Shares	Class	% of Class	# of Shares	Class	% of Class	# of Shares	Class	# of Shares	Class	% of Class	# of Shares	% of Class
Caryn R. Suder Trust(158)	340	A	*		B-1	*		A	340	A	*	9,339	*
	3,000	A-1	*	1	B-2	*		A-1	3,000	A-1	*		
	3,000	A-2	*		B-3	*	3,000	A-2		A-2	*		
	3,000	A-3	*		B-4	*		A-3	3,000	A-3	*		
	2,999	A-4	*					A-4	2,999	A-4	*		
Dennis C. Suder(159)		A	*	1	B-1	*		A		A	*	10,338	*
	4,500	A-1	*		B-2	*	3,161	A-1	1,339	A-1	*		
	4,500	A-2	*		B-3	*	4,500	A-2		A-2	*		
	4,500	A-3	*		B-4	*		A-3	4,500	A-3	*		
	4,499	A-4	*					A-4	4,499	A-4	*		
Amy R. Suder Trust(160)	210	A	*		B-1	*		A	210	A	*	7,101	*
	3,000	A-1	*	1	B-2	*	2,108	A-1	892	A-1	*		
	3,000	A-2	*		B-3	*	3,000	A-2		A-2	*		
	3,000	A-3	*		B-4	*		A-3	3,000	A-3	*		
	2,999	A-4	*					A-4	2,999	A-4	*		
Steven R. Sukenik(161)		A	*		B-1	*		A		A	*	7,600	*
	1,300	A-1	*	1	B-2	*		A-1	1,300	A-1	*		
	3,300	A-2	*		B-3	*	499	A-2	2,801	A-2	*		
	3,300	A-3	*	1	B-4	*		A-3	3,300	A-3	*		
	298	A-4	*					A-4	298	A-4	*		
Quentin R. Sullivan		A	*		B-1	*		A		A	*	8,999	*
	3,000	A-1	*	1	B-2	*		A-1	3,000	A-1	*		
	3,000	A-2	*		B-3	*	3,000	A-2		A-2	*		
	3,000	A-3	*		B-4	*		A-3	3,000	A-3	*		

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	2,999	A-4	*					A-4	2,999	A-4	*		
Michael G. Sundermeier		A	*	1	B-1	*		A		A	*	9,594	*
	2,000	A-1	*		B-2	*	1,405	A-1	595	A-1	*		
	4,500	A-2	*		B-3	*	4,500	A-2		A-2	*		
	4,500	A-3	*		B-4	*		A-3	4,500	A-3	*		
	4,499	A-4	*					A-4	4,499	A-4	*		
Mark R. Swainbank		A	*		B-1	*		A		A	*	892	*
	3,000	A-1	*	1	B-2	*	2,108	A-1	892	A-1	*		
		A-2	*		B-3	*		A-2		A-2	*		
		A-3	*		B-4	*		A-3		A-3	*		
		A-4	*					A-4		A-4	*		
Sydan & Co.		A	*		B-1	*		A		A	*	1,338	*
	1,500	A-1	*		B-2	*	1,054	A-1	446	A-1	*		
	1,500	A-2	*	1	B-3	*	1,500	A-2		A-2	*		
	1,500	A-3	*		B-4	*	1,054	A-3	446	A-3	*		
	1,499	A-4	*				1,053	A-4	446	A-4	*		

(continued on following page)

* Represents beneficial ownership of less than 1%.

(158) Includes 340 Class A shares, 3,000 Class A-1, 3,000 Class A-2, 3,000 Class A-3 and 2,999 Class A-4 shares and one Class B-2 share held in a trust over which Dennis C. Suder exercises voting and investment power.

(159) Includes 4,500 Class A-1, 4,500 Class A-2, 4,500 Class A-3 and 4,499 Class A-4 shares and one Class B-1 share held in a trust over which Mr. Suder exercises voting and investment power.

(160) Includes 210 Class A shares, 3,000 Class A-1, 3,000 Class A-2, 3,000 Class A-3 and 2,999 Class A-4 shares and one Class B-2 share held in a trust over which Dennis C. Suder exercises voting and investment power.

(161) Includes 1,275 Class A-1, 3,275 Class A-2, 3,275 Class A-3 and 274 Class A-4 shares and one Class B-2 share held in a trust over which Mr. Sukenik exercises voting and investment power.

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Beneficial Owner	Shares of Common Stock Beneficially Owned Prior to This Offering						Shares of		Shares of Class A Common Stock Beneficially Owned After This Offering				
	Class A			Class B			Class A Common Stock Offered Hereby		Aggregate # of Class A				
	# of Shares	Class	% of Class	# of Shares	Class	% of Class	# of Shares	Class	# of Shares	Class	% of Class	# of Shares	% of Class
Stephen M. Szarmack(162)		A	*		B-1	*		A		A	*	807	*
	150	A-1	*		B-2	*		A-1	150	A-1	*		
	150	A-2	*		B-3	*		A-2	150	A-2	*		
	258	A-3	*		B-4	*	76	A-3	182	A-3	*		
	600	A-4	*				275	A-4	325	A-4	*		
Frank J. and Angela M. Taddeo(163)		A	*		B-1	*		A		A	*	8,000	*
	2,000	A-1	*	1	B-2	*		A-1	2,000	A-1	*		
	3,000	A-2	*		B-3	*	2,999	A-2	1	A-2	*		
	3,000	A-3	*		B-4	*		A-3	3,000	A-3	*		
	2,999	A-4	*					A-4	2,999	A-4	*		
Marlene K. Tambourine		A	*		B-1	*		A		A	*	3,000	*
	300	A-1	*		B-2	*		A-1	300	A-1	*		
	1,500	A-2	*	1	B-3	*	599	A-2	901	A-2	*		
	1,500	A-3	*		B-4	*		A-3	1,500	A-3	*		
	299	A-4	*					A-4	299	A-4	*		
TD Options LLC		A	*		B-1	*		A		A	*	554	*
		A-1	*		B-2	*		A-1		A-1	*		
		A-2	*	1	B-3	*		A-2		A-2	*		
	362	A-3	*		B-4	*	254	A-3	108	A-3	*		
	1,499	A-4	*				1,053	A-4	446	A-4	*		
David M. Temkin		A	*		B-1	*		A		A	*	7,594	*
	3,000	A-1	*	1	B-2	*	1,405	A-1	1,595	A-1	*		
	3,000	A-2	*		B-3	*	3,000	A-2		A-2	*		
	3,000	A-3	*		B-4	*		A-3	3,000	A-3	*		

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	2,999	A-4	*				A-4	2,999	A-4	*			
Guy G. Tenuta		A	*		B-1	*	A		A	*	4,148	*	
	1,500	A-1	*		B-2	*	351	A-1	1,149	A-1	*		
	1,500	A-2	*	1	B-3	*	1,500	A-2		A-2	*		
	1,500	A-3	*		B-4	*		A-3	1,500	A-3	*		
	1,499	A-4	*					A-4	1,499	A-4	*		
Dennis S. Teven		A	*	1	B-1	*		A		A	*	10,338	*
	4,500	A-1	*		B-2	*	3,161	A-1	1,339	A-1	*		
	4,500	A-2	*		B-3	*	4,500	A-2		A-2	*		
	4,500	A-3	*		B-4	*		A-3	4,500	A-3	*		
	4,499	A-4	*					A-4	4,499	A-4	*		
Tewksbury Investment Fund Ltd.(164)		A	*	2	B-1	*		A		A	*	43,757	*
	10,525	A-1	*	1	B-2	*		A-1	10,525	A-1	*		
	10,525	A-2	*	2	B-3	*		A-2	10,525	A-2	*		
	11,610	A-3	*	1	B-4	*	762	A-3	10,848	A-3	*		
	15,019	A-4	*				3,160	A-4	11,859	A-4	*		

(continued on following page)

- * Represents beneficial ownership of less than 1%.
- (162) Mr. Szarmack's Class A-3 and Class A-4 totals include 108 Class A-3 and 450 Class A-4 shares which are subject to options that are exercisable within 60 days of October 27, 2003. Mr. Szarmack is currently Director, Associate General Counsel of CME.
- (163) Includes 2,000 Class A-1, 3,000 Class A-2, 3,000 Class A-3 and 2,999 Class A-4 shares and one Class B-2 share that Mr. Taddeo and Ms. Taddeo own as joint tenants.
- (164) Includes 9,025 Class A-1, 9,025 Class A-2, 9,025 Class A-3 and 9,021 Class A-4 shares and one Class B-1, one Class B-2, one Class B-3 and one Class B-4 share held by Rand Financial Services, Inc., a wholly owned subsidiary of Tewksbury Investment Fund Ltd.

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Beneficial Owner	Shares of Common Stock						Shares of Class A Common Stock Beneficially Owned After This Offering							
	Beneficially Owned Prior to This Offering						Shares of		Offering					
	Class A			Class B			Class A Common Stock Offered Hereby		Aggregate # of Class A					
	# of Shares	Class	% of Class	# of Shares	Class	% of Class	# of Shares	Class	# of Shares	Class	% of Class	# of Shares	% of Class	
Peter D. Theodore		A	*		B-1	*		A		A	*	4,499	*	
	1,500	A-1	*		B-2	*		A-1	1,500	A-1	*			
	1,500	A-2	*	1	B-3	*	1,500	A-2		A-2	*			
	1,500	A-3	*		B-4	*		A-3	1,500	A-3	*			
	1,499	A-4	*					A-4	1,499	A-4	*			
Thomas J. Tinerella Jr.		A	*		B-1	*		A		A	*	7,999	*	
	1,000	A-1	*	1	B-2	*		A-1	1,000	A-1	*			
	3,000	A-2	*		B-3	*	2,000	A-2	1,000	A-2	*			
	3,000	A-3	*		B-4	*		A-3	3,000	A-3	*			
	2,999	A-4	*					A-4	2,999	A-4	*			
Robert Toyama		A	*		B-1	*		A		A	*	1,594	*	
		A-1	*		B-2	*		A-1		A-1	*			
		A-2	*	1	B-3	*		A-2		A-2	*			
	1,500	A-3	*		B-4	*	1,054	A-3	446	A-3	*			
	1,499	A-4	*				351	A-4	1,148	A-4	*			
Trinity Venture Partners, L.L.C.(165)		A	*		B-1	*		A		A	*	4,460	*	
	3,000	A-1	*		B-2	*	2,108	A-1	892	A-1	*			
	6,000	A-2	*		B-3	*	6,000	A-2		A-2	*			
	5,999	A-3	*		B-4	*	4,215	A-3	1,784	A-3	*			
	5,999	A-4	*				4,215	A-4	1,784	A-4	*			
Charles Troxel, Jr.(166)		A	*		B-1	*		A		A	*	3,276	*	
	1,500	A-1	*		B-2	*	1,054	A-1	446	A-1	*			
	1,500	A-2	*		B-3	*	1,500	A-2		A-2	*			
	2,765	A-3	*		B-4	*	1,943	A-3	822	A-3	*			

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	6,750	A-4	*			4,742	A-4	2,008	A-4	*		
Richard S. Turim(167)		A	*		B-1	*	A		A	*	4,499	*
	1,500	A-1	*		B-2	*	A-1	1,500	A-1	*		
	1,500	A-2	*	1	B-3	*	1,500	A-2	A-2	*		
	1,500	A-3	*		B-4	*	A-3	1,500	A-3	*		
	1,499	A-4	*				A-4	1,499	A-4	*		
Stuart A. Unger		A	*		B-1	*	A		A	*	7,594	*
	3,000	A-1	*	1	B-2	*	1,405	A-1	1,595	A-1	*	
	3,000	A-2	*		B-3	*	3,000	A-2	A-2	*		
	3,000	A-3	*		B-4	*	A-3	3,000	A-3	*		
	2,999	A-4	*				A-4	2,999	A-4	*		
Jayne A. Valio(168)		A	*		B-1	*	A		A	*	3,445	*
	1,500	A-1	*		B-2	*	1,054	A-1	446	A-1	*	
	1,500	A-2	*	1	B-3	*	1,500	A-2	A-2	*		
	1,500	A-3	*		B-4	*	A-3	1,500	A-3	*		
	1,499	A-4	*				A-4	1,499	A-4	*		

(continued on following page)

* Represents beneficial ownership of less than 1%.

(165) Chris McNulty, a member manager of Trinity Venture Partners LLC is the brother of James J. McNulty, President, Chief Executive Officer and member of the board of directors of CME and CME Holdings.

(166) Mr. Troxel's Class A-3 and Class A-4 totals include 1,265 Class A-3 and 5,250 Class A-4 shares which are subject to options that are exercisable within 60 days of October 27, 2003. Mr. Troxel is currently Chief Technology Officer of CME.

(167) Includes 1,500 Class A-1, 1,500 Class A-2, 1,500 Class A-3 and 1,499 Class A-4 shares and one Class B-3 share held in a trust over which Mr. Turim exercises voting and investment power.

(168) Includes 1,500 Class A-1, 1,500 Class A-2, 1,500 Class A-3 and 1,499 Class A-4 shares and one Class B-3 share over which Ms. Valio shares beneficial ownership and has voting and investment power.

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Beneficial Owner	Shares of Common Stock						Shares of		Shares of Class A Common Stock				
	Beneficially Owned Prior to This Offering						Class A		Beneficially Owned After This				
	Class A			Class B			Common Stock Offered Hereby		Offering				
	# of Shares	Class	% of Class	# of Shares	Class	% of Class	# of Shares	Class	# of Shares	Class	% of Class	# of Shares	% of Class
Deborah Van Bell(169)		A	*		B-1	*		A		A	*	123	*
	50	A-1	*		B-2	*	35	A-1	15	A-1	*		
	50	A-2	*		B-3	*	50	A-2		A-2	*		
	101	A-3	*		B-4	*	71	A-3	30	A-3	*		
	263	A-4	*				185	A-4	78	A-4	*		
Rudolph Van Der Laan		A	*		B-1	*		A		A	*	6,891	*
	3,000	A-1	*	1	B-2	*	2,108	A-1	892	A-1	*		
	3,000	A-2	*		B-3	*	3,000	A-2		A-2	*		
	3,000	A-3	*		B-4	*		A-3	3,000	A-3	*		
	2,999	A-4	*					A-4	2,999	A-4	*		
Anthony J. Vecchio(170)		A	*	1	B-1	*		A		A	*	2,214	*
		A-1	*		B-2	*		A-1		A-1	*		
		A-2	*	1	B-3	*		A-2		A-2	*		
	1,446	A-3	*		B-4	*	1,016	A-3	430	A-3	*		
	5,998	A-4	*				4,214	A-4	1,784	A-4	*		
Theresa P. Vecchio(171)		A	*	1	B-1	*		A		A	*	1,670	*
		A-1	*		B-2	*		A-1		A-1	*		
		A-2	*		B-3	*		A-2		A-2	*		
	1,091	A-3	*	1	B-4	*	766	A-3	325	A-3	*		
	4,523	A-4	*				3,178	A-4	1,345	A-4	*		
James C. Vecchio(172)		A	*		B-1	*		A		A	*	1,661	*
		A-1	*		B-2	*		A-1		A-1	*		
		A-2	*		B-3	*		A-2		A-2	*		

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	1,085	A-3	*		B-4	*	762	A-3	323	A-3	*		
	4,499	A-4	*				3,161	A-4	1,338	A-4	*		
Robert S. Venit		A	*		B-1	*		A		A	*	15,097	*
	4,525	A-1	*	1	B-2	*		A-1	4,525	A-1	*		
	4,525	A-2	*	1	B-3	*	3,000	A-2	1,525	A-2	*		
	4,525	A-3	*	1	B-4	*		A-3	4,525	A-3	*		
	4,522	A-4	*					A-4	4,522	A-4	*		
Jeffrey M. Verbeke		A	*		B-1	*		A		A	*	3,445	*
	1,500	A-1	*		B-2	*	1,054	A-1	446	A-1	*		
	1,500	A-2	*	1	B-3	*	1,500	A-2		A-2	*		
	1,500	A-3	*		B-4	*		A-3	1,500	A-3	*		
	1,499	A-4	*					A-4	1,499	A-4	*		
Gregory J. Veselica		A	*		B-1	*		A		A	*	8,100	*
		A-1	*		B-2	*		A-1		A-1	*		
	4,050	A-2	*		B-3	*	4,050	A-2		A-2	*		
	4,050	A-3	*		B-4	*		A-3	4,050	A-3	*		
	4,050	A-4	*					A-4	4,050	A-4	*		

(continued on following page)

- * Represents beneficial ownership of less than 1%.
- (169) Ms. Van Bell's totals include shares which are subject to options that are exercisable within 60 days of October 27, 2003. Ms. Van Bell previously served as Director, Marketing and Branding of CME from October 1998 until October 2003.
- (170) Includes 1,085 Class A-3 and 4,499 Class A-4 shares and one Class B-1 share held in a trust over which Mr. Vecchio exercises voting and investment power.
- (171) Includes 1,091 Class A-3 and 4,523 Class A-4 shares and one Class B-1 and one Class B-4 share held in a trust over which Ms. Vecchio exercises voting and investment power.
- (172) Includes 1,085 Class A-3 and 4,499 Class A-4 shares held in a trust over which Mr. Vecchio exercises voting and investment power.

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Beneficial Owner	Shares of Common Stock						Shares of		Shares of Class A Common Stock				
	Beneficially Owned Prior to This Offering						Class A		Beneficially Owned After This Offering				
	Class A			Class B			Common Stock Offered Hereby					Aggregate # of Class A	
	# of Shares	Class	% of Class	# of Shares	Class	% of Class	# of Shares	Class	# of Shares	Class	% of Class	# of Shares	% of Class
Brett Alan Vietmeier(173)		A	*		B-1	*		A		A	*	102	*
	113	A-1	*		B-2	*	79	A-1	34	A-1	*		
	113	A-2	*		B-3	*	113	A-2		A-2	*		
	113	A-3	*		B-4	*	79	A-3	34	A-3	*		
	113	A-4	*				79	A-4	34	A-4	*		
Steven R. Villwock		A	*	1	B-1	*		A		A	*	20,000	*
	6,025	A-1	*		B-2	*		A-1	6,025	A-1	*		
	6,025	A-2	*	1	B-3	*	4,097	A-2	1,928	A-2	*		
	6,025	A-3	*	1	B-4	*		A-3	6,025	A-3	*		
	6,022	A-4	*					A-4	6,022	A-4	*		
John H. Waldock(174)		A	*	1	B-1	*		A		A	*	7,338	*
		A-1	*		B-2	*		A-1		A-1	*		
	1,500	A-2	*	1	B-3	*	1,500	A-2		A-2	*		
	7,500	A-3	*		B-4	*	2,108	A-3	5,392	A-3	*		
	3,000	A-4	*				1,054	A-4	1,946	A-4	*		
Waldock Investment Company		A	*	1	B-1	*		A		A	*	18,072	*
	6,025	A-1	*		B-2	*		A-1	6,025	A-1	*		
	6,025	A-2	*	1	B-3	*	6,025	A-2		A-2	*		
	6,025	A-3	*	1	B-4	*		A-3	6,025	A-3	*		
	6,022	A-4	*					A-4	6,022	A-4	*		
Scott M. Wallach		A	*		B-1	*		A		A	*	4,151	*
	1,503	A-1	*		B-2	*	355	A-1	1,148	A-1	*		
	1,503	A-2	*	1	B-3	*	1,503	A-2		A-2	*		

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	1,502	A-3	*		B-4	*		A-3	1,502	A-3	*		
	1,501	A-4	*					A-4	1,501	A-4	*		
Kevin R. Walsh		A	*		B-1	*		A		A	*	4,799	*
	1,500	A-1	*		B-2	*		A-1	1,500	A-1	*		
	1,500	A-2	*	1	B-3	*	1,200	A-2	300	A-2	*		
	1,500	A-3	*		B-4	*		A-3	1,500	A-3	*		
	1,499	A-4	*					A-4	1,499	A-4	*		
Michael J. Walsh	1,190	A	*		B-1	*		A	1,190	A	*	10,204	*
	3,005	A-1	*	1	B-2	*		A-1	3,005	A-1	*		
	3,005	A-2	*		B-3	*	3,005	A-2		A-2	*		
	3,005	A-3	*		B-4	*		A-3	3,005	A-3	*		
	3,004	A-4	*					A-4	3,004	A-4	*		
Barry D. Ward		A	*		B-1	*		A		A	*	9,999	*
	3,000	A-1	*	1	B-2	*		A-1	3,000	A-1	*		
	3,000	A-2	*		B-3	*	2,000	A-2	1,000	A-2	*		
	3,000	A-3	*		B-4	*		A-3	3,000	A-3	*		
	2,999	A-4	*					A-4	2,999	A-4	*		

(continued on following page)

- * Represents beneficial ownership of less than 1%.
- (173) Mr. Vietmeier's totals include shares which are subject to options that are exercisable within 60 days of October 27, 2003. Mr. Vietmeier is currently Associate Director, Equity Index Products of CME.
- (174) Includes 1,500 Class A-2, 7,500 Class A-3 and 3,000 Class A-4 shares and one Class B-1 and one Class B-3 share held in a trust over which Mr. Waldock exercises voting and investment power.

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Beneficial Owner	Shares of Common Stock						Shares of		Shares of Class A Common Stock				
	Beneficially Owned Prior to This Offering						Class A		Beneficially Owned After This				
	Class A		Class B				Common Stock Offered Hereby		Offering				
	# of Shares	Class	% of Class	# of Shares	Class	% of Class	# of Shares	Class	# of Shares	Class	% of Class	# of Shares	% of Class
Patrick E. Ward		A	*		B-1	*		A		A	*	6,903	*
	3,005	A-1	*	1	B-2	*	2,111	A-1	894	A-1	*		
	3,005	A-2	*		B-3	*	3,005	A-2		A-2	*		
	3,005	A-3	*		B-4	*		A-3	3,005	A-3	*		
	3,004	A-4	*					A-4	3,004	A-4	*		
Daniel L. Weber(175)		A	*		B-1	*		A		A	*	6,891	*
	3,000	A-1	*	1	B-2	*	2,108	A-1	892	A-1	*		
	3,000	A-2	*		B-3	*	3,000	A-2		A-2	*		
	3,000	A-3	*		B-4	*		A-3	3,000	A-3	*		
	2,999	A-4	*					A-4	2,999	A-4	*		
Patrick J. Weber(176)		A	*		B-1	*		A		A	*	2,000	*
	1,500	A-1	*		B-2	*		A-1	1,500	A-1	*		
	1,000	A-2	*	1	B-3	*	500	A-2	500	A-2	*		
		A-3	*		B-4	*		A-3		A-3	*		
		A-4	*					A-4		A-4	*		
Gary S. Weber-Wagner(177)		A	*	2	B-1	*		A		A	*	32,485	*
	12,000	A-1	*		B-2	*	3,513	A-1	8,487	A-1	*		
	12,000	A-2	*		B-3	*	11,999	A-2	1	A-2	*		
	12,000	A-3	*		B-4	*		A-3	12,000	A-3	*		
	11,997	A-4	*					A-4	11,997	A-4	*		
Donald J. Weil		A	*		B-1	*		A		A	*	10,799	*
	3,000	A-1	*	1	B-2	*		A-1	3,000	A-1	*		
	3,000	A-2	*		B-3	*	200	A-2	2,800	A-2	*		

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	3,000	A-3	*		B-4	*		A-3	3,000	A-3	*		
	1,999	A-4	*					A-4	1,999	A-4	*		
Mark E. Weil		A	*		B-1	*		A		A	*	3,445	*
	1,500	A-1	*		B-2	*	1,054	A-1	446	A-1	*		
	1,500	A-2	*	1	B-3	*	1,500	A-2		A-2	*		
	1,500	A-3	*		B-4	*		A-3	1,500	A-3	*		
	1,499	A-4	*					A-4	1,499	A-4	*		
Ronald A. Weissenhofer		A	*		B-1	*		A		A	*	8,999	*
	3,000	A-1	*	1	B-2	*		A-1	3,000	A-1	*		
	3,000	A-2	*		B-3	*	3,000	A-2		A-2	*		
	3,000	A-3	*		B-4	*		A-3	3,000	A-3	*		
	2,999	A-4	*					A-4	2,999	A-4	*		
Kenneth E. Weitzman		A	*		B-1	*		A		A	*	11,039	*
	4,500	A-1	*	1	B-2	*	2,459	A-1	2,041	A-1	*		
	4,500	A-2	*	1	B-3	*	4,500	A-2		A-2	*		
	4,500	A-3	*		B-4	*		A-3	4,500	A-3	*		
	4,498	A-4	*					A-4	4,498	A-4	*		

(continued on following page)

- * Represents beneficial ownership of less than 1%.
- (175) Includes 3,000 Class A-1, 3,000 Class A-2, 3,000 Class A-3 and 2,999 Class A-4 shares and one Class B-2 share held in a trust over which Mr. Weber exercises voting and investment power.
- (176) Includes 1,500 Class A-1 and 1,000 Class A-2 shares and one Class B-3 share held in a trust over which Mr. Weber exercises voting and investment power.
- (177) Includes 12,000 Class A-1, 12,000 Class A-2, 12,000 Class A-3 and 11,997 Class A-4 shares and two Class B-1 shares over which Mr. Weber-Wagner shares beneficial ownership and has voting and investment power.

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Beneficial Owner	Shares of Common Stock Beneficially Owned Prior to This Offering						Shares of Class A Common Stock Offered Hereby		Shares of Class A Common Stock Beneficially Owned After This Offering				
	Class A			Class B			# of Shares	Class	Aggregate # of Class A				
	# of Shares	% of Class	# of Shares	% of Class	# of Shares	% of Class			# of Shares	% of Class	# of Shares	% of Class	
Wellington Capital Markets LLC.		A	*	B-1	*		A		A	*	1,338	*	
	1,500	A-1	*	B-2	*	1,054	A-1	446	A-1	*			
	1,500	A-2	*	1	B-3	*	1,500	A-2		A-2	*		
	1,500	A-3	*		B-4	*	1,054	A-3	446	A-3	*		
	1,499	A-4	*				1,053	A-4	446	A-4	*		
James A. White Jr.		A	*	B-1	*		A		A	*	446	*	
	1,500	A-1	*	B-2	*	1,054	A-1	446	A-1	*			
	1,000	A-2	*	B-3	*	1,000	A-2		A-2	*			
		A-3	*	B-4	*		A-3		A-3	*			
		A-4	*				A-4		A-4	*			
Wiggy, Inc.	250	A	*	B-1	*		A	250	A	*	10,250	*	
	3,000	A-1	*	1	B-2	*		A-1	3,000	A-1	*		
	3,000	A-2	*		B-3	*	1,999	A-2	1,001	A-2	*		
	3,000	A-3	*		B-4	*		A-3	3,000	A-3	*		
	2,999	A-4	*					A-4	2,999	A-4	*		
Stuart Roger Wilk(178)		A	*	1	B-1	*		A		A	*	9,093	*
	1,500	A-1	*		B-2	*	1,054	A-1	446	A-1	*		
	6,000	A-2	*	1	B-3	*	6,000	A-2		A-2	*		
	6,000	A-3	*		B-4	*	351	A-3	5,649	A-3	*		
	2,998	A-4	*					A-4	2,998	A-4	*		
John Williams(179)		A	*	B-1	*		A		A	*	42	*	
		A-1	*	B-2	*		A-1		A-1	*			
		A-2	*	B-3	*		A-2		A-2	*			

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	27	A-3	*	B-4	*	19	A-3	8	A-3	*		
	113	A-4	*			79	A-4	34	A-4	*		
Eric S. Wolff(180)		A	*	B-1	*		A		A	*	15,250	*
		A-1	*	B-2	*		A-1		A-1	*		
	6,750	A-2	*	B-3	*	5,000	A-2	1,750	A-2	*		
	6,750	A-3	*	B-4	*		A-3	6,750	A-3	*		
	6,750	A-4	*				A-4	6,750	A-4	*		
Steven E. Wollack		A	*	B-1	*		A		A	*	6,297	*
	3,000	A-1	*	B-2	*		A-1	3,000	A-1	*		
	3,000	A-2	*	2 B-3	*	3,000	A-2		A-2	*		
	3,000	A-3	*	B-4	*		A-3	3,000	A-3	*		
	1,000	A-4	*			703	A-4	297	A-4	*		
Gerald M. Woods		A	*	B-1	*		A		A	*	3,451	*
	1,503	A-1	*	B-2	*	1,055	A-1	448	A-1	*		
	1,503	A-2	*	1 B-3	*	1,503	A-2		A-2	*		
	1,502	A-3	*	B-4	*		A-3	1,502	A-3	*		
	1,501	A-4	*				A-4	1,501	A-4	*		

(continued on following page)

- * Represents beneficial ownership of less than 1%.
- (178) Includes 1,500 Class A-1, 6,000 Class A-2, 6,000 Class A-3 and 2,998 Class A-4 shares and one Class B-1 and one Class B-3 share held in a trust over which Mr. Wilk exercises voting and investment power.
- (179) Mr. Williams' s totals include shares which are subject to options that are exercisable within 60 days of October 27, 2003. Mr. Williams is currently Associate Director, Compensation of CME.
- (180) Mr. Wolff' s Class A-2, Class A-3 and Class A-4 totals include 5,250 Class A-2, 5,250 Class A-3 and 5,250 Class A-4 shares which are subject to options that are exercisable within 60 days of October 27, 2003. Mr. Wolff is currently Managing Director, Regulatory Affairs of CME.

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Beneficial Owner	Shares of Common Stock						Shares of Class A Common Stock Beneficially Owned After This Offering						
	Beneficially Owned Prior to This Offering						Shares of						
	Class A			Class B			Class A Common Stock Offered Hereby		Aggregate # of Class A				
	# of Shares	Class	% of Class	# of Shares	Class	% of Class	# of Shares	Class	# of Shares	Class	% of Class	# of Shares	% of Class
Laurence B. Woznicki		A	*	1	B-1	*		A		A	*	1,290	*
	3,398	A-1	*		B-2	*	2,108	A-1	1,290	A-1	*		
		A-2	*		B-3	*		A-2		A-2	*		
		A-3	*		B-4	*		A-3		A-3	*		
		A-4	*					A-4		A-4	*		
George W. Wright(181)		A	*		B-1	*		A		A	*	42	*
		A-1	*		B-2	*		A-1		A-1	*		
		A-2	*		B-3	*		A-2		A-2	*		
	27	A-3	*		B-4	*	19	A-3	8	A-3	*		
	113	A-4	*				79	A-4	34	A-4	*		
Tae S. Yoo(182)		A	*		B-1	*		A		A	*	42	*
		A-1	*		B-2	*		A-1		A-1	*		
		A-2	*		B-3	*		A-2		A-2	*		
	27	A-3	*		B-4	*	19	A-3	8	A-3	*		
	113	A-4	*				79	A-4	34	A-4	*		
Brian M. Young		A	*		B-1	*		A		A	*	4,148	*
	1,500	A-1	*		B-2	*	351	A-1	1,149	A-1	*		
	1,500	A-2	*	1	B-3	*	1,500	A-2		A-2	*		
	1,500	A-3	*		B-4	*		A-3	1,500	A-3	*		
	1,499	A-4	*					A-4	1,499	A-4	*		
Douglas A. Young		A	*		B-1	*		A		A	*	4,499	*
	1,500	A-1	*		B-2	*		A-1	1,500	A-1	*		
	1,500	A-2	*	1	B-3	*	1,500	A-2		A-2	*		

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	1,500	A-3	*		B-4	*		A-3	1,500	A-3	*		
	1,499	A-4	*					A-4	1,499	A-4	*		
Herbert P. Young(183)		A	*		B-1	*		A		A	*	8,296	*
	3,000	A-1	*	1	B-2	*	703	A-1	2,297	A-1	*		
	3,000	A-2	*		B-3	*	3,000	A-2		A-2	*		
	3,000	A-3	*		B-4	*		A-3	3,000	A-3	*		
	2,999	A-4	*					A-4	2,999	A-4	*		
Mark N. Zanke(184)		A	*		B-1	*		A		A	*	4,499	*
	1,500	A-1	*		B-2	*		A-1	1,500	A-1	*		
	1,500	A-2	*	1	B-3	*	1,500	A-2		A-2	*		
	1,500	A-3	*		B-4	*		A-3	1,500	A-3	*		
	1,499	A-4	*					A-4	1,499	A-4	*		

(continued on following page)

* Represents beneficial ownership of less than 1%.

(181) Mr. Wright's totals include shares which are subject to options that are exercisable within 60 days of October 27, 2003. Mr. Wright is currently Associate Director, Advanced Technology Group of CME.

(182) Mr. Yoo's totals include shares which are subject to options that are exercisable within 60 days of October 27, 2003. Mr. Yoo is currently a Senior Risk Management Analyst of CME.

(183) Includes 3,000 Class A-1, 3,000 Class A-2, 3,000 Class A-3 and 2,999 Class A-4 shares and one Class B-2 share held in a trust over which Mr. Young exercises voting and investment power.

(184) Includes 1,500 Class A-1, 1,500 Class A-2, 1,500 Class A-3 and 1,499 Class A-4 shares and one Class B-3 share held in a trust over which Mr. Zanke exercises voting and investment power.

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Beneficial Owner	Shares of Common Stock Beneficially Owned Prior to This Offering						Shares of Class A Common Stock Offered Hereby	Shares of Class A Common Stock Beneficially Owned After This Offering					
	Class A			Class B				Aggregate # of Class A					
	# of Shares	Class	% of Class	# of Shares	Class	% of Class		# of Shares	Class	% of Class	# of Shares	Class	% of Class
Ira Zeidman(185)		A	*	1	B-1	*		A		A	*	36,095	*
	12,025	A-1	*	2	B-2	*		A-1	12,025	A-1	*		
	12,025	A-2	*	1	B-3	*	12,000	A-2	25	A-2	*		
	12,025	A-3	*	1	B-4	*		A-3	12,025	A-3	*		
	12,020	A-4	*					A-4	12,020	A-4	*		
Michael D. Zeidman(186)		A	*	1	B-1	*		A		A	*	15,999	*
	4,500	A-1	*		B-2	*		A-1	4,500	A-1	*		
	4,500	A-2	*		B-3	*	2,000	A-2	2,500	A-2	*		
	4,500	A-3	*		B-4	*		A-3	4,500	A-3	*		
	4,499	A-4	*					A-4	4,499	A-4	*		
Paul A. Zemel		A	*		B-1	*		A		A	*	4,999	*
	1,500	A-1	*		B-2	*		A-1	1,500	A-1	*		
	1,500	A-2	*	1	B-3	*	1,000	A-2	500	A-2	*		
	1,500	A-3	*		B-4	*		A-3	1,500	A-3	*		
	1,499	A-4	*					A-4	1,499	A-4	*		
Gary E. Zerfoss(187)		A	*		B-1	*		A		A	*	10,499	*
	3,000	A-1	*	1	B-2	*		A-1	3,000	A-1	*		
	3,000	A-2	*		B-3	*	1,500	A-2	1,500	A-2	*		
	3,000	A-3	*		B-4	*		A-3	3,000	A-3	*		
	2,999	A-4	*					A-4	2,999	A-4	*		
Ernest M. Zilinski		A	*		B-1	*		A		A	*	4,499	*
	1,500	A-1	*		B-2	*		A-1	1,500	A-1	*		
	1,500	A-2	*	1	B-3	*	1,500	A-2		A-2	*		
	1,500	A-3	*		B-4	*		A-3	1,500	A-3	*		

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	1,499	A-4	*				A-4	1,499	A-4	*		
Evan B. Zimmerman(188)		A	*		B-1	*	A		A	*	4,945	*
		A-1	*	1	B-2	*	A-1		A-1	*		
	1,500	A-2	*		B-3	*	1,500	A-2	A-2	*		
	3,000	A-3	*		B-4	*	1,054	A-3	1,946	A-3	*	
	2,999	A-4	*				A-4	2,999	A-4	*		
John J. Zirgaitis		A	*		B-1	*	A	2,297	A	*	8,296	*
	3,000	A-1	*	1	B-2	*	703	A-1	A-1	*		
	3,000	A-2	*		B-3	*	3,000	A-2	3,000	A-2	*	
	3,000	A-3	*		B-4	*		A-3	2,999	A-3	*	
	2,999	A-4	*					A-4	A-4	*		
Michael J. Zueck		A	*		B-1	*	A		A	*	4,249	*
	500	A-1	*		B-2	*	A-1	500	A-1	*		
	1,500	A-2	*	1	B-3	*	750	A-2	750	A-2	*	
	1,500	A-3	*		B-4	*		A-3	1,500	A-3	*	
	1,499	A-4	*					A-4	1,499	A-4	*	

(continued on following page)

* Represents beneficial ownership of less than 1%.

(185) Includes 12,025 Class A-1, 12,025 Class A-2, 12,025 Class A-3 and 12,020 Class A-4 shares and one Class B-1, two Class B-2, one Class B-3 and one Class B-4 share held in a trust over which Mr. Zeidman exercises voting and investment power.

(186) Includes 4,500 Class A-1, 4,500 Class A-2, 4,500 Class A-3 and 4,499 Class A-4 shares and one Class B-1 share held in a trust over which Mr. Zeidman exercises voting and investment power.

(187) Includes 3,000 Class A-1, 3,000 Class A-2, 3,000 Class A-3 and 2,999 Class A-4 shares and one Class B-2 share held in a trust over which Mr. Zerfoss exercises voting and investment power.

(188) Includes 1,500 Class A-2, 3,000 Class A-3 and 2,999 Class A-4 shares and one Class B-2 share held in a trust over which Mr. Zimmerman exercises voting and investment power.

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Beneficial Owner	Shares of Common Stock Beneficially Owned Prior to This Offering						Shares of Class A Common Stock Beneficially Owned After This Offering						
	Class A			Class B			Shares of Class A Common Stock Offered Hereby			Aggregate # of Class A			
	# of Shares	Class	% of Class	# of Shares	Class	% of Class	# of Shares	Class	% of Class	# of Shares	Class	% of Class	
Morton Zwick		A	*	2	B-1	*		A		A	*	31,997	*
	6,500	A-1	*		B-2	*		A-1	6,500	A-1	*		
	10,500	A-2	*	1	B-3	*	6,000	A-2	4,500	A-2	*		
	10,500	A-3	*		B-4	*		A-3	10,500	A-3	*		
	10,497	A-4	*					A-4	10,497	A-4	*		
Selling Shareholders as a group (549 persons)	7,099	A	*	150	B-1	24.00%		A	7,099	A	*	5,933,812	17.20%
	1,751,796	A-1	26.36%	176	B-2	21.65	293,314	A-1	1,458,482	A-1	22.96%		
	2,100,780	A-2	29.34	274	B-3	21.29	1,328,575	A-2	772,205	A-2	13.24		
	2,118,527	A-3	29.75	46	B-4	11.14	203,944	A-3	1,914,583	A-3	27.68		
	2,013,160	A-4	29.27				231,618	A-4	1,781,542	A-4	26.80		

* Represents beneficial ownership of less than 1%.

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DESCRIPTION OF CAPITAL STOCK

Our authorized capital structure consists of

100,000,000 authorized shares of Class A common stock;

9,500,000 authorized shares of Class A-1 common stock;

9,500,000 authorized shares of Class A-2 common stock;

9,500,000 authorized shares of Class A-3 common stock;

9,500,000 authorized shares of Class A-4 common stock;

625 authorized shares of Class B-1 common stock;

813 authorized shares of Class B-2 common stock;

1,287 authorized shares of Class B-3 common stock;

413 authorized shares of Class B-4 common stock; and

10,000,000 authorized shares of preferred stock, including 140,000 authorized shares of Series A Junior Participating Preferred Stock.

Upon the closing of this offering, there will be 8,741,816 shares of Class A, 5,970,212 shares of Class A-1, 5,463,272 shares of Class A-2, 6,493,174 shares of Class A-3, 6,220,554 shares of Class A-4, 625 shares of Class B-1, 813 shares of Class B-2, 1,287 shares of Class B-3 and 413 shares of Class B-4 common stock issued and outstanding. The amount of shares outstanding upon completion of this offering is based on the number of shares outstanding at October 27, 2003 and assumes no exercise of the underwriters' over-allotment option and no exercise of outstanding options other than the exercise of stock options on 77,814 shares of Class A common stock in connection with this offering. We have no shares of our preferred stock issued and outstanding, nor will any shares of our preferred stock be issued and outstanding upon the closing of this offering.

Common Stock

With the exception of the matters reserved to holders of our Class B common stock, holders of common stock vote together on all matters for which a vote of common shareholders is required. In these votes, each holder of shares of our Class A or Class B common stock has one vote per

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share. Matters reserved to the holders of our Class B common stock, votes applicable to each class of Class B common stock in these matters and certain voting restrictions on holders of our Class B common stock are described below under Additional Provisions of Class B Common Stock.

Holders of our common stock are entitled to receive proportionately such dividends, if any, as may be declared by our board of directors, subject to any preferential dividend rights of outstanding preferred stock. Holders of our common stock have no conversion, preemptive or subscription rights. All outstanding shares of our common stock are, and the shares of our Class A common stock to be sold in this offering when issued and paid for will be, validly issued, fully paid and nonassessable. In the event of any liquidation, dissolution or winding-up of our affairs, and subject to the rights of any outstanding series of our preferred stock, holders of our Class A and Class B common stock are entitled to receive a distribution of the remaining assets on a pro rata basis.

Preferred Stock

We are authorized to issue up to 10 million shares of preferred stock. Our certificate of incorporation authorizes our board to issue these shares in one or more series; to establish from time to time the number of shares to be included in each series; and to fix the rights, preferences and privileges of the shares of each wholly unissued series and any of its qualifications, limitations or restrictions. Our board may increase or decrease the

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number of shares of any series, but not below the number of shares of that series then outstanding, without any further vote or action by our shareholders. Our board may authorize the issuance of preferred stock with voting or conversion rights that could adversely affect the voting power or other rights of the holders of our common stock. We currently have no plans to issue any shares of preferred stock other than pursuant to the rights plan described below.

Additional Provisions of Class B Common Stock

Our authorized shares of Class B common stock are divided into four classes, with the following characteristics:

Class	Maximum Number of Shares	Associated Exchange Membership	Number of Directors Class Can Elect	Number of Votes
				Per Shares on Core Rights
B-1	625	Chicago Mercantile Exchange (CME) Division	3	6
B-2	813	International Monetary Market (IMM) Division	2	2
B-3	1,287	Index and Option Market (IOM) Division	1	1
B-4	413	Growth and Emerging Markets (GEM) Division	0	1/6

Associated Exchange Membership. Each series of CME Class B common stock was issued in conjunction with a membership in a specific division of the exchange. CME's rules provide exchange members with access to the trading floor of the exchange and the GLOBEX platform for the contracts assigned to that membership and the ability to use or lease their trading privileges. In CME's demutualization, shares of Class B common stock were issued to members of the exchange in order to provide those members with representation on CME's board of directors and provide for an orderly transition to a for-profit company. Membership interests are maintained at CME and are not part of or evidenced by the Class B common stock of CME Holdings. The Class B common stock of CME Holdings is intended only to ensure that the former Class B shareholders of CME retain board representation rights and approval rights with respect to Core Rights described below.

Commitment to Open Outcry. Our certificate of incorporation includes a commitment to maintain open outcry floor trading on our exchange for a particular traded product as long as the open outcry market is liquid. The commitment requires us to maintain a facility for conducting business, for disseminating price information, for clearing and delivery and to provide reasonable financial support for technology, marketing and research for open outcry markets. An open outcry market will be deemed liquid for these purposes if it meets any of the following tests on a quarterly basis:

if a comparable product is traded on an exchange other than ours, our open outcry market has maintained at least 30% of the average daily volume of the comparable product (including, for calculation purposes, volume from EFPs in the open outcry market);

if a comparable product is traded on an exchange other than ours, and our product trades exclusively by open outcry, our open outcry market has maintained at least 30% of the open interest, or the daily total of positions outstanding, of the comparable product;

if no comparable product is traded on an exchange other than ours, our open outcry market has maintained at least 40% of the average quarterly volume in that market in 1999 (including, for calculation purposes, volume from EFPs in the open outcry market); or

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if no comparable product is traded on an exchange other than ours and our product trades exclusively by open outcry, our open outcry market has maintained at least 40% of the average open interest in that market in 1999.

If a market is deemed illiquid as a result of a failure to meet any of the foregoing tests, our board will determine whether or not that market will be closed.

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Voting on Core Rights. Holders of shares of our Class B common stock have the right to approve changes to specified rights relating to the trading privileges associated with those shares. These Core Rights consist of:

the allocation of products which a membership class is permitted to trade on our exchange facilities;

the trading floor access rights and privileges which a member has;

the number of memberships in each membership class and the number of authorized and issued shares of Class B common stock associated with that class; and

the eligibility requirements to exercise trading rights or privileges.

Votes on changes to Core Rights are weighted by class. Each class of Class B common stock has the following number of votes on matters relating to Core Rights: Class B-1, six votes per share; Class B-2, two votes per share; Class B-3, one vote per share, and Class B-4, 1/6th of one vote per share. The approval of a majority of the votes cast by the holders of shares of Class B common stock is required in order to approve any changes to Core Rights. Holders of shares of Class A common stock do not have the right to vote on changes to Core Rights.

Under Delaware law, changes to the number of authorized shares of a class also require the approval of the holders of a majority of the outstanding shares of that class. Otherwise, changes may be effected upon the approval of a majority of the votes cast by the holders of shares of our Class B common stock. This means that, because of our weighted voting mechanism, a change to Core Rights may be effected by the approval of the holders of the Class B-1 shares, even though the holders of the other classes voted against the change.

Election of Directors. Our certificate of incorporation provides for a board composed of 20 members. Holders of Class B-1, Class B-2 and Class B-3 common stock have the right to elect six directors to our board, of which three are elected by Class B-1 shareholders, two are elected by Class B-2 shareholders and one is elected by Class B-3 shareholders. The remaining 14 directors are elected by the holders of the Class A and Class B common stock, voting together as a class. The nominating committee, composed of members of our board of directors, nominates the slate of candidates to be elected by the holders of the Class A and Class B common stock, voting together. This committee is responsible for assessing the qualifications of candidates, as well as ensuring that any regulatory requirements for the composition of our board are met. The holders of the Class B-1, Class B-2 and Class B-3 common stock have the right to elect members of nominating committees for their respective class, which are responsible for nominating candidates for election by their class. Each committee is responsible for assessing the qualifications of candidates to serve as directors to be elected by that class. Our certificate of incorporation requires that director candidates for election by a class of Class B common stock own, or be recognized under our rules as a permitted transferee of, at least one share of that class.

Voting Restrictions. Our certificate of incorporation provides that, with respect to any election of directors or Core Rights, any person or group that beneficially owns 15% or more of any class of Class B common stock may, for so long as such person or group owns such percentage, vote only the number of shares of that class of Class B common stock for which it owns an equivalent percentage of Class A common stock.

Transfer Restrictions

Class A Common Stock

Currently issued and outstanding shares of our Class A common stock have been issued in five classes: Class A, Class A-1, Class A-2, Class A-3 and Class A-4. Each class is identical, except that the shares of Class A-1, A-2, A-3 and A-4 common stock are subject to significant transfer restrictions contained in our certificate of incorporation and the Class A common stock are not subject to any transfer restriction. The timing of the expiration of the transfer restrictions is set forth below. Until these transfer restrictions lapse, shares of Class A-1, A-2, A-3 and A-4 common stock may not be sold or transferred separately from a share of Class B common

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stock, subject to limited exceptions specified in our certificate of incorporation. There are no restrictions on the shares of Class A common stock being sold in this offering. Transfers include sales, pledges and other transfers of ownership.

The transfer restriction periods expire:

December 7, 2003 in the case of Class A-2 common stock; and

June 4, 2004 in the case of Class A-1, Class A-3 and Class A-4 common stock.

Subject to our right to engage in the guided selling process and the related provisions described below, when the restriction period applicable to a class of shares expires, the class of shares will automatically convert into unrestricted Class A common stock. See the section of this prospectus entitled "Shares Eligible for Future Sale" below for limitations on sales by affiliates under the securities laws. Because, in connection with this offering, we elected to guide the sale process relating to the expiration of transfer restrictions on the Class A-2 shares, no shares of Class A-2 common stock may be transferred, other than in a guided sale or permitted transfer, until at least February 5, 2004, or later if we complete this offering. Holders of restricted Class A common stock are also able to transfer their shares prior to such expiration and conversion in connection with a permitted transfer.

Permitted transfers include:

conversion transfers, which have the effect of allowing the shares transferred to convert into shares of unrestricted Class A common stock; and

non-conversion transfers, which have the effect of retaining the transfer restrictions for the shares transferred.

In conversion transfers, shares of restricted Class A common stock, regardless of whether they represent Class A-1, Class A-2, Class A-3 or Class A-4 common stock, will be converted into shares of unrestricted Class A common stock. Conversion transfers include:

transfers to us;

shares sold in a guided sale process or in our IPO;

transfers to satisfy exchange claims or under exchange rules; and

transfers approved as conversion transfers by our board of directors.

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In non-conversion transfers, shares of restricted Class A common stock, regardless of whether they represent Class A-1, Class A-2, Class A-3 or Class A-4 common stock, will not convert into shares of unrestricted Class A common stock, and the transferred shares will remain subject to the transfer restrictions. Non-conversion transfers include:

transfers in connection with a transfer of a share of Class B common stock;

transfers to and among family members of a holder and entities (including trusts, partnerships and limited liability companies) established for estate planning or education purposes for the holder or the holder's immediate family;

bona fide pledges to a commercial bank, a savings and loan institution or any other lending or financial institution as security for indebtedness of the holder incurred to acquire a membership interest in our exchange;

pledges as collateral to clearing firms; and

transfers approved as non-conversion transfers by the board of directors of CME Holdings.

The number of shares of restricted Class A common stock that may be transferred with an associated share of Class B common stock in a permitted transfer is limited to the amounts set forth below, with respect to each class of restricted Class A common stock.

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Class B Share	Number of Class A Shares That May Be Transferred By Class			
	Class A-1	Class A-2	Class A-3	Class A-4
Class B-1	4,500	4,500	4,500	4,499
Class B-2	3,000	3,000	3,000	2,999
Class B-3	1,500	1,500	1,500	1,499
Class B-4	25	25	25	24

Guided Selling Process

Our certificate of incorporation grants us the right to guide secondary sales of Class A-1 and Class A-2 common stock when the transfer restriction period applicable to that class is scheduled to expire. The purpose of this right is to promote a more orderly distribution of our Class A shares into the market, taking into account current market conditions and the desire of existing holders to sell. In June 2003, we completed such a guided sale process with respect to our Class A-1 shares. This offering is being made pursuant to our right to guide the sale of shares in connection with the release of transfer restrictions on our Class A-2 shares.

In connection with this offering, holders of restricted shares had the right to request that all or a portion of their shares of Class A-2 common stock plus any other shares which remain subject to transfer restrictions be included in the guided sale process. The actual number of shares that holders of restricted shares may sell in this guided sale will depend on market conditions, investor demand and the requirements of our underwriters and may be fewer than the aggregate number requested by shareholders to be included in the sale. In that event, there will be a reduction in the number of shares that individual holders may sell based on a "cut-back" formula to be adopted by our board. In the event of a "cut back," priority will be given to shares of Class A-2 common stock. Except as described below, if a holder of restricted shares elects not to include all of his or her shares of Class A-2 common stock in the related guided sale process, the Class A-2 shares that he or she does not elect to include will remain subject to transfer restrictions and may not be transferred, other than in a permitted transfer (as described above), until the expiration of the final transfer restriction period.

If we sell less than all of the shares of Class A-2 common stock that a holder requested be sold in the guided sale process, that holder will be able to sell, on the 61st day after the expiration of the transfer restriction period applicable to Class A-2 shares, those shares that were not sold. In addition, on such date, any shares of Class A-1 common stock that remain subject to the transfer restrictions because a shareholder elected not to include them in a Class A-1 guided sale process will become freely transferable.

Class B Common Stock

Shares of Class B common stock are also subject to transfer restrictions contained in our certificate of incorporation. These transfer restrictions prohibit the sale or transfer of any shares of our Class B common stock separate from the sale of the associated membership interest in our exchange. No membership in our exchange may be sold unless the purchaser also acquires the associated share of Class B common stock.

Indemnification of Directors and Executive Officers and Limitation of Liability

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Section 145 of the Delaware General Corporation Law authorizes a corporation's board of directors to grant indemnity to directors and officers in terms sufficiently broad to permit such indemnification under certain circumstances for liabilities, including reimbursement for expenses incurred, arising under the Securities Act.

As permitted by Delaware law, our certificate of incorporation includes a provision that eliminates the personal liability of our directors for monetary damages for breach of fiduciary duty as a director, except for liability (1) for any breach of the director's duty of loyalty to us or our shareholders; (2) for acts or omissions not in good faith or that involve intentional misconduct or a knowing violation of law; (3) under Section 174 of the Delaware General Corporation Law regarding unlawful dividends and stock purchases; or (4) for any transaction from which the director derived an improper personal benefit.

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As permitted by Delaware law, our certificate of incorporation and our bylaws provide that (1) we are permitted to indemnify our directors, officers and other employees to the fullest extent permitted by Delaware law; (2) we are permitted to advance expenses, as incurred, to our directors, officers and other employees in connection with defending a legal proceeding if we have received an undertaking by the person receiving such advance to repay all amounts advanced if it should be determined that he or she is not entitled to be indemnified by us; and (3) the rights conferred in the certificate of incorporation are not exclusive.

Other Certificate of Incorporation and Bylaw Provisions

Our certificate of incorporation and bylaws include a number of anti-takeover provisions that may have the effect of encouraging persons considering unsolicited tender offers or other unilateral takeover proposals to negotiate with our board of directors rather than pursue non-negotiated takeover attempts. These provisions include:

Classified Board of Directors; Removal for Cause; Filling Vacancies. Our certificate of incorporation provides for a board of directors divided into two classes, with one class to be elected each year to serve for a two-year term. The terms of the classes of directors will terminate on the date of the annual meetings of shareholders in April 2004 and 2005. As a result, two annual meetings of shareholders could be required for the shareholders to change a majority of the board. Directors elected by Class A and Class B shareholders may be removed for cause only by the affirmative vote of the holders of not less than two-thirds of the outstanding votes entitled to vote in the election of the director to be removed. Vacancies resulting from that removal or for any other reason shall be filled by the board of directors, but any Class B vacancies must be filled from the candidates who ran in the previous election for the directorship with the candidates being selected to fill the vacancy in the order of the aggregate number of votes received in the previous election. The classification of directors and the inability of shareholders to remove directors without cause and to fill vacancies on the board will make it more difficult to change the composition of the board, but will promote a continuity of existing management.

Advance Notice Requirements. Our bylaws establish advance notice procedures with regard to shareholder proposals relating to the nomination of candidates for election as directors or new business to be brought before meetings of shareholders. These procedures provide that notice of shareholder proposals must be timely and given in writing to the Secretary of our company prior to the meeting at which the action is to be taken. Generally, to be timely, notice must be received at our principal executive offices not fewer than 90 days nor more than 120 days prior to the meeting. The notice must contain the information required by the bylaws, including information regarding the proposal and the proponent.

Special Meetings of Shareholders. Our certificate of incorporation and bylaws deny shareholders the right to call a special meeting of shareholders. Our certificate of incorporation and bylaws provide that only the chairman of our board or a majority of the board of directors may call special meetings of the shareholders.

No Written Consent of Shareholders. Our certificate of incorporation requires all shareholder actions to be taken by a vote of the shareholders at an annual or special meeting, and does not permit the shareholders to act by written consent, without a meeting.

Amendment of Bylaws and Certificate of Incorporation. Our certificate of incorporation generally requires the approval of not less than two-thirds of the voting power of all outstanding shares of common stock entitled to vote to amend any bylaws by shareholder action or the certificate of incorporation provisions described in this section. Only our Class B shareholders may amend provisions of our certificate of incorporation relating to the Core Rights described above.

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Rights Plan Provisions. Our certificate of incorporation authorizes our board of directors to create and issue rights entitling our shareholders to purchase shares of our stock or other securities.

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Those rights might be used to affect the ability of a third party to initiate a transaction designed to take over our company. Our board has adopted a plan creating these rights.

From and after the effective date of the merger consummated to effect our reorganization, one right attached to each share of our common stock issued in the merger and, except in certain circumstances, will attach to each share issued after the merger. Each right entitles the registered holder to purchase from us a unit consisting of one one-thousandth of a share of Series A Junior Participating Preferred Stock, par value \$.01 per share, at a purchase price of \$105 per unit, subject to adjustment. The description and terms of the rights are set forth in the rights agreement, dated November 30, 2001, between us and Computershare Investor Services, LLC, a national banking association, as rights agent.

Initially, the rights attached to all our outstanding shares of common stock, and no separate rights certificates were distributed. The rights will separate from our common stock upon the earlier of (i) 10 days following a public announcement that a person or group of affiliated or associated persons, referred to as an acquiring person, has acquired, or obtained the right to acquire, beneficial ownership of 15% or more of the outstanding shares of either (a) our common stock or (b) our Class A common stock (this date is referred to as the stock acquisition date) or (ii) 10 business days following the commencement of a tender offer or exchange offer for our common stock that would result in a person or group becoming an acquiring person (the earlier of (i) and (ii) is referred to as the distribution date). Until the distribution date, (i) the rights will be evidenced by shares of our common stock and will be transferred with and only with our shares of common stock, (ii) shares of our common stock issued in the merger or new shares issued after the effective date of the merger will contain a notation incorporating the rights agreement by reference and (iii) the surrender for transfer of any of our outstanding shares of common stock will also constitute the transfer of the rights associated with the common stock.

The rights are not exercisable until the distribution date and will expire at the close of business on December 3, 2011 unless earlier redeemed or exchanged by us as described below. At no time will the rights have any voting power.

As soon as practicable after the distribution date, our rights agent will adjust the book-entry accounts of each holder of record of the common stock as of the close of business on the distribution date and, thereafter, the rights will be independently evidenced. Except as otherwise determined by the board of directors, only shares of common stock outstanding prior to the distribution date will be issued with rights.

In the event that a person becomes an acquiring person (unless such acquisition is made pursuant to a tender or exchange offer for all of our outstanding shares, at a price and on terms determined by a majority of the independent directors who are not representatives, nominees, affiliates or associates of an acquiring person, with advice from one or more investment banking firms, determined to be fair to and otherwise in the best interests of our company and our shareholders, which is referred to as a qualifying offer), each holder of a right will thereafter have the right to receive, upon exercise, Class A common stock (or, in certain circumstances, cash, property or other securities of our company), having a value equal to two times the exercise price of the right. The exercise price is the purchase price times the number of shares of Class A common stock associated with each right (initially, one). Notwithstanding this, following the occurrence of any of the events set forth in this paragraph, referred to as the flip-in events, all rights that are, or (under certain circumstances specified in the rights agreement) were, beneficially owned by any acquiring person will be null and void. However, rights are not exercisable following the occurrence of any of the flip-in events set forth above until such time as the rights are no longer redeemable by us as set forth below.

In the event that following the stock acquisition date, (i) we engage in a merger or business combination transaction in which we are not the surviving corporation, (ii) we engage in a merger or business combination transaction in which we are the surviving corporation and our common stock is changed or exchanged, or (iii) 50% or more of our assets or earning power is sold or transferred ((i),

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(ii) and (iii) are referred to as flip-over events), each holder of a right (except rights which have previously been voided as described above) shall thereafter have the right to receive, upon exercise of the right, Class A common stock of the acquiring company having a value equal to two times the exercise price of the right. A flip-over event will not be deemed to have occurred if the transaction is consummated pursuant to a qualifying offer, the price offered in the transaction is not less than that paid in the tender or exchange offer and the type of consideration paid in the transaction is the same as in the tender or exchange offer.

The purchase price payable, and the number of units of preferred stock or other securities or property issuable upon exercise of the rights are subject to adjustment from time to time to prevent dilution (i) in the event of a stock dividend on, or a subdivision, combination or reclassification of, the preferred stock, (ii) if holders of the preferred stock are granted certain rights or warrants to subscribe for preferred stock or convertible securities at less than the current market price of the preferred stock, or (iii) upon the distribution to holders of the preferred stock of evidences of indebtedness or assets (excluding regular quarterly cash dividends) or of subscription rights or warrants (other than those referred to above).

With certain exceptions, no adjustments in the purchase price will be required until cumulative adjustments amount to at least 1% of the purchase price. No fractional units will be issued and, in lieu thereof, an adjustment in cash will be made based on the market price of the preferred stock on the last trading date prior to the date of exercise.

At any time until 10 days following the stock acquisition date, we may redeem the rights in whole, but not in part, at a price of \$.01 per right. Immediately upon the action of the board of directors ordering redemption of the rights, the rights will terminate and the only right of the holders of rights will be to receive the \$.01 redemption price.

Until a right is exercised, the holder thereof, as such, will have no rights as a shareholder of our company, including, without limitation, the right to vote or to receive dividends. While the distribution of the rights will not be taxable to shareholders or to us, shareholders may, depending upon the circumstances, recognize taxable income in the event that the rights become exercisable for Class A common stock (or other consideration) of our company as set forth above.

Any of the provisions of the rights agreement may be amended by our board of directors prior to the distribution date. After the distribution date, the provisions of the rights agreement may be amended by the board of directors in order to cure any ambiguity, to correct or supplement any defective or inconsistent provision, to make changes which do not adversely affect the interests of holders of rights (excluding the interest of any acquiring person), or to shorten or lengthen any time period under the rights agreement; provided, however, among other things, that no amendment to adjust the time period governing redemption may be made when the rights are not redeemable.

The rights have certain anti-takeover effects. The rights will cause substantial dilution to a person or group that attempts to acquire our company in certain circumstances. Accordingly, the existence of the rights may deter certain acquirors from making takeover proposals or tender offers. However, the rights are not intended to prevent a takeover, but rather are designed to enhance the ability of the board of directors to negotiate with a potential acquiror on behalf of all of the shareholders.

Delaware Takeover Statute

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We are subject to Section 203 of the Delaware General Corporation Law. Subject to exceptions set forth in that section, Section 203 prohibits a Delaware corporation from engaging in any business combination with any interested shareholder for a period of three years following the time that such shareholder became an interested shareholder, unless:

prior to such time, the board of directors of the corporation approved either the business combination or the transaction that resulted in the shareholder becoming an interested shareholder;

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upon consummation of the transaction that resulted in the shareholder becoming an interested shareholder, the interested shareholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced, excluding for purposes of determining the number of shares outstanding those shares owned (x) by persons who are directors and also officers and (y) by employee stock plans in which employee participants do not have the right to determine confidentially whether shares held subject to the plan will be tendered in a tender or exchange offer; or

at or subsequent to such time, the business combination is approved by the board of directors and authorized at an annual or special meeting of shareholders, and not by written consent, by the affirmative vote of at least 66^{2/3}% of the outstanding voting stock that is not owned by the interested shareholder.

Section 203 defines a business combination to include generally:

any merger or consolidation involving the corporation and the interested shareholder;

any sale, transfer, pledge or other disposition of 10% or more of the assets of the corporation involving the interested shareholder;

any transaction that results in the issuance or transfer by the corporation of any stock of the corporation to the interested shareholder except upon the exercise, exchange or conversion of securities exercisable for, exchangeable for or convertible into stock of such composition, upon a merger of a parent and a subsidiary, or upon an exchange offer by the corporation to purchase stock made on the same terms to all holders of said stock;

any transaction involving the corporation that has the effect of increasing the proportionate share of the stock of any class or series of the corporation beneficially owned by the interested shareholder; or

the receipt by the interested shareholder of the benefit of any loans, advances, guarantees, pledges or other financial benefits provided by or through the corporation.

In general, Section 203 defines an interested shareholder as any entity or person beneficially owning 15% or more of the outstanding voting stock of the corporation and any entity or person affiliated with or controlling or controlled by such entity or person.

Transfer Agent

The Transfer Agent and Registrar for our Class A common stock is Computershare Investor Services, LLC.

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SHARES ELIGIBLE FOR FUTURE SALE

Future sales of substantial amounts of our Class A common stock, including shares issued upon exercise of outstanding options, in the public market after this offering could adversely affect market prices prevailing from time to time and could impair our ability to raise capital through the sale of our equity securities.

Upon completion of this offering, we will have outstanding 32,889,035 shares of Class A common stock, consisting of 8,741,816 shares of Class A common stock, 5,970,212 shares of Class A-1 common stock, 5,463,272 shares of Class A-2 common stock, 6,493,174 shares of Class A-3 common stock and 6,220,554 shares of Class A-4 common stock. The amount of shares outstanding upon completion of this offering is based on the number of shares outstanding at October 27, 2003 and assumes no exercise of the underwriters' over-allotment option and no exercise of outstanding options other than the exercise of stock options on 77,814 shares of Class A common stock in connection with this offering. All of the shares sold in this offering will be freely tradable without restriction under the Securities Act unless purchased by one of our affiliates as that term is defined in Rule 144 under the Securities Act, which generally includes directors, officers or 10% shareholders.

Our currently issued and outstanding shares of 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. Subject to limited exceptions, the transfer restrictions will be released on June 4, 2004 if all Class A-2 shares offered in this offering are sold. For a more detailed discussion of these transfer restrictions, see the section of this prospectus entitled "Description of Capital Stock."

We and our directors and officers have agreed not to offer or sell any shares of our Class A common stock, subject to exceptions, for a period of 90 days after the date of this prospectus, without the prior written consent of the representatives of the underwriters. For more information relating to these restrictions, please see the section of this prospectus entitled "Underwriters."

Rule 144

In general, under Rule 144 as currently in effect, a person, or persons whose shares are aggregated, who has beneficially owned restricted shares for at least one year, including the holding period of any prior owner except an affiliate, would be entitled to sell within any three-month period a number of shares that does not exceed the greater of:

1% of the number of shares of common stock then outstanding, which will equal approximately 328,890 shares immediately after this offering; or

the average weekly trading volume of the common stock during the four calendar weeks preceding the filing of a Form 144 with respect to the sale.

Sales under Rule 144 also are subject to manner of sale provisions and notice requirements and to the availability of current public information about us. Under Rule 144(k), a person who is not deemed to have been our affiliate at any time during the three months preceding a sale and who has beneficially owned the shares proposed to be sold for at least two years, including the holding period of any prior owner except an affiliate, is entitled to sell those shares without complying with the manner of sale, public information, volume limitation and notice provisions of Rule 144.

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MATERIAL U.S. FEDERAL TAX CONSEQUENCES TO NON-U.S. SHAREHOLDERS

The following is a general summary of some United States federal income and estate tax consequences expected to result under current law from the purchase, ownership and taxable disposition of shares of our Class A common stock by a Non-U.S. Shareholder, which for the purpose of this discussion is a person or entity who is not

an individual who is a citizen or resident of the United States;

a corporation or partnership created or organized under the laws of the United States or any state or political subdivision thereof;

an estate, the income of which is subject to United States federal income taxation regardless of its source; or

a trust that (i) is subject to the primary supervision of a United States court and which has one or more United States fiduciaries who have the authority to control all substantial decisions of the trust, or (ii) has a valid election in effect under applicable United States Treasury regulations to be treated as a United States person.

This summary does not address all of the United States federal income tax and estate tax considerations that may be relevant to a Non-U.S. Shareholder in light of its particular circumstances or to Non-U.S. Shareholders, such as expatriates, that may be subject to special treatment under United States federal income tax laws. Furthermore, this summary does not discuss any aspects of state, local or foreign taxation. This summary is based on current provisions of the Internal Revenue Code of 1986, as amended, Treasury regulations, judicial opinions, published positions of the Internal Revenue Service and other applicable authorities, all of which are subject to change, possibly with retroactive effect. Each prospective purchaser of our Class A common stock is advised to consult its tax adviser with respect to the tax consequences of acquiring, holding and disposing of our Class A common stock.

Dividends

If we pay a dividend, any dividend paid to a Non-U.S. Shareholder of our Class A common stock generally will be subject to withholding of United States federal income tax at a 30% rate (or such lower rate as may be specified by an applicable income tax treaty) unless the dividend is effectively connected with the conduct of a trade or business of the Non-U.S. Shareholder within the United States, in which case the dividend will be taxed at normal United States federal income tax rates. If the Non-U.S. Shareholder is a corporation, such effectively connected income may also be subject to an additional branch profits tax.

Sale or Disposition of Common Stock

Under current law, a Non-U.S. Shareholder generally will not be subject to United States federal income tax on any gain realized upon the sale or other disposition of our Class A common stock unless (i) such gain is effectively connected with a United States trade or business of the Non-U.S. Shareholder or (ii) the Non-U.S. Shareholder is an individual who holds our Class A common stock as a capital asset and who is present in the United States for a period or periods aggregating 183 days or more during the calendar year in which such sale or disposition occurs and certain other conditions are met. In addition, if we are or have been a United States real property holding corporation for United

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States federal income tax purposes, a Non-U.S. Shareholder who is otherwise not subject to United States federal income tax on gain realized on a sale or other disposition of our Class A common stock would not be subject to such taxation, but only if our common stock continues to be regularly traded on an established securities market for United States federal income tax purposes and such Non-U.S. Shareholder does not own, directly or indirectly, at any time during the five-year

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period ending on the date of disposition or such shorter period the shares were held, more than 5% of the outstanding shares of our Class A common stock. We do not believe that we are or will become a United States real property holding corporation for United States federal income tax purposes.

Backup Withholding and Information Reporting

Generally, dividends paid to Non-U.S. Shareholders that are subject to the 30% federal income tax withholding described above under Dividends are not subject to backup withholding. We must report annually to the Internal Revenue Service and to each Non-U.S. Shareholder the amount of dividends paid to such shareholder and the amount, if any, of tax withheld with respect to such dividends. This information may also be made available to the tax authorities in the Non-U.S. Shareholder's country of residence.

The payment of the proceeds of the sale or other taxable disposition of our Class A common stock to or through the United States office of a broker is subject to information reporting and backup withholding unless the Non-U.S. Shareholder properly certifies its non-United States status under penalties of perjury or otherwise establishes an exemption. Generally, a Non-U.S. Shareholder will provide such certification on Internal Revenue Service Form W-8BEN. Information reporting requirements, but not backup withholding, will also generally apply to payments of the proceeds of a sale of our Class A common stock by foreign offices of United States brokers or foreign brokers with certain types of relationships to the United States unless the Non-U.S. Shareholder establishes an exemption.

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules from payments made to a shareholder may be refunded or credited against such shareholder's United States federal income tax liability, if any, provided that the required information is furnished to the Internal Revenue Service.

Estate Tax

An individual Non-U.S. Shareholder who owns shares of our Class A common stock at the time of his death or who made certain lifetime transfers of an interest in our Class A common stock will be required to include the value of such Class A common stock in his gross estate for United States federal estate tax purposes, unless an applicable estate tax treaty provides otherwise.

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UNDERWRITERS

Under the terms and subject to the conditions contained in an underwriting agreement dated the date of this prospectus, the underwriters named below, for whom Morgan Stanley & Co. Incorporated, UBS Securities LLC, Goldman, Sachs & Co., William Blair & Company, L.L.C., Citigroup Global Markets Inc. and J.P. Morgan Securities Inc. are acting as representatives, have severally agreed to purchase, and the selling shareholders have agreed to sell to them severally, the number of shares of our Class A common stock indicated below:

<u>Name</u>	<u>Number of Shares</u>
Morgan Stanley & Co. Incorporated	
UBS Securities LLC	
Goldman, Sachs & Co.	
William Blair & Company, L.L.C.	
Citigroup Global Markets Inc.	
J.P. Morgan Securities Inc.	
Total	2,057,451

The underwriters are offering the shares of Class A common stock subject to their acceptance of the shares from the selling shareholders and subject to prior sale. The underwriting agreement provides that the obligations of the several underwriters to pay for and accept delivery of the shares of our Class A common stock offered by this prospectus are subject to the approval of legal matters by their counsel and to some other conditions. The underwriters are obligated to take and pay for all of the shares of our Class A common stock offered by this prospectus, if any such shares are taken. However, the underwriters are not required to take or pay for the shares covered by the underwriters' over-allotment option described below.

The underwriters propose initially to offer part of the shares of Class A common stock directly to the public at the public offering price listed on the cover page of this prospectus and part to securities dealers at a price that represents a concession not in excess of \$ _____ a share under the public offering price. After the initial offering of the shares of our Class A common stock, the offering price and other selling terms may from time to time be varied by the representatives.

The selling shareholders have granted to the underwriters an option, exercisable for 30 days from the date of this prospectus, to purchase up to an aggregate of 308,618 additional shares of our Class A common stock at the public offering price listed on the cover page of this prospectus, less underwriting discounts and commissions. The underwriters may exercise this option solely for the purpose of covering over-allotments, if any, made in connection with the offering of the shares of our Class A common stock offered by this prospectus. To the extent the option is exercised, each underwriter will become obligated, subject to limited conditions, to purchase about the same percentage of the additional shares of our Class A common stock as the number listed opposite the underwriter's name in the preceding table bears to the total number of shares of our Class A common stock listed opposite the names of all underwriters in the preceding table. If the underwriters' option is exercised in full, the total price to the public would be \$ _____, the total underwriters' discounts and commissions would be \$ _____ and the total proceeds to the selling shareholders would be \$ _____.

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The following table shows the per share and total underwriting discounts and commissions to be paid by the selling shareholders assuming no exercise and full exercise of the over-allotment option.

Underwriting discounts and commissions to be paid by the selling shareholders	No Exercise	Full Exercise
Per share	\$	\$
Total	\$	\$

We and our directors and officers have agreed, subject to certain exceptions, that, without the prior written consent of the representatives, we and they will not, during the period ending 90 days after the date of this prospectus:

offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend, or otherwise transfer or dispose of, directly or indirectly, our Class A common stock or any security convertible into or exercisable or exchangeable for our Class A common stock or

enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Class A common stock, whether any such transaction described above is to be settled by delivery of Class A common stock or such other securities, in cash or otherwise.

The restrictions described in the previous paragraph do not apply to:

the issuance of options under our stock option plans;

the issuance of shares in connection with any acquisitions, mergers or strategic investments that we enter into, subject to the requirement that parties receiving shares in such transactions agree to be bound by the same restrictions as those set forth in the previous paragraph for the remainder of the 90-day period; or

the issuance by us of shares of common stock upon the exercise of an option or a warrant or the conversion of a security outstanding on the date of this prospectus of which the underwriters have been advised in writing.

Our Class A common stock is listed on the New York Stock Exchange under the trading symbol CME.

In order to facilitate the offering of our Class A common stock, the underwriters may engage in transactions that stabilize, maintain or otherwise affect the price of our Class A common stock. Specifically, the underwriters may sell more shares than they are obligated to purchase under the underwriting agreement, creating a short position in our Class A common stock for their own account. A short sale is covered if the short position is no greater than the number of shares available for purchase by the underwriters under the over-allotment option. The underwriters can close out a covered short sale by exercising the over-allotment option or purchasing shares in the open market. In determining the source of shares to close out a covered short sale, the underwriters will consider, among other things, the open market price of shares compared to the price available under the over-allotment option. The underwriters may also sell shares in excess of the over-allotment option, creating a naked short position. The underwriters must close out any naked short position by purchasing shares in the open market. A naked short position is more

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likely to be created if the underwriters are convinced that there may be downward pressure on the price of our Class A common stock in the open market after pricing that could adversely affect investors who purchase in the offering. In addition, in order to cover any over-allotments or to stabilize the price of our Class A common stock, the underwriters may bid for, and purchase, shares of our Class A common stock in the open market. Finally, the underwriting syndicate may reclaim selling concessions allowed to an underwriter or a dealer for distributing our Class A common stock in this offering, if the syndicate repurchases previously distributed shares of our Class A common stock to cover syndicate short positions, in stabilization

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transactions or otherwise. Any of these activities may stabilize or maintain the market price of our Class A common stock above independent market levels. The underwriters are not required to engage in these activities and may end any of these activities at any time.

From time to time, some of the underwriters and their affiliates have provided, and may continue to provide, investment banking and general financing and banking services to us and our affiliates, including advice in connection with our demutualization and rights plan, for which they have in the past received, and may in the future receive, customary fees. In addition, each of Morgan Stanley & Co. Incorporated, UBS Securities LLC, Citigroup Global Markets Inc., J.P. Morgan Securities Inc. and William Blair & Company, L.L.C. acted as an underwriter for our initial public offering in December 2002 and guided sale process in June 2003 with respect to the termination of the transfer restrictions applicable to our Class A-1 shares. Some of the underwriters or their affiliates also own memberships on our exchange and, as part of their exchange membership, own shares of our Class A and Class B common stock in amounts that do not exceed, individually, 5% of the outstanding shares of such common stock.

We, the selling shareholders and the underwriters have agreed to indemnify each other against certain liabilities, including liabilities under the Securities Act.

LEGAL MATTERS

The validity of the shares of our Class A common stock offered by this prospectus will be passed upon for us by Skadden, Arps, Slate, Meagher & Flom (Illinois), Chicago, Illinois, and for the underwriters by Cleary, Gottlieb, Steen & Hamilton, New York, New York.

EXPERTS

The consolidated financial statements of CME Holdings and subsidiaries at December 31, 2002 and 2001, and for each of the three years in the period ended December 31, 2002 appearing in the Annual Report on Form 10-K for the year ended December 31, 2002, which are included and incorporated by reference in this Prospectus and Registration Statement, have been audited by Ernst & Young LLP, independent auditors, as set forth in their report thereon appearing elsewhere and incorporated by reference herein, and are included and incorporated by reference herein in reliance upon such report given on the authority of such firm as experts in accounting and auditing.

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WHERE YOU CAN FIND ADDITIONAL INFORMATION

We have filed with the SEC a registration statement under the Securities Act for the shares of our Class A common stock being offered by this prospectus. This prospectus, which is part of the registration statement, does not contain all of the information included in the registration statement and the exhibits thereto. For further information about us and the Class A common stock offered by this prospectus, you should refer to the registration statement and its exhibits. References in this prospectus to any of our contracts or other documents are not necessarily complete, and you should refer in each instance to the copy of the contract or other document filed or incorporated by reference as an exhibit to the registration statement. Prior to our reorganization, CME filed reports and other information with the SEC. You may read and copy the registration statement, the related exhibits, reports and other information that we and CME have filed or will file with the SEC at the SEC's public reference room located at 450 Fifth Street, N.W., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the operation of the public reference rooms. The SEC also maintains an Internet site that contains reports, proxy and information statements and other information regarding issuers that file with the SEC. That site is www.sec.gov. Reports, proxy and information statements and other information about us may also be inspected at the New York Stock Exchange at 20 Broad Street, New York, New York 10005.

DOCUMENTS INCORPORATED BY REFERENCE

This prospectus is part of a registration statement that we filed with the SEC. The SEC allows us to incorporate by reference the information that we file with the SEC. This means that we can disclose important information to you by referring you to other documents that we identify as part of this prospectus. The information incorporated by reference is considered to be part of this prospectus. We incorporate by reference the documents listed below filed by us with the SEC:

Our Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2003;

Our Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2003;

Our Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 2003;

Our Annual Report on Form 10-K for the fiscal year ended December 31, 2002, including portions of our 2002 Annual Report to Shareholders and our definitive Proxy Statement for the 2003 Annual Meeting of Shareholders incorporated therein by reference; and

The description of our Rights Agreement and Series A Junior Participating Preferred Stock contained in our Registration Statement on Form 8-A filed on December 4, 2001.

We also incorporate by reference any future filings we make with the SEC pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934 (1) after the date of the filing of this registration statement and before its effectiveness and (2) until all of the securities to which this prospectus relates are sold or the offering is otherwise terminated. Our subsequent filings with the SEC will automatically update and supersede information in this prospectus.

You may request a copy of these filings, at no cost, by writing or telephoning us as follows: Shareholder Relations and Membership Services, Chicago Mercantile Exchange Holdings Inc., 30 South Wacker Drive, Chicago, Illinois 60606, Attention: Shareholder Relations and Membership Services, (312) 930-1000.

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REPORT OF INDEPENDENT AUDITORS

TO THE BOARD OF DIRECTORS AND SHAREHOLDERS OF CHICAGO MERCANTILE EXCHANGE HOLDINGS INC.:

We have audited the accompanying consolidated balance sheets of Chicago Mercantile Exchange Holdings Inc. (a Delaware corporation) and subsidiaries (the Company) as of December 31, 2002 and 2001, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2002. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Chicago Mercantile Exchange Holdings Inc. and subsidiaries at December 31, 2002 and 2001, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2002, in conformity with accounting principles generally accepted in the United States.

As discussed in Note 16 to the financial statements, in 2002 the Company changed its method of accounting for stock-based compensation.

/s/ ERNST & YOUNG LLP

Chicago, Illinois

January 28, 2003

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(in thousands, except share data)

	At December 31,	
	2002	2001
		(restated)
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 339,260	\$ 69,101
Proceeds from securities lending activities	985,500	882,555
Marketable securities		91,570
Accounts receivable, net of allowance of \$1,232 and \$962	50,865	40,986
Other current assets	11,515	6,671
Cash performance bonds and security deposits	1,827,991	855,227
Total current assets	3,215,131	1,946,110
Property, net of accumulated depreciation and amortization	109,563	100,991
Other assets	30,322	19,777
TOTAL ASSETS	\$ 3,355,016	\$ 2,066,878
LIABILITIES AND SHAREHOLDERS EQUITY		
Current Liabilities:		
Accounts payable	\$ 27,607	\$ 23,834
Payable under securities lending agreements	985,500	882,555
Other current liabilities	48,396	40,229
Cash performance bonds and security deposits	1,827,991	855,227
Total current liabilities	2,889,494	1,801,845
Long-term debt	2,328	6,650
Other liabilities	17,055	10,017
Total liabilities	2,908,877	1,818,512
Shareholders Equity:		
Preferred stock, \$0.01 par value, 9,860,000 shares authorized, none issued and outstanding		
Series A junior participating preferred stock, \$0.01 par value, 140,000 shares authorized, none issued and outstanding		
Class A common stock, \$0.01 par value, 138,000,000 shares authorized, 32,530,372 shares issued and outstanding as of December 31, 2002 and 28,771,562 shares issued and outstanding as of December 31, 2001	325	288
Class B common stock, \$0.01 par value, 3,138 shares authorized, issued and outstanding		
Additional paid-in capital	179,669	59,229
Unearned restricted stock compensation	(665)	(1,461)
Retained earnings	266,810	190,033
Accumulated net unrealized gains on securities		277

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Total shareholders' equity	446,139	248,366
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 3,355,016	\$ 2,066,878

See accompanying notes to audited consolidated financial statements.

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Table of Contents**CHICAGO MERCANTILE EXCHANGE HOLDINGS INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF INCOME****(in thousands, except share and per share data)**

	Year Ended December 31,		
	2002	2001	2000
		(restated)	(restated)
REVENUES			
Clearing and transaction fees	\$ 356,396	\$ 292,459	\$ 156,649
Quotation data fees	48,717	48,250	36,285
GLOBEX access fees	12,945	11,987	3,971
Communication fees	9,733	9,330	9,391
Investment income	7,740	8,956	9,736
Securities lending interest income	18,169	10,744	
Other	15,379	14,904	10,520
TOTAL REVENUES	469,079	396,630	226,552
Securities lending interest expense	(15,902)	(9,477)	
NET REVENUES	453,177	387,153	226,552
EXPENSES			
Compensation and benefits	118,710	111,465	102,278
Occupancy	22,400	20,420	19,629
Professional fees, outside services and licenses	32,549	27,289	23,131
Communications and computer and software maintenance	46,569	43,598	41,920
Depreciation and amortization	48,509	37,639	33,489
Patent litigation settlement	6,240		
Marketing, advertising and public relations	6,514	6,326	5,219
Other	17,457	14,650	16,148
TOTAL EXPENSES	298,948	261,387	241,814
Income (loss) before limited partners' interest in PMT and income taxes	154,229	125,766	(15,262)
Limited partners' interest in earnings of PMT			(1,165)
Income tax (provision) benefit	(60,162)	(50,658)	5,931
NET INCOME (LOSS)	\$ 94,067	\$ 75,108	\$ (10,496)
EARNINGS (LOSS) PER COMMON SHARE:			
Basic	\$ 3.24	\$ 2.61	\$ (0.36)
Diluted	3.13	2.57	
Weighted average number of common shares:			
Basic	29,066,242	28,774,700	28,774,700
Diluted	30,060,537	29,240,432	

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See accompanying notes to audited consolidated financial statements.

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Table of Contents**CHICAGO MERCANTILE EXCHANGE HOLDINGS INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF SHAREHOLDERS EQUITY**

(in thousands, except share and per share data)

	Class A Common Stock	Class B Common Stock	Common Stock and Additional Paid-In Capital	Unearned Restricted Stock Compensation	Retained Earnings	Accumulated Net Unrealized Securities Gains (Losses)	Total Shareholders Equity
	Shares	Shares	Amount				
BALANCE, DEC. 31, 1999			\$ 43,605	\$	\$ 125,421	\$ (363)	\$ 168,663
Comprehensive income:							
Net loss					(10,496)		(10,496)
Change in net unrealized gain on securities, net of tax of \$234						352	352
Total comprehensive income							(10,144)
Stock-based compensation			7,743				7,743
Issuance of Class A common stock	28,771,562						
Issuance of Class B common stock		3,138					
BALANCE, DEC. 31, 2000 (restated)	28,771,562	3,138	\$ 51,348	\$	\$ 114,925	\$ (11)	\$ 166,262
Comprehensive income:							
Net income					75,108		75,108
Change in net unrealized gain on securities, net of tax of \$192						288	288
Total comprehensive income							75,396
Stock-based compensation			5,734				5,734
Grant of 119,000 shares of restricted Class A common stock			2,435	(2,435)			
Amortization of unearned restricted Class A common stock				974			974
BALANCE, DEC. 31, 2001 (restated)	28,771,562	3,138	\$ 59,517	\$ (1,461)	\$ 190,033	\$ 277	\$ 248,366
Comprehensive income:							
Net income					94,067		94,067
Change in net unrealized gain on securities, net of tax of \$184						(277)	(277)
Total comprehensive income							93,790
Net proceeds from initial public offering	3,712,660		117,459				117,459
Exercise of stock options	150		3				3

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Cash dividend on common stock of \$0.60 per share				(17,290)			(17,290)
Vesting of issued restricted Class A common stock	46,000						
Stock-based compensation			3,015				3,015
Amortization of unearned restricted Class A common stock				796			796
BALANCE, DEC. 31, 2002	32,530,372	3,138	\$ 179,994	\$ (665)	\$ 266,810	\$	\$ 446,139

See accompanying notes to audited consolidated financial statements.

Table of Contents**CHICAGO MERCANTILE EXCHANGE HOLDINGS INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF CASH FLOWS****(in thousands)**

	Year Ended December 31,		
	2002	2001	2000
		(restated)	(restated)
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income (loss)	\$ 94,067	\$ 75,108	\$ (10,496)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	48,509	37,639	33,489
Stock-based compensation	3,811	6,238	8,211
Deferred income tax benefit	(5,637)	(4,283)	(1,781)
Loss on investment in joint venture	2,876	281	
Limited partners' interest in earnings of PMT			1,165
Loss (gain) on sale of marketable securities	(2,658)	(226)	14
Loss on disposal of fixed assets	7		
Write-off of internally developed software		262	2,739
Increase (decrease) in allowance for doubtful accounts	270	(738)	1,350
Increase in accounts receivable	(10,149)	(11,722)	(8,307)
Decrease (increase) in other current assets	(4,844)	1,206	1,416
Decrease (increase) in other assets	(4,717)	(415)	859
Increase (decrease) in accounts payable	3,773	11,937	(3,821)
Increase in other current liabilities	8,792	8,213	7,120
Increase (decrease) in other liabilities	7,038	(2,931)	1,011
NET CASH PROVIDED BY OPERATING ACTIVITIES	141,138	120,569	32,969
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of property, net	(56,341)	(30,367)	(25,171)
Capital contributions to joint venture	(3,071)	(1,316)	
Purchases of marketable securities	(43,956)	(94,008)	(43,116)
Proceeds from sales and maturities of marketable securities	137,723	47,470	59,518
Purchase of limited partners' interest in PMT			(4,183)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	34,355	(78,221)	(12,952)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Payments on long-term debt	(5,506)	(3,902)	(3,611)
Cash dividends	(17,290)		
Proceeds from exercised stock options	3		
Net proceeds from initial public offering	117,459		
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	94,666	(3,902)	(3,611)
Net increase in cash and cash equivalents	270,159	38,446	16,406
Cash and cash equivalents, beginning of year	69,101	30,655	14,249

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CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 339,260	\$ 69,101	\$ 30,655
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:			
Interest paid	\$ 599	\$ 627	\$ 892
Income taxes paid (refunded)	64,728	49,062	(5,471)
Capital leases asset additions and related obligations	558	6,156	1,907

See accompanying notes to audited consolidated financial statements.

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CHICAGO MERCANTILE EXCHANGE HOLDINGS INC. AND SUBSIDIARIES

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Presentation and Description of Business

Chicago Mercantile Exchange Holdings Inc. (CME Holdings) is a Delaware stock corporation organized in August 2001 to be the holding company for Chicago Mercantile Exchange Inc. and its subsidiaries (CME or the exchange). CME became a wholly owned subsidiary of CME Holdings through a merger of a subsidiary of CME Holdings with and into CME that was completed on December 3, 2001. At that time, existing shareholders received stock in CME Holdings for stock in CME. On December 11, 2002, CME Holdings completed an initial public offering of an additional 3.7 million shares of Class A common stock, and the Class A common stock not subject to transfer restrictions is now traded on the New York Stock Exchange (note 15). The consolidated financial statements include Chicago Mercantile Exchange Inc. and its controlled subsidiaries, which include P-M-T Limited Partnership (PMT) and GFX Corporation (GFX) as well as the holding company, CME Holdings (collectively, the company). All intercompany transactions have been eliminated in consolidation.

The merger of CME into CME Holdings was accounted for as a pooling of interests because of the common owners before and after the transaction. These financial statements have been prepared as if the current holding company structure had been in place for all periods presented. The assets of CME Holdings consist of the net proceeds of the initial public offering and its investment in CME. CME Holdings has no liabilities other than income tax liabilities arising from investment income.

CME is a designated contract market for the trading of futures and options on futures contracts. Trades are executed through open outcry, an electronic trading platform and privately negotiated transactions. Through its in-house Clearing House Division, CME clears, settles, nets and guarantees performance of all matched transactions in its products.

CME resulted from the completion of a demutualization process whereby Chicago Mercantile Exchange, an Illinois not-for-profit membership organization, became a Delaware for-profit stock corporation. The transaction resulted in the conversion of membership interests in the Illinois corporation into stock ownership in the Delaware corporation and was completed on November 13, 2000. When the membership of the exchange approved the demutualization process, the holders of the units of PMT also approved the cash purchase of the assets and business of PMT by the exchange (note 17).

2. Summary of Significant Accounting Policies

Cash and Cash Equivalents. Cash equivalents consist of money market mutual funds and highly liquid investments with maturities of three months or less when purchased.

Marketable Securities. Marketable securities generally have been classified as available for sale and are carried at fair value based on quoted market prices, with net unrealized gains and losses reported net of tax as a component of shareholders' equity. Interest on marketable securities is

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recognized as income when earned and includes accreted discount less amortized premium. Realized gains and losses are calculated using specific identification.

Additional securities held in connection with non-qualified deferred compensation plans have been classified as trading securities. These securities are included in other assets in the accompanying consolidated balance sheets at fair value, and net unrealized gains and losses are reflected in investment income.

Fair Value of Financial Instruments. Statement of Financial Accounting Standards (SFAS) No. 107, Disclosures about Fair Value of Financial Instruments, requires disclosure of the fair value of financial instruments. The carrying values of financial instruments included in assets and liabilities in the accompanying consolidated balance sheets are reasonable estimates of their fair values.

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CHICAGO MERCANTILE EXCHANGE HOLDINGS INC. AND SUBSIDIARIES

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Accounts Receivable. In the ordinary course of business, a significant portion of accounts receivable and revenues are from shareholders of the company. At December 31, 2002, there were approximately 70 clearing firms that are also shareholders. One firm with a significant portion of customer revenue represented approximately 11% of net revenues in 2002. Should a clearing firm withdraw from the exchange, management believes the customer portion of that firm's trading activity would likely transfer to another clearing firm. Therefore, management does not believe the company is exposed to significant risk from the loss of revenue received from a particular clearing firm.

Performance Bonds and Security Deposits. Performance bonds and security deposits held by the exchange for clearing firms may be in the form of cash or securities. Cash performance bonds and security deposits are reflected in the accompanying consolidated balance sheets. Cash received may be invested, and any interest received accrues to the exchange. These investments are overnight transactions in U.S. Government securities acquired through and held by a broker-dealer of a subsidiary of a bank.

Securities deposited by clearing firms consist primarily of short-term U.S. Treasury securities and are not reflected in the accompanying consolidated balance sheets. These securities are held in safekeeping, although a portion of the clearing firms' proprietary performance bond deposits may be utilized in securities lending transactions. Interest and gain or loss on securities deposited to satisfy performance bond and security deposit requirements accrues to the clearing firm.

Property. Property is stated at cost less accumulated depreciation and amortization. Depreciation on furniture, fixtures and equipment is provided on the straight-line method over the estimated useful lives of the assets, generally three to seven years. Leasehold improvements are amortized over the lesser of their estimated useful lives or the remaining term of the applicable leases. Maintenance and repair items as well as certain minor purchases are charged to expense as incurred. Renewals and betterments are capitalized.

Software. The company capitalizes certain costs of developing internal software in accordance with the American Institute of Certified Public Accountants Statement of Position 98-1, Accounting for the Costs of Computer Software Developed or Obtained for Internal Use (SOP 98-1). Capitalized costs generally are amortized over three years, commencing with the completion of the project. The depreciable life of purchased software is four years.

Impairment of Assets. The company reviews its long-lived assets and intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets.

Revenue Recognition. The company's revenue recognition policies comply with Staff Accounting Bulletin No. 101 on revenue recognition.

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Clearing and Transaction Fees. Clearing and transaction fees include per contract charges for trade execution, clearing and GLOBEX fees. Fees are charged at various rates based on the product traded, the method of trade and the exchange trading privileges of the customer making the trade. Clearing and transaction fees are recognized as revenue when a buy and sell order are matched and the trade is cleared. Therefore, cancelled buy and sell orders have no impact on revenue recognition. On occasion, the customer's exchange trading privileges may not be properly entered by the clearing firm, and incorrect fees are charged for the transactions in the affected accounts. When this information is corrected within the time period allowed by the exchange, a fee adjustment is provided to the clearing firm. An accrual is established for estimated fee adjustments to reflect corrections to customer exchange trading privileges. The accrual is based on the historical pattern of adjustments processed. CME believes the allowances are adequate to cover potential adjustments. Exposure to losses on

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CHICAGO MERCANTILE EXCHANGE HOLDINGS INC. AND SUBSIDIARIES

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

receivables for clearing and transaction fees is dependent on each clearing firm's financial condition as well as the Class A and B shares that collateralize fees owed to the exchange. The exchange retains the right to liquidate shares to satisfy a clearing firm's receivable.

Quotation Data Fees. Quotation data fees represent revenue received for the dissemination of market information. Revenues are accrued each month based on the number of subscribers reported by vendors. CME conducts periodic audits of the information provided and assesses additional fees as necessary. An allowance is established to cover uncollectible receivables from the market data vendors.

GLOBEX Access Fees. GLOBEX access fees represent fees for connections to the electronic trading platform and include line charges, license fees for GLOBEX software and hardware rental charges. The fees vary depending on the type of connection provided. An additional installation fee may be charged depending on the type of service requested and a disconnection fee may also be charged if certain conditions are met. Revenue is recognized monthly as the service is provided. An allowance is established to cover uncollectible receivables relating to GLOBEX access fees.

Communication Fees. Communication fees consist of equipment rental and usage charges to members and firms that utilize the various telecommunications networks and services in the Chicago facility. Revenue is billed and recognized on a monthly basis.

Stock-Based Compensation. As part of the demutualization, the company established an Omnibus Stock Plan. In 2000, a stock option was granted to the Chief Executive Officer, and stock awards were granted to certain other employees in 2001 and 2002 (note 16). Through September 30, 2002, the company accounted for these stock grants under the recognition and measurement provisions of APB Opinion No. 25, *Accounting for Stock Issued to Employees* and related interpretations. Stock-based compensation was reflected in the financial statements as a result of restricted stock granted to certain employees and the required variable accounting treatment for the option granted to the Chief Executive Officer. At year-end 2002, the company adopted the fair value recognition provisions of SFAS No. 123, *Accounting for Stock-Based Compensation*, as amended. Under provisions of SFAS No. 148, *Accounting for Stock-Based Compensation Transition and Disclosure*, the company also elected to adopt the retroactive restatement method. All prior periods presented have been restated to reflect the stock-based compensation expense that would have been recognized had the recognition provisions of SFAS No. 123 been applied to all options granted to employees. The company has elected to recognize expense relating to stock-based compensation on an accelerated basis. As a result, the expense associated with each vesting date within a stock grant is recognized over the period of time that each portion of the grant vested.

Marketing Costs. Marketing costs are incurred for production and communication of advertising as well as other marketing activities. These costs are expensed when incurred, except for costs related to the production of broadcast advertising, which are expensed when the first broadcast occurs.

Income Taxes. Deferred income taxes are determined in accordance with SFAS No. 109, *Accounting for Income Taxes*, and arise from temporary differences between amounts reported for income tax and financial statement purposes. A valuation allowance is recognized if it is anticipated that some or all of a deferred tax asset may not be realized.

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Segment Reporting. The company operates in two segments, CME and GFX. Based on materiality, GFX is not a reportable segment, and as a result there is no disclosure of segment information.

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CHICAGO MERCANTILE EXCHANGE HOLDINGS INC. AND SUBSIDIARIES

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Use of Estimates. The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts of assets and liabilities at the date of the financial statements, as well as the amounts of revenues and expenses reported during the period, and to disclose contingent assets and liabilities as of the date of the financial statements. Actual results could differ from those estimates.

Reclassifications. Certain reclassifications have been made to the consolidated financial statements to provide consistent presentation for all periods presented.

Recent Accounting Pronouncements. In November 2002, the FASB issued Interpretation (FIN) No. 45, Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others. FIN No. 45 requires certain guarantees, including indemnification arrangements, to be recorded at fair value at inception, and also requires a guarantor to make significant new disclosures. For those arrangements where the company receives an explicit fee for the guarantee, FIN No. 45 requires that the company defer the fee and recognize it over the life of the arrangement. For arrangements where no explicit fee is received, FIN No. 45 requires a liability to be recorded and amortized over the life of the arrangement, along with an offsetting asset, depending on the arrangement. The company will adopt the accounting provisions of FIN No. 45 for guarantees issued beginning January 1, 2003, and has adopted the disclosure provisions for all existing guarantees as of December 31, 2002. The company is currently evaluating the impact of adopting the accounting provisions of FIN No. 45 on its consolidated financial statements.

In January 2003, the FASB issued Interpretation (FIN) No. 46, Consolidation of Variable Interest Entities. The objective of FIN No. 46 is to improve financial reporting by achieving more consistent application of consolidation policies to variable interest entities (also referred to as special-purpose entities) and, thus, to improve comparability between enterprises engaged in similar activities even if some of those activities are conducted through variable interest entities. Prior to the issuance of FIN No. 46, a company would generally not have to include another entity in its consolidated financial statements unless it controlled the entity through voting interest. FIN No. 46 changes that by requiring a variable interest entity to be consolidated by a company if that company is subject to a majority of the risk of loss from the variable interest entity's activities or entitled to receive a majority of the entity's residual returns or both. The company will adopt FIN No. 46 on July 1, 2003 and is currently evaluating the impact of adopting FIN No. 46 on its consolidated financial statements.

3. Securities Lending

Securities lending transactions utilize a portion of the securities that clearing firms have deposited to satisfy their proprietary performance bond requirements. Under this securities lending program, CME lends a security to a third party and receives collateral in the form of cash. The majority of the cash is then invested on an overnight basis to generate interest income. The related interest expense represents payment to the borrower of the security for the cash collateral retained during the duration of the lending transaction. Securities on loan are marked to market daily and compared to collateral received. At December 31, 2002 and 2001, the fair value of securities on loan was \$985.5 million and \$882.6 million, respectively. CME's policy allows lending of up to 75% of total available securities. At December 31, 2002 and 2001, securities available totaled \$3.5 billion and \$4.6 billion, respectively. The average daily amount of securities on loan for the year ended December 31, 2002 was \$924.1 million. The average daily amount of securities on loan from commencement of the program on June 18, 2001 to December 31, 2001 was \$632.6 million. The securities lending activity utilized some of the securities deposited by four clearing firms, one of which is a

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subsidiary of the bank used for executing this securities lending program. Proceeds from securities lending at December 31, 2002 were invested in a money market mutual fund sponsored by the bank used in executing this program or held in the form of cash.

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Table of Contents**CHICAGO MERCANTILE EXCHANGE HOLDINGS INC. AND SUBSIDIARIES****NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****4. Marketable Securities**

In the third quarter of 2002, CME changed its investment policy and converted its marketable securities to short-term investments, resulting in realized gains from the sale of marketable securities of \$2.7 million that is included in investment income. The revised investment policy allows CME to invest in institutional money market funds with a fund balance over \$1.0 billion and certain U.S. Treasury and Government agency securities, provided these securities will mature at par value within seven days of purchase. Balances in these short-term investments are included in cash and cash equivalents and, as a result, there are no investments classified as marketable securities at December 31, 2002.

Marketable securities included in current assets at December 31, 2001 were classified as available for sale. The amortized cost and fair value of these securities at December 31, 2001, were as follows:

	<u>Amortized Cost</u>	<u>Fair Value</u>
	(in thousands)	
U.S. Government agency	\$ 26,507	\$ 26,818
State and municipal	57,231	57,390
Corporate debt	7,371	7,362
TOTAL	\$ 91,109	\$ 91,570

Net unrealized gains (losses) on marketable securities classified as available for sale were reported as a component of comprehensive income and included in the accompanying consolidated statements of shareholders' equity.

5. Other Current Assets

Other current assets consisted of the following at December 31:

	<u>2002</u>	<u>2001</u>
	(in thousands)	
Refundable income taxes	\$ 1,214	\$ 1,215
Prepaid pension	2,518	

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Prepaid insurance	2,656	549
Other prepaid expenses	4,572	2,609
Accrued interest receivable	264	1,637
Other	291	661
	<u> </u>	<u> </u>
TOTAL	\$ 11,515	\$ 6,671
	<u> </u>	<u> </u>

6. Performance Bonds and Security Deposits

The exchange is a designated contract market for futures and options on futures, and clears and guarantees the settlement of all contracts traded in its markets. In its guarantor role, the exchange has precisely equal and offsetting claims to and from clearing firms on opposite sides of each contract. CME bears counterparty credit risk in the event that future market movements create conditions that could lead to clearing firms failing to meet their obligations to the exchange. CME reduces its exposure through a risk management program that includes rigorous initial and ongoing financial standards for designation as a clearing firm, initial and maintenance performance bond requirements and mandatory security deposits. Each clearing firm is required to deposit and maintain specified margin in the form of cash, U.S. Government securities, bank letters of credit or other approved investments. All obligations and non-cash margin deposits are marked to market on a daily basis, and

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CHICAGO MERCANTILE EXCHANGE HOLDINGS INC. AND SUBSIDIARIES

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

haircuts are applied for margin and risk management purposes. Cash performance bonds and security deposits are included in the consolidated balance sheets, and balances may fluctuate significantly over time due to the investment choices available to clearing firms and the change in the amount of deposits required.

Clearing firms, at their option, may instruct CME to invest cash on deposit for performance bond purposes in a portfolio of securities that is part of the Interest Earning Facility (IEF) program. The first IEF was organized in 1997 as two limited liability companies. Interest earned, net of expenses, is passed on to participating clearing firms. The principal of the first IEF totaled \$350.0 million at December 31, 2002 and is guaranteed by the exchange. The investment portfolio of these facilities is managed by two of the exchange's approved settlement banks, and eligible investments include U.S. Treasury bills and notes, U.S. Treasury strips and reverse repurchase agreements. The maximum average portfolio maturity is 90 days, and the maximum maturity for an individual security is 13 months. Management believes that the market risk exposure relating to its guarantee is not material to the consolidated financial statements taken as a whole. In 2001, IEF2 was organized. IEF2 offers clearing firms the opportunity to invest cash performance bonds in shares of CME-approved money market mutual funds. Dividends earned on these shares, net of fees, are solely for the account of the clearing firm on whose behalf the shares were purchased. The principal of IEF2 funds is not guaranteed by the exchange. The total principal in all IEF programs was approximately \$12.2 billion at December 31, 2002 and \$8.3 billion at December 31, 2001. The exchange earned fees under the IEF program in the amount of \$5.6 million, \$3.3 million and \$1.0 million during 2002, 2001 and 2000, respectively. These fees are included as other revenue.

CME, Options Clearing Corporation (OCC) and New York Clearing Corporation (NYCC) have a cross-margin arrangement, whereby a common clearing firm may maintain a cross-margin account in which the clearing firm's positions in certain CME futures and options on futures are combined with certain positions cleared by OCC and NYCC for purposes of calculating performance bond requirements. The performance bond deposits are held jointly by CME, OCC and NYCC. In addition, CME has a cross-margin agreement with the London Clearing House (LCH), whereby clearing firms' offsetting positions with CME and LCH are subject to reduced margin requirements. Clearing firms maintain separate performance bond deposits with each clearing house, but depending on the net offsetting positions between CME and LCH, each clearing house may reduce the firm's performance bond requirements. In April 2002, a cross-margin agreement with the Government Securities Clearing Corporation (GSCC) became effective, whereby clearing firms' offsetting positions with CME and GSCC are subject to reduced margin requirements. Clearing firms maintain separate performance bond deposits with each clearing house, but depending on the net offsetting positions between CME and GSCC, each clearing house may reduce the firm's performance bond requirements.

Each clearing firm also is required to deposit and maintain specified security deposits in the form of cash or approved securities. In the event that performance bonds and security deposits of a defaulting clearing firm are inadequate to fulfill that clearing firm's outstanding financial obligation, the entire security deposit fund is available to cover potential losses after first utilizing operating funds of the exchange in excess of amounts needed for normal operations (surplus funds). The exchange maintains a \$500.0 million secured line of credit with a consortium of banks to provide liquidity and capacity to pay settlement variation to all clearing firms, even if a clearing firm may have failed to meet its financial obligations to CME, or in the event of a temporary disruption with the domestic payments system that would delay payment of settlement variation between the exchange and its clearing firms (note 18). Clearing firm security deposits received in the form of U.S. Treasury or agency securities, or in money market funds purchased through IEF2, are used to collateralize the secured line of credit.

The exchange is required under the Commodity Exchange Act to segregate cash and securities deposited by clearing firms on behalf of their customers. In addition, exchange rules require a segregation of all funds deposited by clearing firms from exchange operating funds.

Table of Contents**CHICAGO MERCANTILE EXCHANGE HOLDINGS INC. AND SUBSIDIARIES****NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Cash and securities held as performance bonds and security deposits at fair market value at December 31 were as follows:

	2002		2001	
	Cash	Securities and IEF Funds	Cash	Securities and IEF Funds
	(in thousands)			
Performance bonds	\$ 1,805,052	\$ 25,278,903	\$ 848,391	\$ 27,208,994
Security deposits	22,939	896,192	6,836	694,323
Cross-margin securities, held jointly with OCC		636,848		422,996
TOTAL	\$ 1,827,991	\$ 26,811,943	\$ 855,227	\$ 28,326,313

With the exception of amounts jointly held with OCC under cross-margin agreements, these performance bonds are available to meet only the financial obligations of that clearing firm to the exchange.

In addition to cash and securities, irrevocable letters of credit may be used as performance bond deposits. At December 31, these letters of credit, which are not included in the accompanying consolidated balance sheets, were as follows:

	2002	2001
	(in thousands)	
Performance bonds	\$ 495,750	\$ 908,250
Cross-margin accounts	208,900	144,000
TOTAL LETTERS OF CREDIT	\$ 704,650	\$ 1,052,250

7. Property

A summary of the property accounts at December 31 is presented below:

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	<u>2002</u>	<u>2001</u>
	(in thousands)	
Furniture, fixtures and equipment	\$ 169,558	\$ 157,997
Leasehold improvements	95,629	90,174
Software and software development costs	68,577	49,691
	<u>333,764</u>	<u>297,862</u>
Total property	333,764	297,862
Less accumulated depreciation and amortization	(224,201)	(196,871)
	<u>109,563</u>	<u>100,991</u>
PROPERTY, net	\$ 109,563	\$ 100,991

Included in property are assets that were acquired through capital leases with a cost of \$22.7 million and \$22.1 million (and accumulated amortization of \$13.6 million and \$8.9 million) at December 31, 2002 and 2001, respectively. Depreciation for these assets is included in depreciation and amortization expense.

8. Other Assets

Other assets consisted of the following at December 31:

	<u>2002</u>	<u>2001</u>
	(in thousands)	
Deferred compensation assets	\$ 7,481	\$ 6,574
Net deferred tax asset	17,327	11,506
Investment in OneChicago, LLC	4,644	1,035
Other	870	662
	<u>30,322</u>	<u>19,777</u>
TOTAL	\$ 30,322	\$ 19,777

Table of Contents**CHICAGO MERCANTILE EXCHANGE HOLDINGS INC. AND SUBSIDIARIES****NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

On August 28, 2001, CME entered into a joint venture, OneChicago, LLC, with the Chicago Board Options Exchange and the Chicago Board of Trade to trade single stock futures and futures on narrow-based stock indexes. As of December 31, 2002, CME owns approximately a 40% interest in the joint venture, and the investment is reflected in the consolidated financial statements using the equity method of accounting. The investment balance at December 31, 2002 represents CME's total capital contribution of \$7.8 million, including a \$3.4 million capital contribution approved in 2002 but remitted in January 2003. Total capital contributed has been reduced by CME's proportionate share of the joint venture's net loss. The net loss is included in other revenue and totaled \$2.9 million and \$0.3 million for the years ended December 31, 2002 and 2001, respectively.

Deferred compensation assets consist primarily of trading securities held in connection with a non-qualified deferred compensation plan. The net unrealized losses relating to the non-qualified deferred compensation plans' trading securities are included in investment income and totaled \$0.8 million, \$0.3 million and \$0.7 million for the years ended December 31, 2002, 2001 and 2000, respectively.

9. Income Taxes

The provision (benefit) for income taxes is composed of the following:

	Year Ended December 31,		
	2002	2001	2000
	(in thousands)		
Current:			
Federal	\$ 53,811	\$ 45,031	\$ (3,544)
State	11,988	9,910	(606)
Total	65,799	54,941	(4,150)
Deferred:			
Federal	(4,617)	(3,263)	(1,502)
State	(1,020)	(1,020)	(279)
Total	(5,637)	(4,283)	(1,781)
TOTAL PROVISION (BENEFIT) FOR INCOME TAXES	\$ 60,162	\$ 50,658	\$ (5,931)

Reconciliation of the statutory U.S. federal income tax rate to the effective tax rate is as follows:

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	Year Ended December 31,		
	2002	2001	2000
Statutory U.S. federal tax rate	35.0%	35.0%	(35.0)%
State taxes, net of federal benefit	4.6	4.6	(3.5)
Tax-exempt interest income	(0.3)	(0.5)	(3.0)
Nondeductible expenses	0.2	0.6	6.8
Other, net	(0.5)	0.6	(1.4)
EFFECTIVE TAX RATE PROVISION (BENEFIT)	39.0%	40.3%	(36.1)%

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Table of Contents**CHICAGO MERCANTILE EXCHANGE HOLDINGS INC. AND SUBSIDIARIES****NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

At December 31, the components of deferred tax assets (liabilities) were as follows:

	<u>2002</u>	<u>2001</u>
	(in thousands)	
Deferred Tax Assets:		
Depreciation and amortization	\$ 7,685	\$ 7,730
Deferred compensation	3,369	2,678
Accrued expenses	6,525	1,755
Stock-based compensation	5,732	5,404
Other	887	218
	<u>24,198</u>	<u>17,785</u>
Subtotal	24,198	17,785
Valuation allowance		
	<u>24,198</u>	<u>17,785</u>
Deferred Tax Assets	24,198	17,785
Deferred Tax Liabilities:		
Software development costs	(6,440)	(5,664)
Net unrealized gains on securities		(184)
Other	(431)	(431)
	<u>(6,871)</u>	<u>(6,279)</u>
Deferred Tax Liabilities	(6,871)	(6,279)
NET DEFERRED TAX ASSET	<u>\$ 17,327</u>	<u>\$ 11,506</u>

The company expects to realize the benefit of all deferred tax assets based on the expectation of future taxable income and, therefore, no valuation allowance has been established at December 31, 2002 or 2001.

10. Other Current Liabilities

Other current liabilities consisted of the following at December 31:

<u>2002</u>	<u>2001</u>
-------------	-------------

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	(in thousands)	
Accrued compensation and benefits	\$ 24,143	\$ 23,331
Accrued fee adjustments	3,137	2,241
Current portion of long-term debt	4,669	5,294
Accrued operating expenses	9,844	4,413
Accrued federal and state income taxes	6,312	4,943
Other	291	7
	<hr/>	<hr/>
TOTAL	\$ 48,396	\$ 40,229
	<hr/>	<hr/>

11. Commitments

Leases. The exchange has commitments under operating and capital leases for certain facilities and equipment that are accounted for in accordance with SFAS No. 13, Accounting for Leases. Lease commitments for office space at the main location in Chicago expire in the year 2008, with annual minimum rentals ranging from \$8.8 million to \$9.4 million. The exchange leases trading facilities from the Chicago Mercantile Exchange Trust through October 2005, with annual minimum rentals of approximately \$1.3 million, and has an option to extend the term of the lease through October 2026 with three successive seven-year extensions. Minimum annual rent for these extensions begins at \$0.7 million for the period from November 2005 through October 2012 and declines to \$0.2 million for the last extension from November 2019 through October

Table of Contents**CHICAGO MERCANTILE EXCHANGE HOLDINGS INC. AND SUBSIDIARIES****NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

2026. Additional rental expense is incurred in connection with the trading facilities based on annual trading volume. This expense totaled \$1.2 million, \$1.0 million and \$0.6 million for the years ended December 31, 2002, 2001 and 2000, respectively. The CME Trust is an entity that was established to provide financial assistance, on a discretionary basis, to customers of any clearing firm that becomes insolvent. No outside parties have any residual interest in the assets of the CME Trust. Leases for other locations where the exchange maintains offices expire at various times through the year 2012 with annual minimum rentals that will not exceed \$0.8 million in any year. Total rental expense was approximately \$19.9 million in 2002, \$18.5 million in 2001 and \$17.4 million in 2000.

Commitments. Commitments includes long-term liabilities (note 13) as well as contractual obligations that are non-cancelable. These contractual obligations relate to software licenses and maintenance, and telecommunication services. These amounts are expensed as the related services are used.

Future obligations under commitments in effect at December 31, 2002, including the minimum for operating leases, were as follows:

	Capitalized Leases	Operating Leases	Commitments
	<u> </u>	<u> </u>	<u> </u>
2003	\$ 4,992	\$ 10,765	\$ 10,046
2004	2,361	10,277	6,949
2005		10,079	3,714
2006		9,178	3,253
2007		9,401	2,496
Thereafter		11,557	
	<u> </u>	<u> </u>	<u> </u>
Total minimum payments	7,353	61,257	26,458
Less sublease commitments		(223)	
Less amount representing interest	(356)		(1,272)
	<u> </u>	<u> </u>	<u> </u>
TOTAL	\$ 6,997	\$ 61,034	\$ 25,186
	<u> </u>	<u> </u>	<u> </u>

Licensing Agreements. The exchange has licensing agreements relating to certain stock index products. The license agreement with NASDAQ, relating to the NASDAQ-100 product that is traded on the exchange, expires in 2006, with a five-year extension unless either party gives notice of termination. The licensing agreement with Standard & Poor's Corporation terminates in 2013 and includes a clause to renegotiate potential extensions.

12. Long-Term Debt

Long-term debt consists of the long-term portion of capitalized lease obligations.

13. Other Liabilities

Other liabilities consisted of the following at December 31:

	<u>2002</u>	<u>2001</u>
	(in thousands)	
Deferred compensation liabilities	\$ 7,481	\$ 6,574
Litigation settlement payable	6,803	
Software maintenance contract	744	380
Accrued pension liability		715
Deferred rent	370	586
Other	1,657	1,762
	<u> </u>	<u> </u>
TOTAL	\$ 17,055	\$ 10,017
	<u> </u>	<u> </u>

Table of Contents**CHICAGO MERCANTILE EXCHANGE HOLDINGS INC. AND SUBSIDIARIES****NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****14. Employee Benefit Plans**

Pension Plan. The exchange maintains a noncontributory defined benefit cash balance pension plan for eligible employees. Employees who have completed a continuous twelve-month period of employment and have reached the age of 21 are eligible to participate. The plan provides for an age-based contribution to the cash balance account and includes salary and cash bonuses in the definition of earnings. Participant cash balance accounts receive an interest credit equal to the greater of the one-year U.S. Treasury bill rate or 4%. Participants become vested in their accounts after five years. The exchange's policy is to currently fund required pension costs by the due dates specified under the Employee Retirement Income Security Act.

A reconciliation of beginning and ending balances of the benefit obligation and fair value of plan assets, the funded status of the plan, certain actuarial assumptions and the components of pension cost are indicated below:

	<u>2002</u>	<u>2001</u>
	(in thousands)	
CHANGE IN BENEFIT OBLIGATION:		
Benefit obligation at beginning of year	\$ 19,566	\$ 16,101
Service cost	2,963	2,483
Interest cost	1,661	1,393
Actuarial loss	2,295	1,080
Benefits paid	(1,218)	(1,491)
	<u> </u>	<u> </u>
BENEFIT OBLIGATION AT END OF THE YEAR	\$ 25,267	\$ 19,566
	<u> </u>	<u> </u>
CHANGE IN PLAN ASSETS:		
Fair value of plan assets at beginning of year	\$ 17,898	\$ 13,968
Actual return on plan assets	(934)	(708)
Employer contribution	6,402	6,129
Benefits paid	(1,218)	(1,491)
	<u> </u>	<u> </u>
FAIR VALUE OF PLAN ASSETS AT END OF THE YEAR	\$ 22,148	\$ 17,898
	<u> </u>	<u> </u>
FUNDED STATUS AT DECEMBER 31:		
Plan assets less than benefit obligation	\$ (3,119)	\$ (1,668)
Unrecognized transition asset	(112)	(187)
Unrecognized prior service cost (credit)	1	(125)
Unrecognized net actuarial loss	5,748	1,265
	<u> </u>	<u> </u>
PREPAID (ACCRUED) BENEFIT COST	\$ 2,518	\$ (715)
	<u> </u>	<u> </u>

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	<u>2002</u>	<u>2001</u>	<u>2000</u>
ACTUARIAL ASSUMPTIONS AS OF DECEMBER 31:			
Discount rate	6.75%	7.25%	7.50%
Rate of compensation increase	5.00%	5.00%	5.00%
Expected return on plan assets	9.00%	9.00%	8.00%
COMPONENTS OF PENSION COST:			
Service cost	\$ 2,963	\$ 2,483	\$ 2,235
Interest cost	1,661	1,393	1,207
Expected return on plan assets	(1,443)	(1,145)	(1,017)
Amortization of prior service cost	(44)	(51)	(51)
Amortization of transition asset	(74)	(74)	(74)
Recognized net actuarial gain	106		
	<u> </u>	<u> </u>	<u> </u>
NET PENSION COST	\$ 3,169	\$ 2,606	\$ 2,300
	<u> </u>	<u> </u>	<u> </u>

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CHICAGO MERCANTILE EXCHANGE HOLDINGS INC. AND SUBSIDIARIES

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Savings Plan. The exchange maintains a savings plan pursuant to Section 401(k) of the Internal Revenue Code, whereby all employees are participants and have the option to contribute to this plan. The exchange matches employee contributions up to 3% of the employee's base salary and makes an additional discretionary contribution of up to 2% of salary. Prior to 2001, this additional contribution was based on increases in annual trading volume. Total expense for the savings plan amounted to \$3.1 million, \$2.5 million and \$2.1 million in 2002, 2001 and 2000, respectively.

Non-Qualified Plans. The following non-qualified plans, under which participants may make assumed investment choices with respect to amounts contributed on their behalf, are maintained by the exchange. Although not required to do so, the exchange invests such contributions in assets which mirror the assumed investment choices. The balances in these plans are subject to the claims of general creditors of the exchange, and totaled approximately \$7.5 million and \$6.6 million at December 31, 2002 and 2001, respectively.

Supplemental Plan The exchange maintains a non-qualified supplemental plan to provide benefits for certain officers who have been impacted by statutory limits under the provisions of the qualified pension and savings plans. Total expense for the supplemental plan was \$0.6 million, \$0.4 million and \$0.3 million in 2002, 2001 and 2000, respectively.

Deferred Compensation Plan A deferred compensation plan is maintained by the exchange, under which eligible officers and members of the Board of Directors may contribute a percentage of their compensation or stipends and defer income taxes thereon until the time of distribution.

Supplemental Executive Retirement Plan The exchange maintains a non-qualified defined contribution plan for senior officers. Under this plan, the exchange makes an annual contribution of 8% of salary and bonus for eligible employees. Contributions made after 1996 are subject to a vesting schedule, under which each annual contribution begins to vest after three years and is fully vested after five years. Unvested contributions are returned to the exchange if a participant leaves the employment of the exchange. Total expense for the plan, net of any forfeitures, was \$0.8 million, \$0.5 million and \$42,000 in 2002, 2001 and 2000, respectively.

15. Capital Stock

On December 11, 2002, CME Holdings completed the initial public offering of Class A common stock. All 5,463,730 shares of Class A common stock, including an aggregate of 712,660 shares of Class A common stock covered by an over-allotment option granted by CME Holdings to the underwriters, were sold at a price to the public of \$35.00 per share. Of the 5,463,730 shares sold in the offering, 3,712,660 shares were sold by CME Holdings and 1,751,070 shares were sold by selling shareholders. The aggregate proceeds to CME Holdings from the offering were approximately \$129.9 million, before deducting approximately \$9.1 million in underwriting discounts and commissions and an estimated \$3.3 million in other expenses incurred in connection with the offering. CME Holdings did not receive any proceeds from the sale of shares by the selling shareholders.

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Shares Outstanding. As of December 31, 2002, 5,463,730 shares of Class A common stock, 6,981,394 shares of Class A-1 common stock, 6,944,087 shares of Class A-2 common stock, 6,751,869 shares of Class A-3 common stock, 6,389,292 shares of Class A-4 common stock, 625 shares of Class B-1 common stock, 813 shares of Class B-2 common stock, 1,287 shares of Class B-3 common stock and 413 shares of Class B-4 common stock were issued and outstanding. CME Holdings has no shares of preferred stock issued and outstanding.

Associated Trading Rights. Each class of CME Holdings Class B common stock is associated with a membership in a specific division of the exchange. CME's rules provide exchange members with trading rights

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CHICAGO MERCANTILE EXCHANGE HOLDINGS INC. AND SUBSIDIARIES

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

and the ability to use or lease these trading rights. Trading rights are maintained at CME and are not part of or evidenced by the Class B common stock of CME Holdings. The Class B common stock of CME Holdings is intended only to ensure that the former Class B shareholders of CME retain Board representation rights and approval rights with respect to the core rights described below.

Voting Rights. With the exception of the matters reserved to holders of CME Holdings Class B common stock, holders of common stock vote together on all matters for which a vote of common shareholders is required. In these votes, each holder of shares of Class A or Class B common stock of CME Holdings has one vote per share.

Election of Directors. The CME Holdings Board of Directors is composed of 20 members. Holders of Class A and Class B common stock have the right to vote together in the election of 14 directors. Holders of Class B-1, Class B-2 and Class B-3 common stock have the right to elect the remaining six directors, of which three are elected by Class B-1 shareholders, two are elected by Class B-2 shareholders and one is elected by Class B-3 shareholders.

Core Rights. Holders of Class B shares have the right to approve changes in specified rights relating to the trading privileges associated with those shares. These core rights include allocation of products that a holder of trading rights is permitted to trade through the exchange; the trading floor access rights and privileges that a member has; the number of memberships in each membership class and the number of authorized and issued shares of Class B common stock associated with that class; and eligibility requirements to exercise trading rights associated with Class B shares. Votes on changes to these core rights are weighted by class. Each class of Class B common stock has the following number of votes on matters relating to core rights: Class B-1, six votes per share; Class B-2, two votes per share; Class B-3, one vote per share, and Class B-4, 1/6th of one vote per share. The approval of a majority of the votes cast by the holders of shares of Class B common stock is required in order to approve any changes to core rights. Holders of shares of Class A common stock do not have the right to vote on changes to core rights.

Dividends. Holders of Class A and Class B common stock of CME Holdings are entitled to receive proportionately such dividends, if any, as may be declared by the CME Holdings Board of Directors.

Transfer Restrictions.

Class A Common Stock Each class of CME Holdings Class A common stock is identical, except that the shares of Class A-1, A-2, A-3 and A-4 common stock are subject to transfer restrictions contained in CME Holdings Certificate of Incorporation. The number of shares outstanding at December 31, 2002 and the timing of the expiration of the transfer restrictions are set forth below. Until these transfer restrictions lapse, shares of Class A-1, A-2, A-3 and A-4 common stock may not be sold or transferred separately from a share of Class B common stock, subject to limited exceptions specified in CME Holdings Certificate of Incorporation. There are no restrictions on the shares of Class A common stock sold in the initial public offering.

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	Shares Outstanding	Transfer Restrictions Expire
Class A	5,463,730	Not restricted
Class A-1	6,981,394	June 10, 2003
Class A-2	6,944,087	December 7, 2003
Class A-3	6,751,869	June 4, 2004
Class A-4	6,389,292	June 4, 2004
Total Class A Shares Outstanding	32,530,372	

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CHICAGO MERCANTILE EXCHANGE HOLDINGS INC. AND SUBSIDIARIES

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The expiration of the transfer restrictions on Class A-1 and A-2 stock may be extended an additional 60 days to allow for the completion of a secondary sale of company stock, provided notice is given no later than 60 days prior to the expiration date of the transfer restrictions. Under certain circumstances, transfer restrictions for Class A-1 and A-2 stock may continue until the final expiration date if a shareholder elects not to participate in a successful secondary sale.

Class B Common Stock Each class of CME Holdings Class B common stock is subject to transfer restrictions contained in the Certificate of Incorporation of CME Holdings. These transfer restrictions prohibit the sale or transfer of any shares of Class B common stock separate from the sale of the associated trading rights in the exchange.

Shareholder Rights Provisions. The Board of Directors of CME Holdings has adopted a plan creating rights that entitle CME Holdings shareholders to purchase shares of CME Holdings stock in the event that a third party initiates a transaction designed to take over the company. This rights plan is intended to encourage persons seeking to acquire control of CME Holdings to engage in arms-length negotiations with the Board of Directors and management. The rights are attached to all outstanding shares of CME Holdings common stock, and each right entitles the shareholder to purchase one one-thousandth of a share of Series A Junior Participating Preferred Stock at a purchase price of \$105 per unit. The rights will separate from the common stock of the company; (1) 10 days after a person or group seeks to acquire CME Holdings through a public announcement by such person or group that they have acquired 15% or more of the outstanding shares of CME Holdings; or (2) 10 business days after the commencement of a tender offer by such person or group. If either of these two events occur, each holder of a right shall receive, upon exercise, Class A common stock having a value equal to two times the exercise price of the right.

Omnibus Stock Plan. CME Holdings has adopted an Omnibus Stock Plan under which stock-based awards may be made to employees. A total of 2.7 million Class A shares have been reserved for awards under the plan. Awards totaling 2.6 million shares are outstanding under this plan at December 31, 2002 (note 16).

16. Stock Options

At year-end 2002, the company elected to account for stock options under SFAS Statement No. 123 Accounting for Stock-Based Compensation, as amended. Under the provisions of SFAS No. 148 Accounting for Stock-Based Compensation-Transition and Disclosure, the company elected to adopt the retroactive restatement method, and operating results for 2000, 2001 and the first nine months of 2002 have been restated to reflect this change. From the grant date until the date of demutualization, or November 13, 2000, the company accounted for the option to the CEO in a manner similar to a stock appreciation right in accordance with Financial Accounting Standards Board (FASB) Interpretation No. 28,

Accounting for Stock Appreciation Rights and Other Variable Stock Option or Award Plans (An Interpretation of APB Opinions No. 15 and 25). Prior to adopting SFAS No. 123, or from the date of demutualization through September 30, 2002, the company accounted for its stock options using the intrinsic value method under the provisions of APB Opinion No. 25 Accounting for Stock Issued to Employees.

For 2002, total stock-based compensation expense using the fair value method totaled \$3.8 million. If the provisions of SFAS No. 123 had not been adopted at year-end 2002, stock-based compensation expense for the year 2002 would have totaled \$36.9 million, resulting in a reduction

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in net income of \$20.2 million from the net income reflected in our consolidated financial statements. As a result of the restatement and retroactive

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application of SFAS No. 123, the impact on net income (loss) and earnings (loss) per share is as follows for the periods presented:

	Year Ended December 31,	
	2001	2000
	(in thousands)	
Net income (loss), as previously reported	\$ 68,302	\$ (5,909)
Decrease (increase) in stock-based compensation expense	11,401	(7,179)
Tax effect	(4,595)	2,592
Net income (loss), as restated	\$ 75,108	\$ (10,496)
Earnings (loss) per share, as previously reported:		
Basic	\$ 2.37	\$ (0.21)
Diluted	2.33	
Earnings (loss) per share, as restated		
Basic	\$ 2.61	\$ (0.36)
Diluted	2.57	

On February 7, 2000, an option was granted to the President and Chief Executive Officer, James J. McNulty, to purchase 5% of the common stock of the company, as represented by an equivalent percentage of all Class A and Class B common stock issued at the date of demutualization. One-half of the option (Tranche A), or 2.5% of all common stock at the date of demutualization, has an aggregate exercise price of \$21.8 million, which was estimated to be 2.5% of the fair value of the exchange at the grant date. Since demutualization had not been completed at the grant date, the fair value of CME was calculated based on the average value of all exchange memberships. The option for the remaining 2.5% of all common stock at the date of demutualization (Tranche B) has an aggregate exercise price of \$32.8 million, or 3.75% of the fair value of the exchange at the grant date. As a result of the reorganization into a holding company structure, the Class A share equivalents previously embedded in the Class B shares of CME were converted into Class A shares of CME Holdings. Since the stock option for the CEO is for 5% of all classes of stock outstanding at the date of demutualization, and additional Class A shares were issued in the reorganization, the total number of Class A shares in the CEO option increased by 145,543 shares. At December 31, 2002, the CEO's option included 1,438,578 Class A and 156 Class B shares with a total exercise price of \$54.6 million. Under the option agreement, the exercise of the option can be settled with any combination of shares of Class A common stock or cash, at the discretion of the company.

The CEO option vests over a four-year period, with 40% vesting one year after the grant date and 20% vesting on that same date in each of the following three years. The term of the option is 10 years. As of December 31, 2002, all of the option remained outstanding. Although the option is for all classes of common stock outstanding, any exercise of the option must be for all or a portion of the option that is vested at the date of exercise. The CEO cannot elect to exercise the option for only certain classes of stock included in the option. The CEO option represented \$1.8 million of stock-based compensation expense in 2002.

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In 2001 and in December 2002, concurrent with the company's initial public offering, CME granted stock options to various employees under the Omnibus Stock Plan. The options vest over a four-year period, with 40% vesting one year after the grant date and 20% vesting on that same date in each of the following three years. The options have a 10-year term. Compensation expense of \$4.6 million relating to employee stock options will be recognized over the vesting period. Restricted stock grants of 119,000 shares were also awarded to certain executives in 2001 that have the same vesting provisions as the stock options. Compensation expense of \$2.4 million relating to restricted stock will be recognized over the vesting period. The employee options and restricted stock grants represented \$1.2 million and \$0.8 million, respectively, of stock-based compensation expense in 2002.

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The fair value of the Chief Executive Officer's option was \$14.4 million, measured at the demutualization date under the minimum value method. This method was used since, at the date of demutualization, there was not an independent established public trading market for Class A shares. Significant assumptions used to calculate fair value included: risk-free interest rate of 5.11%, expected life equal to the maximum term of the option and no expected dividends. The fair value of the option granted to employees in 2001 was \$4.2 million, measured at the grant date under the minimum value method. A risk-free interest rate of 5.40% was used over a period of five years with no expected dividends. The fair value of the options granted to employees in 2002 was \$0.4 million, measured at the grant date using the Black-Scholes method of valuation, as a public market for the Class A shares had been established as a result of the completion of the initial public offering. A risk-free rate of 3.50% was used over a period of six years with a 41% volatility factor and a 1.43% dividend yield.

The following table summarizes stock option activity for the three-year period ended December 31, 2002:

	Number of Shares	
	Class A	Class B
BALANCE AT DECEMBER 31, 1999		
Granted	1,293,035	156
Exercised		
Cancelled		
BALANCE AT DECEMBER 31, 2000	1,293,035	156
Granted	1,176,500	
Adjustment for reorganization	145,543	
Exercised		
Cancelled	(3,750)	
BALANCE AT DECEMBER 31, 2001	2,611,328	156
Granted	27,000	
Exercised	(150)	
Cancelled	(115,200)	
BALANCE AT DECEMBER 31, 2002	2,522,978	156

Total stock options outstanding and the portion of each option that can be exercised at December 31, 2002 are as follows:

Total Options	Exercisable Shares
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		<u>Outstanding</u>	<u>_____</u>
CEO Option:			
Tranche A:	Class A shares	719,289	431,573
	Class B shares	78	47
Tranche B:	Class A shares	719,289	431,573
	Class B shares	78	47
Employee Options:			
Class A shares		1,084,400	422,960
TOTAL STOCK OPTIONS		2,523,134	1,286,200

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CHICAGO MERCANTILE EXCHANGE HOLDINGS INC. AND SUBSIDIARIES

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Employee options granted in 2001 all have an exercise price of \$22.00 per share, and options granted in 2002 have an exercise price of \$35.00 per share, the offering price of the initial public offering. The employee options granted in 2001 are 40% vested at December 31, 2002. No portion of the 2002 options are vested at December 31, 2002. If the CEO exercised his option at December 31, 2002 for the 60% that was vested at that date, the vested exercise price of \$32.8 million was paid in cash and only Class A shares were issued to satisfy the option, the CEO would have received 768,273 Class A shares for each Tranche, or a total of 1,536,546 Class A shares, based on the value of the option and the closing price of our publicly traded Class A shares on that date. The CEO option has a total exercise price of \$54.6 million. A total of 2,560,912 Class A shares would be required at December 31, 2002 to satisfy the total CEO option outstanding with Class A shares, based on the value of the option and closing price of our publicly traded shares at that date. This total also assumes that cash is received for the entire exercise price of the option.

17. P-M-T Limited Partnership

CME was the general partner, and members and clearing firms of CME were limited partners, in P-M-T Limited Partnership (PMT), an Illinois limited partnership. PMT was formed in 1987 to initiate the development of the GLOBEX global electronic trading platform. Since December 1998, the current version of this system has been operated by the exchange using electronic trading software licensed from ParisBourse^{SBFSA} (now Euronext-Paris). CME charged PMT for services provided.

The limited partners of PMT approved the sale of all of the assets and business of PMT to the exchange as part of the demutualization process. The sale was effective November 13, 2000. The purchase price was \$5.1 million and was based on an independent appraisal of PMT. Total distribution to the partners of PMT was the purchase price plus interest of 1% over prime from the date of sale to the date of distribution, and included a payment to CME as general partner of \$1.1 million. The transaction was recorded using the purchase method of accounting and was effected at an amount approximately equal to the net assets of PMT. As a result, no goodwill or adjustment to the carrying value of assets was required.

PMT reported net income of \$1.4 million for the period from January 1, 2000 to November 13, 2000. If the assets and business of PMT had been purchased by the exchange as of January 1, 2000, the net operating loss of CME for 2000 would have been reduced by approximately \$0.6 million, or a reduction of the basic loss per share of \$0.02.

18. Credit Facility

On October 18, 2002, the exchange renewed its \$500.0 million secured committed line of credit with a consortium of banks. The secured credit agreement, which expires on October 18, 2003, is collateralized by clearing firm security deposits held by the exchange in the form of U.S. Treasury or agency securities, as well as security deposit funds in IEF2. The amount held as collateral at December 31, 2002 was \$882.4 million. The facility, which has never been used, may be utilized in certain situations, such as a temporary disruption of the domestic payments system that would delay settlement between the exchange and its clearing firms, or in the event of a clearing firm default. Under the terms of the credit agreement, there are a number of covenants with which the exchange must comply. Among these covenants, the exchange is required to submit quarterly reports to the participating banks and maintain at all times a consolidated tangible net worth of not less than \$90.0 million. Interest on

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amounts borrowed is calculated at the Fed Funds Rate plus 45/100 of 1% per annum. Commitment fees for the line of credit were \$0.5 million for each of the years ended December 31, 2002, 2001 and 2000.

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CHICAGO MERCANTILE EXCHANGE HOLDINGS INC. AND SUBSIDIARIES

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

19. Contingencies and Guarantees

Legal Matters. In November 2002, a former employee filed a charge of discrimination with the Illinois Department of Human Rights and Equal Employment Opportunity Commission claiming that CME terminated his employment because of his race. On or about November 25, 2002, this individual also filed a three-count complaint in the Circuit Court of Cook County, Illinois alleging common law claims of retaliatory discharge, promissory estoppel, and unjust enrichment relating to termination of his employment by CME and is seeking damages in excess of \$3 million. Based on its investigation to date and advice from legal counsel, management believes these claims are without merit and will defend them vigorously.

In addition, the exchange is a defendant in, and has potential for, various other legal proceedings arising from its regular business activities. While the ultimate results of such proceedings against the exchange cannot be predicted with certainty, management believes that the resolution of these matters will not have a material adverse effect on the consolidated financial position or results of operations.

Employment-Related Agreements. The exchange has an employment agreement with James J. McNulty, as its President and Chief Executive Officer, through December 31, 2003, subject to renewal by mutual agreement of the parties. Mr. McNulty's base salary for the year ended December 31, 2002 was \$1.0 million. His employment agreement provides that during the agreement term his annual base salary shall be no less than \$1.0 million and his annual bonus may not exceed the lesser of \$1.5 million or 10% of CME's net income. Mr. McNulty is entitled to participate in CME's benefits programs and is eligible for other perquisites as approved by the Board in an amount not to exceed \$50,000 for each calendar year. He was granted a Non-Qualified Stock Option and Long-Term Incentive Award in the employment agreement, which has been defined and modified through a supplement and amendments to the agreement (note 16).

In the event of a termination without cause by the exchange, Mr. McNulty shall be entitled to receive his base salary plus one-third of the maximum annual incentive bonus for the remainder of the agreement term. In addition, in the event of termination without cause by the exchange, the unvested portion of the stock option granted to Mr. McNulty would become fully vested.

Under the contract, if within two years of a change in control of the exchange, Mr. McNulty is terminated by the exchange or he terminates the agreement as a result of the occurrence of one of the matters defined in the agreement as good reason, he shall be entitled to two times his base salary plus one and one-third times the maximum annual incentive bonus for which he would have been eligible, provided that the severance payments do not exceed \$8.0 million. The payment would be subject to reduction to the extent that it would otherwise result in the payment of tax under Section 4999 of the Internal Revenue Code. Also, the unvested portion of Mr. McNulty's stock option would become fully vested.

The contract also provides that in the event of termination due to death or permanent disability, the exchange shall for a period of six months following such termination, continue to pay Mr. McNulty's annual base salary, as then in effect. Any unvested portion of the stock option granted to Mr. McNulty would become fully vested upon termination due to death or permanent disability, and his estate or designated beneficiary has the continued right to exercise the stock option through the end of the term of the option.

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The exchange also has an employment agreement with Craig S. Donohue, as its Executive Vice President and Chief Administrative Officer, through December 31, 2004, subject to renewal by mutual agreement of the parties. Effective October 9, 2002, Mr. Donohue's annual base salary was increased to \$550,000. His employment agreement provides that during the term of the agreement, his base salary shall be no less than \$550,000 per year. He is entitled to participate in CME's benefits programs.

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CHICAGO MERCANTILE EXCHANGE HOLDINGS INC. AND SUBSIDIARIES

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

In the event of a termination without cause by the exchange, Mr. Donohue shall be entitled to receive a one-time lump sum severance payment equal to 24 months of his base salary as of the date of his termination.

Mutual Offset System. At December 31, 2002, CME was contingently liable on irrevocable letters of credit totaling \$55.0 million that relate to the mutual offset agreement between CME and Singapore Exchange Derivatives Trading Ltd. (SGX). This mutual offset agreement allows a clearing firm of either exchange to execute after-hours trades at the other exchange. When a clearing firm of CME executes an after-hours trade at SGX, the resulting trade is transferred from SGX to CME, and CME assumes the financial obligation to SGX for the transferred trade. A similar obligation occurs when a clearing firm of SGX executes a trade at CME. The net position of each exchange to the other is marked-to-market daily based on the settlement prices of the applicable exchange, and settlement is made between the exchanges in cash. Since settlement prices at each exchange may differ at the end of any given trading day and Singapore is 13 to 14 hours ahead of Chicago, there may be a difference between the two settlement amounts, and there will be a difference in the timing of the settlement. To allow for adequate and timely funding of the settlement and in the unlikely event of a payment default by a clearing firm, CME and SGX each maintain irrevocable standby letters of credit payable to the other exchange. Regardless of the irrevocable letter of credit, CME guarantees all cleared transactions submitted by its members through SGX and would initiate procedures designed to satisfy these financial obligations in the event of a default, such as the use of security deposits and performance bonds of the defaulting clearing firm.

GFX Letter of Credit. CME guarantees a \$2.5 million standby letter of credit for GFX. The beneficiary of the letter of credit is the clearing firm that is used by GFX to execute and maintain its foreign exchange and Eurodollar futures position. The letter of credit will be utilized in the event that GFX defaults in meeting requirements to its clearing firm. Per exchange requirements, GFX is required to place a performance bond on deposit with its clearing firm. In the unlikely event of a payment default by GFX, GFX's performance bond would first be used to cover the deficit. If this amount is not sufficient, the letter of credit would be used, and finally CME would guarantee the remaining deficit, if any.

Cross-Margin Agreements. CME, Options Clearing Corporation (OCC) and New York Clearing Corporation (NYCC) have a cross-margin arrangement, whereby a common clearing firm may maintain a cross-margin account in which the clearing firm's positions in certain CME futures and options on futures are combined with certain positions cleared by OCC and NYCC for purposes of calculating performance bond requirements. The performance bond deposits are held jointly by CME, OCC and NYCC. If a participating firm defaults, the gain or loss on the liquidation of the firm's open position and the proceeds from the liquidation of the cross-margin account are split 47.5% each to OCC and CME and 5% to NYCC.

A cross-margin agreement with the London Clearing House (LCH) became effective in March 2000, whereby clearing firms' offsetting positions with CME and LCH are subject to reduced margin requirements. Clearing firms maintain separate performance bond deposits with each clearing house, but depending on the net offsetting positions between CME and LCH, each clearing house may reduce the firm's performance bond requirement. In the event of a firm default, the total liquidation net gain or loss on the firm's offsetting open positions and the proceeds from the liquidation of the performance bond collateral held by each clearing house's supporting offsetting positions are split evenly between CME and LCH.

A cross-margin agreement with the Government Securities Clearing Corporation (GSCC) became effective in April 2002, whereby clearing firms' offsetting positions with CME and GSCC are subject to reduced margin requirements. Clearing firms maintain separate performance bond

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deposits with each clearing house, but depending on the net offsetting positions between CME and GSCC, each clearing house may reduce the firm's performance bond requirement. In the event of a firm default, the total liquidation net gain or loss on the firm's offsetting open position is split evenly between CME and GSCC.

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CHICAGO MERCANTILE EXCHANGE HOLDINGS INC. AND SUBSIDIARIES

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Additionally, for both the LCH and the GSCC cross-margining agreements, if, after liquidation of all the positions and collateral of the defaulting firm at each respective clearing organization, and taking into account any cross-margining loss sharing payments, if any of the participating clearing organizations has a remaining liquidating surplus, and any other participating clearing organization has a remaining liquidating deficit, any additional surplus from the liquidation will be shared with the other clearing houses to the extent that they have a remaining liquidating deficit. Any remaining surplus funds will be passed to the bankruptcy trustee.

Interest Earning Facility Program. Clearing firms, at their option, may instruct CME to invest cash on deposit for performance bond and security deposit purposes in a portfolio of securities that is part of the Interest Earning Facility (IEF) program. The first IEF was organized in 1997 as two limited liability companies. Interest earned, net of expenses, is passed on to participating clearing firms. The principal of the first IEF totaled \$350.0 million at December 31, 2002 and is guaranteed by the exchange as long as clearing firms maintain investment balances in this portfolio. The investment portfolio of these facilities is managed by two of the exchange's approved settlement banks, and eligible investments include U.S. Treasury bills and notes, U.S. Treasury strips and reverse repurchase agreements. The maximum average portfolio maturity is 90 days, and the maximum maturity for an individual security is 13 months. If funds invested in the IEF are unavailable due to lack of liquidity in the investment portfolio, default of a repurchase counterparty, or loss in market value, CME guarantees the amount deposited by the clearing firm. Management believes that the market risk exposure relating to its guarantee is not material to the consolidated financial statements taken as a whole.

20. GFX Derivatives Transactions

GFX Corporation engages in the purchase and sale of CME foreign exchange and Eurodollar futures contracts. GFX posts bids and offers in these products on the GLOBEX electronic trading platform to maintain a market and promote liquidity in these futures products. GFX limits risk from these transactions through offsetting transactions using futures contracts or spot foreign exchange transactions with approved counterparties in the interbank market. Formal trading limits have been established. Futures transactions are cleared by an independent clearing firm. Any residual open positions are marked to market on a daily basis, and all net realized and unrealized gains and losses are included in other revenue in the accompanying consolidated statements of income. Net trading gains amounted to \$3.2 million in 2002, \$3.8 million in 2001 and \$4.4 million in 2000. At December 31, 2002, futures positions held by GFX had a notional value of \$51.9 million, offset by a similar amount of spot foreign exchange positions, resulting in a zero net position.

21. Earnings per Share

Basic earnings per share is computed by dividing net income (loss) by the weighted average number of all classes of common stock outstanding for each reporting period. Shares outstanding are calculated as if the current holding company structure was in place for all periods presented. Diluted earnings per share is computed in a manner similar to basic earnings per share, except that the weighted average shares outstanding is increased to include additional shares from restricted stock grants and the assumed exercise of stock options, if dilutive. The number of additional shares is calculated assuming that outstanding stock options with an exercise price less than the current market price of that class of stock would be exercised, and that proceeds from such exercises would be used to acquire shares of common stock at the average market price during the reporting period. The dilutive effect of the option granted to the CEO is calculated as if the entire option, including the Class A share and Class B share portions of the option, would be satisfied through the issuance of Class A shares.

Table of Contents**CHICAGO MERCANTILE EXCHANGE HOLDINGS INC. AND SUBSIDIARIES****NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

	<u>2002</u>	<u>2001</u>	<u>2000</u>
		(restated)	(restated)
	(in thousands, except share and per share data)		
Net Income (Loss)	\$ 94,067	\$ 75,108	\$ (10,496)
Weighted Average Number of Common Shares:			
Basic	29,066,242	28,774,700	28,774,700
Effect of stock options	959,253	443,028	
Effect of restricted stock grants	35,042	22,704	
Diluted	30,060,537	29,240,432	
Earnings (Loss) per Share:			
Basic	\$ 3.24	\$ 2.61	\$ (0.36)
Diluted	3.13	2.57	

22. Wagner Patent Litigation

On August 26, 2002, the lawsuit with eSpeed relating to the Wagner patent was settled for \$15.0 million. The settlement required CME to make an initial \$5.0 million payment in September 2002 and five subsequent annual payments of \$2.0 million each beginning in August 2003. The present value of the settlement, or \$13.7 million, was recognized as an expense in the third quarter of 2002.

On December 23, 2002, CME signed an agreement to resolve an indemnification dispute with Euronext-Paris related to CME's settlement of the Wagner patent litigation. Under the agreement, Euronext-Paris will pay CME \$7.5 million, one-half of CME's settlement with eSpeed. CME recognized the present value of the entire \$7.5 million settlement in the fourth quarter of 2002 as a reduction of the expense recognized in the third quarter of 2002. Half of the total payment due was received by CME in January 2003, and the remainder is due by year-end 2003.

23. Quarterly Information (unaudited)

	<u>First</u>	<u>Second</u>	<u>Third</u>	<u>Fourth</u>	<u>Total</u>
	Quarter	Quarter	Quarter	Quarter	Total
AS RESTATED					
	(in thousands, except per share data)				
YEAR ENDED DECEMBER 31, 2002:					
Net revenues	\$ 101,092	\$ 107,532	\$ 125,165	\$ 119,388	\$ 453,177
Income before income taxes	31,163	34,489	38,133	50,444	154,229

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Net income	18,659	20,991	22,898	31,519	94,067
Earnings per share:					
Basic	\$ 0.65	\$ 0.73	\$ 0.79	\$ 1.06	\$ 3.24
Diluted	0.63	0.71	0.77	1.02	3.13
YEAR ENDED DECEMBER 31, 2001:					
Net revenues	\$ 92,170	\$ 94,698	\$ 95,329	\$ 104,956	\$ 387,153
Income before income taxes	32,137	34,087	26,939	32,603	125,766
Net income	19,267	20,537	15,983	19,321	75,108
Earnings per share:					
Basic	\$ 0.67	\$ 0.71	\$ 0.56	\$ 0.67	\$ 2.61
Diluted	0.67	0.70	0.54	0.66	2.57

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Table of Contents**CHICAGO MERCANTILE EXCHANGE HOLDINGS INC. AND SUBSIDIARIES****NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

AS PREVIOUSLY REPORTED	<u>First Quarter</u>	<u>Second Quarter</u>	<u>Third Quarter</u>	<u>Fourth Quarter(1)</u>	<u>Total</u>
	(in thousands, except per share data)				
YEAR ENDED DECEMBER 31, 2002:					
Net income	\$ 22,722	\$ 18,942	\$ 19,354		
Earnings per share:					
Basic	\$ 0.79	\$ 0.66	\$ 0.67		
Diluted	0.76	0.64	0.65		
YEAR ENDED DECEMBER 31, 2001:					
Net income	\$ 17,941	\$ 18,764	\$ 17,776	\$ 13,821	\$ 68,302
Earnings per share:					
Basic	\$ 0.62	\$ 0.65	\$ 0.62	\$ 0.48	\$ 2.37
Diluted	0.62	0.64	0.60	0.46	2.33

(1) Fourth quarter and year-end 2002 data was not previously reported.

Table of Contents**CHICAGO MERCANTILE EXCHANGE HOLDINGS INC. AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEET****(in thousands, except share data)****(unaudited)**

	September 30, 2003
ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 391,534
Proceeds from securities lending activities	800,000
Short-term investments of interest earning facilities	339,647
Marketable securities	29,633
Accounts receivable, net of allowance of \$972	58,195
Other current assets	7,898
Cash performance bonds and security deposits	2,027,710
	<hr/>
Total current assets	3,654,617
Property, net of accumulated depreciation and amortization	106,909
Other assets	34,081
	<hr/>
TOTAL ASSETS	\$ 3,795,607
	<hr/> <hr/>
LIABILITIES AND SHAREHOLDERS' EQUITY	
Current Liabilities:	
Accounts payable	\$ 17,821
Payable under securities lending agreements	800,000
Payable to participants in interest earning facilities	339,647
Other current liabilities	55,124
Cash performance bonds and security deposits	2,027,710
	<hr/>
Total current liabilities	3,240,302
Long-term debt	165
Other liabilities	18,074
	<hr/>
Total liabilities	3,258,541
	<hr/> <hr/>
Shareholders' Equity:	
Preferred stock, \$0.01 par value, 9,860,000 shares authorized, none issued and outstanding	
Series A junior participating preferred stock, \$0.01 par value, 140,000 shares authorized, none issued and outstanding	
Class A common stock, \$0.01 par value, 138,000,000 shares authorized, 32,810,762 shares issued and outstanding	328
Class B common stock, \$0.01 par value, 3,138 shares authorized, issued and outstanding	
Additional paid-in capital	192,210
Unearned restricted stock compensation	(1,097)

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Retained earnings	345,625
Total shareholders' equity	537,066
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 3,795,607

See accompanying notes to unaudited consolidated financial statements.

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Table of Contents**CHICAGO MERCANTILE EXCHANGE HOLDINGS INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF INCOME****(in thousands, except share and per share data)****(unaudited)**

	Nine Months Ended September 30,	
	2003	2002
		(restated)
REVENUES		
Clearing and transaction fees	\$ 326,053	\$ 261,414
Quotation data fees	38,980	36,507
GLOBEX access fees	11,566	9,770
Communication fees	7,243	7,364
Investment income	5,661	6,098
Securities lending interest income	7,327	14,702
Other	13,326	10,943
TOTAL REVENUES	410,156	346,798
Securities lending interest expense	(6,739)	(13,009)
NET REVENUES	403,417	333,789
EXPENSES		
Compensation and benefits	107,878	88,433
Occupancy	18,996	16,970
Professional fees, outside services and licenses	22,789	24,747
Communications and computer and software maintenance	33,986	33,816
Depreciation and amortization	39,863	35,504
Patent litigation settlement		13,695
Marketing, advertising and public relations	8,963	4,398
Other	14,937	12,441
TOTAL EXPENSES	247,412	230,004
Income before income taxes	156,005	103,785
Income tax provision	(63,474)	(41,237)
NET INCOME	\$ 92,531	\$ 62,548
EARNINGS PER COMMON SHARE:		
Basic	\$ 2.84	\$ 2.17
Diluted	2.73	2.11

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Weighted average number of common shares:

Basic	32,632,391	28,798,301
Diluted	33,890,969	29,730,097

See accompanying notes to unaudited consolidated financial statements.

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Table of Contents**CHICAGO MERCANTILE EXCHANGE HOLDINGS INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF SHAREHOLDERS EQUITY**

(in thousands, except share and per share data)

(unaudited)

	Class A Common Stock	Class B Common Stock	Common Stock and Additional Paid-in Capital	Unearned Restricted Stock Compensation	Retained Earnings	Accumulated Net Unrealized Securities Gains	Total Shareholders Equity
	Shares	Shares	Amount				
BALANCE DECEMBER 31, 2002	32,530,372	3,138	\$ 179,994	\$ (665)	\$ 266,810	\$	\$ 446,139
Net income					92,531		92,531
Exercise of stock options	258,190		5,428				5,428
Tax benefit related to employee stock compensation			3,792				3,792
Quarterly cash dividends on common stock of \$0.14 per share					(13,716)		(13,716)
Vesting of issued restricted Class A common stock	22,200						
Stock-based compensation			2,496				2,496
Grant of 13,600 shares of restricted Class A common stock			867	(867)			
Forfeited restricted stock			(39)	39			
Amortization of unearned restricted Class A common stock				396			396
BALANCE SEPTEMBER 30, 2003	32,810,762	3,138	\$ 192,538	\$ (1,097)	\$ 345,625	\$	\$ 537,066
BALANCE DECEMBER 31, 2001 (restated)	28,771,562	3,138	\$ 59,517	\$ (1,461)	\$ 190,033	\$ 277	\$ 248,366
Comprehensive income:							
Net income					62,548		62,548
Change in net unrealized gain on securities, net of tax of \$184						(277)	(277)
Total comprehensive income							62,271
Exercise of stock options	100		2				2
Cash dividend on common stock of \$0.60 per share					(17,290)		(17,290)
Vesting of issued restricted Class A common stock	46,000						
Stock-based compensation			2,525				2,525
Amortization of unearned restricted Class A common stock				686			686

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BALANCE SEPTEMBER 30, 2002 (restated)	<u>28,817,662</u>	<u>3,138</u>	<u>\$ 62,044</u>	<u>\$ (775)</u>	<u>\$ 235,291</u>	<u>\$</u>	<u>\$ 296,560</u>
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See accompanying notes to unaudited consolidated financial statements.

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Table of Contents**CHICAGO MERCANTILE EXCHANGE HOLDINGS INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF CASH FLOWS****(in thousands)****(unaudited)**

	Nine Months Ended September 30,	
	2003	2002 (restated)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 92,531	\$ 62,548
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	39,863	35,504
Stock based compensation	2,892	3,211
Deferred income tax benefit	(993)	(5,779)
Loss on investment in joint venture	3,582	1,710
Gain on sale of marketable securities		(2,658)
Loss on disposal of fixed assets	852	
Increase (decrease) in allowance for doubtful accounts	(260)	227
Increase in accounts receivable	(7,070)	(5,932)
Decrease in other current assets	3,617	1,781
Increase in other assets	(4,269)	(1,397)
Decrease in accounts payable	(9,786)	(7,616)
Increase in other current liabilities	16,656	12,949
Increase in other liabilities	1,019	7,018
NET CASH PROVIDED BY OPERATING ACTIVITIES	138,634	101,566
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property, net	(38,107)	(42,529)
Capital contributions and advances to joint venture	(5,491)	(3,071)
Purchases of marketable securities	(29,633)	(43,956)
Proceeds from sales and maturities of marketable securities		137,623
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	(73,231)	48,067
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on long-term debt	(4,841)	(4,282)
Cash dividends	(13,716)	(17,290)
Proceeds from exercised stock options	5,428	2
NET CASH USED IN FINANCING ACTIVITIES	(13,129)	(21,570)

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Net increase in cash and cash equivalents	52,274	128,063
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	339,260	69,101
	<u> </u>	<u> </u>
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 391,534	\$ 197,164
	<u> </u>	<u> </u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Interest paid	\$ 318	\$ 474
Income taxes paid	59,684	46,140
Capital leases-asset additions and related obligations		558

See accompanying notes to unaudited consolidated financial statements.

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CHICAGO MERCANTILE EXCHANGE HOLDINGS INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Presentation

The accompanying interim consolidated financial statements have been prepared by Chicago Mercantile Exchange Holdings Inc. (CME Holdings) without audit. Certain notes and other information normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States have been condensed or omitted. In the opinion of management, the accompanying consolidated financial statements include all adjustments necessary to present fairly the financial position of CME Holdings as of September 30, 2003 and December 31, 2002, and the results of its operations and its cash flows for the periods indicated. Effective July 1, 2003, the consolidated financial statements include the first Interest Earning Facility (IEF) program to reflect the provisions of Financial Accounting Standards Board (FASB) Interpretation No. 46, Consolidation of Variable Interest Entities An Interpretation of Accounting Research Bulletin (ARB) No. 51 (note 4).

The accompanying consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto in Exhibit 13.1 of the Chicago Mercantile Exchange Holdings Inc. Annual Report on Form 10-K for the year ended December 31, 2002. Quarterly results are not necessarily indicative of results for any subsequent period.

Certain reclassifications have been made to the 2002 financial statements to conform to the presentation in 2003.

2. Performance Bonds and Security Deposits

Each firm that clears futures and options on futures contracts traded on Chicago Mercantile Exchange (CME or the exchange) is required to deposit and maintain specified performance bonds in the form of cash, certain money market mutual funds offered through the IEF2 program, U.S. Government securities or bank letters of credit. These performance bonds are available only to meet the financial obligations of that clearing firm to the exchange. Cash performance bonds and security deposits may fluctuate due to the investment choices available to clearing firms and the change in the amount of deposits required. As a result, these assets may vary significantly over time. See Note 6 of Notes to Consolidated Financial Statements in Exhibit 13.1 to CME Holdings Annual Report on Form 10-K for the year ended December 31, 2002.

In the third quarter of 2003, IEF3 was organized. IEF3 offers clearing firms the opportunity to manage performance bond collateral more efficiently than previously allowed by CME to meet performance bond requirements. As with IEF2, the principal of IEF3 is not guaranteed by the exchange. At September 30, 2003, the amount of performance bonds in IEF3 was \$5.0 million.

3. Guarantees

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Interest Earning Facility. Clearing firms, at their option, may instruct CME to invest cash on deposit for performance bond purposes in a portfolio of securities that is part of the Interest Earning Facility (IEF) program. The first IEF was organized in 1997 as two limited liability companies. Interest earned, net of expenses, is passed on to participating clearing firms. The principal of these first IEFs totaled \$339.6 million at September 30, 2003 and is guaranteed by the exchange as long as clearing firms maintain investment balances in this portfolio. The investment portfolio of these facilities is managed by two of the exchange's approved settlement banks, and eligible investments include U.S. Treasury bills and notes, U.S. Treasury strips and reverse repurchase agreements. The maximum average portfolio maturity is 90 days, and the maximum maturity for an individual security is 13 months. If funds invested in these IEFs are required to be liquidated due to a clearing firm redemption transaction and funds are not immediately available due to lack of liquidity in the investment portfolio, default of a repurchase counterparty, or loss in market value, CME guarantees the amount of invested

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CHICAGO MERCANTILE EXCHANGE HOLDINGS INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

funds. FASB Interpretation (FIN) No. 45, Guarantor's Accounting and Disclosure Requirements of Guarantees of Indebtedness of Others, requires that an entity (CME) issuing a guarantee recognize, at the inception of the guarantee, a liability equal to the fair value of the guarantee. CME has evaluated its requirements under FIN No. 45 and concluded that no significant liability is required to be recorded.

Intellectual Property Indemnifications. Some agreements with customers accessing GLOBEX® and utilizing our market data services and SPAN® software contain indemnifications from intellectual property claims that may be made against them as a result of their use of these products. The potential future claims relating to these indemnifications cannot be estimated and, therefore, in accordance with FIN No. 45, no liability has been recorded.

4. Variable Interest Entities

In January 2003, the FASB issued FIN No. 46, which requires the primary beneficiary to consolidate a variable interest entity (VIE) if it has a variable interest that will absorb a majority of the entity's expected losses if they occur, receive a majority of the entity's expected residual returns if they occur, or both. FIN No. 46 applies immediately to VIEs created after January 31, 2003 and is required to be adopted for periods ending after December 15, 2003. The first IEFs as described above have been determined to be VIEs subject to consolidation (note 3). CME has elected to adopt the provisions of FIN No. 46 as of July 1, 2003, prior to the required effective date. The adoption of FIN No. 46 was implemented on a prospective basis and did not result in any cumulative effect on the income statement. The effect of the consolidation as a result of the adoption of FIN No. 46 is an increase to both assets and liabilities of \$339.6 million. While there is no impact on net income, net revenues increased \$0.6 million as a result of this consolidation, and the increase is reflected in investment income. There is a similar impact on expenses included in both professional fees and other expenses in the consolidated income statement.

CME also holds a variable interest in OneChicago, LLC, our 40% owned joint venture with the Chicago Board Options Exchange and the Chicago Board of Trade. CME has determined that it is not the primary beneficiary of this VIE and therefore does not meet the consolidation requirements under FIN No. 46.

5. Legal Matters

In November 2002, a former employee filed a complaint in the Circuit Court of Cook County, Illinois, which was subsequently amended to allege common law claims of retaliatory discharge and racial discrimination. He is seeking damages in excess of \$3.0 million. In June 2003, the employee filed a complaint in the United States District Court for the Northern District of Illinois alleging that his employment was terminated because of his race in violation of Title VII and that his termination violated Section 1981. The employee is seeking reinstatement, back pay and benefits, punitive damages in the amount of \$2.0 million, plus actual damages. Both cases are currently in the discovery stage. Based on its investigation to date and advice from legal counsel, management believes these claims are without merit and will defend them vigorously.

6. Capital Stock

Shares Outstanding. As of September 30, 2003, 6,684,365 shares of Class A common stock, 6,257,353 shares of Class A-1 common stock, 6,736,390 shares of Class A-2 common stock, 6,692,261 shares of Class A-3 common stock, 6,440,393 shares of Class A-4 common stock, 625 shares of Class B-1 common stock, 813 shares of Class B-2 common stock, 1,287 shares of Class B-3 common stock and 413 shares of Class B-4 common stock were issued and outstanding. This does not include 58,000 shares of Class A common stock subject to restricted stock awards, which are not vested. CME Holdings has no shares of preferred stock issued and outstanding.

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Table of Contents**CHICAGO MERCANTILE EXCHANGE HOLDINGS INC. AND SUBSIDIARIES****NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (Continued)***Transfer Restrictions.*

Class A Common Stock. Each class of CME Holdings Class A common stock is identical, except that the shares of Class A-1, A-2, A-3 and A-4 common stock are subject to transfer restrictions contained in CME Holdings Certificate of Incorporation. The number of shares outstanding at September 30, 2003 and the timing of the expiration of the transfer restrictions are set forth below. Until these transfer restrictions lapse, shares of Class A-1, A-2, A-3 and A-4 common stock may not be sold or transferred separately from a share of Class B common stock, subject to limited exceptions specified in CME Holdings Certificate of Incorporation. There are no restrictions on the shares of Class A common stock sold in CME Holdings initial public offering in December 2002 or the secondary public offerings that were completed in connection with the initial public offering and in June 2003. Pursuant to our Certificate of Incorporation, as a result of the secondary offering in June 2003, transfer restrictions on the Class A-1 shares that were not sold will remain in effect until June 4, 2004, subject to the exception described below. On September 30, 2003, CME Holdings filed a registration statement with the Securities and Exchange Commission for another secondary offering of its Class A common stock by its shareholders. The offering is being conducted in accordance with CME Holdings Certificate of Incorporation in connection with the termination of the transfer restrictions on CME Holdings Class A-2 common stock. If a holder of Class A-2 common shares elects to include Class A-2 common shares in the secondary offering and less than the requested number of shares are sold, that holder will be able to sell, on the 61st day after the expiration of the transfer restriction period applicable to Class A-2 shares, those shares that were not sold. In addition, on that same date, any shares of Class A-1 common stock that remain subject to the transfer restrictions because a shareholder elected not to include them in the June 2003 secondary offering will become freely transferable. If a holder of Class A-2 common shares elects not to include all Class A-2 common shares in the secondary offering, those excluded Class A-2 shares will remain subject to transfer restrictions until June 4, 2004.

	Shares Outstanding	Transfer Restrictions Scheduled Expiration
Class A	6,684,365	Not restricted
Class A-1	6,257,353	June 4, 2004
Class A-2	6,736,390	December 7, 2003
Class A-3	6,692,261	June 4, 2004
Class A-4	6,440,393	June 4, 2004
Total Class A Shares Outstanding	32,810,762	

Class B Common Stock. Each class of CME Holdings Class B common stock is subject to transfer restrictions contained in the Certificate of Incorporation of CME Holdings. These transfer restrictions prohibit the sale or transfer of any shares of Class B common stock separate from the sale of the associated trading rights in the exchange.

7. Stock Options

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In June 2003, CME granted additional stock options totaling 465,900 shares to various employees under the Omnibus Stock Plan. The options vest over a five-year period, with 20% vesting one year after the grant date and on that same date in each of the following four years. The options have a 10-year term with an exercise price of \$63.01, the market price at the grant date. In accordance with Statement of Financial Accounting Standards (SFAS) Statement No. 123 Accounting for Stock-Based Compensation, as amended, the fair value of the options granted to employees was \$8.3 million, measured at the grant date using the Black Scholes method of valuation. A risk-free rate of 2.52% was used over a period of six years with a 29.2% volatility factor and a 1.3% dividend yield. This compensation expense will be recognized on an accelerated basis over the vesting period. In June 2003, we also granted 12,800 shares of restricted stock that have the same vesting provisions as the stock options granted at that time. Compensation expense of \$0.8 million relating to restricted stock will be recognized

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Table of Contents**CHICAGO MERCANTILE EXCHANGE HOLDINGS INC. AND SUBSIDIARIES****NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

over the vesting period. In addition, in the third quarter of 2003 CME granted 9,000 additional stock options with terms similar to the June 2003 grant to certain employees under the Omnibus Stock Plan.

The following table summarizes stock option activity for the nine months ended September 30, 2003:

	Number of Shares	
	Class A	Class B
Balance at December 31, 2002	2,522,978	156
Granted	474,900	
Exercised	(200,557)	(13)
Cancelled	(13,750)	
Balance at September 30, 2003	2,783,571	143

In April 2003, the CEO exercised 6.9% of the Tranche A portion of his stock option. Under the provisions of the CEO's option, CME is allowed to provide Class A shares for the value of the Class B portion of the option. As a result, the option was satisfied through the issuance of 79,522 Class A shares, of which 49,343 were issued from the Omnibus Stock Plan. The remaining shares were issued to satisfy the Class B portion of the option and represented authorized and unissued shares of the company registered pursuant to a registration statement of Form S-8.

In September 2003, the CEO exercised an additional 10.0% of the Tranche A portion of his stock option. This option exercise was satisfied through the issuance of 99,383 Class A shares, of which 71,929 were issued from the Omnibus Stock Plan. The remaining shares were issued to satisfy the Class B portion of the option and represented authorized and unissued shares of the company registered pursuant to a registration statement on Form S-8.

Total stock options and the portion that were exercisable at September 30, 2003 were as follows:

		Total Options Outstanding	Exercisable Shares
CEO Option:			
Tranche A:	Class A Shares	598,017	478,414
			52

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	Class B Shares	65	
Tranche B:	Class A Shares		
		719,289	575,431
	Class B Shares	78	62
Employee Options:			
Class A Shares		1,466,265	584,439
		<u> </u>	<u> </u>
Total Stock Options		2,783,714	1,638,398
		<u> </u>	<u> </u>

8. Earnings Per Share

Basic earnings per share is computed by dividing net income by the weighted average number of shares of all classes of common stock outstanding for each reporting period. Diluted earnings per share reflects the increase in shares using the treasury stock method to reflect the impact of an equivalent number of shares of common stock if stock options and restricted stock awards were exercised or converted into common stock. The dilutive effect of the option granted to the CEO is calculated as if the entire option, including the Class A share and Class B share portions of the option, would be satisfied through the issuance of Class A shares. The diluted weighted average number of common shares outstanding at September 30, 2003 excludes the incremental effect

Table of Contents**CHICAGO MERCANTILE EXCHANGE HOLDINGS INC. AND SUBSIDIARIES****NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

related to 472,200 outstanding stock options that would be anti-dilutive.

	Nine Months Ended September 30	
	2003	2002
	(in thousands, except share and per share data)	
Net income	\$ 92,531	\$ 62,548
Weighted Average Number of Common Shares:		
Basic	32,632,391	28,798,301
Effect of stock options	1,225,868	897,891
Effect of restricted stock grants	32,710	33,905
Diluted	33,890,969	29,730,097
Earnings per Share:		
Basic	\$ 2.84	\$ 2.17
Diluted	2.73	2.11

9. Subsequent Events

On October 14, 2003, CME contributed an additional \$4.1 million to OneChicago, LLC, its joint venture with the Chicago Board Options Exchange and the Chicago Board of Trade. At September 30, 2003, CME owned an approximately 40% interest in the joint venture.

On October 18, 2003, the secured committed line of credit with a consortium of banks was renewed by CME at the annual renewal date. The credit facility was increased from \$500.0 million to \$750.0 million and was renewed on terms substantially the same as the expiring line of credit.

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Table of Contents**PART II****INFORMATION NOT REQUIRED IN PROSPECTUS****ITEM 14. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION.**

The following table sets forth the costs and expenses payable in connection with the sale of Class A common stock being registered, other than underwriting discounts and commissions payable by the selling shareholders. All amounts, other than the SEC registration fee and the NASD filing fee, are estimates.

SEC registration fee	\$ 36,859
NASD filing fee	30,500
Printing and engraving expenses	65,000
Legal fees and expenses	200,000
Accounting fees and expenses	25,000
Transfer agent and registrar fees and expenses	13,000
Miscellaneous fees and expenses	60,000
	<hr/>
Total	\$ 430,359
	<hr/>

ITEM 15. INDEMNIFICATION OF DIRECTORS AND OFFICERS.

Section 145 of Delaware General Corporation Law authorizes a court to award or a corporation's board of directors to grant indemnity to directors and officers in terms sufficiently broad to permit such indemnification under some circumstances for liabilities arising under the Securities Act and to provide for the reimbursement of expenses incurred.

As permitted by the Delaware law, Article XI of our certificate of incorporation and Article IX of our bylaws provide that (1) we are permitted to indemnify our directors, officers and other employees to the fullest extent permitted by Delaware law; (2) we are permitted to advance expenses, as incurred, to our directors, officers and other employees in connection with defending a legal proceeding if we have received in advance an undertaking by the person receiving such advance to repay all amounts advanced if it should be determined that he or she is not entitled to be indemnified by us; and (3) the rights conferred in the bylaws are not exclusive. As permitted by the Delaware General Corporation Law, our certificate of incorporation includes a provision that eliminates the personal liability of our directors for monetary damages for breach of fiduciary duty as a director, except for liability (1) for any breach of the director's duty of loyalty to us or our shareholders; (2) for acts of omissions not in good faith or that involve intentional misconduct or a knowing violation of law; (3) under Section 174 of the Delaware General Corporation Law (regarding payments of dividends; stock purchases or redemptions which are unlawful); or (4) for any transaction from which the director derived an improper personal benefit. This provision in the certificate of incorporation does not eliminate the directors' fiduciary duty, and in appropriate circumstances equitable remedies such as injunctive or other forms of non-monetary relief will remain available under Delaware law. In addition, each director will continue to be subject to liability for breach of the director's duty of loyalty to us for acts or omissions not in good faith or involving intentional misconduct, for knowing violations of law, for actions leading to improper personal benefit to the director and for payment of dividends or approval of stock repurchases or redemptions that are unlawful under Delaware law. The provision also does not affect a director's responsibilities under any other law, such as the federal securities laws or state or federal environmental laws.

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The Underwriting Agreement, contained in Exhibit 1.1 hereto, contains provisions indemnifying our officers and directors against some types of liabilities.

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Table of Contents**ITEM 16. EXHIBITS.**

The following documents are exhibits to the registration statement.

Exhibit

Number	Description of Exhibit
1.1	Form of Underwriting Agreement.
2.1	Agreement and Plan of Merger, dated as of October 1, 2001, between Chicago Mercantile Exchange Inc., Chicago Mercantile Exchange Holdings Inc. and CME Merger Subsidiary Inc. (incorporated by reference to Exhibit 2.1 to Chicago Mercantile Exchange Holdings Inc. s Form S-4, filed with the SEC on August 7, 2001, File No. 33-66988).
3.1	Amended and Restated Certificate of Incorporation of Chicago Mercantile Exchange Holdings Inc. (incorporated by reference to Exhibit 3.1 to Chicago Mercantile Exchange Holdings Inc. s Current Report on Form 8-K, filed with the SEC on December 4, 2001, File No. 0-33379).
3.2	Certificate of Amendment to the Amended and Restated Certificate of Incorporation of Chicago Mercantile Exchange Holdings Inc. (incorporated by reference to Exhibit 3.2 to Chicago Mercantile Exchange Holdings Inc. s Current Report on Form 8-K, filed with the SEC on May 16, 2002, File No. 0-33379).
3.3	Second Amended and Restated Bylaws of Chicago Mercantile Exchange Holdings Inc., as amended November 7, 2002 (incorporated by reference to Exhibit 3.3 to Chicago Mercantile Exchange Holdings Inc. s Registration Statement on Form S-1, filed with the SEC on December 5, 2002, File No. 33-90106).
4.1	Rights Agreement, dated as of November 30, 2001, between Chicago Mercantile Exchange Holdings Inc. and Mellon Investor Services LLC (incorporated by reference to Exhibit 4.1 to Chicago Mercantile Exchange Holding s Inc. s Form 8-A, filed with the SEC on December 4, 2001).
4.2	First Amendment to Rights Agreement, dated as of November 13, 2002, between Chicago Mercantile Exchange Holdings Inc., Mellon Investor Services, LLC and Computershare Investor Services, LLC (incorporated by reference to Exhibit 5 to Chicago Mercantile Exchange Holdings Inc. s Form 8-A, filed with the SEC on November 29, 2002).
5.1	Opinion of Skadden, Arps, Slate, Meagher & Flom (Illinois).
23.1	Consent of Ernst & Young LLP.
23.2	Consent of Skadden, Arps, Slate, Meagher & Flom (Illinois) (included in Exhibit 5.1).
24.1*	Power of Attorney.

* Previously filed.

ITEM 17. UNDERTAKINGS.

The undersigned registrant hereby undertakes that, for purposes of determining any liability under the Securities Act of 1933, each filing of the registrant s annual report pursuant to Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934 (and, where applicable, each filing of an employee benefit plan s annual report pursuant to Section 15(d) of the Securities Exchange Act of 1934) that is incorporated by reference in the registration statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial *bona fide* offering thereof.

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Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the Registrant pursuant to the provisions described under Item 15 above, or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the

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Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

The undersigned registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act of 1933, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial *bona fide* offering thereof.

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SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the Registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-3 and has duly caused this Amendment No. 1 to Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Chicago, State of Illinois, on November 5, 2003.

CHICAGO MERCANTILE EXCHANGE HOLDINGS INC.

By: /s/ JAMES J. McNULTY

James J. McNulty

*President and Chief Executive
Officer*

Pursuant to the requirements of the Securities Act of 1933, this Amendment No. 1 to Registration Statement has been signed by the following persons in the capacities indicated below on November 5, 2003.

<u>Signature</u>	<u>Title</u>
* <hr/>	President and Chief Executive Officer and Director
James J. McNulty * <hr/>	Chairman of the Board and Director
Terrence A. Duffy * <hr/>	Managing Director and Chief Financial Officer
David G. Gomach * <hr/>	Managing Director and Chief Accounting Officer
Nancy W. Goble <hr/>	Director
Timothy R. Brennan <hr/>	Director
Martin J. Gepsman * <hr/>	Director

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Daniel R. Glickman

*

Director

Scott Gordon

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<u>Signature</u>	<u>Title</u>
Bruce F. Johnson	Director
*	Director
Gary M. Katler	Director
*	Director
Patrick B. Lynch	Director
Leo Melamed	Director
*	Director
William P. Miller II	Director
*	Director
John D. Newhouse	Director
*	Director
James E. Oliff	Director
*	Director
William G. Salatich, Jr.	Director
John F. Sandner	Director
*	Director
Terry L. Savage	Director
*	Director
Myron S. Scholes	Director
*	Director
William R. Shepard	Director

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Howard J. Siegel

*

Director

David J. Wescott

*By: /s/ CRAIG S. DONOHUE

Craig S. Donohue *as attorney-in-fact*

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