

INTEREST PRODUCT

introduced its first short-term product, the 90-day Treasury bill, received at a time when the country was in great need of a moment in the short-term interest. The Federal Reserve Bank began the 90-day Treasury bill's positive trading liquidity in the Treasury market. Today, CME's Eurodollar contract — a short-term interest rate contract — an U.S. dollars deposited in the United States — is one of the most actively traded futures contracts in



WORLD'S RISK MANAGEMENT TOOL OF CHOICE

Interest rates affect our lives — from the cost of a home mortgage to the amount of interest charged on a credit card balance. Interest rate futures can be used to hedge against an existing or future interest rate risk. This is accomplished by maintaining a futures position that will generate profits to cover (or offset) the losses associated with an adverse move in interest rates. Cash market participants, such as banks, asset managers and swap dealers, generally use CME's interest rate futures products to manage interest rate risk from 20 days to 75 years.

The New York Times



ODX

presents **2010 Outstanding Director**

Dennis H. Chookaszian

Chookaszian keeps CME Group ahead of the curve on complex audit, risk and financial issues, safeguarding its highly transparent business.

DIRECTOR'S SNAPSHOT

Born

1943 in Chicago, Ill.

Education

BA, Northwestern; MBA, University of Chicago; MS, London School of Economics

Family

Wife Karen, 3 children, 8 grandchildren

Current hometown

Wilmette, Ill.

Most memorable summer job

Selling Watkins cooking extracts and household products door-to-door as a teenager in Chicago

Best book this year

The Endurance: Shackleton's Legendary Antarctic Expedition by Caroline Alexander

All time favorite movies

Casablanca and *Citizen Kane*

Favorite charity

Foundation for Health Enhancement

Idea of bliss

Time spent with his family and, secondarily, being part of a group that's accomplishing something

Most admired historical figure

Many, including Ronald Reagan for his vision and communication skills and Bill Clinton for his resilience

What's your motto?

Measure twice, cut once.

Current public directorships

Career Education, CME Group, InsWeb, LoopNet



Dennis and Karen Chookaszian on granddaughter Hannah's birthday trip in Antarctica.

Prepared: Dennis Chookaszian Keeps

Throughout Dennis Chookaszian's career as an executive and a corporate director, the Eagle Scout says he has always followed the Scout motto: Be prepared.

Fellow members of the CME Group board have seen that motto put into action. They credit Chookaszian, their audit committee chair, with helping the behemoth exchange to be prepared for substantial challenges and risks. CME Group executive chairman Terry Duffy states, "Because 80% of our revenues come from highly transparent trades, credible markets are our lifeblood. From a risk perspective, Dennis is the perfect audit chair. You couldn't have better."

Jackie Clegg, a CME audit committee member, concurs, adding, "Every board should be lucky enough to have a Dennis." Clegg, former vice chair of the U.S. Export-Import Bank, marvels at how Chookaszian keeps the board at the cutting edge of emerging accounting issues and how they might affect the CME Group's balance sheet.

Directors also recall how Chookaszian — who spent 27 years honing his risk, finance and systems skills at CNA Insurance — encouraged the board to vote in favor of opening a line of credit at what turned out to be a very opportune time.

"When Dennis first proposed opening a line of credit [in early 2008], maybe three other board members were in favor," Clegg says. Many of the CME Group's 32 directors come from trading backgrounds and are used to exchanges being flush with cash. Clegg notes that, over several board meetings, Chookaszian helped the directors understand the value and importance of debt on the balance sheet. "When it came to a vote, Dennis's eloquent logic and patience prevailed, and we successfully opened a line of credit before the credit crisis," she says.

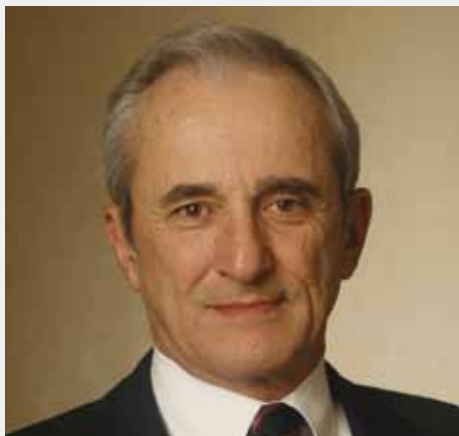
During the market downturn, trading

volume at the exchange dropped a staggering 35% from about 14 million trades per day to only 9 million. The line of credit provided a valuable cushion during the fall.

Chookaszian retired as CEO of CNA in 2001 and began serving on boards. He signed on as a director of the Chicago Mercantile Exchange in 2004, shortly after the company became the first U.S. exchange to go public. His tenure as chair of the audit committee has been a roller coaster ride thanks to two major acquisitions and the global credit crisis.

In 2006, the Chicago Mercantile Exchange bought the Chicago Board of Trade (CBOT) for \$8 billion in a deal that created the world's largest derivatives exchange. Two years later, the company acquired the New York Mercantile Exchange, the world's largest physical commodities exchange, securing the company's position at the fulcrum of global finance. The company was renamed CME Group in 2008.

Duffy says he particularly valued Chookaszian's leadership in the innumerable meetings leading up to the CBOT merger. "He's very financially literate and helped us with valuations and obviously with the accounting."



an Eagle Eye on the Controls

Terry Savage, a fellow CME Group director, adds that as chairman of the Financial Accounting Standards Advisory Council, which provides guidance to FASB, Chookaszian is always ahead of the curve on audit and financial issues. Noting a timely example she says, "He receives and interprets the Financial Crisis Advisory Group's reports when they're hot off the press." Savage, a financial journalist, author and president of Terry Savage Productions continues, "Dennis doesn't cover just the numbers, but the issues that are constantly changing around accounting rules, risk and governance." A current issue Chookaszian is helping work through is a potential ban on naked default swaps and what that would do to CME Group's cost of funds.

For his part, Chookaszian takes pride in his advisory role as CME Group developed its Sarbanes-Oxley financial controls and evaluation dashboard. The company created an effective program at a reasonable cost, he says, adding, "It's one of the best implementations of a very tight control system that I've seen."

Educating an Educator

Chookaszian played a central role reestablishing control as a director at Career Education, where he helped the for-profit education company get back on track despite severe growing pains.

After going public in 1998, Career Education's management went on a five-year acquisition binge, growing revenues from \$100 million to around \$2 billion. A Wall Street darling when Chookaszian joined the board in 2002, the company was hit with multiple lawsuits alleging improprieties in both financial aid and admissions practices shortly thereafter.

The SEC and U.S. Department of Jus-

tice responded to the lawsuits by opening separate investigations. The U.S. Department of Education put restrictions on the company's ability to acquire schools and open new campuses. In 2005, dissident shareholders mounted a major proxy battle, and one of Career Education's biggest institutions, American InterContinental University, was put on academic probation.

Chookaszian's fellow directors selected him to chair a special committee to direct an investigative effort that would last two years. Fellow directors say he played a hands-on role in getting to the bottom of the allegations. Pat Gross, chairman of the Lovell Group, was the first of a new crop of directors recruited in 2005. "Dennis played a defining role in sorting through the shareholder suits and the regulatory issues," says Gross. "He kept the company from getting into a lot of trouble."

"The board comprised some competent people who grew up in the industry but tended not to have much public-company expertise," Chookaszian says. "The control structure was still back in the early days of the company." Because governance lagged growth, Career Education ran into trouble.

Working with forensic accountants and an independent legal firm, Chookaszian and his committee were able to set the record straight. There had been mismanagement owing to lack of adequate accounting processes and controls, but there was no fraud. "The shareholder suits went away," Chookaszian says. Equally satisfying, by 2007, all investigations were closed. Ultimately, no action was taken against the company, and all restrictions were lifted.

Current Career Education chairman Steve Lesnik joined the board in 2006 and took the role of chairman two years later. He says, "Dennis reestablished this com-

pany when it was under threat from so many directions.”

Today, calmer conditions prevail. The entire top management team and all but one previous director were replaced by 2008. Unprofitable schools are being closed, and new student admissions at the remaining schools increased 27% in 2009. The company recently purchased the rights to the Le Cordon Bleu brand for educational services in the U.S. and Canada. These successes stem, in part, from better governance. “The company has recognized the

Chookaszian, who is now an InsWeb director but was then CEO of CNA, gave him a call.

“Dennis said CNA was thinking of launching a similar business but he felt the company was too big and stodgy to pull it off,” recalls Enan. “He told me, ‘You’ll succeed, and we won’t.’” When Enan invited CNA to invest, Chookaszian agreed to put in \$25 million on the condition that InsWeb take an additional \$25 million credit line from CNA. “He was absolutely right,” Enan asserts. “We needed all of it before we went public” in 1999.

“From a risk perspective, Dennis is the perfect audit chair. You couldn’t have better.”

Terry Duffy, Executive Chairman, CME Group

need for a stronger level of compliance and internal controls,” Chookaszian sums up.

A Key Resource in Times of Need

Career Education was actually Chookaszian’s fourth experience serving on a special committee that was formed to resolve a corporate crisis. The most extreme case was in the late 1990s on the board of the now infamous Mercury Finance, which Chookaszian calls a “poster child” for corporate accounting fraud. The subprime auto lender ran into difficulties when problems, including securities breaches, falsified bank statements and reclassification of bad debt, came to light. Eventually, management admitted to overstating earnings by more than \$100 million. Describing his role in cleaning house, Chookaszian notes, “Sometimes you can really see where you’ve made a distinct difference.”

InsWeb chairman and CEO Hussein Enan points to another case where Chookaszian has made a significant difference. Enan launched InsWeb, an online insurance marketplace, in 1995. Roughly 18 months later,

Chookaszian shares his experiences — and mistakes — at the University of Chicago’s Booth School, his alma mater, where he teaches a course on corporate governance. He brings a version of the course to China each year, as well, and will teach in India for the first time this year.

As a professor, Chookaszian has the opportunity to share his thoughts on boards’ responsibilities. He believes that just 25% of a board’s time should be spent on routine governance issues. The rest should be devoted to the company’s strategic direction and deployment of resources. The focus, he says, should be on developing one-, five- and 10- year plans, and figuring out the best uses for people and capital.

Ever the Eagle Scout, Chookaszian is coaxing executives in the U.S. and around the world to be prepared.

— *Alex Halperin*

Dennis Chookaszian will speak at ODX New York on October 6 – 7, 2010. Please contact Dan Fink at 212.542.1255 or DFink@TheODX.com for details.

Congratulations to the
2010 Outstanding Directors

These six independent directors have been recognized by their peers as leaders who have gone above and beyond the call of duty, demonstrating judgment, courage and integrity while acting in the interests of shareholders.

Dennis H. Chookaszian

Isaiah Harris, Jr.

Robert L. Joss

John W. Rogers, Jr.

Philip G. Satre

Jane E. Shaw



Outstanding Directors Exchange

The Outstanding Directors Program has been honoring standout independent directors since 1998. Members of the Class of 2010 will share their best practices and be honored at directors-only ODX events throughout the year. Please see www.TheODX.com for details.

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