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DIVISION OF MARKET REGULATION



UNIT

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SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

OMB APPROVAL	
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3/15

**ANNUAL AUDITED REPORT  
FORM X-17A-5  
PART III**

SEC FILE NUMBER
8-48072

FACING PAGE

**Information Required of Brokers and Dealers Pursuant to Section 17 of the  
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder**

REPORT FOR THE PERIOD BEGINNING 01/01/10 AND ENDING 12/31/10  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: Associated Options, Inc.

OFFICIAL USE ONLY
FIRM I.D. NO.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

440 South LaSalle Street, Suite 3600

(No. and Street)

Chicago, Illinois

(City)

(State)

60605

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

Jacqueline Sloan

312-431-0014

(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

CJBS, LLC

(Name - if individual, state last, first, middle name)

2100 Sanders Road, Suite 200

(Address)

Northbrook

(City)

Illinois

(State)

60062-6141

(Zip Code)

CHECK ONE:

Certified Public Accountant

Public Accountant

Accountant not resident in United States or any of its possessions.

<b>FOR OFFICIAL USE ONLY</b>

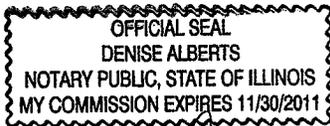
\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

AB  
3/16

OATH OR AFFIRMATION

I, Stuart J. Kipnes, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Associated Options, Inc., as of December 31, 2010, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_



Denise Alberts  
Notary Public

Stuart J. Kipnes  
Signature  
President  
Title

This report \*\* contains (check all applicable boxes):

- (a) Facing Page.
- (b) Statement of Financial Condition.
- (c) Statement of Income (Loss).
- (d) Statement of Changes in Financial Condition.
- (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- (g) Computation of Net Capital.
- (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- (l) An Oath or Affirmation.
- (m) A copy of the SIPC Supplemental Report.
- (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

\*\*For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).



**ASSOCIATED OPTIONS, INC.**  
**AUDITED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2010**

**ASSOCIATED OPTIONS, INC.**

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## **INDEPENDENT AUDITORS' REPORT**

Board of Directors  
Associated Options, Inc.  
Chicago, Illinois

We have audited the accompanying statements of Associated Options, Inc. (an Illinois S Corporation) as of December 31, 2010 and for the year then ended. These statements are the responsibility of the management. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly in all material respects, the information therein of Associated Options, Inc. as of December 31, 2010 and for the year then ended in conformity with U.S. generally accepted accounting principles.

*CJBS, LLC*

CJBS, LLC  
Northbrook, Illinois

February 24, 2011

**ASSOCIATED OPTIONS, INC.**

**STATEMENT OF FINANCIAL CONDITION**

**DECEMBER 31, 2010**

**ASSETS**

	<u>Allowable</u>	<u>Non-Allowable</u>	<u>Total</u>
Cash - Operating	\$ 1,818,873	\$ -	\$ 1,818,873
Cash - Segregated Clearance	179,436	-	179,436
Receivables From Brokers or Dealers, Less Allowance for Doubtful Accounts of \$285,000	602,733	558,791	1,161,524
Securities-Common Stock, at Fair Market Value	806,958	800,100	1,607,058
Security Deposit	-	8,000	8,000
<b>TOTAL ASSETS</b>	<b>\$ 3,408,000</b>	<b>\$ 1,366,891</b>	<b>\$ 4,774,891</b>

**LIABILITIES AND STOCKHOLDER'S EQUITY**

Total Liabilities		\$ -
Stockholder's Equity		
Common Stock		1,000
Retained Earnings		3,273,533
Accumulated Other Comprehensive Income		1,500,358
Total Stockholder's Equity		<u>4,774,891</u>
<b>TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY</b>		<b>\$ <u>4,774,891</u></b>

The accompanying notes are an integral part of these financial statements.

**ASSOCIATED OPTIONS, INC.**

**STATEMENT OF INCOME AND COMPREHENSIVE INCOME**

**FOR THE YEAR ENDED DECEMBER 31, 2010**

**REVENUE**

Commissions on Listed Option Transactions	\$ 10,035,007
Gain/(Loss) From Tender Offer on Securities	236,000
Other Revenue	15,910
Total Revenue	<u>10,286,917</u>

**EXPENSES**

Salaries and Employment Costs for Stockholder Officer	2,502,318
Other Employee Compensation and Benefits	2,139,990
Commissions Paid to Other Brokers-Dealers	97,683
Regulatory Fees	126,921
Other Expenses	1,738,799
Total Expenses	<u>6,605,711</u>

**NET INCOME**

3,681,206

**OTHER COMPREHENSIVE INCOME**

Unrealized Gains/(Loss) on Securities	
Unrealized Holding Gains/(Loss) Arising During The Period	\$ 1,736,358
Less: Reclassification Adjustment For Gains Included In Net Income	<u>236,000</u>

**TOTAL OTHER COMPREHENSIVE INCOME**

1,500,358

**TOTAL COMPREHENSIVE INCOME**

\$ 5,181,564

The accompanying notes are an integral part of these financial statements.

**ASSOCIATED OPTIONS, INC.**

**STATEMENT OF CHANGES IN STOCKHOLDER'S EQUITY**

**DECEMBER 31, 2010**

<b>BALANCE, Beginning of Year, January 1, 2010</b>		<b>\$ 2,363,327</b>
Net Income	<b>\$ 3,681,206</b>	
Other Comprehensive Income	<b>1,500,358</b>	
		<b>5,181,564</b>
Distributions to Stockholder		<b>( 2,770,000)</b>
<b>BALANCE, End of Year, December 31, 2010</b>		<b><u>\$ 4,774,891</u></b>

The accompanying notes are an integral part of these financial statements.

**ASSOCIATED OPTIONS, INC.**

**STATEMENT OF CASH FLOWS**

**DECEMBER 31, 2010**

**OPERATING ACTIVITIES**

Net Income	\$ 5,181,564
Adjustment to Reconcile Net Income to Net Cash Provided by Operating Activities:	
Realized and Unrealized (Gain)/Loss on Securities	( 1,736,358)
Changes in Operating Assets and Liabilities (Increase) Decrease In:	
Receivables from Brokers or Dealers	<u>51,665</u>

**NET CASH PROVIDED BY OPERATING ACTIVITIES**

3,496,871

**INVESTING ACTIVITIES**

Proceeds from Dividend-Return of Basis	100,000
Purchase of Common Stock Securities	( 8,000)
Proceeds from Tender on Common Stock	<u>250,000</u>

**NET CASH PROVIDED BY INVESTING ACTIVITIES**

342,000

**FINANCING ACTIVITIES**

Stockholder Distributions	( 2,770,000)
---------------------------	--------------

**NET CASH (USED) BY FINANCING ACTIVITIES**

( 2,770,000)

**NET INCREASE (DECREASE) IN CASH**

1,068,871

**CASH - BEGINNING OF YEAR**

929,438

**CASH - END OF YEAR**

\$ 1,998,309

**Supplemental Disclosures**

1. The Corporation considers all investments having original maturities of less than 90 days to be cash equivalents.
2. The Corporation paid no interest expense during the year ended December 31, 2010.
3. The Corporation paid no federal income taxes during the year ended December 31, 2010.

The accompanying notes are an integral part of these financial statements.

**ASSOCIATED OPTIONS, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2010**

**NOTE A – ORGANIZATION**

Associated Options, Inc. was formed as a Delaware Corporation on December 22, 1994. The Corporation operates as a brokerage execution firm, principally conducting its business activities from the floor of the Chicago Board Options Exchange ("CBOE"), Chicago, Illinois.

**NOTE B – SIGNIFICANT ACCOUNTING POLICIES**

Overall Accounting Method

The Corporation maintains its books using the accrual basis method of accounting.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and revenue and expenses during the period reported. Actual results could differ from those estimates.

Accounts Receivable

The Company carries its accounts receivable at cost, less an allowance for doubtful accounts, and provides an allowance of \$285,000 at December 31, 2010, to reserve for potentially uncollectible accounts and discounts customers may take. The allowance is based on management's estimate.

Cash and Cash Equivalents

Cash and cash equivalents consist of highly liquid investments with a maturity of three months or less when purchased.

**NOTE C – INCOME TAXES**

The Corporation's sole Shareholder made an election under Internal Revenue Code Section 1362, effective as of January 1, 1995, to be an S-corporation. As such, the Shareholder is taxed on all the Corporation's taxable income. Therefore, no provision for federal income taxes has been included in these financial statements. The tax returns of the Corporation are filed on the cash basis of accounting. Any state taxes are included in other expenses.

**NOTE D – COMMON STOCK**

The Corporation is authorized to issue 20,000 shares of common stock at no par value per share. At December 31, 2010, 10,000 shares are issued and outstanding.

**ASSOCIATED OPTIONS, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2010**

**NOTE E – CAPITAL REQUIREMENTS**

The Corporation is subject to the net capital requirements of the Securities and Exchange Commission Uniform Net Capital Rule (SEC Rule 15c 3-1), and as such is required to maintain a net capital balance of \$100,000. Total capital of the Corporation at December 31, 2010 was \$4,774,891. The minimum capital requirements may effectively restrict the withdrawal of corporate equity.

**NOTE F – COMPUTATION OF NET CAPITAL PURSUANT TO SEC RULE 15c 3-1**

Audited Net Capital at December 31, 2010 was \$ 3,217,933.

No material differences exist with the Focus Report, Part IIA for the quarter ending December 31, 2010, as filed by Associated Options, Inc.

**NOTE G – COMMISSIONS**

Commissions are recorded on a trade date basis as securities transactions occur.

**NOTE H – CBOE MEMBERSHIP CONVERTED TO COMMON STOCK AT INITIAL PUBLIC OFFERING**

Associated Options, Inc owned a Chicago Board Options Exchange (“CBOE”) membership (a seat), purchased September 2, 2003 for \$212,000 and carried it at cost. The CBOE changed its organizational structure from a non-stock corporation owned by its members to a wholly-owned subsidiary of a new holding company, CBOE Holdings, Inc., organized as a stock corporation.

The CBOE on June 15, 2010 launched an initial public offering at \$29 a share. Associated Options, Inc. was granted 2 classes of stock in the IPO for its membership interest consisting of 40,000 shares of Class A-1 Restricted Common Stock and 40,000 shares of Class A-2 Restricted Common Stock. Shortly after the initial offering a special dividend of \$1.25 per share was issued which represented a return of basis and totaled \$100,000.

A tender offer from the proceeds from the CBOE's public offering was made to former members on both classes of restricted common stock on October 13, 2010 by CBOE Holdings, Inc. and on November 23, 2010 they purchased 5,000 Class A-1 shares and 5,000 Class A-2 shares from Associated Options, Inc. for \$250,000.

The restrictions on the remaining 35,000 shares of Class A-1 common stock, net of the tender offer, expired on December 15, 2010 and were automatically converted one for one into unrestricted common stock traded on the NASDAQ and the restrictions on the 35,000 of Class A-2 Common Stock will expire on June 13, 2011. The Class A-2 Restricted Common Stock is not listed on any exchange or quoted on any over-the-counter market and is subject to restrictions on transfer.

At December 31, 2010, the Company owned a total of 70,000 shares in regards to the conversion, carried on the Statement of Financial Condition at the closing market price of \$22.86 per share.

Associated Options, Inc. purchased an additional 300 shares of unrestricted common stock at the initial public offering at \$29 per share. At December 31, 2010 the fair market value of these shares was \$6,858.

**ASSOCIATED OPTIONS, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2010**

**NOTE I – OTHER COMPREHENSIVE INCOME AND UNREALIZED GAIN/(LOSS) ON INVESTMENTS**

Other Comprehensive Income as prescribed under generally accepted accounting principles includes unrealized gains and losses on investments. At December 31, 2010, the Company had the following unrealized gains reported as Other Comprehensive Income:

	<u>December 31, 2010</u>
Value of 35,000 Shares CBOE Unrestricted Common Stock, (Formerly Class A-1 Restricted)	\$ 800,100
Value of 35,000 Shares CBOE Class A-2 Restricted Common Stock	800,100
Value of 300 Shares of CBOE Unrestricted Common Stock	6,858
Total Fair Market Value at December 31, 2010	<u>\$ 1,607,058</u>
Less: Company Cost Basis in Securities	(106,700)
Total Other Comprehensive Income At December 31, 2010	<u><u>\$ 1,500,358</u></u>

**NOTE J – FAIR VALUE MEASUREMENTS**

FASB ASC 820 defines fair value, establishes a framework for measuring fair value, and establishes a fair value hierarchy that prioritizes the inputs to valuation techniques use to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described below:

**Basis of Fair Value Measurement**

- Level 1 Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, assets or liabilities.
- Level 2 Quoted prices in markets that are considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly.
- Level 3 Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

The following table sets forth, by level within the fair value hierarchy, the Company's investment assets at fair value as of December 31, 2010. As required by FASB ASC 820, assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. At December 31, 2010, the Company had no investment assets at fair value classified within Level 2 or 3.

**ASSOCIATED OPTIONS, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2010**

**NOTE J – FAIR VALUE MEASUREMENTS (continued)**

	<u>Total</u>	<u>Fair Value Measurements at 12/31/10 Using</u>		
		<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
CBOE Holdings, Inc.				
Class A-1, Common Stock 35,000 shares	\$ 800,100	\$ 800,100	\$ -	\$ -
Class A-2, Common Stock 35,000 shares	800,100	-	800,100	-
Unrestricted Common Stock 300 shares	6,858	6,858	-	-
<b>TOTAL</b>	<b>\$ 1,607,058</b>	<b>\$ 806,958</b>	<b>\$ 800,100</b>	<b>\$ -</b>

**NOTE K –OFF-BALANCE-SHEET RISK**

In connection with the Corporation's floor brokerage activities, which encompass 100% of the Corporation's business activity as a floor execution firm, there are no transactions or other off-balance-sheet financial instruments. There is no market or credit risk in excess of the amounts recorded in the statement of financial condition. All operating cash balances are 100% insured by the Federal Deposit Insurance Corporation.

The segregated clearance cash account is an SIPC money market securities account. The segregated clearance cash amount as well as the common stock securities in the statement of financial condition are subject to market risk.

Net sales for the year ended December 31, 2010 includes commissions from three major customers, which accounted for approximately 26.92%, 17.54%, and 8.33%, respectively, of the total net commissions of the Company.

**NOTE L –SUBSEQUENT EVENTS**

The Company's management has evaluated events and transactions through February 24, 2011, the date the financial statements were issued, noting no material events requiring disclosure in the Company's financial statements.

**SUPPLEMENTAL INFORMATION**



**INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTAL INFORMATION**  
**REQUIRED BY RULE 15C 3-1 AND 17A-5**  
**OF THE SECURITIES AND EXCHANGE COMMISSION**

Board of Directors  
Associated Options, Inc.  
Chicago, Illinois

We have audited the accompanying financial statements of Associated Options, Inc. as of and for the year ended December 31, 2010, and have issued our report thereon dated February 24, 2011. Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained on pages 9-17 are presented for purpose of additional analysis and are not a required part of the basic financial statements, but are supplemental information required by Rule 15c 3-1 and 17a-5 under the Securities Exchange Act of 1934. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*CJBS, LLC*

CJBS, LLC  
Northbrook, Illinois

February 24, 2011



## **INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL**

In planning and performing our audit of the financial statements of Associated Options, Inc. as of and for the year ended December 31, 2010, in accordance with auditing standards generally accepted in the United States of America, we considered the Corporation's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control.

Also, as required by Rule 17a-5(g)(1) of the Securities and Exchange Commission ("SEC"), we have made a study of the practices and procedures followed by the Corporation, including consideration of control activities for safeguarding securities. This study included tests of compliance with such practices and procedures that we considered relevant to the objectives stated in Rule 17a-5(g).

Because the Corporation does not carry any securities accounts for customers or perform custodial functions related to customer securities, we did not review the practices and procedures followed by the Corporation in the following:

1. Making the periodic computations of aggregate indebtedness (or aggregate debits) and net capital under Rule 17a-3(a)(11) and the reserve required by Rule 15c3-3(e).
2. Making the quarterly securities examinations, counts, verifications, and comparisons, and the recordation of differences required by Rule 17a-13.
3. Complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System.
4. Obtaining and maintaining physical possession or control of all fully paid and excess margin securities of customers as required by Rule 15c3-3.

The management of the Corporation is responsible for establishing and maintaining internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls and of the practices and procedures referred to in the preceding paragraph, and to assess whether those practices and procedures can be expected to achieve the SEC's previously mentioned objectives. Two of the objectives of the internal control and the practices and procedures are to provide management with reasonable but not absolute assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in conformity with generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in internal control or the practices and procedures referred to above, error or fraud may occur and not be detected. Also, projection of any evaluation of them to

future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the company's financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first and second paragraphs and would not necessarily identify all deficiencies in internal control that might be material weaknesses. We did not identify any deficiencies in internal control and control activities for safeguarding securities that we consider to be material weaknesses, as defined previously.

It is not practicable for a company of this size to achieve all the divisions of duties and crosschecks generally included in a system of internal accounting control and, as a result, greater reliance is placed on the close supervision of the accounting records by management on a daily basis.

This report is intended solely for the information and use of the stockholders, management, the SEC, the Chicago Board of Options Exchange, Inc., and other regulatory agencies that rely on Rule 17a-5(g) of the SEC in their regulation of registered brokers and dealers, and is not intended to be and should not be used by anyone other than these specified parties.

*CJBS, LLC*

CJBS, LLC  
Northbrook, Illinois

February 24, 2011



**INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON  
PROCEDURES RELATED TO AN ENTITY'S SIPC ASSESSMENT RECONCILIATION**

To the Board of Directors of Associated Options, Inc.  
Chicago, Illinois

In accordance with Rule 17a-5(e)(4) under the Securities Exchange Act of 1934, we have performed the procedures enumerated below with respect to the accompanying Schedule of Assessment and Payments to the Securities Investor Protection Corporation (SIPC) for the Year Ended December 31, 2010 which were agreed to by Associated Options, Inc. and the Securities and Exchange Commission, Chicago Board Options Exchange, and SIPC solely to assist you and the other specified parties in evaluating Associated Options, Inc.'s compliance with the applicable instructions of the Transitional Assessment Reconciliation (Form SIPC-7). Associated Options, Inc.'s management is responsible for the Associated Options, Inc.'s compliance with those requirements. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose. The procedures we performed and our findings are as follows:

1. Compared the listed assessment payments in Form SIPC-7 with respective cash disbursement records entries noting no differences.
2. Compared the amounts reported on the audited Form X-17A-5 for the year ended December 31, 2010 as applicable, with the amounts reported in Form SIPC-7 for the year ended December 31, 2010 noting no difference;
3. Compared any adjustments reported in Form SIPC-7 with supporting schedules and working papers noting no differences; and
4. Proved the arithmetical accuracy of the calculations reflected in Form SIPC-7 and in the related schedules and working papers supporting the adjustments noting no differences.

We were not engaged to, and did not conduct an examination, the objective of which would be the expression of an opinion on compliance. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the specified parties listed above and is not intended to be and should not be used by anyone other than these specified parties.

*CJBS, LLC*

CJBS, LLC  
Northbrook, Illinois

February 24, 2011

**ASSOCIATED OPTIONS, INC.**

**SCHEDULE OF COMPUTATION OF NET CAPITAL**

**DECEMBER 31, 2010**

Total Stockholder's Equity From Statement of Financial Condition	<b>\$ 4,774,891</b>
Total Stockholder's Equity Qualified for Net Capital	<b>\$ 4,774,891</b>
Total Capital	\$ 4,774,891
Deductions	
Total Non-allowable Assets From Statement of Financial Condition	<u>( 1,366,891)</u>
Net Capital Before Haircuts on Securities Positions	3,408,000
General Rule Haircut on Securities	( 121,044)
Undue Concentration Deduction	<u>( 69,023)</u>
Net Capital	3,217,933
Minimum Net Capital Requirement	<u>( 100,000)</u>
<b>EXCESS NET CAPITAL</b>	<b><u>\$ 3,117,933</u></b>

In regards to SEC Rule 15c 3-1, "Net Capital Requirements for Brokers or Dealers" no unusual differences exist between the computation reported above and Associated Option, Inc.'s unaudited filing of Part IIA of the FOCUS report.

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

OMB APPROVAL	
OMB Number:	3235-0123
Expires:	April 30, 2013
Estimated average burden hours per response.....	12.00

# Form X-17A-5

# FOCUS REPORT

(Financial and Operational Combined Uniform Single Report)

## PART IIA 12

*(Please read instructions before preparing Form.)*

This report is being filed pursuant to (Check Applicable Block(s)):

1) Rule 17a-5(a)  16

2) Rule 17a-5(b)  17

3) Rule 17a-11  18

4) Special request by designated examining authority  19

5) Other  26

NAME OF BROKER-DEALER

SEC FILE NO.

Associated Options, Inc. 13

8-48072 14

ADDRESS OF PRINCIPAL PLACE OF BUSINESS (Do Not Use P.O. Box No.)

FIRM I.D. NO.

440 South LaSalle Street, Suite 3600 20

363996772 15

(No. and Street)

FOR PERIOD BEGINNING (MM/DD/YY)

Chicago 21

Illinois 22

60605 23

(City)

(State)

(Zip Code)

01/01/10 24

AND ENDING (MM/DD/YY)

12/31/10 25

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

(Area Code) — Telephone No.

Jacqueline Sloan 30

312-431-0014 31

NAME(S) OF SUBSIDIARIES OR AFFILIATES CONSOLIDATED IN THIS REPORT:

OFFICIAL USE

32

33

34

35

36

37

38

39

DOES RESPONDENT CARRY ITS OWN CUSTOMER ACCOUNTS? YES  40 NO  41

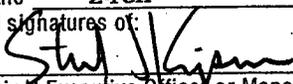
CHECK HERE IF RESPONDENT IS FILING AN AUDITED REPORT  42

**EXECUTION:**

The registrant/broker or dealer submitting this Form and its attachments and the person(s) by whom it is executed represent hereby that all information contained therein is true, correct and complete. It is understood that all required items, statements, and schedules are considered integral parts of this Form and that the submission of any amendment represents that all unamended items, statements and schedules remain true, correct and complete as previously submitted.

Dated the 24th day of February 2011

Manual signatures of:

1)   
Principal Executive Officer or Managing Partner

2) \_\_\_\_\_  
Principal Financial Officer or Partner

3) \_\_\_\_\_  
Principal Operations Officer or Partner

**ATTENTION** — Intentional misstatements or omissions of facts constitute Federal Criminal Violations. (See 18 U.S.C. 1001 and 15 U.S.C. 78:f(a))

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.

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**TO BE COMPLETED WITH THE ANNUAL AUDIT REPORT ONLY:**

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report

NAME (if individual, state last, first, middle name)  
**CJBS, LLC**

70

ADDRESS

**2100 Sanders Road, Suite 200** 71 **Northbrook** 72 **Illinois** 73 **60062-6141** 74

Number and Street                      City                      State                      Zip Code

CHECK ONE

Certified Public Accountant 75

Public Accountant 76

Accountant not resident in United States or any of its possessions 77

FOR SEC USE

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DO NOT WRITE UNDER THIS LINE . . . FOR SEC USE ONLY

WORK LOCATION	REPORT DATE MM/DD/YY	DOC. SEQ. NO.	CARD				
50	51	52	53				