CBOE is the largest and most successful options marketplace in the world.
ONE HAS OPPORTUNITIES

The NUMBER ONE Options Exchange provides customers with a wide selection of products to achieve their unique investment goals.

ONE HAS RESPONSIBILITIES

The NUMBER ONE Options Exchange is responsible for representing the interests of its members and customers. Whether testifying before Congress, commenting on proposed legislation or working with the Securities and Exchange Commission on finalizing regulations, the CBOE weigh in on behalf of options users everywhere. As an advocate for informed investing, CBOE offers a wide array of educational vehicles, all targeted at educating investors about the use of options as an effective risk management tool.

ONE HAS RESOURCES

The NUMBER ONE Options Exchange offers a wide variety of resources beginning with a large community of traders who are the most experienced, highly-skilled, well-capitalized liquidity providers in the options arena. In addition, CBOE has a unique, sophisticated hybrid trading floor that facilitates efficient trading.
Unprecedented challenges and a need for strategic agility characterized a positive but demanding year in the overall options marketplace. The Chicago Board Options Exchange® (CBOE®) enjoyed a record-breaking fiscal year, with a 2.2% growth in contracts traded when compared to Fiscal Year 2000, also a record-breaker. In addition, a record for fiscal year average daily volume was set in 2001 with an average of 1,271,240 contracts traded daily, an increase of 3.4% over FY 2000. During the week of April 16, 2001, CBOE experienced three of the four busiest trading days in our history. The single-day record for trading volume was set on Wednesday, April 18, 2001 when 2,726,267 contracts traded. April 18 marked only the second time in the history of the Exchange that total volume surpassed two and one-half million contracts.

Due to the commitment of CBOE’s membership, the listing of new and attractive products, and exemplary customer service, CBOE retained its leadership position within the options industry in Fiscal Year 2001, capturing a healthy 40.5% of total options market share, 38.5% of equity options market share and 53.7% of index options market share. It is a market position that founders of many other industries would be thrilled to occupy 28 years after their first days in business, but it is not an acceptable position to us. Despite volume gains, unrelenting competitive forces eroded overall market share in FY 2001—a situation that CBOE is taking aggressive steps to remedy. As the number one options exchange in the world for almost three decades, CBOE is positioned as both the emulated leader and the primary target for all competitors.

As competitive pressures mounted, market makers and member firms devised strategies to combat them. Many of CBOE’s smaller, independent market-making firms were either acquired or became affiliated with larger firms in order to best service customers as consolidation swept the options industry. Consolidation allowed for the economies of scale so essential to success in today’s global economy.
In support, CBOE redoubled its efforts to attract customers and provide members with additional tools to service customer needs. Significant, attractive products were listed, a milestone joint venture was created and sophisticated technological advancements were introduced to facilitate trading. Marketing strategies were devised to provide traders and investors with a broader menu of products and services to suit varying portfolio goals.

A Strategic Planning Task Force was formed to examine the competitive landscape, which had already shifted dramatically since the recommendations of CBOE’s last strategic review in 1999 were implemented.

As we move forward, it is important to recognize that we have remained the number one options exchange because we have adhered to principles of unwavering commitment to excellence and service, and refused to rest complacently on past achievements. As the premier options exchange in the world, we have unparalleled opportunities, responsibilities and resources. We will continue to stay number one by living up to them all.

OPPORTUNITIES

In FY 2001, CBOE placed special emphasis on creating opportunities and expanding markets, both for investors and market makers.

History was made when Congress, late in 2000, passed legislation allowing for the trading of futures on single stocks. Key issues for which we lobbied were included in the legislation, such as the ability to trade the products either as a security or a future.

CBOE, Chicago Mercantile Exchange Inc. and Chicago Board of Trade formed a joint venture to trade single-stock futures contracts. The joint venture will be a for-profit company with its own management and board and will be separately organized as a regulated exchange.

On August 29, 2001, the joint venture announced the appointment of William J. Rainer to serve as chairman and chief executive officer. Rainer, former chairman of the Commodity Futures Trading Commission, is a co-founder and former managing director of Greenwich Capital Markets, Inc., a primary dealer of government securities.

Single-stock futures provide another opportunity for both our members and customers. We anticipate that members will be able to begin trading single-stock futures contracts through the joint venture early in 2002.
Several significant new products were listed in FY 2001 to help investors further diversify their portfolios. These include:

**CBOE Mini-NDX (MNX)**, launched on August 14, 2000. This index option is based on one-tenth of the value of the Nasdaq-100 Index.

**iShares™ S&P 100® Index Fund (OEF)** began trading exclusively at CBOE on October 27, 2000. iShares are exchange-traded securities that trade like stocks, but with the advantages of index trading. They are designed to generally correspond to the performance of the S&P 100 Index.

Options on iShares™ S&P 100® Index Fund (OEF) began trading on February 7, 2001.

**Options on Nasdaq-100 Index Tracking Stock™ (QQQ)** began trading on February 27, 2001. The Nasdaq-100 Index Tracking Stock represents ownership in the Nasdaq-100 Trust,™ a long-term unit investment trust established to accumulate and hold a portfolio of the equity securities that comprise the Nasdaq-100 Index.

Nasdaq-100 Index Tracking Stock (QQQ) began trading at CBOE on August 1, 2001. The QQQ shares are one of the most actively traded Exchange Traded Funds (ETF) in the world.

**CBOEdirect™**, CBOE’s new screen-based trading system, is scheduled to be launched on October 26, 2001. Not just an order matching system, CBOEdirect actually replicates CBOE’s trading floor on a screen, with liquidity providers making two-sided, continuous markets. An unprecedented technological achievement, CBOEdirect provides access to an entire options universe on a screen-based system.
The system will run from 7:00 a.m.–8:15 a.m. Screen-based trading will be conducted initially in the Dow Jones Industrial Average Index options (DJX), followed by the Russell 2000® Index options (RUT) and the S&P 100® Index options (OEX®). The new system provides the opportunity to trade these popular products electronically outside of normal trading hours.

**RESPONSIBILITIES**

As an advocate for investor rights and for fair regulation, CBOE takes an active role in ensuring that competition in the derivatives marketplace flourishes on a level playing field. As a business and training model for exchanges around the world, CBOE’s efforts are unparalleled. CBOE has invested considerable resources in developing extensive educational tools that help investors and options professionals hone their investing skills.

**RECENT LEGISLATION**

CBOE was at the vanguard in ensuring that any legislation proposed that would permit trading of single-stock futures contracts would be enacted only after the concerns of the options industry and options customers were satisfactorily addressed. Due in great part to CBOE’s efforts, key issues were resolved in the Commodity Futures Modernization Act prior to passage of the final legislation. Most significantly, stock futures can be traded either as a security or a future. Other issues resolved before the bill’s passage included comparable margins between stock futures and stock options, transaction fees that apply to stock futures trading on a securities

<table>
<thead>
<tr>
<th>Date</th>
<th>Volume</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>01.19.01</td>
<td>2,196,769</td>
<td>Single-Day Equity Volume</td>
</tr>
<tr>
<td>02.07.01</td>
<td>234,222</td>
<td>Individual Equity Single-Day Volume: Cisco</td>
</tr>
<tr>
<td>03.01</td>
<td>2,211,781</td>
<td>QQQ Monthly Volume</td>
</tr>
<tr>
<td>03.08.01</td>
<td>328,796</td>
<td>QQQ Single-Day Volume (options)</td>
</tr>
<tr>
<td>04.01</td>
<td>1,177,763</td>
<td>DJX Monthly Volume</td>
</tr>
<tr>
<td>04.18.01</td>
<td>2,726,267</td>
<td>Single-Day Trading Volume</td>
</tr>
<tr>
<td>05.01</td>
<td>683,177</td>
<td>MNX Monthly Volume</td>
</tr>
<tr>
<td>06.07.01</td>
<td>827,500</td>
<td>iShares Single-Day Volume (shares)</td>
</tr>
</tbody>
</table>
exchange or a futures exchange, choice of physical or cash settlement, and comparable federal tax treatment for options and single-stock futures.

**SECTION 31 FEES**

As a vocal advocate for fairness in the marketplace, CBOE campaigned for legislation that would eliminate Section 31 fees applicable to options on broad-based stock indices. These fees were intended to fund the SEC; yet, the government currently collects several times over the SEC’s budget. In addition, these fees are not imposed on futures and futures options based on stock indices, although these products compete directly with options on broad-based stock indices.

The U.S. House of Representatives has passed a bill (H.R. 1088) on Section 31 fees, and at the time this report was published, the bill was being considered in the U.S. Senate.

**DECIMALS**

On April 9, 2001, CBOE completed an extensive conversion process that enabled trading of all options classes in decimals. Conversion to decimals was mandated by the Securities and Exchange Commission, and all U.S. stocks and exchange-traded options now trade in decimals.

Additionally, as a step toward establishing permanent intermarket linkage between the options exchanges, the Securities and Exchange Commission approved an interim intermarket linkage program to facilitate members’ electronic access between the options exchanges. The first interim linkage in the industry began at CBOE on April 25, 2001.
One of the most comprehensive and widely-accessed resources provided by CBOE is a completely redesigned website, www.cboe.com, which debuted in June, 2001. At the heart of the new cboe.com is a unique personalized engine called MyCBOE. Investors can use this customization tool to ensure that only relevant options and market information are delivered to them—all on one convenient page.

CBOE’s website was named “Best of the Web” in the options field by Forbes.com, and was cited for its excellent educational features by TheStreet.com. CBOE’s website logged 152 million page views in FY 2001, a 17% increase over the previous fiscal year.

Functioning as the educational arm of CBOE, The Options Institute is an invaluable resource industry-wide for training a broad range of investors and professionals associated with the investing field. In FY 2001, the Options Institute held 364 classes, educating 18,754 individuals including individual investors, institutional investors, brokers, trading floor and firm employees, financial advisors and regulatory personnel.

RESOURCES

As the first, oldest and largest options exchange in the world, CBOE drew on its extensive experience to develop sophisticated resources that facilitate speed, deep liquidity and efficiency in the trading process.

ACCOUNTABILITY
To offer immediate access to a floor contact and to provide a single point of accountability for customers, CBOE members voted in 1999 to expand the “DPM system” to all equity options. CBOE first introduced the DPM (Designated Primary Market Maker) program in 1987. Since then, CBOE market makers and DPMs have enabled the Exchange to grow amidst heightened competition. The DPM Association of Chicago was formed in April of 2000. It is an independent association composed of many of CBOE’s DPMs. The DPM Association streamlines communication by providing a single point of contact for the investing community with the majority of Chicago’s DPMs. Offering a vast depth of options trading expertise, the DPM Association is committed to market liquidity, best execution and market quality.

DPM ASSOCIATION

EXPANDED TECHNOLOGIES
CBOE has one of the most technologically-advanced trading floors in the world. During FY 2001, CBOE increased flexibility and further expanded access to many of the existing automated systems. CBOE continued its technology leadership with a number of innovations. Advances like automated book priority, options quotes with size and
improvements to RAES (Retail Automatic Execution System) provided CBOE’s customers with the full service they expect from a trading floor combined with the speed and efficiency of an electronic marketplace.

CBOE provides efficient mechanisms to facilitate seamless trading. Eighty-eight percent of all executions are routed and conducted electronically.

CBOE combines the advantages of cutting-edge technology with the benefits of open outcry to produce an efficient, reliable and rapid trading process resulting in maximized customer service.

As part of its ongoing commitment to enhancing execution quality, on August 1, 2000, CBOE introduced the Best Execution Assurance Program. The program utilizes technological applications to provide member firms and other customers with best execution documentation. By providing direct price protection and the means with which to evaluate the quality of order executions at CBOE, the program provides member firms with the tools necessary to satisfy their best execution obligations when deciding to route order flow to CBOE.

CBOE developed the first Nasdaq Volatility Index, VXN, as it became apparent that there was a dramatic divergence between volatility in the Nasdaq market and the broader market early in 1999. This significant resource, introduced on January 23, 2001, was constructed in response to customer demand for a quantified

CBOE Nasdaq Volatility Index (VXN) and CBOE Volatility Index (VIX)
January 1995 to January 2001

VXN is based on the implied volatilities of Nasdaq-100 Index options (NDX), while VIX is based on the implied volatilities of S&P 100 Index options (OEX).
measure of volatility in today’s tech-heavy marketplace. VXN tracks
the volatility of Nasdaq-100 Index® options (NDX), which trade
exclusively at CBOE.

In the years ahead, CBOE will continue to face many challenges,
many anticipated and some surprises. At CBOE we view being the
industry leader as a business decision. As the marketplace evolves,
we remain committed to preserving our position as the number one
options exchange in the world through our ongoing dedication to
service a rapidly-changing marketplace.

We pledge to continue to develop the resources and products to help
both our members and their customers prosper. From the number
one options marketplace in existence, you can expect no less.

William J. Brodsky
Chairman and CEO

Mark F. Duffy
Vice Chairman

Edward J. Joyce
President and COO
“Today we honor the victims of last week’s tragic terrorist events, including former CBOE Vice Chairman Robert Cruikshank, with two minutes of silence prior to the ringing of the opening bell. The whole world is watching to see how the exchanges and financial industry respond to the events of last week. CBOE stands ready to do its part in restoring the U.S. financial market.”

Statement from CBOE Chairman and CEO William J. Brodsky
8:28 a.m., September 17, 2001
FINANCIAL SUMMARY

For the fiscal year ended June 30, 2001, the Chicago Board Options Exchange earned net income of $7.1 million compared to $10.9 million in fiscal year 2000.

A new record was set for the total amount of contract volume during the year. Approximately 1,271,000 contracts per day were traded, a 3.4% increase over the previous record established in fiscal year 2000. However, total Exchange revenues declined by $17.5 million or 9.9% due to the elimination of equity options customer fees.

Excluding a $16.0 million consolidated class action settlement expense recorded in fiscal year 2000, operating expenses increased by 3.8% in fiscal year 2001. This increase was attributed to higher data processing expenses mainly related to capacity expansion ($3.1 million), non-cash depreciation and amortization expense related to investments in systems hardware and software ($2.6 million), and royalty fees due to the highly successful launch of options on the Nasdaq-100 Index Trust ($1.0 million).

The Exchange invested $37.7 million in capital spending during fiscal year 2001. Most of these expenditures were for systems hardware and software related to capacity increases, new trading technology, website redesign, complex orders on ORS, and a new trading floor printer system.

During the year, $10.7 million was paid into an escrow account, representing the first two installment payments of a consolidated class action settlement. The third payment of $5.3 million is due on July 1, 2002. Note 7 to the consolidated financial statements summarizes the status of the settlement.

Retained earnings increased to $109.3 million and total members’ equity at June 30, 2001 was $130.2 million. At year’s end, the Exchange was debt-free with working capital of $17.6 million.
## CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS

Chicago Board Options Exchange, Incorporated and Subsidiary  
For the Years Ended June 30, 2001 and 2000

<table>
<thead>
<tr>
<th>Revenues:</th>
<th>2001</th>
<th>2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transaction fees</td>
<td>$96,091,800</td>
<td>$114,460,300</td>
</tr>
<tr>
<td>Other member fees</td>
<td>24,612,500</td>
<td>23,263,000</td>
</tr>
<tr>
<td>Communications fees</td>
<td>21,538,600</td>
<td>22,580,700</td>
</tr>
<tr>
<td>Regulatory fees</td>
<td>10,835,500</td>
<td>8,095,400</td>
</tr>
<tr>
<td>Interest</td>
<td>1,347,800</td>
<td>1,890,900</td>
</tr>
<tr>
<td>Equity in income of CSE</td>
<td>716,700</td>
<td>415,900</td>
</tr>
<tr>
<td>Other</td>
<td>2,670,800</td>
<td>4,635,100</td>
</tr>
<tr>
<td><strong>Total Revenues</strong></td>
<td><strong>157,813,700</strong></td>
<td><strong>175,341,300</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Expenses:</th>
<th>2001</th>
<th>2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee costs</td>
<td>67,411,600</td>
<td>69,003,700</td>
</tr>
<tr>
<td>Outside services</td>
<td>17,451,300</td>
<td>17,351,600</td>
</tr>
<tr>
<td>Facilities costs</td>
<td>3,993,000</td>
<td>3,914,300</td>
</tr>
<tr>
<td>Communications</td>
<td>879,600</td>
<td>781,000</td>
</tr>
<tr>
<td>Data processing</td>
<td>15,263,700</td>
<td>12,118,600</td>
</tr>
<tr>
<td>Travel and promotional expenses</td>
<td>6,452,100</td>
<td>6,279,900</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>24,634,200</td>
<td>21,985,200</td>
</tr>
<tr>
<td>Settlement expense</td>
<td>0</td>
<td>16,000,000</td>
</tr>
<tr>
<td>Royalty fees</td>
<td>7,396,600</td>
<td>6,430,400</td>
</tr>
<tr>
<td>Other</td>
<td>2,421,000</td>
<td>2,665,500</td>
</tr>
<tr>
<td><strong>Total Expenses</strong></td>
<td><strong>145,903,100</strong></td>
<td><strong>156,530,200</strong></td>
</tr>
</tbody>
</table>

| Income Before Income Taxes | 11,910,600 | 18,811,100 |

| Provision (Benefit) for Income Taxes: | | |
| Current | (2,943,000) | 8,401,600 |
| Deferred | 7,717,700 | (446,900) |
| **Total Provision (Benefit) for Income Taxes** | **4,774,700** | **7,954,700** |

| Net Income | 7,135,900 | 10,856,400 |

| Retained Earnings at Beginning of Year | 102,154,500 | 91,298,100 |

| Retained Earnings at End of Year | $109,290,400 | $102,154,500 |

## CONSOLIDATED BALANCE SHEETS

Chicago Board Options Exchange, Incorporated and Subsidiary  
June 30, 2001 and 2000

<table>
<thead>
<tr>
<th>Assets</th>
<th>2001</th>
<th>2000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current Assets:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$9,740,200</td>
<td>$2,200,800</td>
</tr>
<tr>
<td>Investments available-for-sale</td>
<td>0</td>
<td>20,132,800</td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>22,212,200</td>
<td>17,451,200</td>
</tr>
<tr>
<td>Income taxes receivable</td>
<td>3,313,400</td>
<td>3,528,600</td>
</tr>
<tr>
<td>Prepaid medical benefits</td>
<td>926,700</td>
<td>16,400</td>
</tr>
<tr>
<td>Other prepaid expenses</td>
<td>4,185,500</td>
<td>4,913,600</td>
</tr>
<tr>
<td>Other current assets</td>
<td>554,400</td>
<td>515,500</td>
</tr>
<tr>
<td><strong>Total Current Assets</strong></td>
<td><strong>40,932,400</strong></td>
<td><strong>48,558,900</strong></td>
</tr>
</tbody>
</table>

| Investments in Affiliates | 10,848,700 | 10,165,400 |

| **Land** | 4,914,300 | 4,914,300 |

| **Property and Equipment—Net** | 103,405,800 | 91,880,700 |

| **Other Assets:** | | |
| Goodwill (less accumulated amortization—2001, $3,130,200; 2000, $2,373,000) | 2,145,300 | 2,902,500 |
| Data processing software and other assets (less accumulated amortization—2001, $21,762,600; 2000, $15,881,200) | 14,783,000 | 12,489,100 |
| **Total Other Assets—Net** | **16,928,300** | **15,391,600** |

| **Total** | **$177,029,500** | **$170,910,900** |

See notes to consolidated financial statements.
## Consolidated Balance Sheets (Continued)

June 30, 2001 and 2000

<table>
<thead>
<tr>
<th>Liabilities and Members' Equity</th>
<th>2001</th>
<th>2000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current Liabilities:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable and accrued expenses</td>
<td>$13,746,800</td>
<td>$19,540,200</td>
</tr>
<tr>
<td>Settlement payable</td>
<td>0</td>
<td>5,333,300</td>
</tr>
<tr>
<td>Marketing fee payable</td>
<td>9,173,400</td>
<td>0</td>
</tr>
<tr>
<td>Membership transfer deposits</td>
<td>0</td>
<td>1,465,500</td>
</tr>
<tr>
<td>Other deposits</td>
<td>416,000</td>
<td>378,800</td>
</tr>
<tr>
<td><strong>Total Current Liabilities</strong></td>
<td>23,336,200</td>
<td>26,737,800</td>
</tr>
<tr>
<td><strong>Long-term Liabilities:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Long-term settlement obligations</td>
<td>5,333,300</td>
<td>10,666,700</td>
</tr>
<tr>
<td>Deferred income taxes</td>
<td>18,136,000</td>
<td>10,418,300</td>
</tr>
<tr>
<td><strong>Total Long-term Liabilities</strong></td>
<td>23,469,300</td>
<td>21,085,000</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td>46,805,500</td>
<td>47,822,800</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Members' Equity</th>
<th>2001</th>
<th>2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Memberships</td>
<td>20,933,600</td>
<td>20,933,600</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>109,290,400</td>
<td>102,154,500</td>
</tr>
<tr>
<td><strong>Total Members' Equity</strong></td>
<td>130,224,000</td>
<td>123,088,100</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$177,029,500</td>
<td>$170,910,900</td>
</tr>
</tbody>
</table>

## Consolidated Statements of Cash Flows

Chicago Board Options Exchange, Incorporated and Subsidiary
For the Years Ended June 30, 2001 and 2000

<table>
<thead>
<tr>
<th>Cash Flows from Operating Activities:</th>
<th>2001</th>
<th>2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net income</td>
<td>$7,135,900</td>
<td>$10,856,400</td>
</tr>
<tr>
<td>Adjustments to reconcile net income to net cash flows from operating activities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>24,634,200</td>
<td>21,985,200</td>
</tr>
<tr>
<td>Long-term settlement obligations</td>
<td>(5,333,400)</td>
<td>10,666,700</td>
</tr>
<tr>
<td>Deferred income taxes</td>
<td>7,717,700</td>
<td>(446,900)</td>
</tr>
<tr>
<td>Equity in income of CSE</td>
<td>(716,700)</td>
<td>(415,900)</td>
</tr>
<tr>
<td>Changes in current assets and liabilities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>(4,761,000)</td>
<td>515,300</td>
</tr>
<tr>
<td>Income taxes</td>
<td>15,200</td>
<td>(3,468,900)</td>
</tr>
<tr>
<td>Prepaid medical benefits</td>
<td>(910,300)</td>
<td>747,400</td>
</tr>
<tr>
<td>Other prepaid expenses</td>
<td>728,100</td>
<td>(994,400)</td>
</tr>
<tr>
<td>Other current assets</td>
<td>(38,900)</td>
<td>(88,300)</td>
</tr>
<tr>
<td>Accounts payable and accrued expenses</td>
<td>(5,813,400)</td>
<td>2,545,500</td>
</tr>
<tr>
<td>Settlement payable</td>
<td>9,173,400</td>
<td>0</td>
</tr>
<tr>
<td>Marketing fee payable</td>
<td>(1,465,500)</td>
<td>(1,195,500)</td>
</tr>
<tr>
<td>Other deposits</td>
<td>37,200</td>
<td>(34,900)</td>
</tr>
<tr>
<td><strong>Net Cash Flows from Operating Activities</strong></td>
<td>$25,069,200</td>
<td>$40,913,500</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Cash Flows from Investing Activities:</th>
<th>2001</th>
<th>2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital and other assets expenditures</td>
<td>37,662,600</td>
<td>(39,803,700)</td>
</tr>
<tr>
<td>Investments available-for-sale:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proceeds from maturities</td>
<td>115,751,800</td>
<td>187,285,300</td>
</tr>
<tr>
<td>Purchases</td>
<td>(95,619,000)</td>
<td>(196,807,700)</td>
</tr>
<tr>
<td><strong>Net Cash Flows from Investing Activities</strong></td>
<td>(17,529,800)</td>
<td>(49,326,100)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Net Increase (Decrease) in Cash and Cash Equivalents</th>
<th>2001</th>
<th>2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>$7,539,400</td>
<td>$8,412,600</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Cash and Cash Equivalents at Beginning of Year</th>
<th>2001</th>
<th>2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>$2,200,800</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Cash and Cash Equivalents at End of Year</th>
<th>2001</th>
<th>2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>$9,740,200</td>
<td>$2,200,800</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Supplemental Disclosure of Cash Flow Information</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash paid for income taxes</td>
</tr>
</tbody>
</table>

See notes to consolidated financial statements.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Chicago Board Options Exchange, Incorporated and Subsidiary
For the Years Ended June 30, 2001 and 2000

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business – The Chicago Board Options Exchange, Incorporated ("the Exchange") is a registered securities exchange, subject to oversight by the Securities and Exchange Commission. The Exchange's principal business is providing a marketplace for trading equity and index options.

Basis of Presentation – The consolidated financial statements include the accounts and results of operations of the Exchange, and its wholly owned subsidiary, Chicago Options Exchange Building Corporation. Inter-company balances and transactions are eliminated.

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

Cash and Cash Equivalents – Cash and cash equivalents include highly liquid investments with maturities of three months or less from the date of purchase.

Investments – All investments are classified as available-for-sale and are reported at cost which approximates their fair value in accordance with Statement of Financial Accounting Standards ("SFAS") No. 115, "Accounting for Certain Investments in Debt and Equity Securities."

Accounts Receivable – Accounts receivable consist primarily of transaction, marketing and other fees receivable from The Options Clearing Corporation ("OCC"), and the Exchange's share of distributable revenue receivable from The Options Price Reporting Authority ("OPRA").

Investments in Affiliates – Investments in affiliates represent investments in OCC and The Cincinnati Stock Exchange ("CSE"). The investment in OCC (20% of its outstanding stock) is carried at cost because of the Exchange's percentage ownership. The Exchange accounts for the investment in CSE (68% of its total certificates of proprietary membership) under the equity method due to the lack of effective control over the operating and financing activities of CSE.

Property and Equipment – Property and equipment are carried at cost. Depreciation on building, furniture and equipment is provided on the straight-line method. Estimated useful lives are 40 years for the building and five to ten years for furniture and equipment. Leasehold improvements are amortized over the lesser of their estimated useful lives or the remaining term of the applicable leases.

Data Processing Software – Data processing software is carried at cost and amortized over five to seven years using the straight-line method commencing with the date the software is put in service.

Goodwill – Goodwill is amortized over seven years to 40 years for financial statement presentation and over fifteen years for income tax purposes.

Impairment of Long-Lived Assets – Management reviews long-lived assets and the related intangible assets for impairment of value whenever events or changes in circumstances indicate the carrying amount of such assets may not be recoverable. If the Exchange determines it is unable to recover the carrying value of the assets, the assets will be written down using an appropriate method.

Management does not believe current events or circumstances provide evidence that suggest asset values have been impaired.

Income Taxes – Income taxes are determined using the liability method, under which deferred tax assets and liabilities are recorded based on differences between the financial accounting and tax bases of assets and liabilities.

Other Deposits – Other deposits include amounts received from members for telephones in the Exchange facility and amounts for Exchange sponsored conferences.

Fair Value of Financial Instruments – SFAS No. 107, "Disclosures About Fair Value of Financial Instruments," requires disclosure of the fair value of certain financial instruments. The carrying values of financial instruments included in assets and liabilities are reasonable estimates of their fair value.

Adoption of New Accounting Policies – Effective for the fiscal year ended June 30, 2000, the Exchange adopted the American Institute of Certified Public Accountants' Statement of Position (SOP) 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use." The statement requires capitalization of certain costs incurred in the development of internal-use software, including external direct material and service costs, employee payroll and payroll-related costs. Prior to adoption of SOP 98-1, the Exchange expensed these costs as incurred. The effect of this change in accounting principle was an increase to earnings, net of tax, of $7,531,700 and $9,483,000 for the fiscal years ended June 30, 2001 and 2000, respectively.

In June 1998, the Financial Accounting Standards Board ("FASB") issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," which requires recognition of all derivative instruments in the balance sheet as either assets or liabilities and the measurement of those instruments at fair value. SFAS No. 133 also requires changes in the fair value of the derivative instruments to be recorded each period in current year earnings or comprehensive income depending on the intended use of the derivatives. In June 2000, the FASB issued SFAS No. 138, which amends the accounting and reporting standards of SFAS No. 133 for certain derivative instruments and certain hedging activities. SFAS No. 133 and SFAS No. 138 are required to be adopted by the Exchange effective July 1, 2001. In July 2001, the Exchange adopted the provisions of SFAS No. 133. No transition adjustment was required.

Recent Accounting Pronouncement – In July 2001, the FASB issued SFAS No. 142, "Goodwill and Other Intangible Assets" which is effective for the Exchange July 1, 2002. Under SFAS No. 142, goodwill and separately identified intangible assets with indefinite lives will no longer be amortized but reviewed annually (or more frequently if impairment indicators arise) for impairment. Separately identified intangible assets not deemed to have indefinite lives will continue to be amortized over their useful lives. The Exchange has deemed the impact of adopting SFAS No. 142 to be immaterial.
2. INVESTMENTS

All of the Exchange’s invested excess cash balances at June 30, 2001 had a maturity date of three months or less from the purchase date, and as a result, are classified as cash and cash equivalents. A summary of investments by security type for those investments with a maturity greater than three months from the purchase date is presented below:

<table>
<thead>
<tr>
<th></th>
<th>2001</th>
<th>2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S. Government obligations</td>
<td>$0</td>
<td>$13,160,100</td>
</tr>
<tr>
<td>Corporate debt securities</td>
<td>0</td>
<td>6,972,700</td>
</tr>
<tr>
<td><strong>Total investments available-for-sale</strong></td>
<td><strong>$0</strong></td>
<td><strong>$20,132,800</strong></td>
</tr>
</tbody>
</table>

3. INVESTMENT IN THE CINCINNATI STOCK EXCHANGE

The investment in CSE is accounted for using the equity method. Condensed financial statements of the CSE as of and for the years ended June 30, 2001 and 2000 are as follows:

<table>
<thead>
<tr>
<th></th>
<th>2001</th>
<th>2000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Balance Sheets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$434,400</td>
<td>$4,433,200</td>
</tr>
<tr>
<td>Securities available-for-sale</td>
<td>$2,569,600</td>
<td>$2,463,600</td>
</tr>
<tr>
<td>Other current assets</td>
<td>$2,623,700</td>
<td>$2,518,600</td>
</tr>
<tr>
<td>Long-term securities available-for-sale</td>
<td>$10,222,800</td>
<td>$6,360,000</td>
</tr>
<tr>
<td>Other long-term assets</td>
<td>$3,166,900</td>
<td>$1,819,700</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td><strong>19,017,400</strong></td>
<td><strong>17,595,100</strong></td>
</tr>
<tr>
<td>Current liabilities</td>
<td>$4,276,500</td>
<td>$4,365,300</td>
</tr>
<tr>
<td>Deferred income taxes</td>
<td>$557,900</td>
<td>$171,300</td>
</tr>
<tr>
<td>Members’ equity</td>
<td>$14,183,000</td>
<td>$13,058,500</td>
</tr>
<tr>
<td><strong>Total liabilities and members’ equity</strong></td>
<td><strong>19,017,400</strong></td>
<td><strong>17,595,100</strong></td>
</tr>
<tr>
<td><strong>The Exchange’s share of members’ equity</strong></td>
<td><strong>$10,200,400</strong></td>
<td><strong>$9,517,100</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2001</th>
<th>2000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Statement of Operations</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transaction revenue</td>
<td>$4,077,800</td>
<td>$3,687,700</td>
</tr>
<tr>
<td>Other revenue</td>
<td>$4,925,400</td>
<td>$3,210,700</td>
</tr>
<tr>
<td><strong>Total revenues</strong></td>
<td><strong>9,003,200</strong></td>
<td><strong>6,898,400</strong></td>
</tr>
<tr>
<td>Employee costs</td>
<td>$2,954,600</td>
<td>$2,094,500</td>
</tr>
<tr>
<td>Other expenses</td>
<td>$4,991,400</td>
<td>$4,190,200</td>
</tr>
<tr>
<td><strong>Total expenses</strong></td>
<td><strong>7,946,000</strong></td>
<td><strong>6,284,700</strong></td>
</tr>
<tr>
<td><strong>Net income</strong></td>
<td>$1,057,200</td>
<td>$613,700</td>
</tr>
<tr>
<td><strong>The Exchange’s equity in net income</strong></td>
<td><strong>$716,700</strong></td>
<td><strong>415,900</strong></td>
</tr>
</tbody>
</table>

4. RELATED PARTIES

The Exchange’s equity in the net assets of OCC exceeded its cost by approximately $10,039,400 and $8,856,700 at June 30, 2001 and 2000, respectively. The Exchange collected transaction and other fees of $202,419,300 and $141,903,600 for the years ended June 30, 2001 and 2000, respectively, by drawing on accounts of the Exchange’s members held at OCC. For the year ended June 30, 2001, the amount collected includes $80,069,600 of marketing fees. (See Note 9.) The Exchange had a receivable due from OCC of $15,845,800 and $8,084,800 at June 30, 2001 and 2000, respectively.

The Exchange incurred rebillable expenses on behalf of CSE, for expenses such as employee costs, computer equipment and office space of $2,267,100 and $2,122,800 for the years ended June 30, 2001 and 2000, respectively. The Exchange had a receivable from CSE of $461,500 and $329,000 at June 30, 2001 and 2000, respectively.

OPRA is a committee administered jointly by the five options exchanges and is authorized by the Securities and Exchange Commission to provide consolidated options information. This information is provided by the exchanges and is sold to outside news services and customers. OPRA’s operating income is distributed among the exchanges based on their relative volume of total transactions. Operating income distributed to the Exchange was $21,538,600 and $22,580,700 for the years ended June 30, 2001 and 2000, respectively. The Exchange had a receivable from OPRA of $5,614,700 and $5,789,500 at June 30, 2001 and 2000, respectively.

5. LEASES

The Exchange leases certain computer hardware and office space with lease terms of two years and five years, respectively. Future minimum lease payments under these noncancelable operating leases are as follows at June 30, 2001:

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>$1,791,500</td>
</tr>
<tr>
<td>2003</td>
<td>829,200</td>
</tr>
<tr>
<td>2004</td>
<td>845,100</td>
</tr>
<tr>
<td>2005</td>
<td>861,400</td>
</tr>
<tr>
<td>2006</td>
<td>675,100</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$5,002,300</td>
</tr>
</tbody>
</table>
6. EMPLOYEE BENEFITS

Eligible employees participate in the Chicago Board Options Exchange SMART Plan (the “SMART Plan”). The SMART Plan is a defined contribution plan, which is qualified under Internal Revenue Code Section 401(k). The Exchange contributed $3,228,500 and $3,720,900 to the SMART Plan for the years ended June 30, 2001 and 2000, respectively.

Eligible employees participate in the Supplemental Employee Retirement Plan (the “SERP Plan”). The SERP Plan is a defined contribution plan that is nonqualified by Internal Revenue Code regulations. The Exchange contributed $1,128,400 and $1,256,200 to the SERP Plan for the years ended June 30, 2001 and 2000, respectively.

The Exchange also has a Voluntary Employees’ Beneficiary Association ("VEBA"). The VEBA is a trust, qualifying under Internal Revenue Code Section 501(c)(9), created to provide certain medical, dental, severance, and short-term disability benefits to employees of the Exchange. Contributions to the trust are based on reserve levels established by Section 419(a) of the Internal Revenue Code. During fiscal years 2001 and 2000, the Exchange contributed $1,704,700 and $967,700, respectively, to the trust.

7. COMMITMENTS

The Exchange reached a settlement in September 2000 with the Securities and Exchange Commission and the Antitrust Division of the Department of Justice concerning their investigations into the listing of certain options and other SEC regulatory issues. As part of these settlements, the Exchange was not fined, but did agree to expend an amount that equals or exceeds $17.0 million in each of calendar years 2000 and 2001 on options-related surveillance, regulation and enforcement.

In September 2000, the Exchange reached an agreement in principle to settle a consolidated civil class action lawsuit filed against the Exchange and the other U.S. options exchanges and certain market maker firms. The Exchange agreed to pay $16.0 million in three equal installments on or before October 16, 2000, July 1, 2001, and July 1, 2002. Two payments totaling $10.7 million were made in fiscal year 2001, and are being held in escrow pending approval of the settlement agreement by the U.S. District Court for the Southern District of New York. Approval of the settlement agreement is currently pending appellate review of the district court’s February 2001 order granting summary judgment in favor of the defendants.

In May 2001, the Exchange and the Chicago Mercantile Exchange, Inc. announced plans to create a joint venture to trade single-stock futures. The Exchange has a 41.6% stake in the joint venture. The new entity will be a for-profit company, will have its own management and board, and will be separately organized as a regulated exchange. As of September 2001, the Exchange has committed $1.3 million in funding for the joint venture.

8. INCOME TAXES

The timing of tax deductions related to the prior year’s class action settlement ($10.7 million paid and deducted in fiscal year 2001) and internally developed software costs ($13.0 million in fiscal year 2001) are the main reasons for the income tax returns’ net operating loss in fiscal year 2001.

A reconciliation of the statutory federal income tax rate to the effective income tax rate, for the years ended June 30, 2001 and 2000, is as follows:

<table>
<thead>
<tr>
<th></th>
<th>2001</th>
<th>2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Statutory federal income tax rate</td>
<td>35.0%</td>
<td>35.0%</td>
</tr>
<tr>
<td>State income tax rate, net of federal income tax effect</td>
<td>4.7</td>
<td>4.6</td>
</tr>
<tr>
<td>Rate increase (reduction) attributed to:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equity in income of CSE</td>
<td>(2.2)</td>
<td>(0.8)</td>
</tr>
<tr>
<td>Permanent and timing differences</td>
<td>2.5</td>
<td>3.5</td>
</tr>
</tbody>
</table>

Effective income tax rate:  40.0%  42.3%

At June 30, 2001 and 2000, the net deferred income tax liability approximated:

<table>
<thead>
<tr>
<th></th>
<th>2001</th>
<th>2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deferred tax assets</td>
<td>$8,887,400</td>
<td>$11,114,500</td>
</tr>
<tr>
<td>Deferred tax liabilities</td>
<td>27,021,400</td>
<td>21,532,800</td>
</tr>
<tr>
<td>Net deferred income tax liability</td>
<td>$18,136,000</td>
<td>$10,418,300</td>
</tr>
</tbody>
</table>

Deferred income taxes arise principally from temporary differences relating to the use of accelerated depreciation methods for income tax purposes, funding of a VEBA trust, capitalization of software under SOP 98-1, and class action lawsuit payments and liability.

9. MARKETING FEE

On July 1, 2000 the Exchange imposed a $.40 per contract marketing fee on market makers and DPMs when executing transactions with non-Exchange market makers. The money collected was made available to DPMs for order flow marketing, including the facilitation of payment for order flow. The Exchange distributed funds, as directed by the DPMs, each month. At June 30, 2001 marketing fee balances were cash of $3,536,200 and accounts receivable of $5,637,200.
10. LITIGATION

The Exchange has been sued by six individuals, one corporation and one limited liability company who describe themselves as retail customers and who claim that the Exchange made false representations about the operation of various Exchange systems and engaged in fraudulent practices in connection with plaintiffs' options transactions. The complaint also alleges that they were harmed by a regulatory inquiry that the Exchange initiated. Plaintiffs allege that the Exchange thereby violated certain sections of the Securities Exchange Act of 1934, the Securities Act of 1933, the antitrust laws and various Illinois statutes concerning fraudulent practices and that the Exchange defrauded them, breached contractual obligations, defamed plaintiffs and interfered with their contractual relations. The complaint seeks damages in the amount of $100 million, plus treble damages for the alleged antitrust violations, attorneys' fees, costs, and interest.

The Exchange also has been sued by three individuals who describe themselves as retail customers and who claim that the manner in which the Exchange operated its "electronic transfer system" violated certain provisions of the Securities Exchange Act of 1934 and the antitrust laws and breached contracts that the Exchange supposedly had with plaintiffs. Plaintiffs also allege that the Exchange’s regulatory inquiry interfered with plaintiffs’ contractual relations with their clearing firms. The complaint seeks damages in excess of $75,000, plus treble damages in connection with the antitrust claims, pre- and post-judgment interest, costs, and attorneys’ fees.

The Exchange believes that it has meritorious defenses and intends to vigorously defend itself against these actions. However, the Exchange cannot presently estimate the amount of loss, if any, that may result. The ultimate outcome of these cases cannot presently be determined and no allowance for loss that may result has been made in these financial statements.

INDEPENDENT AUDITORS’ REPORT

To the Board of Directors and Members of the Chicago Board Options Exchange, Incorporated:

We have audited the accompanying consolidated balance sheets of the Chicago Board Options Exchange, Incorporated (the “Exchange”) and subsidiary as of June 30, 2001 and 2000, and the related consolidated statements of income and retained earnings and of cash flows for the years then ended. These consolidated financial statements are the responsibility of the Exchange’s management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of The Cincinnati Stock Exchange (“CSE”) for the year ended June 30, 2001, the Exchange’s investment in which is accounted for by use of the equity method. The Exchange’s equity of $10,200,400 in the CSE’s net assets at June 30, 2001 and of $716,700 in that Exchange’s net income for the respective year then ended are included in the accompanying financial statements. The financial statements of CSE were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for CSE, is based solely on the report of such other auditors.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 and the report of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the report of the other auditors, such consolidated financial statements present fairly, in all material respects, the financial position of the Exchange and its subsidiary at June 30, 2001 and 2000, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Deloitte & Touche LLP
August 17, 2001
(September 27, 2001 as to the second paragraph in Note 10)
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New York Stock Exchange
American Stock Exchange
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Morgan Stanley

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Federal Reserve Bank
of Chicago
Public Director

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Joseph J. Fahrenbach
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Kevin J. Hincks
Paul J. Jiganti
Stuart J. Kipnes
Benjamin M. Klein
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BUSINESS CONDUCT COMMITTEE
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Van V. Hemphill
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Stuart J. Kipnes
Benjamin M. Klein
Grant W. Lawson
David F. Miller, Jr.
Kenneth D. Mueller
John E. Smollen, Jr.
J. Todd Weingart

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Charles F. Imburgia
Matthew M. Van Aken

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Mark R. Fluger
Richard W. Fuller
Dann C. Hansen
Steven Hessing
Patty Kevin-Schuler
Joe M. O'Donnell
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Robert C. Sheehan

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Van Nguyen
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Dalton Givens
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Sharon Hansen
James Knight
Jon Matthews

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Daniel Condon
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Stephen Dillinger
Michael Friedman
John Haffner
James Harkness
John J. Kaminisky
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J. Slade Winchester

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John J. Kaminisky
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Bruce Meegan
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Patrick Quinn
Jeffrey K. Wagner
SECURITIES UNDERLYING OPTIONS (CONTINUED)

Helmerich & Payne, Inc.
Heinz (H.J.) Company
Heidrick & Struggles
HEALTHSOUTH Corporation
Health Management
Headwaters, Incorporated
HCA, Inc.
Harrah's Entertainment, Inc.
Harmonic, Inc.
Halliburton Company
Hain Celestial Group, Inc.
H Power Corp.
Gymboree Corporation (The)
Guilford Pharmaceuticals, Inc.
Guidant Corporation
GTECH Holdings Corporation
Grupo Financiero Galicia S.A.
GreenPoint Financial Corp.
Great Lakes Chemical
Grant Prideco, Inc.
Guilderland Chemical
Globex Corporation
Globics
Globocap
Globo Cabo S.A. S P A D R
GoAmerica, Inc.
Golden State Bancorp, Inc.
Goldman Sachs Group, Inc.
Goodrich Corporation
Goodyear Tire & Rubber Company (The)
GoTo.com, Inc.
Grant Prideco, Inc.
Great Lakes Chemical Corporation
Greater Bay Bancorp
GreenPoint Financial Corp.
Grupo Financiero Galicia S.A.
Grupo Televisa S.A. ADR
GTECH Holdings Corporation
Gucci Group, N.V.
Guertin Corporation
Guilford Pharmaceuticals, Inc.
Gymboree Corporation (The)
H Power Corp.
Hain Celestial Group, Inc.
Halliburton Company
Handspring, Inc.
Hanover Compressor Holding Corp.
Harley-Davidson, Inc.
Harmonic, Inc.
Harrah's Entertainment, Inc.
Harris Corporation
Hartford Financial Services Group, Inc. (The)
HCA, Inc.
Headwaters, Incorporated
Health Management Associates, Inc. Class A
Health Net, Inc.
HEALTHSOUTH Corporation
Heidrick & Struggles International, Inc.
Heinz (H.J.) Company
Helminth & Payne, Inc.
Hercules Incorporated
Herman Miller, Inc.
Hersheys Foods Corporation
Hewlett-Packard Company
Hi.Vn, Inc.
Hibernia Corporation Class A
Hilton Hotels Corporation
Hispanic Broadcasting Corp.
Hitachi Ltd. ADR
Holinger International, Inc.
Hollis-Eden Pharmaceuticals, Inc.
Home Depot, Inc. (The)
Homestake Mining Co.
Homestore.com, Inc.
Honeywell International Inc.
Horizon Offshore, Inc.
I 2 Technologies, Inc.
Ibis Technology Corp.
IBP, Inc.
ICN Pharmaceuticals, Inc.
ICOS Corporation
IDEC Pharmaceuticals Corporation
Identix Incorporated
IDT Corporation
Ikon Office Solutions, Inc.
ILEX Oncology, Inc.
Illumina, Inc.
IMC Global, Inc.
Imclone Systems Incorporated
Immune Response Corporation (The)
Immunex Corporation
Immunogen, Inc.
IMPATH, Inc.
IMPOCO Technologies, Inc.
Imperial Chemical Industries PLC ADR
IMRTglobal Corporation
IMS Health Incorporated
INAMED Corporation
Icycyte Genomics, Inc.
Inet Technologies, Inc.
InFocus Corporation
Infospace.com, Inc.
ING Groep N.V. ADR
Ingersoll-Rand Company
Ingram Micro, Inc.
Inhale Therapeutic Systems
Inktomi Corporation
Input/Output, Inc.
Inrange Technologies Corporation Class B
Insight Communications Company, Inc.
Instant Group, Incorporated
Integra LifeSciences Holdings Corporation
Integrated Circuit Systems, Inc.
Integrated Device Technology, Inc.
Integrated Silicon Solutions, Inc.
Intel Corporation
IntelData Technologies Corporation
Interactive Data Corporation
InterDigital Communications Corporation
Interpoint Inc.
International Business Machines Corporation
International FiberCom, Inc.
International Flavors & Fragrances, Inc.
International Game Technology Corporation
International Rectifier Corporation
Internet Architecture HOLDRs Trust (IAH)
Interleukin Genetics Group, Inc.
Internet Security Systems, Inc.
Interpublic Group of Companies, Inc. (The)
InterSil Holding Corporation
InterState Bankers Corporation
InterVoice-Brite, Inc.
InterWoven, Inc.
Intimate Brands, Inc. Class A
IntraNet Solutions, Inc.
Intuit Corporation
Investment Technology Group, Inc.
Investors Financial Services Corp.
Inverton Corporation
IONA Technologies
Isis Pharmaceuticals, Inc.
i-STAT Corporation
ITT Educational Services, Inc.
ITT Industries, Inc.
Ivax Corporation
Ixia
IXYS Corporation
J Net Enterprises, Inc.
Jabil Circuit, Inc.
Jack Henry & Associates Inc.
Jazztel PLC ADR
J.C. Penney Company, Inc.
J.D. Edwards & Company
JDS Uniphase Corporation
JLG Industries, Inc.
John Hancock Financial Services, Inc.
Johnson & Johnson
Jones Apparel Group, Inc.
J.P. Morgan Chase & Co.
Juniper Networks, Inc.
Jupiter Media Metrix, Inc.
Kansas City Southern Industries, Inc.
KB HOME
Keithley Instruments, Inc.
Kellogg Company
KEMET Corporation
Kerr-McGee Corporation
Key Energy Services, Inc.
KeyCorp
Keynote Systems, Inc.
Keyspan Corp.
Kinder-Clark Corporation
Kinder Morgan, Inc.
King Pharmaceuticals, Inc.
KLA-Tencor Corporation
Knight/Trimark Group, Inc.
Kohl’s Corporation
Koninklijke Philips Electronics N.V.
Kopin Corporation
KPMG Consulting Inc.
KPNQuest N.V.
Kraft Foods Inc.
Krispy Kreme Doughnuts, Inc.
Kroger Company (The)
K-Swiss, Inc.
Kulicke and Soffa Industries, Inc.
L3 Communications
Laboratory Corporation of America Holdings
LaBranche & Co Inc.
Lam Research Corporation
Lanzi Chemical Company
Landry’s Seafood Restaurants, Inc.
Lands’ End Inc.
Large Scale Biology Corp.
Lattitude Global
Leap Wireless International, Inc.
Legato Systems, Inc.
Legg Mason, Inc.
Lehman Brothers Holdings, Inc.
Lenstar Corporation
Lernout & Hauspie
Speech Products
Level 3 Communications
Lexicon Genetics Incorporated
Lexmark International Group, Inc. Class A
Liberate Technologies, Inc.
Liberty Media Corporation
Ligand Pharmaceuticals
Limited Series A
LifePoint Hospitals, Inc.
LightPath Technologies, Inc.
Class A
Limited, Inc. (The)
Lincare Holdings, Inc.
Lincoln National Corporation
Linear Technology Corporation
Liz Claiborne, Inc.
Lockheed Martin Corporation
Lockheed Martin
Longs Drug Stores Corporation
Loral Space & Communications Ltd.
Louis Dreyfus Natural Gas Corp.
Lowe’s Companies, Inc.
LSI Logic Corporation
LTX Corporation
Lucent Technologies, Inc.
Luminent, Inc.
Lundell Chemical Company
MacroChem Corporation
MacroMedia, Inc.
Macrovision Corporation
Madge Networks N.V.
Magna International, Inc.
Class A
Mandalay Resort Group
Manor Care, Inc.
Manpower, Inc.
Manufacturers Services Limited
Manugistics Group, Inc.
MapInfo Corporation
Marconi PLC ADR
Marrin Drilling Companies, Inc.
Marriott International, Inc.
Kaplan International, Inc.
Kraft Foods Inc.
Kronos International, Inc.
Kroger Corporation (The)
K-Swiss, Inc.
Kulicke and Soffa Industries, Inc.
L3 Communications
Laboratory Corporation of America Holdings
LaBranche & Co Inc.
Lam Research Corporation
Lanzi Chemical Company
Landry’s Seafood Restaurants, Inc.
Lands’ End Inc.
Large Scale Biology Corp.
Lattitude Global
Leap Wireless International, Inc.
Legato Systems, Inc.
Legg Mason, Inc.
Lehman Brothers Holdings, Inc.
Lenstar Corporation
Lernout & Hauspie
Speech Products
Level 3 Communications
Lexicon Genetics Incorporated
Lexmark International Group, Inc. Class A
Liberate Technologies, Inc.
Liberty Media Corporation
Ligand Pharmaceuticals
Limited Series A
LifePoint Hospitals, Inc.
LightPath Technologies, Inc.
Class A
Limited, Inc. (The)
Lincare Holdings, Inc.
Lincoln National Corporation
Linear Technology Corporation
Liz Claiborne, Inc.
Lockheed Martin Corporation
Lockheed Martin
Longs Drug Stores Corporation
Loral Space & Communications Ltd.
Louis Dreyfus Natural Gas Corp.
Lowe’s Companies, Inc.
LSI Logic Corporation
LTX Corporation
Lucent Technologies, Inc.
Luminent, Inc.
Lundell Chemical Company
MacroChem Corporation
MacroMedia, Inc.
Macrovision Corporation
Madge Networks N.V.
Magna International, Inc.
Class A
Mandalay Resort Group
Manor Care, Inc.
Manpower, Inc.
Manufacturers Services Limited
Manugistics Group, Inc.
MapInfo Corporation
Marconi PLC ADR
Marrin Drilling Companies, Inc.
Marriott International, Inc.
SECURITIES UNDERLYING OPTIONS (CONTINUED)

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</thead>
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