Russell 2000® Index Options

Participate in the small-cap market with options on the Russell 2000 Index (RUT).
The Chicago Board Options Exchange (CBOE) is the world’s largest options marketplace and one of the largest securities exchanges in the United States. CBOE was founded in 1973, creating the world’s first standardized, listed equity options. CBOE’s success has been accomplished by leadership, innovation and its commitment to individual and institutional investors worldwide. CBOE continues to push forward with new products and new technology that help meet the needs of the investing community.

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The Russell 2000® Index is considered to be the benchmark of U.S. small-cap stock market performance by most industry professionals. Trading options on the Russell 2000 (trading symbol RUT) enables you to participate in this market and hedge your small cap portfolios.

**Simplicity And Limited Risk.**

The Russell 2000 Index was created in 1984 by Frank Russell Company and was designed to track the performance of small-cap companies. RUT options, trading exclusively at the Chicago Board Options Exchange, make it simple to participate in the small-cap market.

A RUT call option gives the holder the ability to profit if the Russell 2000 rises *above* a predetermined level—the break-even point (call strike price *plus* premium paid)—during the life of option.* With a call option, your potential profit is directly tied to index gains above this break-even point.

A RUT put option gives the holder the ability to profit if the index level falls *below* the predetermined break-even point (put strike price *less* premium paid) during the life of the option.* The holder of a put option is well positioned if stocks in the index take a downturn—whether the goal is simply to profit or to hedge against losses on a portfolio.

*Exclusive of commission and taxes.
Your risk as a buyer is limited. The buyer of a call or put option pays the seller a price, known as the premium for the option. The options premium for RUT options is stated in decimals. The prices are multiplied by $100 to determine the total cost. For example, if the options price is quoted at 3.50, the premium paid is $350. In all cases, the risk for the holder of an option is limited to the amount of the premium paid. So the risk to a buyer is both limited and known at the onset.

Index Reconstitution.
The Russell Indexes are reconstituted annually to reflect changes in the marketplace. The securities in the reconstituted list are ranked based on May 31 total market capitalizations, with the actual reconstitution effective June 30. Frank Russell Company does not replace securities that leave their indexes, for any reason, between reconstitution dates. Therefore, the number of securities held in each of the index portfolios will fluctuate according to corporate activity. For more information about Russell 2000, visit www.russell.com

Features:
- The construction of the Russell 2000 Index provides the investor with a diversified position in the small-cap market that may perform differently than the blue-chip market.
- Both Russell 2000 Index short-term options and LEAPS could be used as hedging vehicles to preserve capital or protect profits in an existing portfolio of small-cap stocks or a mutual fund, provided those stocks are indexed to the Russell 2000 Index.
Like any options position, if you are a buyer of calls or puts, the risk is limited to the premium paid for the position. However, if you are an uncovered seller of calls, there is unlimited risk, or if a seller of puts, significant risk.

Russell 2000® Index Options and LEAPS
Product Specifications

Symbol: RUT
LEAPS Symbols: Visit www.cboe.com for a list of current LEAPS symbols.


Multiplier: $100.

Strike (Exercise) Prices: In-, at- and out-of-the-money strike prices are initially listed. New series are generally added with movements in the Russell 2000 Index.

Strike Price Intervals: 5 points. 2½ points for LEAPS.

Premium Quotation: Stated in decimals. One point equals $100.

Exercise Style: European - Russell 2000 Index options and LEAPS generally may be exercised only on the last business day before expiration.

Expiration Date: Saturday immediately following the third Friday of the expiration month.

Expiration Months: Three near-term months followed by three additional months from the March quarterly cycle (March, June, September and December). RUT LEAPS expire in December approximately two to three years from the date of initial listing.
Settlement of Option Exercise: Exercise will result in delivery of cash on the business day following expiration. The exercise-settlement value, RLS, and for RUT LEAPS, 1/10th RLS (.05 rounds up), is calculated using the first (opening) reported sales price in the primary market of each component stock on the last business day (usually a Friday) before the expiration date. If a stock in the index does not open on the day on which the exercise-settlement value is calculated, the last reported sales price in the primary market will be used in calculating the exercise-settlement value. The exercise-settlement amount is equal to the difference between the exercise-settlement value and the exercise price of the option, multiplied by $100.

Position and Exercise Limits: The aggregate position limit for Russell 2000 Index options and LEAPS is 50,000 contracts on the same side of the market with no more than 30,000 in the near-term month. (10 RUT LEAPS are equivalent to 1 RUT option contract.) An index option hedge exemption for public customers may be available for certain diversified portfolios, which may expand the position limit up to an additional 75,000 contracts. In addition, proprietary accounts of member organizations may receive an exemption up to 100,000 contracts for the purpose of facilitating public customer orders. The aggregate exercise limit is the same as the position limit.

Margin: Broad-based rules apply.

Last Trading Day: Trading in Russell 2000 Index options will ordinarily cease on the business day (usually a Thursday) preceding the day on which the exercise-settlement value is calculated.

Trading Hours: 8:30 a.m. - 3:15 p.m. Central Time (Chicago time).

For more information on Russell 2000 Index options and LEAPS or to learn about other CBOE products and services, visit www.cboe.com.
Options are not suitable for every investor. For more information consult your investment advisor. Prior to buying and selling options, a person must receive a copy of Characteristics and Risks of Standardized Options which is available from The Options Clearing Corporation (OCC) by calling 1-800-OPTIONS., or by writing to The OCC at 440 S. LaSalle, 24th floor, Chicago, Illinois 60605.

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