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SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the Fiscal Year Ended December 31, 2001

OR

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission File Number 000-32645

CHICAGO MERCANTILE EXCHANGE HOLDINGS INC.

(Exact name of registrant as specified in its charter)

Delaware (State or Other Jurisdiction of Incorporation or Organization)	**36-4459170** (IRS Employer Identification No.)
30 South Wacker Drive, Chicago, Illinois (Address of Principal Executive Offices)	**60606** (Zip Code)

Registrant's telephone number, including area code: **(312) 930-1000**

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act: Class A common stock, Class A, $.01 par value; Class A common stock, Class A-1, $.01 par value; Class A common stock, Class A-2, $.01 par value; Class A common stock, Class A-3, $.01 par value; Class A common stock, Class A-4, $.01 par value (in each case, including rights to acquire Series A Junior Participating Preferred Stock pursuant to our rights plan).

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. o

The aggregate market value of the voting stock held by nonaffiliates of the registrant as of February 20, 2002 was approximately $1.5 billion. The number of shares outstanding of each of the registrant's classes of common stock as of February 20, 2001 was as follows: 7,222,776 shares of Class A common stock, Class A-1, $.01 par value; 7,222,776 shares of Class A common stock, Class A-2, $.01 par value; 7,222,574 shares of Class A common stock, Class A-3, $.01 par value; 7,219,436 shares of Class A common stock, Class A-4, $.01 par value; 625 shares of Class B common stock, Class B-1, $.01 par value; 813 shares of Class B common stock, Class B-2, $.01 par value; 1,287 shares of Class B common stock, Class B-3, $.01 par value; and 413 shares of Class B common stock, Class B-4, $.01 par value.

DOCUMENTS INCORPORATED BY REFERENCE:

Documents	Form 10-K Reference
Portions of the Company's Annual Report to Shareholders for the year ended December 31, 2001	Part II
Portions of the Company's Proxy Statement, dated March 12, 2002	Part III

PART I

In this Annual Report on Form 10-K, we refer to Chicago Mercantile Exchange Holdings Inc. as "CME Holdings" and to Chicago Mercantile Exchange Inc. as "CME." On December 3, 2001, the reorganization of CME into a holding company structure was completed. In the reorganization, CME was merged into a subsidiary of CME Holdings. In the merger, CME shareholders exchanged their equity interests for similar equity interests in CME Holdings. CME members retained their memberships and trading privileges in CME. In this Annual Report on Form 10-K, the terms "we," "us" and "our" refer to CME Holdings and CME.

From time to time, in written reports and oral statements, we discuss our expectations regarding future performance. Forward-looking statements are based on currently available competitive, financial and economic data, current expectations, estimates, forecasts and projections about the industries in which we operate and management's beliefs and assumptions. These statements are not guarantees of future performance and involve risks, uncertainties and assumptions that are difficult to predict. Therefore, actual outcomes and results may differ materially from what is expressed or implied in any forward-looking statements. We want to caution you to not place undue reliance on any forward-looking statements. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise. Among the factors that might affect our performance are: increasing competition by foreign and domestic competitors, including new entrants; rapid technological developments; our ability to continue introducing competitive new products and services on a timely, cost-effective basis, including through our electronic trading capabilities; our ability to maintain the competitiveness of our existing products and services; our mix of products and services; our ability to control costs and expenses; changes in domestic and foreign regulations; changes in government policy, including interest rate policy; protection and validity of our intellectual property rights and our ability to operate our trading platforms without infringing on the intellectual property rights of others; reliance on large customers; technological, implementation and cost/financial risks associated with the increasing use of large, multi-year contracts; the outcome of pending and future litigation and governmental proceedings; and continued availability of financing, financial instruments and financial resources in the amounts, at the times and on the terms required to support our future business. In addition, our performance could be affected by our ability to operate successfully as a for-profit corporation; changes in the level of trading activity, price level and volatility in the derivatives markets and in underlying fixed income, equity, foreign exchange and commodity markets; economic, political and market conditions; industry and customer consolidation; decreases in member trading activity and seasonality of the futures business.

CME®, GLOBEX®, CLEARING 21®, SPAN® and GLOBEX Trader™ are trademarks of Chicago Mercantile Exchange Inc. Standard & Poor's®, S&P®, S&P 500®, Standard & Poor's 500™, S&P/BARRA Growth™, S&P/BARRA Value™, S&P MidCap 400™ and S&P/TOPIX 150™ are trademarks of The McGraw-Hill Companies, Inc. Nasdaq® and Nasdaq-100 Index® are trademarks of The Nasdaq Stock Market, Inc. Russell 2000® is a trademark of the Frank Russell Company. The Nikkei Stock Average® is owned by and proprietary to Nihon Keizai Shimbun. The FORTUNE e-50® Index is a trademark of FORTUNE, a division of Time Inc. These trademarks are used herein under license.

ITEM 1. BUSINESS

General

We are the largest futures exchange in the United States and the second largest exchange in the world for the trading of futures and options on futures, as measured by 2001 trading volume of a record 411.7 million contracts. Futures and options on futures contracts with a notional dollar value of $293.9 trillion were traded through our exchange in 2001, making us the world's largest exchange by this measure. We also have the largest futures and options on futures open interest of any exchange in the world. On December 13, 2001, our open interest reached an all-time high of 18.9 million contracts. We bring together buyers and sellers of derivative products on our open outcry trading floors, on the GLOBEX electronic trading platform and through privately negotiated transactions that we clear. We offer market participants the opportunity to trade futures contracts and options on futures on interest rates, stock indexes, foreign exchange and commodities. We believe several of our key products, including our Eurodollar futures, S&P 500 Index futures and Nasdaq-100 Index futures, maintain global benchmark status.

We own our clearing house and are able to guarantee, clear and settle every contract traded through our exchange. On average, we process nearly 420,000 clearing trade transactions per day, with the capacity to clear more than one million transactions per day. We also act as custodian for approximately $28.2 billion in collateral and move an average of $1.5 billion of settlement funds through our clearing system each day. In addition, our Standard Portfolio Analysis of Risk, or SPAN, risk evaluation system has been adopted by 38 exchanges and clearing organizations worldwide, and CLEARING 21, our state-of-the-art clearing system, is used by the New York Mercantile Exchange, or NYMEX, and Euronext N.V., or Euronext.

CME was founded in 1898 as a not-for-profit corporation. In November 2000, we became the first U.S. financial exchange to demutualize and become a shareholder-owned corporation. As a consequence, we have adopted a for-profit approach to our business. We posted record trading volume of more than 411.7 million contracts in 2001, an increase of 78.1% over 2000, which was previously our busiest year ever. Our 2001 revenues, net of securities lending interest expense, were $387.2 million, an increase of 70.9% from the $226.6 million recorded during 2000. Our net income for 2001 was $68.3 million, compared to a net loss of $5.9 million during 2000.

Currently, we have strategic alliances with the leading derivative exchanges and clearing organizations in France, Spain, London and Singapore, and have developed an alliance with the Tokyo Stock Exchange, or TSE, to extend the market reach of our global derivatives business. We are also a member of the GLOBEX Alliance, which was created to expand our customer base by allowing participants from other exchanges to trade our products and provide our existing customers with access to a broader range of products offered on other exchanges.

Our principal executive offices are located at 30 South Wacker Drive, Chicago, Illinois 60606, and our telephone number is 312-930-1000.

Competitive Strengths

Since our exchange was organized in 1898, we have established ourselves as a premier global marketplace for financial risk management. We believe our principal competitive strengths are:

- highly liquid markets;
- global benchmark products;
- diverse portfolio of products and services;
- wholly owned clearing house;
- proven and scalable technology; and
- global reach.

Highly Liquid Markets. The liquidity in our markets is a key factor in attracting and retaining customers. We have the largest futures and options on futures open interest of any exchange in the world. On December 13, 2001, our open interest reached an all-time high of 18.9 million contracts. Before 2001, our open interest record was 10.2 million positions set in 1998. During 2001, we posted record trading volume of more than 411.7 million contracts, an increase of 78.1% over 2000, making us the most active exchange in the United States and the second most active in the world for the trading of futures and options on futures during that period. By notional value, we are the largest futures exchange in the world, with $293.9 trillion traded in 2001. Our deep and liquid markets tend to attract additional customers, which in turn further enhances our liquidity.

Global Benchmark Products. We believe our key products serve as global benchmarks for valuing and pricing risk. Our Eurodollar contract is increasingly referenced as the global benchmark for measuring the relative value of U.S. dollar-denominated short-term fixed-income securities. Similarly, the S&P 500 and Nasdaq-100 indexes are considered primary tools for benchmarking investment performance against U.S. equity market exposure. Our Eurodollar, S&P 500 and Nasdaq-100 contracts, which are based on these benchmarks, are increasingly recognized by our customers as efficient tools for managing and hedging their interest rate and equity market risks.

Diverse Portfolio of Products and Services. We differentiate ourselves from our competitors by developing and offering to our customers a diverse array of products, as well as a broad range of trade execution and clearing services. We have a long history of developing innovative interest rate, stock index, foreign exchange and commodity products designed to appeal to institutional and individual customers. We offer both open outcry auction trading and electronic order-matching services, and we provide facilities to clear privately negotiated transactions. Our markets provide important risk management tools to our customers, which include leading global and financial institutions around the world. We work closely with our customers to create markets and products that meet their needs. These relationships help us to anticipate and lead industry changes.

Wholly Owned Clearing House. We own our clearing house, which guarantees, clears and settles every contract traded through our exchange. On average, we process nearly 420,000 clearing trade and non-trade transactions per day, with the capacity to clear more than one million transactions per day. We also act as custodian for approximately $28.2 billion in collateral and move an average of $1.5 billion of settlement funds through our clearing system each day. We believe our performance guarantee is a major attraction of our markets, particularly compared to over-the-counter, or OTC, markets, because it substantially reduces counterparty risk. Our clearing system permits more efficient use of capital for our customers by allowing netting of long and short positions in a single type of contract and providing risk offset and cross-margining arrangements with several other leading clearing houses. In addition, ownership of our clearing house enables us to more quickly and efficiently bring new products to market through coordination of our clearing functions with our product development, technology, market regulation, other risk management and additional activities. Our current capacity ensures that we are able to service peak volumes, introduce new products with high volume potential and provide clearing services to other exchanges in the future.

Proven and Scalable Technology. We believe our ability to use technology effectively has been a key factor in the successful development of our business. As a result of significant investments in our technology asset base, we possess fast, reliable and fully integrated trading and clearing systems. Our highly scalable systems are designed to accommodate additional products with relatively limited modifications and low incremental costs. The core components of our system infrastructure for trading, clearing and risk management are becoming widely adopted throughout the futures industry, resulting in common interfaces and efficiencies for intermediaries and customers. For example, our SPAN risk evaluation system, which is used to determine the appropriate performance bond requirements for trading portfolios, has been adopted by 38 exchanges and clearing organizations worldwide. In addition, CLEARING 21, our state-of-the-art clearing system, is being used by NYMEX and Euronext.

Global Reach. Globalization of financial markets is expanding the customer base for futures products beyond traditional boundaries. Our electronic trading services, which are available approximately 23 hours a day and five days per week, position us to take advantage of this development. We have established strategic relationships with other exchanges and clearing houses around the world to enable our customers to gain further capital and execution efficiencies. Currently, we have strategic alliances with the leading exchanges and clearing houses in Singapore, London, France, and Spain, and we have developed an alliance with TSE, to extend the market reach of our global derivatives business. We are also a member of the GLOBEX Alliance, which was created to expand our customer base by allowing participants from other exchanges to trade our products and provide our existing customers with access to a broader range of products offered on other exchanges.

Growth Strategy

Globalization, deregulation and advances in technology offer significant opportunities for expanding futures markets, and exchange markets generally. We intend to increase our revenues and profitability by capitalizing on these opportunities through implementation of the following four strategies:

- expand our current core business;
- add new products;
- provide transaction processing services to third parties; and
- pursue select alliances and acquisitions.

Expand Our Current Core Business. We intend to advance our position as a leader in the futures industry by continually expanding customer access to our markets and services, offering additional trade execution choices and enhancing our market data and information products.

- *Expand Customer Access.* We continue to expand our customer base and trading volume by broadening the access, order routing, trading and clearing solutions we offer to existing and prospective customers. We were the first U.S. exchange to allow all customers to view the book of prices, where they can see the five best bids and offers in the central limit order book and directly execute transactions in our electronically traded products. This expanded access further increases the transparency of our markets by giving our customers valuable trading information. We provide our customers with flexibility to access our markets in the most cost-effective manner for them. Our customers can use their own proprietary trading software or third party software connected to our trading environment through a suite of application programming interfaces, or APIs, that we have developed. We also provide front-end trading terminal software solutions for a fee, including a cost-efficient Web-based virtual private network solution, which we call GLOBEX Trader-Internet, for our lower volume customers. In addition to our standard marketing activities, we have implemented two programs to increase our customer base. We are offering promotional pricing to European users to expand our presence in Europe. We are also actively seeking to increase the number of independent software vendors that offer interfaces to our systems. Increasing the number of these vendor relationships enables us to access a broader network of customers.

- *Expand Electronic and Other Trade Execution Choices.* Our strategy is to offer our customers a broad range of trade execution choices, including increased electronic trading, enhanced facilities for privately negotiated transactions and new links with exchanges around the world. We believe offering multiple execution alternatives will enable us to attract new customers and increase our overall volume. We offer daytime electronic trading in most of our major product lines. We traded more than 81.9 million contracts electronically in 2001, an increase of 137.3% over the total volume in 2000 of 34.5 million contracts. We introduced daytime electronic trading in our Eurodollar contracts on a limited basis during 1999. We are developing new electronic functionality to accommodate complex trading strategies that are utilized in trading Eurodollar contracts to facilitate the expanded use of this market. In addition, we intend to capture further volume through enhancements to our privately negotiated block trading facilities in our Eurodollar, S&P 500 and Nasdaq-100 futures contracts and by allowing block trading of other contracts. Our block trading facilities enable institutional customers to trade large positions efficiently and economically and gain the benefits of our clearing house guarantee and capital efficiencies. We are working with other leading exchanges, such as Euronext, Singapore Exchange Derivatives Trading Ltd., or SGX, and Mercado Oficial de Futuros y Opciones Financieros in Spain, or MEFF, to allow our customers to trade products that we do not list and expand internationally the range of customers who have access to our products.

- *Enhance Our Market Data and Information Products*. Our markets and trading activities generate valuable information regarding prices and trading activity in our products. We intend to increase our revenues by leveraging our market data and information capabilities and developing enhancements to our existing information products. Revenues from the sale of our market data represented 12.5% of our revenues during 2001. We sell our market data, which include information about bids, offers and trade size, to banks, broker-dealers, pension funds, investment companies, mutual funds, insurance companies, other financial services companies and individual investors. We believe we can enhance our market data and information product offerings by packaging the basic data we have traditionally offered with advanced, analytical data and information, and developing partnerships with other content and service providers to create information products with value-added services.

Add New Products. We develop new products and product line extensions based on research and development in collaboration with our customers and financial services firms. We have created modified versions of some of our existing products in order to attract new types of customers. For example, in 1997 and 1999, respectively, we introduced E-mini versions of our larger open outcry-traded S&P 500 and Nasdaq-100 futures contracts. By creating smaller sized

products and offering electronic trading services in them, we have successfully expanded our customer base and overall volume. We introduced E-mini Russell 2000 futures contracts in October 2001, and in January 2002, we initiated trading in E-mini S&P MidCap 400 futures contracts, another smaller scale version of one of our larger contracts that offers exposure to small- and medium-sized capitalization company stocks. We also intend to continue expanding our derivatives product lines by introducing contracts based on new markets or securities, such as single stock futures and futures on narrow-based stock indexes. We believe these products offer significant opportunities to generate new business and capture business from other markets. We believe our joint venture, OneChicago LLC, with Chicago Board Options Exchange, or CBOE, and the Chicago Board of Trade, or CBOT, to trade single stock futures will position us to take advantage of opportunities in this market. In addition, we intend to continue working with emerging cash market trading platforms to jointly develop innovative futures products. One example of this is our agreement with CheMatch.com, an Internet-based exchange for the chemicals industry, to develop a suite of co-branded chemical futures contracts that we have begun to introduce.

Provide Transaction Processing and Other Business Services to Third Parties. We intend to leverage our existing capacity and scalable technology and business processes to provide a broad range of services to other exchanges, clearing organizations and e-marketplaces. We intend to offer services, including clearing and settlement processing and risk management, market structuring, product structuring and trade execution platforms. We believe we can differentiate ourselves from our competitors by offering some or all of these services on a cost-effective basis in combination with the potential to access our broad distribution and customer base and to access our experienced liquidity providers. Users of our clearing services also have the potential to gain substantial capital and collateral efficiencies for their member firms.

Pursue Select Alliances and Acquisitions. We plan to supplement our internal growth through the formation of joint ventures or alliances and select acquisitions of businesses or technologies. We will seek alliances and acquisitions that help us to enter new markets, provide services that we currently do not offer, open access to our markets or advance our technology. For example, in February 2002, we reached a cooperative agreement with NYMEX to offer newly created E-mini versions of key NYMEX energy futures contracts for trading on our electronic GLOBEX platform and clearing at the NYMEX Clearing House. We believe we can achieve significant potential economies of scale through the consolidation of exchange transaction processing services, either directly through acquisition, or indirectly through the provision of these services to others.

Products

Our broad range of products includes futures contracts and options on futures contracts based on interest rates, stock indexes, foreign exchange and commodities. Our products are traded through our open outcry auction markets, through the GLOBEX electronic trading platform or in privately negotiated transactions. For the year ended December 31, 2001, we derived $292.5 million, or 75.5% of our revenues, net of securities lending interest expense, from fees associated with trading and clearing products on or through our exchange. In addition, our markets generate valuable data and information regarding pricing and trading activity in our markets. Revenues from market data products totaled $48.3 million, or 12.5%, of our revenues in 2001.

We identify new products by monitoring economic trends and their impact on the risk management and speculative needs of our existing and prospective customers. Historically, we have successfully introduced a variety of new futures products. We pioneered the trading of foreign exchange futures in 1972 and Eurodollar futures, the first cash-settled futures contracts listed for trading, in 1981. In 1982, we were the first to introduce a successful stock index futures contract, the S&P 500 Index futures contract, and in 1996 we introduced the Nasdaq-100 Index futures contract. We believe the S&P 500 Index and the Nasdaq-100 Index are the global benchmarks for managing exposure to the U.S. stock markets and our futures contracts based on them are among the most successful products in our industry. The smaller, electronically traded versions of these contracts, the E-mini S&P 500 Index futures and the E-mini Nasdaq-100 futures, were introduced in 1997 and 1999, respectively, and are the fastest growing futures contracts in the history of our exchange.

The following table shows the total notional value and average daily volume of contracts traded in our four principal product sectors for the years ended 2000 and 2001.

		Total Notional Value (in billions)		Average Daily Contract Volume (in thousands)	
		Year Ended December 31,		Year Ended December 31,	
Product Sector	Principal Underlying Instruments	2001	2000	2001	2000
Interest Rate	Eurodollar, LIBOR, Euroyen	$ 279,100	$ 141,000	1,092	551
Equity	S&P 500, Nasdaq-100, S&P MidCap 400, S&P 500/BARRA Growth and Value Indexes, Nikkei Stock Average, Russell 2000	$ 12,600	$ 12,000	425	258
Foreign Exchange	Euro, Japanese yen, British pound, Swiss franc, Canadian dollar	$ 2,000	$ 1,800	89	77
Commodity	Cattle, hogs, pork bellies, lumber, dairy	$ 200	$ 200	34	32

Interest Rate Products. Our interest rate products include our global benchmark Eurodollar futures contracts. Eurodollars are U.S. dollar bank deposits outside the United States. Eurodollar futures contracts are a short-term interest rate product and constitute one of the most successful products in our industry and the most actively traded futures contract in the world during 2001. Open interest on Eurodollar futures and options on futures contracts traded on our exchange was 13.3 million contracts on December 31, 2001, representing a notional value of $13.3 trillion. We also trade contracts based on other short-term interest rates, such as one-month London Interbank Offered Rate, or LIBOR, and Euroyen. Interest rate products represented 66.6% of our trading volume during 2001, an average of approximately 1.1 million contracts per day.

The growth of our Eurodollar futures market has been driven by the general acceptance of the U.S. dollar as the principal reserve currency for financial institutions throughout the world. As a result, Eurodollar deposits have important significance in the international capital markets. Participants in our Eurodollar futures market are generally major domestic and international banks and other financial institutions that face interest rate risks from their lending and borrowing activities, their activities as dealers in OTC interest rate swaps and structured derivative products and their proprietary trading activities. Many of these participants use our Eurodollar and other interest rate contracts to hedge or arbitrage their money market swaps or convert their interest rate exposure from a fixed rate to a floating rate or a floating rate to a fixed rate. Asset managers also use our interest rate products to lengthen the effective maturity of short-term investment assets by buying futures contracts, or shorten the effective maturity by selling futures. Our contracts are an attractive alternative when physical restructuring of a portfolio is not possible or when futures transaction costs are lower than the cash market transaction costs. In 1999, we initiated simultaneous, side-by-side electronic trading in our Eurodollar contracts. Trading in our Eurodollar contracts often involves complex trading strategies that we believe cannot be fully accommodated by existing electronic trading platforms. Accordingly, electronic trading in our Eurodollar contracts has achieved only limited market acceptance. We are developing new electronic functionality to accommodate trading strategies required for electronic trading of Eurodollar contracts to accelerate.

Our interest rate product trading volume has grown significantly over the last five years, with total 2001 trading volume up 97.4% over 2000. The increase is due primarily to the volatility of short-term interest rates, monetary policy of the U.S. Federal Reserve Board and a decline in the issuance of U.S. Treasury securities. With less availability of U.S. Treasury securities, swap dealers, who represent a significant group of our customers, have increasingly turned to our Eurodollar contract as a benchmark for valuing fixed-income obligations and as a tool for managing dollar-denominated interest rate exposure.

We intend to increase our revenues from our interest rate product sector by increasing trading volume, optimizing pricing of existing products and introducing new products, such as swap futures to be launched in April 2002.

We have been active in adopting new policies and practices that are closely aligned with customer demand and designed to promote enhanced market penetration. We also increased institutional trading of Eurodollar futures by expanding privately negotiated transaction alternatives. Privately negotiated transactions include block trades, privately negotiated exchange-for-physical, or EFP, transactions, and exchange basis facility, or EBF, transactions. EFP and EBF transactions involve exchanges of futures contracts for cash positions or other qualified instruments, and are executed apart from the public auction market. See the section of this Annual Report on Form 10-K entitled "Item 1. Business—Execution" for a description of types of trading alternatives. These trading opportunities are particularly attractive to large-scale institutional traders. We have recently extended EBF trading to all Eurodollar futures contracts. Block trading was originally introduced in late 2000 in a limited number of Eurodollar futures contracts. As of July 2001, block trading has been extended to all Eurodollar futures contracts using a revised and more competitive fee schedule.

Equity Products. We have been a leader in stock index futures since we began offering these products in 1982 and remain the largest exchange in the world for trading stock index futures. Stock index futures products permit investors to obtain exposure, for hedging or speculative purposes, to a change in the weighting of one or more equity market sectors more efficiently than by buying or selling the underlying securities. We offer trading in futures contracts based upon the S&P 500 and Nasdaq-100 stock indexes, as well as other small-, medium- and large-capitalization indexes based on both domestic and foreign equity markets. We currently have approximately a 95% market share in all U.S. listed stock index futures, based on the number of contracts traded.

Our trading volume for stock index products rose 64.1% in 2001, to 106.7 million contracts, from 65.0 million contracts in 2000. Trading in stock index futures products represented 25.9% of our trading volume during 2001, an average of more than 425,000 contracts per day. In 2001, 98.0% of our stock index product trading volume was based on the S&P 500 Index and the Nasdaq-100 Index. The total notional value of S&P 500 futures and options on futures contracts traded on our exchange was approximately $10.2 trillion during 2001, compared to the approximately $10.5 trillion value of stock traded on the New York Stock Exchange.

Standard & Poor's designed and maintains the S&P 500 Index to be a proxy for a diversified equity portfolio representing a broad cross-section of the U.S. equity market. The index is based on the stock prices of 500 large-capitalization companies. We have an exclusive license with Standard & Poor's Corporation until 2008. The Nasdaq-100 Index is based on the 100 largest non-financial stocks listed on the Nasdaq National Market. We have a license with Nasdaq that allows us to offer the Nasdaq-100 Index contract exclusively, other than as to Nasdaq and some of its affiliates, until 2006. For a more detailed discussion of these license agreements, see the section of this Annual Report on Form 10-K entitled "Item 1. Business—Licensing Agreements." Our standard S&P and Nasdaq products are traded through our open outcry facilities during regular trading hours and on GLOBEX after the close of open outcry trading.

We also offer futures on the S&P MidCap 400, the S&P/BARRA Growth and Value Indexes, which are based on data compiled by S&P and BARRA, Inc., the Nikkei Stock Average, the Russell 2000 Stock Price Index and the FORTUNE e-50 Index. We believe the variety of our stock index futures products appeals to a broad group of equity investors. These investors include public and private pension funds, investment companies, mutual funds, insurance companies and other financial services companies that benchmark their investment performance to different segments of the equity markets.

In 1997, we launched our E-mini S&P 500 futures contracts. We followed this highly successful new product offering with the introduction of E-mini Nasdaq-100 futures contracts in 1999. E-mini contracts are traded exclusively on our electronic GLOBEX platform and are one-fifth the size of our standard size S&P 500 and Nasdaq-100 futures contracts. These products are designed to address the growing demand for stock index derivatives and electronically traded products from individual traders and small institutions. Since their introduction, trading volumes in these products have grown rapidly, achieving new volume and open interest records on a regular basis during 2001. This growth is attributable to the benefits of equity index futures, electronic market access and significant volatility in the U.S. equity markets. In October 2001, we also introduced E-mini Russell 2000 Index futures. In January 2002, we introduced an E-mini version of our S&P MidCap 400 futures contract.

Our stock index product trading volumes have increased substantially, more than doubling over the last two years. Volumes have been affected significantly by the volatility of the U.S. equity markets, particularly during the last two years. We believe our leading market position in equity products is a result of the liquidity of our markets, the status

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of the S&P 500 Index and the Nasdaq-100 Index as two of the principal U.S. financial standards for benchmarking stock market returns and the appeal to investors and traders of our E-mini products and GLOBEX. We believe future growth in our stock index products will come from expanding customer access to our electronic markets, as well as further educating the marketplace on the benefits of these products.

Other equity product growth opportunities are expected to come from the introduction of single stock futures and futures on narrow-based stock indexes. Recent industry deregulation will permit futures and securities exchanges to offer single stock futures and futures contracts on narrow-based stock indexes. Single stock futures allow investors to obtain exposure, for hedging or speculative purposes, that is economically equivalent to owning or shorting an individual stock without actually buying or selling the stock. They are designed to offer leverage, ease of trading and less expensive, more customized risk management strategies than equity options, equity swaps and stock lending transactions. In August 2001, we entered into an operating agreement governing our joint venture with CBOE and CBOT, created to trade single stock futures contracts on stocks trading worldwide as well as futures on narrow-based stock indexes. Under the terms of our operating agreement, CBOE and CME together own a significant majority interest in the joint venture, and CBOT owns a minority interest. We believe the joint venture will reduce the costs and risks associated with the start-up of trading in a new futures product and increase our chances of success by combining the customer bases and resources of our exchanges. In particular, we believe the collective marketing and distribution channels of CME, CBOE and CBOT will create significant liquidity that will allow the joint venture to become a market leader in single stock futures.

The operation of the joint venture is subject to a number of contingencies, including, among others, registration with the Commodity Futures Trading Commission, or CFTC, and the Securities and Exchange Commission, or SEC, and the negotiation and implementation of key operating features of the venture. The framework for regulatory oversight of single stock futures is in the process of being adopted. Under the terms of our operating agreement, until the earlier of the third anniversary of the first date our joint venture begins trading single stock futures or May 31, 2005, we are restricted from in any way, directly or indirectly, engaging in the business of trading, marketing, regulating, selling, purchasing, clearing or settling transactions in single stock futures other than in conjunction with the joint venture. This restriction on our ability to compete applies whether or not we remain part of the joint venture, but it does not apply to futures based on narrow-based stock indexes.

Foreign Exchange Products. We became the first exchange to introduce financial futures when we launched foreign exchange futures in 1972. Since that time, we have built a strong presence in foreign exchange futures. Institutions such as banks, hedge funds, commodity trading advisors, corporations and individual customers use these products to manage their risks associated with, or speculate on, fluctuations in foreign exchange rates. Foreign exchange products represented 5.5% of our trading volume in 2001, an average of more than 89,000 contracts per day. We offer futures and options on futures contracts on major currencies, including the Euro, Japanese yen, British pound, Swiss franc, Canadian dollar, Mexican peso, Australian dollar, Brazilian real, New Zealand dollar and South African rand.

Our trading volume for foreign exchange futures products rose in 2001 following a decline during the previous five years when overall industry-wide foreign exchange trading volumes had been flat. During 2001, our total trading volume increased 16.1% over levels in 2000. Previously, our volumes were impacted by the introduction of the Euro and subsequent phasing out of many of the major European currencies, the continuing consolidation in the financial institutions sector, increased use of internal netting mechanisms by our customers and wide use of electronic trading for foreign exchange transactions by competing markets. We have begun improving the performance of this product sector by expanding electronic trading in our foreign exchange products and permitting wider use of block trading and EFPs through our markets. We introduced side-by-side electronic and open outcry trading of foreign exchange futures in April 2001. We believe this change has helped facilitate the increase in volume we have seen. In 2001, electronically traded foreign exchange futures volume increased 174.4% over 2000, from approximately 1.3 million contracts to nearly 3.5 million contracts, and open outcry trading also increased 4.8%. The growth in privately negotiated transactions that we accept, settle and guarantee through our clearing house offset a portion of the revenue impact from the lower trading volumes in recent years. Our per transaction revenues for these trades are higher than other means of trade execution.

We expect the potential for growth in our foreign exchange product line will come from further transitioning to electronic trading in this market that will allow us to compete more effectively for electronic volume. The foreign exchange spot market is heavily reliant on electronic trading, with the majority of trades estimated to be brokered online.

We are in discussions to add electronic interfaces with OTC market electronic trading platforms in our foreign exchange product lines and believe these interfaces, if successfully implemented, will position us to attract a portion of the trading volume that is currently executed in the foreign exchange OTC market.

Commodity Products. Commodity products were our only products when our exchange first opened for business. We have maintained a strong franchise in our commodity products, including futures contracts based on cattle, hogs, pork bellies, lumber and dairy products. Commodity products accounted for 2.0% of our trading volume during 2001, an average of approximately 34,000 contracts per day. These products provide hedging tools for our customers who deal in tangible physical commodities, including agricultural producers of commodities and food processors. Our commodity products are traded through our open outcry and electronic trading execution facilities. In the first quarter of 2002, we introduced side-by-side electronic and open outcry trading of lean hog, live cattle and feeder cattle futures.

Trading volume for our commodity products has been relatively stable in recent years, with an increase of 7.3% in 2001. We believe continuing consolidation and restructuring in the agricultural sector, coupled with the reduction or elimination of government subsidies and the resulting increase in demand for risk management in this sector, could create growth in our commodity markets as more producers and processors adopt formal hedging and risk management programs.

We intend to leverage our experience in trading futures on physical commodities to jointly develop new commodity products with operators of electronic, cash and derivative trading platforms. For example, we entered into an agreement with CheMatch.com to develop a suite of co-branded chemical contracts, and we introduced the first of these, benzene and mixed xylenes contracts, in October 2001. In addition, in February 2002 we reached a cooperative agreement with NYMEX to offer newly created E-mini versions of key NYMEX energy futures contracts for trading on our electronic GLOBEX platform and clearing at the NYMEX Clearing House. We intend to introduce trading in E-mini versions of NYMEX's crude oil, natural gas, heating oil and gasoline futures contracts in the summer of 2002. Precious metals contracts may also be introduced.

Market Data and Information Products. Our markets generate valuable information regarding prices and trading activity in our products. The market data we supply are central to trading activity in our products and to trading activity in related cash and derivatives markets. We sell our market data, which include information about bids, offers, trades and trade size, to banks, broker-dealers, pension funds, investment companies, mutual funds, insurance companies, individual investors and other financial services companies or organizations that use our markets or monitor general economic conditions. We sell our market data directly to our electronic trading customers as part of their access to our markets through our electronic facilities. We also sell market data via dedicated networks to approximately 170 worldwide quote vendors who consolidate our market data with that from other exchanges, other third party data providers and news services, and then resell their consolidated data. As of December 31, 2001, over 48,000 of their subscribers displayed our data on approximately 190,000 screens. Revenues from market data products totaled $48.3 million, or 12.5% of our revenues, net of securities lending interest expense in 2001.

We have begun enhancing our current market data and information product offerings by packaging the basic data we have traditionally offered with advanced analytical data and information. We have created marketing programs to increase the use of our market data, and we have started to develop new business relationships with companies that develop value-added computer-based applications that process our market data to provide specific insights into the dynamics of trading activity in our products. In March 2002, we expanded the scope of our market data offerings by providing "CME E-quotes"—real-time price quotes to the trading community over the Internet, through our Web site. The new service will enable users to integrate charting and news services with market data, building customized charting and news that fits their particular needs.

Execution

Our trade execution facilities consist of our open outcry trading pits and the GLOBEX electronic trading platform. Both of these execution facilities offer our customers immediate trade execution, anonymity and price transparency. They are state-of-the-art trading environments supported by substantial infrastructure and technology for order routing, trade reporting, market data dissemination, market surveillance and regulation. In addition, trades can be executed through privately negotiated transactions that are cleared and settled through our clearing house. The chart below shows the range of trade execution choices we provide our customers in some of our key products.

Product	Open Outcry	GLOBEX Daytime	GLOBEX Nighttime	Privately Negotiated Transactions
Eurodollar	X	X	X	X
Standard S&P 500	X	—	X	X
Standard Nasdaq-100	X	—	X	X
E-mini S&P 500	—	X	X	—
E-mini Nasdaq-100	—	X	X	—
Foreign Exchange	X	X	X	X
Commodity	X	X	—	X

Open Outcry Trading. Open outcry trading represented 78.2% of our total trading volume in 2001. The pits are the centralized meeting place for floor traders and floor brokers representing customer orders to trade contracts. The trading floors, covering approximately 70,000 square feet, have tiered booths surrounding the pits from which clearing firm personnel can communicate with customers regarding current market activity and prices and receive orders either electronically or by telephone. In addition, our trading floors display current market information and news on electronic wallboards hung above the pits.

GLOBEX Electronic Trading. We began electronic trading in 1992 using a system developed in partnership with Reuters. Our second generation electronic trading platform was introduced in 1998, and is based on the Nouveau Système de Cotation, or NSC, owned and licensed to us by Euronext-Paris, a subsidiary of Euronext. GLOBEX maintains an electronic, centralized order book and trade execution algorithm for futures contracts and options on futures contracts and allows users to enter orders directly into the order book. Initially, these systems were used to offer our products to customers after the close of our regular daytime trading sessions. Today, however, we trade some of our most successful products on the GLOBEX system nearly 23 hours a day, five days a week. In 2001, 19.9% of our trading volume was executed using GLOBEX, compared to 14.9% in 2000. Our annual electronic volume has grown rapidly during the last five years. Electronic trading volume has increased from nearly 4.4 million contracts in 1997 to more than 81.9 million contracts in 2001.

Privately Negotiated Transactions. In addition to offering traditional open outcry and electronic trading through the GLOBEX platform, we permit qualified customers to trade our products by entering into privately negotiated EFP and EBF transactions and block trades, which are reported and included in the market data we distribute. We also clear, settle and guarantee these transactions through our clearing house. Some market participants value privately negotiated transactions as a way to ensure that large transactions can be completed at a single price or in a single transaction while preserving their ability to effectively complete a hedging, risk management or other trading strategy. During 2001, 11.4% of our clearing and transaction fee revenues were derived from this type of trading.

EFP and EBF transactions involve a privately negotiated exchange of a futures contract for a cash position or other qualified instrument. While EFP capabilities have been available for many years, and constitute a significant and profitable segment of our foreign exchange futures trading, EFPs have been offered on a restricted basis in other CME markets. Recently, we have taken steps to liberalize our trading policies, including extending EBF capabilities to all Eurodollar futures contracts.

A block trade is the privately negotiated purchase and sale of futures contracts. Block trading was introduced on our exchange in late 2000, and volumes have been limited to date. We believe block trading provides an important new source of access designed to appeal to large-scale institutional traders. Originally, these transactions were limited to a certain number of contracts and required high minimum quantity thresholds along with a fee surcharge. More recently, we implemented new pricing and trading rules designed to increase customer participation.

We intend to continue to enhance the utility of EFP, EBF and block transactions while maintaining an appropriate balance with the transactions conducted within the open outcry and electronic trading environments.

Clearing

We operate our own clearing house that clears, settles and guarantees the performance of all transactions matched through our execution facilities. By contrast, many derivatives exchanges, including CBOT, CBOE and the London International Financial Futures and Options Exchange, or LIFFE, do not provide clearing services for trades conducted on their execution facilities, relying instead on outside clearing houses to provide these services. Ownership and control of our own clearing house enables us to capture the revenue associated with both the trading and clearing of our products. This is particularly important for trade execution alternatives such as block trades, where we can derive a higher per trade clearing fee compared to other trades. By owning our clearing house, we also control the cost structure and the technology development cycle for our clearing services. We believe having an integrated clearing function provides significant competitive advantages. It helps us manage our new product initiatives without being dependent on an outside entity.

We process an average of nearly 420,000 clearing trade and non-trade transactions per day, with an average transaction size of 8.8 contracts. We maintain the largest futures and options on futures open interest, reaching a peak of approximately 18.9 million contracts on December 13, 2001. We currently act as custodian for approximately $28.2 billion in performance bond assets contributed by our clearing firms and move an average of approximately $1.5 billion a day in settlement funds through our clearing system. In addition, our clearing house guarantees the performance of our contracts with a financial safeguards package of approximately $3 billion. The exchange is in the process of obtaining default insurance in order to further strengthen its financial safeguards package.

The clearing function provides three primary benefits to our markets: efficient, high-volume transaction processing; cost and capital efficiencies; and a reliable credit guarantee. The services we provide can be broadly categorized as follows:

- transaction processing and position management;
- cross-margining;
- market protection and risk management;
- settlement, collateral and delivery; and
- investment.

Transaction Processing and Position Management. We developed a state-of-the-art clearing system, CLEARING 21, in conjunction with NYMEX to provide high quality clearing services. This system processes reported trades and positions on a real-time basis, providing users with instantaneous information on trades, positions and risk exposure. CLEARING 21 is able to process trades in futures and options products, securities and cash instruments. CLEARING 21 can also support complex new product types including combinations, options on combinations, options on options, swaps, repurchase and reverse repurchase agreements, and other instruments. Through CLEARING 21 user interfaces, our clearing firms can electronically manage their positions, exercise options, enter transactions related to foreign exchange deliveries, manage collateral posted to meet performance bond requirements and access all of our other online applications. Together with our order routing and trade matching services, we offer straight-through electronic processing of transactions in which an order is electronically routed, matched, cleared and made available to the clearing firm's back-office systems for further processing.

Cross-Margining Services. We have led the derivatives industry in establishing cross-margining agreements with other leading clearing houses. Cross-margining arrangements reduce capital costs for clearing firms and our customers. These agreements permit an individual clearing house to recognize a clearing firm's open positions at other participating clearing houses, and clearing firms are able to offset risks of positions held at one clearing house against those held at other participating clearing houses. This reduces the need for collateral deposits by the clearing firm. For example, our cross-margining program with the Options Clearing Corporation reduces performance bond requirements for our members by approximately $529 million a day. We have implemented, or are in the process of implementing, cross-margining arrangements with the Government Securities Clearing Corporation, the Board of Trade Clearing Corporation and the London Clearing House. We will also implement a cross-margining arrangement with NYMEX in connection with the cooperative agreement we reached with that exchange in February 2002 to offer newly created E-mini versions of key NYMEX energy futures.

Market Protection and Risk Management. Our clearing house guarantee of performance is a significant attraction, and an important part of the functioning, of our exchange. Because of this guarantee, our customers do not need to evaluate the credit of each potential counterparty or limit themselves to a selected set of counterparties. This flexibility increases the potential liquidity available for each trade. Additionally, the substitution of our clearing house as the counterparty to every transaction allows our customers to establish a position with one party and then to offset the position with another party. This contract netting process provides our customers with significant flexibility in establishing and adjusting positions.

In order to ensure performance, we establish and monitor financial requirements for our clearing firms. We also set minimum performance bond requirements for our traded products. Our clearing house uses our proprietary SPAN software, which determines the appropriate performance bond requirements by simulating the gains and losses of complex portfolios. We typically hold performance bond collateral to cover at least 95% of price changes for a given product within a given historical period. Performance bond requirements for a clearing firm's or customer's overall portfolio are calculated using SPAN.

At each settlement cycle, our clearing house values at the market price prevailing at the time, or marks to market, all open positions and requires payments from clearing firms whose positions have lost value and makes payment to clearing firms whose positions have gained value. Our clearing house marks to market all open positions at least twice a day, and more often if market volatility warrants. Marking-to-market provides both participants in a transaction with an accounting of their financial obligations under the contract.

Conducting a mark-to-market a minimum of two times a day helps protect the financial integrity of our clearing house, our clearing firms and market participants. This allows our clearing house to identify quickly any clearing firms that may not be able to satisfy the financial obligations resulting from changes in the prices of their open contracts before those financial obligations become exceptionally large and jeopardize the ability of our clearing house to ensure performance of their open positions.

In the unlikely event of a payment default by a clearing firm, we would first apply assets of the clearing firm to cover its payment obligation. These assets include security deposits, performance bonds and any other available assets, such as the proceeds from the sale of Class A and Class B common stock and memberships of the clearing firm at our exchange owned by or assigned to the clearing firm. Thereafter, if the payment default remains unsatisfied, we would use our surplus funds, security deposits of other clearing firms and funds collected through an assessment against all other solvent clearing firms to satisfy the deficit. We have a secured, committed $500.0 million line of credit with a consortium of banks in order to provide additional liquidity to address a clearing firm payment default. The credit agreement requires us to pledge all clearing firm security deposits held by us in the form of U.S. Treasury or agency securities, as well as security deposit funds in our Interest Earning Facility2 program. This line of credit may also be utilized if there is a temporary disruption with the domestic payments system that would delay settlement payments between our clearing house and clearing firms.

The following shows the available assets of our clearing house at December 31, 2001 in the event of a payment default by a clearing firm:

CME Clearing House Available Assets
(in millions)

Aggregate Performance Bond Deposits by all Clearing Firms	$	28,236.1
Market Value of Pledged Shares/Memberships (minimum requirement per firm)	$	3.6
CME Surplus Funds		113.7
Security Deposits of Clearing Firms		705.9
Limited Assessment Powers		2,358.3
Minimum Total Assets Available for Default	$	3,181.5

Settlement, Collateral and Delivery Services. We manage final settlement in all of our contracts, including cash settlement, physical delivery of selected commodities, and option exercises and assignments. Because some initial and maintenance performance bonds from clearing firms, as well as mark-to-market obligations on some of our contracts, are denominated in various foreign currencies, we offer multi-currency margin and settlement services. We also offer a Moneychanger Service to our clearing firms. This service provides members with access to overnight funds in various foreign currencies at competitive bid/ask spreads free of charge to satisfy the terms of a foreign currency denominated futures contract.

Although more than 95% of all futures contracts are liquidated before the expiration of the contract, the underlying financial instruments or commodities for the remainder of the contracts must be delivered. We act as the delivery agent for all contracts, ensuring timely delivery by the seller of the exact quality and quantity specified in a contract and full and timely payment by the buyer.

In order to efficiently administer its system of financial safeguards, our clearing house has developed banking relationships with a network of major U.S. banks and banking industry infrastructure providers, such as the Society for Worldwide Interbank Financial Telecommunications, or SWIFT. Among the key services provided to our clearing house by these banks and service providers are a variety of custody, credit and payment services that support the substantial financial commitments and processes backing the guarantee of our clearing house to market participants.

Investment Services. In order to achieve collateral efficiencies for our clearing firms, we have also established our Interest Earning Facility program, private money market funds managed by third party investment managers, to allow clearing firms to enhance the yields they receive on their performance bond collateral deposited with our clearing house. As of December 31, 2001, clearing firms had approximately $739.5 million in balances in these funds, which are benchmarked against the 90-day U.S. Treasury bill average yield. Our clearing house earns fee income in return for providing this value-added service to our clearing firms. We recently implemented an addition to our Interest Earning Facility program, called IEF2, which allows clearing firms to invest directly in public money market mutual funds through a special facility provided by CME. As of December 31, 2001, clearing firms had nearly $7.6 billion in balances in these funds.

Our clearing house also recently launched a securities lending program using a portion of certain securities deposited to meet the proprietary performance bond requirements of our clearing firms. Securities lending enables our clearing house to generate a new stream of revenue.

Technology

Our operation of both trading facilities and a clearing house has influenced the design and implementation of the technologies that support our operations.

Trading Technology. We have a proven track record of operating successful open outcry and electronic markets by developing and integrating multiple, evolving technologies that support a growing and substantial trading volume. The integrated suite of technologies we employ to accomplish this has been designed to support a significant expansion of our current business and provides us with an opportunity to leverage our technology base into new markets, products and services.

As electronic trading activity expands, we continue to provide greater match engine functionality unique to various markets, market models and product types. We have adopted a modular approach to technology development and engineered an integrated set of solutions that support multiple specialized markets. We continually monitor and upgrade our capacity requirements and have designed our systems to handle at least twice our peak transactions in our highest volume products. Significant investments in production planning, quality assurance and certification processes have enhanced our ability to expedite the delivery of the system enhancements that we develop for our customers.

Speed, reliability, scalability, capacity and functionality are critical performance criteria for electronic trading platforms. A substantial portion of our operating budget is dedicated to system design, development and operations in order to achieve high levels of overall system performance. For example, to enhance the capacity and reliability of our systems, we are in the process of implementing an additional data center and distribution points in London to serve our European clients. These data centers support our customer interfaces, trading and execution systems, as well as clearing and settlement operations.

The technology systems supporting our trading operations can be divided into four major categories:

Distribution	Technologies that support the ability of customers to access our trading systems from terminals through network access to our trading floor and/or electronic trading environments.
Order routing/order management	Technologies that control the flow of orders to the trading floor or electronic trading systems and that monitor the status of and modify submitted orders.
Trade matching	Technologies that aggregate submitted orders and electronically match buy and sell orders (electronic market) when their trade conditions are met.
Trading floor operations	Technologies that maximize market participants' ability to capitalize on opportunities present in both the trading floor and electronic markets that we operate.

The GLOBEX electronic trading platform includes distribution, order routing, order management and trade matching technology. The modularity and functionality of GLOBEX enable us to selectively add products with unique trading characteristics onto the trading platform with minimal additional investment.

The distribution technologies we offer differentiate our platform and bring liquidity and trading volume to our execution facilities. Nearly 1,500 customers connect directly with us, and thousands more connect with us through 17 independent software vendors and 24 clearing firms that have interfaces with our systems as of December 31, 2001. Many of these customers connect through a dedicated private frame-relay network that is readily available, has wide distribution and provides fast connections in the Americas, Europe and Asia. Over the past year, we initiated efforts to provide additional access choices to customers, and in early 2001, implemented a Web-based, virtual private network solution, GLOBEX Trader-Internet, for our lower-volume customers. This added a low-cost alternative that was the first of its kind among major exchanges. In its first nine months of operation through the end of 2001, we have attracted over 250 users.

In order routing and management, we offer a range of mechanisms, and in mid-2001 we were among the first U.S. derivatives exchanges to implement the FIX 4.2 protocol—the standard order routing protocol used within the

securities industry. In addition, our order routing and order management systems are capable of supporting multiple electronic trading match engines. This functionality gives us great latitude in the types of markets that we choose to serve.

Several key technology platforms and standards are used to support these activities, including fault-tolerant Tandem and IBM mainframes, Sun Microsystems servers, Compaq and Dell PCs, Oracle and DB2 databases, Unix, Windows NT, Novell, Unicenter TNG software systems, TIBCO middleware and multi-vendor frame relay and virtual private network solutions.

Our match engine is based upon the computerized trading and match software known as the NSC. We have a long-term license from Euronext-Paris, under which we have the ability to modify and upgrade the performance of the basic NSC system to optimize its performance to suit our needs. We have a fully trained development team that maintains, upgrades and customizes our version of the NSC system. For example, despite our dramatic increase in trading volume, we reduced the average response time for getting a message in and out of our match engine from 1.2 seconds at the beginning of 2001 to 0.45 seconds at year-end, allowing trades to be executed more quickly and consistently. The customized enhancements that we have developed address the unique trading demands of each marketplace that we serve. We continue to focus on performance features of the match engine and presently have multiple enhancements under development.

Clearing Technology. CLEARING 21, our clearing and settlement software, and SPAN, our margining and risk management software, form the core of our clearing technology.

CLEARING 21 is a system for high-volume, high-capacity clearing and settlement of exchange-based transactions that we developed jointly with NYMEX. The system offers clearing firms improved efficiency and reduced costs. CLEARING 21's modular design gives us the ability to rapidly introduce new products. The software can be customized to meet the unique needs of specialized markets.

SPAN is our sophisticated margining and risk management software. SPAN has now been adopted by 38 exchanges and clearing organizations worldwide. This software simulates the effects of changing market conditions on a complex portfolio and uses standard options pricing models to determine a portfolio's overall risk. SPAN then generates a performance bond requirement that typically covers 95% of price changes within a given historical period.

Alliances

GLOBEX Alliance. We created the GLOBEX Alliance in 1999 to expand our customer base by allowing participants from other exchanges to trade our products and provide our existing customers with access to a broader range of products offered on other exchanges. Our alliance partners include the derivatives markets operated by Euronext, SGX, the Bolsa de Mercadorias y Futuros in Brazil, the Montreal Exchange and MEFF, giving us a presence in six countries and all of the world's major time zones. Market participants of each exchange are granted cross-access trading privileges at other alliance exchanges for electronically traded products.

Tokyo Stock Exchange. In October 2000, we signed a non-binding letter of intent to pursue a global alliance with TSE, with the goal of further developing our respective fixed-income and equity derivatives markets. In March 2002, we introduced S&P/TOPIX 150 stock index futures on our electronic GLOBEX platform during the hours they are not available on TSE.

MEFF. In 2000, we established an alliance with MEFF in an effort to expand our successful equity index franchise globally. Through this partnership, derivatives on the European S&P index products are listed for trading on MEFF's electronic trading platform and cleared at our clearing house. By allowing MEFF to join our clearing house as a clearing firm, both CME and MEFF market participants can leverage their existing clearing relationships through participation in this product market.

NYMEX. In February 2002, we announced plans with NYMEX to offer newly created E-mini versions of key NYMEX energy and possibly precious metals futures contracts for trading on our GLOBEX platform and clearing at the NYMEX Clearing House. Initially, we expect to introduce E-mini futures on crude oil, natural gas, heating oil and gasoline in the summer of 2002. As part of the agreement, we will offer a cross-margining program, creating capital efficiencies for market professionals and proprietary accounts by calculating performance bond requirements based on specified positions in both markets. In addition, GLOBEX terminals will be made available to NYMEX market participants on the NYMEX trading floor and around the world.

Marketing Programs and Advertising

Our marketing programs primarily target institutional customers and, to a lesser extent, individual traders. Our marketing programs for institutional customers aim to inform traders, portfolio managers, corporate treasurers and other market professionals about novel uses of our products, such as new hedging and risk management strategies. We also strive to educate these users about changes in product design, margin requirements and new clearing services. We participate in major domestic and international trade shows and seminars regarding futures and options and other derivatives products. In addition, we sponsor educational workshops and marketing events designed to educate market users about our new products. Through these relationships and programs, we attempt to understand the needs of our customer base and use information provided by them to drive our product development efforts.

We advertise our products and our brand name to increase our trading volumes. Our advertising strategy is twofold: to maintain awareness and familiarity among our institutional target customers and to generate awareness among our growing retail audience. Our primary method of advertising is through print media, using both monthly trade magazines and daily business publications.

Competition

Until the passage of the Commodity Futures Modernization Act of 2000, or CFMA, futures trading was generally required to take place on or subject to the rules of a federally designated contract market. The costs and difficulty of obtaining contract market designation, complying with applicable regulatory requirements, establishing efficient execution facilities and liquidity pools and attracting customers created significant barriers to entry. The CFMA has eroded the historical dominance by the exchanges of futures trading in the United States by, among other things, permitting private transactions in most futures contracts and authorizing the use of electronic trading systems to conduct both private and public futures transactions. For a more detailed description of the regulation of our industry and the regulatory changes brought on by the CFMA, see the section of this Annual Report on Form 10-K entitled "Item 1. Business—Regulatory Matters."

These changing market dynamics have led to increasing competition in all aspects of our business and from a number of different domestic and international sources of varied size, business objectives and resources. We now face competition from other futures, securities and securities option exchanges; OTC markets; consortia formed by our members and large market participants; alternative trade execution facilities; technology firms, including market data distributors and electronic trading system developers; and other competitors.

There are 52 futures exchanges located in 27 countries, including nine futures exchanges in the United States. Because equity futures contracts are alternatives to underlying stocks and a variety of equity option and other contracts for obtaining exposure to the equity markets, we also compete with securities and options exchanges, including the New York Stock Exchange and CBOE, dealer markets such as Nasdaq and alternative trading systems such as Instinet.

OTC markets for foreign exchange and fixed-income derivative products also compete with us. The largest foreign exchange markets are operated primarily as electronic trading systems. Two of the largest of these, operated by Electronic Broking Services and Reuters plc, respectively, serve primarily professional foreign exchange trading firms. Additional electronic platforms designed to serve corporate foreign exchange users are beginning to emerge. Two of these are operated by consortia of interdealer and interbank market participants. A third is a proprietary trading system. These systems present significant potential competitive challenges to the growth of our foreign exchange futures markets.

The OTC fixed-income derivatives market is by far the largest fixed-income derivatives marketplace. The OTC market consists primarily of interbank and interdealer market participants. There is currently no single liquidity pool in the OTC fixed-income derivatives market that is comparable to our Eurodollar markets. The OTC market for

fixed-income derivatives products has traditionally been limited to more customized products, and the large credit exposures created in this market and the absence of clearing facilities have limited participation to the most creditworthy institutional participants. However, the size of this market and technology-driven developments in electronic trading and clearing facilities, as well as regulatory changes implemented by the CFMA, increase the likelihood that one or more substantial liquidity pools will emerge in the future in the OTC fixed-income derivatives market.

Other emerging competitors include consortia owned by firms that are members of our exchange, and large market participants also may become our competitors. For example, BrokerTec Global LLC, or BrokerTec, an electronic interdealer fixed-income broker whose members include Citigroup, Credit Suisse First Boston, Deutsche Bank AG, Goldman Sachs Group, J.P. Morgan Chase, Lehman Brothers, Merrill Lynch & Co., Morgan Stanley and UBS Warburg, is a significant intermediary in the market for U.S. Treasury securities, Euro-denominated sovereign debt and other fixed-income securities and repurchase transactions involving those securities. In addition, BrokerTec has recently launched an electronic futures exchange and clearing house for futures contracts on U.S. Treasury securities and may in the future list futures on other fixed-income instruments. All of the members of BrokerTec are currently our member firms or affiliates of our member firms and include many of the most significant participants in our Eurodollar and S&P 500 futures markets.

Alternative trade execution facilities that currently specialize in the trading of equity securities have electronic trade execution and routing systems that also can be used to trade products that compete with our products. While these firms generally may lack overall market liquidity and distribution capability, typically, they have advanced electronic and Internet technology, significant capitalization and competitive pricing. In addition, while there is currently relatively little electronic trading of OTC equity derivatives and the greatest portion of this market is conducted through privately negotiated transactions, it is likely that one or more OTC equity derivatives markets will emerge in the future.

Technology companies, market data and information vendors and front-end software vendors also represent potential competitors because, as purveyors of market data, these firms typically have substantial distribution capabilities. As technology firms, they also have access to trading engines that can be connected to their data and information networks. Additionally, technology and software firms that develop trading systems, hardware and networks that are otherwise outside of the financial services industry may be attracted to enter our markets.

We also face a threat of trading volume loss if a significant number of our traditional participants decide to trade futures among themselves without using any exchange or specific trading system. The CFMA allows nearly all of our largest customers to transact futures directly with each other. While those transactions raise liquidity and credit concerns, they may be attractive based on execution costs, flexibility of terms, negotiability of margin or collateral deposits, or other considerations. Additionally, changes under the CFMA permitting the establishment of stand-alone clearing facilities for futures and OTC derivatives transactions will facilitate the mitigation of credit-risk concentrations arising from such transactions, as well as from other off-exchange futures and derivatives transactions.

We believe competition in the derivatives and securities businesses is based on a number of factors, including, among others:

- depth and liquidity of markets and related benefits;
- transaction costs;
- breadth of product offerings and rate and quality of new product development;
- transparency, reliability and anonymity in transaction processing;
- connectivity;
- technological capability and innovation;
- efficient and secure settlement, clearing and support services; and
- reputation.

We expect competition in our businesses to intensify as potential competitors expand into our markets, particularly as a result of technological advances and the CFMA and other changes introduced by the CFTC that have reduced the regulatory requirements for the development and entry of products and markets that are competitive with our own. Additional factors that may intensify competition in the future include: an increase in the number of for-profit exchanges; the consolidation of our customer base or intermediary base; an increased acceptance of electronic trading and electronic order routing by our customer base; and the increasing ease and falling cost of other exchanges leveraging their technology investment and electronic distribution to enter new markets and list the products of other exchanges.

In addition to the competition we face in our derivatives business, we face a number of competitors in our business services and transaction processing business, including:

- other exchanges and clearing houses seeking to leverage their infrastructure; and
- technology firms including front-end developers, back-office processing systems firms and match engine developers.

We believe competition in the business service and transaction processing market is based on, among other things, the cost of the services provided, quality and reliability of the services, timely delivery of the services, reputation and value of linking with existing products, markets and distribution.

Regulatory Matters

The Commodity Exchange Act, or CEA, the scope of which was significantly expanded in 1974, subjected us to comprehensive regulation by the CFTC. Under the 1974 amendments, the CFTC was granted exclusive jurisdiction over futures contracts (and options on such contracts and on commodities). Such contracts were generally required to be traded on regulated exchanges known as contract markets. The CEA placed our business in a heavily regulated environment, but imposed significant barriers to unregulated competition.

Between 1974 and December 2000, the barriers against unregulated competitors were eroded. The CEA's exchange trading requirement was modified by CFTC regulations and interpretations to permit privately negotiated swap contracts meeting specified requirements to be transacted in the OTC market. At June 30, 2001, according to data from the Bank for International Settlements, the total estimated notional amount of outstanding OTC derivative contracts was nearly $99.0 trillion compared to nearly $19.5 trillion for exchange-traded futures and options contracts. The CFTC exemption and interpretations under which the OTC derivative market operated precluded the OTC market from using exchange-like electronic transaction systems and clearing facilities.

The CFMA, which became effective on December 21, 2000, significantly altered the regulatory landscape and may have important competitive consequences. This legislation greatly expanded the freedom of regulated markets, like ours, to innovate and respond to competition. It will also permit us to offer a previously prohibited set of products—single stock futures and futures based on narrow-based indexes of securities. The provisions that permit us to trade these security futures products require a novel sharing of jurisdiction between the CFTC and the SEC. Those agencies and certain self-regulatory organizations will be required to promulgate new regulations and registration schemes before trading commences. We expect exchange trading of these security futures products to be subject to more burdensome regulation than our other futures products. For example, we will be required to "notice register" with the SEC as a special purpose national securities exchange solely for the purpose of trading security futures products, and the SEC will be authorized to review some of our rules relating to these security futures products. Our members trading those products will be subject to registration requirements and duties and obligations to customers under the securities laws that do not pertain to their other futures business.

The CFMA excluded or exempted many of the activities of our non-exchange competitors from regulation under the CEA. The CFMA created broad exclusions and exemptions from the CEA that permit derivative contracts, which may serve the same or similar functions as the contracts we offer, to be sold in the largely unregulated OTC market, including through electronic trading facilities.

Additionally, the CFMA permits SEC-regulated and bank clearing organizations to clear a broad array of derivative products in addition to the products that such clearing organizations have traditionally cleared. The CFMA also permits banks and broker-dealers, and some of their affiliates, to offer and sell foreign exchange futures to retail customers without being subject to regulation under the CEA.

The CFMA created a new flexible regulatory framework for us in our capacity as a CFTC registrant, and eliminated many prescriptive requirements of the CEA and CFTC in favor of more flexible core principles. For instance, CFTC-regulated exchanges may now list new contracts and adopt new rules without prior CFTC approval under self-certification procedures, permitting more timely product launch and modification.

For regulated markets, the CFMA creates a new three-tiered regulatory structure. The degree of regulation is related to the characteristics of the product and the type of customer that has direct or indirect access to the market, with retail customer markets being subject to greater regulation. The new three-tiered regulatory structure is as follows:

- Designated contract markets with retail customer participation are subject to the highest level of regulation;
- Derivatives transaction execution facilities with access limited to institutional traders and others trading through members that meet specified capital and other requirements and products limited to contracts that are less susceptible to manipulation (including single stock futures) will be subject to a lesser degree of regulation; and
- Exempt boards of trade subject to the least regulation are characterized by products without cash markets or that are highly unlikely to be susceptible to manipulation and by the participation only of institutional traders and others that meet specified asset requirements.

Our existing market, which trades a broad range of products and permits intermediaries to represent unsophisticated customers, is subject to the most thorough oversight as a designated contract market. The CFMA permits us to organize markets that are subject to lesser regulation depending on the types of products traded and the types of traders. Markets can be organized that trade only products that are unlikely to be susceptible to manipulation and permit direct trading only among institutional participants in order to achieve a less intrusive degree of oversight.

The CFMA also provides for regulation of derivatives clearing organizations (DCOs), like our clearing house, separately from the exchanges for which they clear contracts. The CFMA requires a DCO that clears for a registered futures exchange to register with the CFTC. However, our clearing house was deemed to be registered by reason of its activities prior to enactment of the CFMA. A DCO may accept for clearing any new contract or may adopt any new rule or rule amendment by providing to the CFTC a written certification that the new contract, rule or rule amendment complies with the CEA. Alternatively, the DCO may request that the CFTC grant prior approval to any contract, rule or rule amendment, and the CFTC must grant approval within 75 days unless the CFTC finds that the proposed contract, rule, or rule amendment would violate the CEA.

Our Shareholders and Members

As a result of our conversion into a for-profit corporation in the fall of 2000, individuals and entities who, at the time, owned trading privileges on our exchange became the owners of all of the outstanding equity of CME. In our reorganization into a holding company structure, CME shareholders exchanged their shares for shares of CME Holdings. CME shareholders retained their memberships and trading privileges in CME. CME members continue to own substantially all of our outstanding common stock. CME members can execute trades for their own accounts or for the accounts of customers of clearing firms. Members who trade for their own account, including those who lease trading privileges, qualify for lower transaction fees in recognition of the market liquidity that their trading activity provides. These members also benefit from market information advantages that may accrue from their proximity to activity on the trading floors. There are four divisions of membership at our exchange: the Chicago Mercantile Exchange, or CME, division; the International Monetary Market, or IMM, division; the Index and Option Market, or IOM, division; and the Growth and Emerging Markets, or GEM, division. Each membership division has different trading privileges. Membership applicants are subject to a review and approval process prior to obtaining trading privileges. We also have individual members and clearing firms.

Other Business Relationships and Subsidiaries

GFX Corporation. GFX Corporation is a wholly owned subsidiary established in 1997 for the purpose of maintaining and creating liquidity in our foreign exchange futures contracts. GFX accounted for 1.0% of our consolidated revenues in 2001. Experienced foreign exchange traders employed by GFX buy and sell our foreign exchange futures contracts using our GLOBEX system. They limit risk from these transactions through offsetting transactions using futures contracts or spot foreign exchange transactions with approved counterparties in the interbank market.

CME Trust. The Chicago Mercantile Exchange Trust, or the CME Trust, was established in 1969 to provide financial assistance, on a discretionary basis, to customers of any clearing firm that becomes insolvent. We funded the trust through tax-deductible contributions until June 1996. The trust had approximately $56 million in net assets as of December 31, 2001, as the result of contributions, investment income and the absence of any distributions. Trustees of the fund, who are also members of our board of directors, have discretion to use the CME Trust to satisfy customer losses in the event a clearing firm fails or is in such severe financial condition that it cannot meet a customer's obligations, provided that the customer's losses are related to transactions in our contracts. No outside parties have any residual interest in the assets of the CME Trust.

Licensing Agreements

Standard & Poor's. We have had a licensing arrangement with Standard & Poor's Corporation since 1980. In 1997, all of our previous licensing agreements with Standard & Poor's were consolidated into one agreement that terminates on December 31, 2013 and includes a clause to renegotiate potential extensions in good faith. Under the terms of the agreement, S&P granted us a license to use certain S&P stock indexes and the related trade names, trademarks and service marks in connection with the creation, marketing, trading, clearing and promoting of futures and/or options contracts that are indexed to certain S&P stock indexes. The license is exclusive until December 31, 2008 for S&P stock indexes licensed to us and listed by us prior to September 24, 1997. For contracts granted before September 24, 1997 but not listed before September 24, 1997, the licenses are exclusive for one year with possible extensions, and, once listed, the license will be exclusive upon meeting a certain minimum average trading volume or payment of a fee by us. For contracts granted and listed after September 24, 1997, and upon which we have listed indexed contracts for trading within one year of the grant date, the licenses are exclusive for two years after listing, after which they may be made exclusive for the remainder of the term of the agreement upon meeting a certain minimum average trading volume or payment of a fee by us. These licenses become non-exclusive in the event we and S&P do not agree on an extension or we list certain competitive contracts. We have a right of first refusal for stock indexes not licensed under the license agreement as of September 24, 1997 and that are developed solely by S&P before and during the term of the license agreement. We pay S&P a per trade fee and have made certain lump sum payments in accordance with the terms of our agreement. If S&P discontinues compilation and publication of any license or index, we may license, on a non-exclusive and royalty-free basis, the information regarding the list of companies, shares outstanding and divisors for that index or terminate the obligations regarding the index.

Nasdaq. We have had a licensing arrangement with The Nasdaq Stock Market, Inc. since 1996 to license the Nasdaq-100 Index and related trade names, trademarks and service marks. The license was exclusive for the first three-and-a-half years after trading of the Nasdaq-100 futures contracts began on April 10, 1996, and remains exclusive subject to the maintenance of certain trading volumes in the Nasdaq-100 futures contracts and options on those contracts. The exclusivity of the license means that Nasdaq will not grant a license to use the Nasdaq-100 Index in connection with the trading, marketing and promotion of futures contracts and options on those contracts that would be traded on any commodity exchange between 9:30 a.m. and 4:15 p.m. Eastern Standard Time or any time during the day on a commodity exchange located in the Western Hemisphere. The exclusivity is also subject to the ability of Nasdaq to allow Nasdaq-100 futures contracts to be traded on any markets that they own or operate. We have paid a lump sum fee to Nasdaq and pay per trade fees as well. Our Nasdaq-100 license agreement will continue until April 10, 2006, with five-year extensions unless either party gives notice of termination at least 120 days prior to the end of the current period.

NSC. Our license agreement for the NSC software was signed with SBF Bourse de Paris in 1997, and it continues until 2022. The agreement was assigned by SBF to Euronext in 1997. Under the terms of the agreement, Euronext granted us a nonexclusive license to use the NSC software for the trading of our products and the products of certain other exchanges. The agreement also allows us to specify modifications and enhancements to the NSC software prior to delivery to be made by SBF. In addition, we have the right to use our GLOBEX trademark in conjunction with our operation of the electronic trading system based on NSC software. In consideration for the license of the NSC software, we granted Euronext a license to use and modify CLEARING 21. We also had a maintenance and development agreement with Euronext, which expired at the end of 2001, under which we paid annual amounts and per day fees for certain services.

Intellectual Property

We regard substantial elements of our brand name, marketing elements and logos, products, market data, software and technology as proprietary. We attempt to protect these elements by relying on trademark, service mark, copyright and trade secret laws, restrictions on disclosure and other methods. For example, with respect to trademarks, we have registered marks in more than 20 countries. We have not filed any patent applications to protect our technology. Our rights to stock indexes for our futures products principally derive from license agreements that we have obtained from Standard & Poor's, Nasdaq, and other exchanges and institutions.

We regularly review our intellectual property to identify property that should be protected, the extent of current protection for that property and the availability of additional protection. We believe our various trademarks and service marks have been registered or applied for where needed. We also seek to protect our software and databases as trade secrets and under copyright law. We have copyright registrations for certain of our software, user manuals and databases. Recent legal developments allowing patent protection for methods of doing business hold the possibility of additional protection, which we are examining.

Patents of third parties may have an important bearing on our ability to offer certain of our products and services. It is possible that, from time to time, we may face claims of infringement that could interfere with our ability to use technology or other intellectual property that is material to our business. See the section of this Annual Report on Form 10-K entitled "Item 3. Legal Proceedings" for a summary of ongoing litigation relating to the NSC software.

Employees

As of December 31, 2001, we had 1,057 employees. We consider relations with our employees to be good. We have never experienced a work stoppage. None of our employees are represented by a collective bargaining agreement. However, since 1982, we have had an understanding with the International Union of Operating Engineers, Local 399, AFL-CIO, relating to building engineers at our corporate headquarters building. Currently, there are seven employees to whom this understanding applies.

ITEM 2. PROPERTIES

Our trading facilities and corporate headquarters are located at 30 South Wacker Drive in Chicago, Illinois. We occupy approximately 430,000 square feet of office space under two leases that both expire in 2003 and 70,000 square feet of trading floor space under a lease with the CME Trust that expires in 2005. We have an option under each of the office space leases that will allow us to renew those leases until November 2013. On November 1, 1998, we entered into an extension of our lease with the CME Trust, and we have an option on three additional extensions that will allow us to continue to occupy this trading facility until October 2026. We maintain backup facilities for our electronic systems in separate office towers at 10 and 30 South Wacker Drive, and we are developing a remote facility in a Chicago suburb that we expect to be operational by the third quarter of 2002. We also lease administrative office space in Washington, D.C., and Tokyo, Japan and both administrative and communication equipment space in London, England. We believe our facilities are adequate for our current operations and that additional space can be obtained if needed.

ITEM 3. LEGAL PROCEEDINGS

From time to time, we are involved in legal proceedings and litigation arising in the ordinary course of business. As of the date of this filing, except as described below, we are not a party to or threatened with any litigation or other legal proceeding that, in our opinion, could have a material adverse effect on our business, operating results or financial condition.

On May 5, 1999, we, CBOT, NYMEX and Cantor Fitzgerald, L.P. were sued by Electronic Trading Systems, Inc., in the U.S. District Court for the Northern District of Texas (Dallas Division) for alleged infringement of Wagner U.S. patent 4,903,201, entitled "Automated Futures Trade Exchange." The patent relates to a system and method for implementing an electronic, computer-automated futures exchange. We informed Euronext-Paris, our licensor of the NSC software, in conformity with the indemnification provision of the license agreement, of the receipt of a summons in that proceeding. Euronext-Paris hired and paid the fees and expenses of a law firm to defend and contest this litigation. Euronext-Paris reserved its rights under that agreement in the event that any modifications to the licensed system made by us result in liability. On June 25, 2001, Euronext-Paris wrote to disclaim responsibility for defense of this litigation and requested that we reimburse it for all legal expenses and other costs incurred to date. It asked that we take over full responsibility for defense of this litigation and assume all costs associated with our defense. We rejected that demand. Subsequently, we agreed with Euronext-Paris to share responsibility for defense of this litigation, utilizing new lead defense counsel selected by us, and to share equally the costs and expenses of such new lead defense counsel as of January 1, 2002. As part of this agreement, neither we nor Euronext-Paris has waived any rights with respect to the idemnification provision of the license agreement.

The case against NYMEX was transferred to the Southern District of New York and is pending. Cantor Fitzgerald, L.P. settled with the plaintiff for undisclosed consideration. On March 29, 2001, eSpeed, Inc., an affiliate of Cantor Fitzgerald, L.P., acquired certain rights to the patent. An amended complaint was filed on June 5, 2001, adding eSpeed, Inc. as an additional party plaintiff. The amended complaint seeks treble damages, attorneys' fees and preliminary and permanent injunctions against the remaining defendants.

On June 4, 2001, a hearing was conducted before Judge Barbara M.G. Lynn to interpret the claims of the patent. On October 12, 2001, Judge Lynn entered a Claim Construction Order. That order rejects certain arguments that we had made with respect to the scope of plaintiffs' patent claims and interprets the patent claims more broadly. The broad scope of the claims, as interpreted by the court, may reduce the number of arguments we have as to non-infringement.

If the plaintiffs are ultimately successful before the district court, we may be required to obtain a license to develop, market and use our computer automated trading system; to cease developing, marketing or using that system; or to redesign the system to avoid infringement. We cannot assure you that we would be able to obtain such a license or that we would be able to obtain it at commercially reasonable rates or, if we are unable to obtain a license, that we would be able to redesign our system to avoid infringement. As a result, this litigation could have a material adverse affect on our business, financial condition and operating results, including our ability to offer electronic trading in the future.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

On November 7, 2001, our predecessor company, CME, held a special meeting of shareholders. At the meeting, the CME shareholders were asked to consider and vote on two proposals. The proposals voted on at the special meeting, and the results of the voting, were as follows:

Proposal	Votes For	Votes Against	Votes Withheld
To adopt the Agreement and Plan of Merger, dated as of October 1, 2001, by and among Chicago Mercantile Exchange Holdings Inc., CME Merger Subsidiary Inc. and Chicago Mercantile Exchange Inc.	18,093,230	689,550	51,310
To amend Chicago Mercantile Exchange Inc.'s certificate of incorporation to effect a one-for-four reverse stock split of the Class A common stock	17,856,500	878,260	99,330

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The information required by this Item is included in CME Holdings' annual report to shareholders for the year ended December 31, 2001, under the heading "Share Information" on pages 73 through 74 and is incorporated herein by reference, pursuant to General Instruction G(2). The referenced information from CME Holdings' annual report to shareholders is included in Exhibit 13 to this document.

ITEM 6. SELECTED FINANCIAL DATA

The information required by this Item is included in CME Holdings' annual report to shareholders for the year ended December 31, 2001, under the heading "Selected Financial Data" on page 26 and is incorporated herein by reference, pursuant to General Instruction G(2). The referenced information from CME Holdings' annual report to shareholders is included in Exhibit 13 to this document.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The information required by this Item is included in CME Holdings' annual report to shareholders for the year ended December 31, 2001, on pages 27 through 41 and is incorporated herein by reference, pursuant to General Instruction G(2). The referenced information from CME Holdings' annual report to shareholders is included in Exhibit 13 to this document.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The information required by this Item is included in CME Holdings' annual report to shareholders for the year ended December 31, 2001, under the heading "Quantitative And Qualitative Disclosure About Market Risk" on pages 40 through 41 and is incorporated herein by reference, pursuant to General Instruction G(2). The referenced information from CME Holdings' annual report to shareholders is included in Exhibit 13 to this document.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The information required by this Item is included in CME Holdings' annual report to shareholders for the year ended December 31, 2001, on pages 42 through 66 and is incorporated herein by reference, pursuant to General Instruction G(2). The referenced information from CME Holdings' annual report to shareholders is included in Exhibit 13 to this document.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

The information required by this Item was previously reported by CME Holdings in a Current Report on Form 8-K, dated March 21, 2002.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information required by this Item is included in CME Holdings' Proxy Statement, dated March 12, 2002, under the headings "Nominees for Equity Directors" on pages 6 through 7, "Nominees for Class B-1 Directors" on page 8, "Nominees for Class B-2 Director" on page 9, "Members of the Board Not Standing for Election This Year" on pages 10 through 11, "Executive Officers" on pages 14 through 15 and "Section 16(a) Beneficial Ownership Reporting Compliance" on page 34 and is incorporated herein by reference, pursuant to General Instruction G(3).

ITEM 11. EXECUTIVE COMPENSATION

The information required by this Item is included in CME Holdings' Proxy Statement, dated March 12, 2002, under the headings "Directors' Compensation and Benefits" on page 13 and "Executive Compensation" on page 26 through 30 and is incorporated herein by reference, pursuant to General Instruction G(3); provided, however, that the Compensation Committee Report and the Performance Graph contained in the Proxy Statement are not incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information required by this Item is included in CME Holdings' Proxy Statement, dated March 12, 2002, under the heading "Security Ownership of Directors and Executive Officers" on pages 16 through 19 and is incorporated herein by reference, pursuant to General Instruction G(3).

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information required by this Item is included in CME Holdings' Proxy Statement, dated March 12, 2002, under the heading "Certain Business Relationships" on page 34 and is incorporated herein by reference, pursuant to General Instruction G(3).

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(a) Financial Statements and Financial Statement Schedules

(1) Financial Statements

The Consolidated Financial Statements listed below are contained in Exhibit 13.

Report of Management
Report of Independent Public Accountants
Consolidated Balance Sheets at December 31, 2001 and 2000
Consolidated Statements of Income for the years ended December 31, 2001, 2000 and 1999
Consolidated Statements of Shareholders' Equity and Comprehensive Income for the years ended December 31, 2001, 2000 and 1999
Consolidated Statements of Cash Flows for the years ended December 31, 2001, 2000 and 1999
Notes to Consolidated Financial Statements

(2) Financial Statement Schedules

Chicago Mercantile Exchange Holdings Inc. and Subsidiaries
Schedule I—Condensed Financial Information of Registrant
For the Year Ended December 31, 2001

Chicago Mercantile Exchange Holdings Inc., the registrant, has only one asset, its investment in its wholly owned subsidiary, Chicago Mercantile Exchange Inc., or CME, in the amount of $250,369,000 at December 31, 2001. Net income from this investment on the equity basis of accounting amounted to $68,302,000 for the year ended December 31, 2001. Net income is reflected as if the registrant had been in existence for the entire year even though it was formed during the year and became the parent of CME through a reorganization of entities under common control as described in Note 1 to the financial statements in Exhibit 13. The registrant has no liabilities, material contingencies or guarantees. The registrant has received no cash dividends from CME.

CME renewed its committed line of credit with a consortium of banks on October 19, 2001. The line of credit is a secured credit facility in the amount of $500.0 million. Under the terms of the credit agreement, CME is required to maintain at all times a tangible net worth of not less than $90.0 million, which is 35.9% of the net assets of CME.

Chicago Mercantile Exchange Holdings Inc. and Subsidiaries
Schedule II—Valuation and Qualifying Accounts
For the Years Ended December 31, 2001, 2000 and 1999
(dollars in thousands)

Description	Balance at Beginning of Period	Charged to Costs and Expenses	Charged to Revenues	Deductions(1)	Balance at End of Period
Year ended December 31, 2001:					
Allowance for doubtful accounts	$ 1,700	$ 1,733	$ —	$ (2,471)	$ 962
Accrued fee adjustments	5,215	—	12,149	(15,123)	2,241
Year ended December 31, 2000:					
Allowance for doubtful accounts	$ 350	—	$ 1,350	$ —	$ 1,700
Accrued fee adjustments	1,615	—	9,494	(5,894)	5,215
Year ended December 31, 1999:					
Allowance for doubtful accounts	$ 135	—	$ 326	$ (111)	$ 350
Accrued fee adjustments	1,885	—	5,343	(5,613)	1,615

(1) Includes write-offs of doubtful accounts and payments for fee adjustments.

All other schedules have been omitted because the information required to be set forth in those schedules is not applicable or is shown in the consolidated financial statements or notes thereto.

(b) Reports on Form 8-K

Chicago Mercantile Exchange Holdings Inc. filed a Current Report on Form 8-K, dated December 4, 2001, reporting the completion of the transactions associated with its reorganization into a holding company structure.

(c) Exhibits

Exhibit Number	Description of Exhibit
2.1	Agreement and Plan of Merger, dated as of October 1, 2001, between Chicago Mercantile Exchange Inc., Chicago Mercantile Exchange Holdings Inc. and CME Merger Subsidiary Inc. (incorporated by reference to Exhibit 2.1 to Chicago Mercantile Exchange Holdings Inc.'s Form S-4, filed with the SEC on August 7, 2001, File No. 33-66988).
3.1	Amended and Restated Certificate of Incorporation of Chicago Mercantile Exchange Holdings Inc. (incorporated by reference to Exhibit 3.1 to Chicago Mercantile Exchange Holdings Inc.'s Current Report on Form 8-K, filed with the SEC on December 4, 2001, File No. 0-32645).
3.2	Amended and Restated Bylaws of Chicago Mercantile Exchange Holdings Inc. (incorporated by reference to Exhibit 3.2 to Chicago Mercantile Exchange Holdings Inc.'s Current Report on Form 8-K, filed with the SEC on December 4, 2001, File No. 0-32645).
4.1	Rights Agreement, dated as of November 30, 2001, between Chicago Mercantile Exchange Holdings Inc. and Mellon Investor Services LLC (incorporated by reference to Exhibit 4.1 to Chicago Mercantile Exchange Holding's Inc.'s Form 8-A, filed with the SEC on December 4, 2001).
10.1	Chicago Mercantile Exchange Holdings Inc. Omnibus Stock Plan, effective February 7, 2000 (incorporated by reference to Exhibit 10.1 to Chicago Mercantile Exchange Inc.'s Form S-4, filed with the SEC on March 10, 2000, File No. 33-95561).
10.2	Chicago Mercantile Exchange Holdings Inc. Senior Management Supplemental Deferred Savings Plan, including First Amendment thereto, dated December 14, 1994, Second Amendment thereto, dated December 8, 1998 and Administrative Guidelines thereto (incorporated by reference to Exhibit 10.2 to Chicago Mercantile Exchange Inc.'s Form S-4, filed with the SEC on February 24, 2000, File No. 33-95561).
10.3	Chicago Mercantile Exchange Holdings Inc. Directors' Deferred Compensation Plan, including First Amendment thereto, dated December 8, 1998 (incorporated by reference to Exhibit 10.3 to Chicago Mercantile Exchange Inc.'s Form S-4, filed with the SEC on February 24, 2000, File No. 33-95561).
10.4	Chicago Mercantile Exchange Holdings Inc. Supplemental Executive Retirement Plan, including First Amendment thereto, dated December 31, 1996, Second Amendment thereto, dated January 14, 1998 and Third Amendment thereto, dated December 1998 (incorporated by reference to Exhibit 10.4 to Chicago Mercantile Exchange Inc.'s Form S-4, filed with the SEC on February 24, 2000, File No. 33-95561).
10.5	Chicago Mercantile Exchange Holdings Inc. Supplemental Executive Retirement Trust, including First Amendment thereto, dated September 7, 1993 (incorporated by reference to Exhibit 10.5 to Chicago Mercantile Exchange Inc.'s Form S-4, filed with the SEC on February 24, 2000, File No. 33-95561).
10.6	Agreement, dated February 7, 2000, between Chicago Mercantile Exchange Holdings Inc. and James J. McNulty (incorporated by reference to Exhibit 10.8 to Chicago Mercantile Exchange Inc.'s Form S-4, filed with the SEC on April 21, 2000, File No. 33-95561).
10.7*	License Agreement, effective as of September 24, 1997, between Standard & Poor's, a Division of The McGraw-

	Hill Companies, Inc., and Chicago Mercantile Exchange Inc. (incorporated by reference to Exhibit 10.13 to Chicago Mercantile Exchange Inc.'s Form S-4, filed with the SEC on March 10, 2000, File No. 33-95561).
10.8*	License Agreement, effective as of April 3, 1996, including First Amendment thereto, dated May 5, 1996, between The Nasdaq Stock Market, Inc., a subsidiary of National Association of Securities Dealers, Inc., and Chicago Mercantile Exchange Inc. (incorporated by reference to Exhibit 10.9 to Chicago Mercantile Exchange Holdings Inc.'s Form S-4, filed with the SEC on August 7, 2001, File No. 33-66988).

10.9*	Central Services System (NSC) Software License and Development Agreement, effective June 5, 1997, including First Amendment thereto, effective February 24, 1998, Second Amendment thereto, effective July 13, 1998, and Third Amendment thereto, effective January 30, 2001, between SBF Bourse de Paris and Chicago Mercantile Exchange Inc. (incorporated by reference to Exhibit 10.10 to Chicago Mercantile Exchange Holdings Inc.'s Form S-4, filed with the SEC on August 7, 2001, File No. 33-66988).
10.10*	CLEARING 21 Software Marketing and Distribution Agreement Restatement, effective January 30, 2001, between Societe Des Bourses Francaises, and its successor, Euronext-Paris, and Chicago Mercantile Exchange Inc. and New York Mercantile Exchange Inc. (incorporated by reference to Exhibit 10.12 to Chicago Mercantile Exchange Holdings Inc.'s Form S-4, filed with the SEC on August 7, 2001, File No. 33-66988).
10.11	Lease, dated as of November 11, 1983, between Chicago Mercantile Exchange Trust (successor to CME Real Estate Co. of Chicago, Illinois) and Chicago Mercantile Exchange Inc., including amendment thereto, dated as of December 6, 1989 (incorporated by reference to Exhibit 10.14 to Chicago Mercantile Exchange Inc.'s Form S-4 dated February 24, 2000, File No. 33-95561).
10.12	Lease, dated March 31, 1988, between EOP — 10 & 30 South Wacker, L.L.C., as beneficiary of a land trust, dated October 1, 1997, and known as American National Bank and Trust Company of Chicago Trust No. 123434 (as successor in interest to American National Bank and Trust Company of Chicago, not individually but solely as trustee under Trust Agreement dated June 2, 1981 and known as Trust No. 51234) and Chicago Mercantile Exchange Inc. relating to 10 South Wacker Drive, including First Amendment thereto, dated as of November 1, 1999 (incorporated by reference to Exhibit 10.15 to Chicago Mercantile Exchange Inc.'s Form S-4, filed with the SEC on February 24, 2000, File No. 33-95561).
10.13	Lease, dated May 11, 1981, between EOP — 10 & 30 South Wacker, L.L.C., as beneficiary of a land trust, dated October 1, 1997, and known as American National Bank and Trust Company of Chicago Trust No. 123434-06 (as successor in interest to American National Bank and Trust Company of Chicago, not individually but solely as trustee under Trust Agreement dated March 20, 1980 and known as Trust No. 48268) and Chicago Mercantile Exchange Inc. relating to 30 South Wacker Drive, including First Amendment thereto, dated as of February 1, 1982, Second Amendment thereto, dated as of April 26, 1982, Third Amendment thereto, dated as of June 29, 1982, Fourth Amendment thereto, dated as of July 28, 1982, Fifth Amendment thereto, dated as of October 7, 1982, Sixth Amendment thereto, dated as of July 5, 1983, Seventh Amendment thereto, dated as of September 19, 1983, Eighth Amendment thereto, dated as of October 17, 1983, Ninth Amendment thereto, dated as of December 3, 1984, Tenth Amendment thereto, dated as of March 16, 1987, Eleventh Amendment thereto, dated as of January 1, 1999, Twelfth Amendment thereto, dated as of June 30, 1999 (incorporated by reference to Exhibit 10.16 to Chicago Mercantile Exchange Inc.'s Form S-4, filed with the SEC on February 24, 2000, File No. 33-95561).
10.14	First Amended and Restated Credit Agreement, dated as of October 19, 2001, among Chicago Mercantile Exchange Inc. and the consortium of banks party thereto.
13.1	Specified portions of Chicago Mercantile Exchange Holdings Inc.'s annual report to shareholders for the year ended December 31, 2001.
21.1	List of Subsidiaries of Chicago Mercantile Exchange Holdings Inc.
23.1	Consent of Arthur Andersen LLP.

* Confidential treatment pursuant to Rule 406 of the Securities Act has been previously granted by the SEC.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Chicago and State of Illinois on the 28th day of March, 2002.

CHICAGO MERCANTILE EXCHANGE HOLDINGS INC.

BY: /S/ JAMES J. MCNULTY

James J. McNulty
President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the registrant and in the capacities indicated on the 28th day of March, 2002.

Signature	Title
/s/ SCOTT GORDON Scott Gordon	Chairman of the Board and Director
/s/ DAVID G. GOMACH David G. Gomach	Managing Director and Chief Financial Officer
/s/ NANCY W. GOBLE Nancy W. Goble	Managing Director and Chief Accounting Officer
H. Jack Bouroudjian	Director
/s/ TIMOTHY R. BRENNAN Timothy R. Brennan	Director
/s/ LESLIE HENNER BURNS Leslie Henner Burns	Director

/s/ JOHN W. CROGHAN John W. Croghan	Director
/s/ TERRENCE A. DUFFY Terrence A. Duffy	Director
/s/ MARTIN J. GEPSMAN Martin J. Gepsman	Director
/s/ DANIEL R. GLICKMAN Daniel R. Glickman	Director
/s/ YRA G. HARRIS Yra G. Harris	Director
/s/ ROBERT L. HAWORTH Robert L. Haworth	Director
/s/ BRUCE F. JOHNSON Bruce F. Johnson	Director
/s/ GARY M. KATLER Gary M. Katler	Director

/s/ PAUL KIMBALL	Director
Paul Kimball	
/s/ PATRICK B. LYNCH	Director
Patrick B. Lynch	
	Director
Leo Melamed	
/s/ WILLIAM P. MILLER II	Director
William P. Miller II	
/s/ PATRICK J. MULCHRONE	Director
Patrick J. Mulchrone	
	Director
John D. Newhouse	
/s/ JAMES E. OLIFF	Director
James E. Oliff	
/s/ MARK G. PAPADOPOULOS	Director
Mark G. Papadopoulos	

/s/ ROBERT J. PROSI	Director
Robert J. Prosi	
/s/ WILLIAM G. SALATICH, JR.	Director
William G. Salatich, Jr.	
/s/ JOHN F. SANDNER	Director
John F. Sandner	
/s/ MYRON S. SCHOLES	Director
Myron S. Scholes	
	Director
Verne O. Sedlacek	
/s/ WILLIAM R. SHEPARD	Director
William R. Shepard	
/s/ HOWARD J. SIEGEL	Director
Howard J. Siegel	
	Director
Jeffrey L. Silverman	

QuickLinks

Exhibit 10.14

[CHICAGO MERCANTILE EXCHANGE LOGO]

CHICAGO MERCANTILE EXCHANGE INC. FIRST AMENDED AND RESTATED CREDIT AGREEMENT

DATED AS OF OCTOBER 19, 2001

AMONG THE

CHICAGO MERCANTILE EXCHANGE INC.

AND

BANK OF AMERICA, N.A.

THE BANK OF NEW YORK

THE BANK OF TOKYO-MITSUBISHI, LTD

BANK ONE, NA

BROWN BROTHERS HARRIMAN & CO.

THE CHASE MANHATTAN BANK

CITIBANK, N.A.

HARRIS TRUST AND SAVINGS BANK

HSBC BANK USA

THE NORTHERN TRUST COMPANY

SVENSKA HANDELSBANKEN AB (PUBL)

U.S. BANK NATIONAL ASSOCIATION

UBS, AG STAMFORD BRANCH

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CHICAGO MERCANTILE EXCHANGE INC.
FIRST AMENDED AND RESTATED CREDIT AGREEMENT

This First Amended and Restated Credit Agreement, dated as of October 19, 2001 is among Chicago Mercantile Exchange Inc., a Delaware corporation (together with its successors and assigns, "CME" or the "COMPANY"), the Banks and The Bank of New York, as Collateral Agent.

RECITALS

The Company and the Banks entered into that certain Credit Agreement, dated as of November 1, 1992, (as heretofore amended, restated or otherwise modified, the "EXISTING AGREEMENT").

The Company and the Banks now desire to amend and restate the Existing Agreement in its entirety, subject to the terms and conditions hereof.

AGREEMENT

NOW, THEREFORE, in consideration of the premises and the mutual agreements herein contained, the Existing Agreement is hereby amended and restated in its entirety to read as follows:

ARTICLE I

DEFINITIONS

The parties hereto agree as follows:

As used in this Agreement:

"ACCELERATED TERMINATION DATE" has the meaning set forth in SECTION 11.9(d).

"ACCELERATED TERMINATION NOTICE" has the meaning set forth in SECTION 2.7.2.

"ADDITIONAL AMOUNTS" has the meaning set forth in SECTION 11.4.

"ADVANCE" means a borrowing hereunder consisting of the aggregate amount of the several Loans made to the Company by the Banks at the same time and having the same maturity date.

"AGGREGATE COMMITMENT" means the aggregate of the Commitments of all the Banks hereunder.

"AGREEMENT" means this First Amended and Restated Credit Agreement, as it may be amended, restated, supplemented or otherwise modified from time to time.

"AGREEMENT ACCOUNTING PRINCIPLES" means generally accepted principles of accounting in effect at the time of the preparation of the financial statements referred to in SECTION 6.4, applied in a manner consistent with that used in preparing such statements.

"ARTICLE" means an article of this Agreement unless another document is specifically referenced.

"BANKS" means the banks and other financial institutions listed on the signature pages of this Agreement and their respective successors and assigns.

"BORROWING BASE" means, at any time, the amount equal to the sum of:

(a) 99.25% of the aggregate market value at such time of all Security Deposits in the form of United States Treasury Bills, plus

(b) 98% of the aggregate market value at such time of all Security Deposits in the form of United States Treasury Notes with maturities of 2 years or less, plus

(c) 97% of the aggregate market value at such time of all Security Deposits that are United States Treasury Notes with maturities greater than 2 years and all Security Deposits in the form of United States Treasury Bonds, plus

(d) 96% of the aggregate market value at such time of all Security Deposits that are United States Agency obligations, plus

(e) 98% of the aggregate market value at such time of all Security Deposits that are Money Fund Shares,

excluding, however, in each case, any Security Deposits that are not subject to a first priority perfected Lien in favor of the Collateral Agent, for the ratable benefit of the Banks, pursuant to the Collateral Documents, free and clear of any other Lien other than Liens permitted by subsection (a), (b) or (c) of SECTION 7.8. It is understood and agreed that the market value of all Security Deposits as of any date shall be determined by the Collateral Agent in accordance with its usual and customary practices.

"BORROWING DATE" means a date on which an Advance is made hereunder.

"BUSINESS DAY" means a day on which banks are open for business in Chicago and New York.

"CLEARING HOUSE" means the department of the Company through which all futures and options on futures trades on or subject to the rules of the exchange are reconciled, settled, adjusted and cleared.

"CLEARING MEMBER" means a firm qualified to clear trades through the Clearing House.

"CME" has the meaning set forth in the preamble hereto.

"CME RULES" means the rules of the Company as amended and in effect from time to time and includes any interpretations thereof. "CME RULE" shall refer to any specifically designated rule.

"COLLATERAL" means any and all rights and interests in or to the Security Deposits, in which a Lien is created or purported to be created pursuant to the Collateral Documents, all as more particularly described in the Security and Pledge Agreement.

"COLLATERAL AGENT" means The Bank of New York, in its capacity as collateral agent for the Banks pursuant to Article X or any successor collateral agent hereunder, together with their respective successors and assigns.

"COLLATERAL DOCUMENTS" means the Security and Pledge Agreement, the Control Agreement and each document executed in connection therewith.

"COLLATERAL NOTICE" has the meaning set forth in SECTION 10.8.

"COMMITMENT" means, for each Bank, the obligation of such Bank to make Loans to the Company in an aggregate amount not exceeding the amount set forth opposite its signature below, as such amount may be modified from time to time as provided herein.

"COMPANY" has the meaning set forth in the preamble hereto.

"CONSOLIDATED TANGIBLE NET WORTH" means at any date the consolidated shareholders' equity of the Company and its consolidated Subsidiaries

determined in accordance with Agreement Accounting Principles, less their consolidated Intangible Assets, all determined as of such date. For purposes of this definition "Intangible Assets" means the amount (to the extent reflected in determining such consolidated shareholders' equity) of (i) all write-ups (other than write-ups resulting from foreign currency translations and write-ups of assets of a going concern business made within twelve months after the acquisition of such business) subsequent to December 31, 2000 in the book value of any asset owned by the Company or a consolidated Subsidiary, (ii) all investments in unconsolidated Subsidiaries and all equity investments in Persons which are not Subsidiaries and (iii) all unamortized debt discount and expense, unamortized deferred charges, goodwill, patents, trademarks, service marks, trade names, copyrights, organization or developmental expenses and other intangible items.

"CONTROL AGREEMENT" means that certain Securities Account Control Agreement, dated as of October 19, 2001, by and among the Clearing Members party thereto, the Company, The Bank of New York, as Securities Intermediary (as defined therein) and the Collateral Agent, substantially in the form of EXHIBIT H, as the same may be amended, restated, supplemented or otherwise modified from time to time.

"CONTROLLED GROUP" means all members of a controlled group of corporations and all trades or businesses (whether or not incorporated) under common control which, together with the Company, are treated as a single employer under Section 414(b) or 414(c) of the Internal Revenue Code.

"DEFAULT" means an event described in Article VIII.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended FROM time to time.

"EXCLUDED TAXES" means, with respect to any and all payments to the Collateral Agent, any Bank or any recipient of any payment to be made by or on account of any obligation of the Company under the Loan Documents, net income taxes, branch profits taxes, franchise and excise taxes (to the extent imposed in lieu of net income taxes), and all interest, penalties and liabilities with respect thereto, imposed on the Collateral Agent or any Bank.

"EXCESS AVAILABILITY" means, as of any date, the lesser of (a) the excess, if any, of the Aggregate Commitment minus the aggregate principal of all Loans outstanding and (b) the excess, if any, of the Borrowing Base minus the aggregate principal of all Loans outstanding.

"FED FUNDS RATE" means for any period, a fluctuating interest rate per annum for each day during such period equal to (a) the weighted average of the

rates on overnight federal funds transactions with members of the Federal Reserve System arranged by federal funds brokers, as published for such day (or, if such day is not a Business Day, for the preceding Business Day) by the Federal Reserve Bank of New York in the Composite Closing Quotations for U.S. Government Securities; or (b) if such rate is not so published for any day which is a Business Day, the average of the quotations at approximately 10:30 a.m. (Chicago time) for such day on such transactions received by the Collateral Agent from three federal funds brokers of recognized standing selected by it.

"FOREIGN BANK" has the meaning set forth in SECTION 11.4.

"GFX(TM)" means that Wholly-Owned Subsidiary of the Company known as the GFX(TM) Corporation.

"GFX(TM) GUARANTY" means certain Guaranties by the Company issued to counterparties of GFX(TM) related to over-the-counter foreign exchange transactions entered into by GFX(TM), or certain Guaranties by the Company issued to a banking institution that has provided performance bond collateral, or met performance bond or variation margin obligations on behalf of GFX(TM), related to transactions in futures.

"GUARANTY" of a Person means any agreement by which such Person assumes, guarantees, endorses, contingently agrees to purchase or provide funds for the payment of, or otherwise becomes liable upon, the obligation of any other Person, or agrees to maintain the net worth or working capital or other financial condition of any other Person or otherwise assures any creditor of such other Person against loss, including, without limitation, any comfort letter, operating agreement or take-or-pay contract and shall include, without limitation, the contingent liability of such Person in connection with any application for a letter of credit.

"IEF(TM) GUARANTY" means the guaranty by the Company that a Clearing Member participating in the IEF(TM) Program shall receive upon redemption one ($1) U.S. dollar for each IEF(TM) unit invested in the IEF(TM) Program. An IEF(TM) unit (or fraction thereof) represents an equity interest in the CME Interest Earning Facility for Customer-Segregated Funds, L.L.C. or the CME Interest Earning Facility for Proprietary Funds, L.L.C. credited to a Clearing Member for each $1.00 (or fraction thereof) invested by that Clearing Member.

"IEF(TM) PROGRAM" means a program in which performance bond cash deposited with the CME's Clearing House by Clearing Members participating in the IEF(TM) Program is pooled and invested in U.S. Government securities and under repurchase and reverse repurchase agreements. The IEF(TM) Program consists of two limited liability companies (CME Interest Earning Facility for Customer-

Segregated Funds, L.L.C. and CME Interest Earning Facility for Proprietary Funds, L.L.C.) of which the CME is the manager.

"INDEBTEDNESS" of a Person means such Person's (i) obligations for borrowed money (other than a daylight overdraft incurred by the Company in the course of effecting daily settlements with Clearing Members), (ii) obligations representing the deferred purchase price of property other than accounts payable arising in the ordinary course of such Person's business on terms customary in the trade, (iii) obligations, whether or not assumed, secured by Liens or payable out of the proceeds or production from property (other than futures and options contracts held in a cross-margin account at the Company) now or hereafter owned or acquired by such Person, (iv) obligations which are evidenced by notes, acceptances, or other instruments, (v) capitalized lease obligations, (vi) obligations for which such Person is obligated pursuant to a Guaranty (other than the guarantee provided by the Clearing House to Clearing Members in the ordinary course of business for their obligations to one another, or the GFX(TM) and IEF(TM) Guaranties) and (vii) reimbursement obligations with respect to letters of credit; PROVIDED, HOWEVER, that "Indebtedness" shall not include (a) obligations of the Company to a Cross-Margining Clearing Organization (as such term is defined in the CME Rules) arising out of the liquidation of one or more pairs of cross-margin accounts held at the Clearing House and at such Cross-Margining Clearing Organization and (b) obligations of the Company to a pledgee arising out of the liquidation of one or more pairs of cross-margin pledge accounts held at the Clearing House and at a Cross-Margining Clearing Organization.

"INDEMNIFIED AMOUNTS" has the meaning set forth in SECTION 11.9(a).

"INDEMNIFIED TAXES" means Taxes other than Excluded Taxes.

"INDEMNIFIED PARTY" has the meaning set forth in SECTION 11.9(a).

"LIEN" of a Person means any security interest, mortgage, pledge, lien, claim, charge, encumbrance, title retention agreement, lessor's interest under a capitalized lease or analogous instrument, in, of or on any property of such Person.

"LOAN" means, with respect to a Bank, such Bank's portion of any Advance.

"LOAN DOCUMENTS" means this Agreement, the Notes and the Collateral Documents.

"MATERIAL ADVERSE EFFECT" means a material adverse effect on the Company's financial position or the Company's ability to perform its obligations in the ordinary course of business as they become due.

"MEMBER ATTORNEY-IN-FACT" means CME in its capacity as attorney-in-fact for the Clearing Members pursuant to the power of attorney authorized in CME Rule 816.

"MONEY GRIDLOCK SITUATION" means (1) a disruption in the clearing and settlement operations of the Clearing House due to temporary problems or delays in obtaining or making settlement payments due to delays, overuse or other similar problems with the Fed Wire or similar money transfer systems, (2) the failure of a Cross-Margining Clearing Organization to approve one or more withdrawals by the Clearing House from a cross-margining bank account held either by the Company and such Cross-Margining Clearing Organization jointly, or by a Clearing Member cross-margining its positions at the Clearing House with its own or an affiliate's positions at such Cross-Margining Clearing Organization, or (3) the failure of a Common Banking and Settlement Clearing Organization (as such term is defined in the CME Rules) to approve one or more withdrawals by the Clearing House from a common banking and settlement bank account held either by the Company and such Common Banking and Settlement Clearing Organization jointly or by a Clearing Member participating in common banking and settlement with such Common Banking and Settlement Clearing Organization.

"MONEY FUND SHARES" has the meaning set forth in the Security and Pledge Agreement.

"MULTIEMPLOYER PLAN" means a Plan maintained pursuant to a collective bargaining agreement or any other arrangement to which the Company or any member of the Controlled Group is a party to which more than one employer is obligated to make contributions.

"NEW LENDING OFFICE" has the meaning set forth in SECTION 11.4.

"NON-TERMINATING BANK" has the meaning set forth in SECTION 2.7.2.

"NOTE" means a promissory note in substantially the form of EXHIBIT A hereto, duly executed and delivered to each of the Banks by the Company and payable to the order of each Bank in the amount of such Bank's Commitment, including any amendment, modification, renewal or replacement of such promissory note.

"OBLIGATIONS" means all unpaid principal of, and accrued and unpaid interest on, the Notes, all accrued and unpaid commitment fees and all other obligations of the Company to the Collateral Agent or any Bank arising under the Loan Documents.

"OTHER TAXES" means any and all present or future stamp or documentary taxes or any other excise or property taxes, charges or similar levies arising from any payment made under any Loan Document or from the execution, delivery or enforcement of, or otherwise with respect to, any Loan Document.

"PBGC" means the Pension Benefit Guaranty Corporation and its successors and assigns.

"PERSON" means any corporation, natural person, firm, joint venture, partnership, limited liability company, trust, unincorporated organization, enterprise, government or any department or agency of any government.

"PLAN" means an employee pension benefit plan which is covered by Title IV of ERISA or subject to the minimum funding standards under Section 412 of the Internal Revenue Code as to which the Company or any Subsidiary may have any liability.

"PRINCIPAL BANK" has the meaning set forth in SECTION 4.5.

"REGULATION U" means Regulation U of the Board of Governors of the Federal Reserve System from time to time in effect and shall include any successor or other regulation or official interpretation of said Board of Governors relating to the extension of credit by banks for the purpose of purchasing or carrying margin stocks applicable to member banks of the Federal Reserve System.

"REPORTABLE EVENT" means a reportable event as defined in Section 4043 of ERISA and the regulations issued under such Section, with respect to a Plan, excluding, however, such events as to which the PBGC by regulation waived the requirement of Section 4043(a) of ERISA that it be notified within 30 days of the occurrence of such event (provided that a failure to meet the minimum funding standard of Section 412 of the Internal Revenue Code and of Section 302 of ERISA shall be a reportable event regardless of the issuance of any such waivers in accordance with Section 412(d) of the Internal Revenue Code).

"REQUIRED BANKS" means the Banks holding at least 75% of the aggregate unpaid principal amount of the outstanding Advance(s), or, if no Advance(s) are outstanding, Banks having at least 75% of the Aggregate Commitment.

"REVOLVING CREDIT TERMINATION DATE" means, October 18, 2002 or any earlier date on which the Aggregate Commitment is terminated pursuant to this Agreement.

"SECTION" means a numbered section of this Agreement, unless another document is specifically referenced.

"SECURITIES ACCOUNT" has the meaning set forth in the Security and Pledge Agreement.

"SECURITY AND PLEDGE AGREEMENT" means that certain Security and Pledge Agreement, dated as of October 19, 2001, by and among the Clearing Members party thereto, the Company and the Collateral Agent, substantially in the form of EXHIBIT I, as the same may be amended, restated, supplemented or otherwise modified from time to time.

"SECURITY DEPOSITS" means the amount required to be deposited with the Clearing House by each Clearing Member as security for its obligations to the Clearing House pursuant to CME Rule 816.

"SERVICING BANK" means each Bank designated as a Servicing Bank in accordance with SECTION 4.5.

"SINGLE EMPLOYER PLAN" means a Plan maintained by the Company or any member of the Controlled Group for employees of the Company or any member of the Controlled Group.

"SUBSIDIARY" means any corporation more than 50% of the outstanding voting securities of which shall at the time be owned or controlled, directly or indirectly, by the Company or by one or more Subsidiaries or by the Company and one or more Subsidiaries, or any similar business organization which is so owned or controlled.

"SURPLUS FUNDS" means funds in excess of those needed for normal operations in the Clearing House Accounts and the General Accounts as referenced in CME Rule 802.B.

"TAXES" means any and all present or future taxes, levies, imposts, duties, fees, deductions, charges or withholdings imposed by any governmental authority.

"TERMINATED COMMITMENT" has the meaning set forth in SECTION 2.7.2.

"2.7.2 EFFECTIVE DATE" has the meaning set forth in SECTION 2.7.2.

"2.7.2 NOTICE" has the meaning set forth in SECTION 2.7.2.

"UNFUNDED LIABILITIES" means, (i) in the case of Single Employer Plans, the amount (if any) by which the present value of all vested nonforfeitable benefits under such Plan exceeds the fair market value of all Plan assets allocable to such benefits, all determined as of the then most recent valuation date for such Plan, and (ii) in the case of Multiemployer Plans, the withdrawal liability of the Company and Subsidiaries.

"UNMATURED DEFAULT" means an event which but for the lapse of time or the giving of notice, or both, would constitute a Default.

"WHOLLY-OWNED SUBSIDIARY" means any Subsidiary all of the outstanding voting securities of which shall at the time be owned or controlled, directly or indirectly, by the Company or one or more Wholly-Owned Subsidiaries, or by the Company and one or more Wholly-Owned Subsidiaries, or any similar business organization which is so owned or controlled.

The foregoing definitions shall be equally applicable to both the singular and plural forms of the defined terms.

ARTICLE II

THE CREDIT

2.1 REVOLVING CREDIT LOANS. Through and including the Revolving Credit Termination Date, each Bank severally agrees, on the terms and conditions set forth in this Agreement and in its Note, to make Loans to the Company from time to time in amounts not to exceed in the aggregate at any one time outstanding the amount of its Commitment; provided, however, that if any unmatured Advances are outstanding at the effective date of a change in any Bank's Commitment pursuant to SECTION 2.7, each Bank instead severally agrees, on the terms and conditions set forth in this Agreement, to make Loans from time to time prior to the maturity of such unmatured Advances in amounts not to exceed in the aggregate for all such Loans of such Bank the amount of such Bank's ratable share (determined in proportion to its respective Commitment, as so changed) of the excess of (i) the amount of the Aggregate Commitment, over

(ii) the aggregate principal outstanding amount of all such unmatured Advances of the Banks (assuming for purposes of this clause (ii) that all other such Banks' shares of such unmatured Advances were made and have not been disproportionately prepaid); and provided, further that no Loan shall be made if, after giving effect thereto, the aggregate outstanding principal of all Loans would exceed the lesser of (A) the Aggregate Commitment or (B) the Borrowing Base. Subject to the terms of this Agreement, the Company may borrow, repay and reborrow at any time through the Revolving Credit

Termination Date. The obligations of any Bank to make Loans hereunder shall cease at 4:01 p.m. (Chicago time) on the Revolving Credit Termination Date.

2.2 RATABLE LOANS. Each Advance hereunder shall consist of Loans made from the several Banks, ratably in proportion to the amounts of their respective Commitments on the date of such Advance.

2.3 PAYMENT ON LAST DAY OF INTEREST PERIOD. Each Advance and accrued and unpaid interest thereon shall be due and payable 30 days after such Advance is made.

2.4 REBORROWING OF ADVANCES. No Loans may be made hereunder to repay Advances without the consent of all of the Banks.

2.5 OPTIONAL PRINCIPAL PAYMENTS. The Company may from time to time prepay, without premium or penalty, all or a portion of any outstanding Advance, pro rata among the Banks, in accordance with their respective shares of such Advance by giving notice of such prepayment by 10:00 a.m. (Chicago time) on the date of such payment to each Bank. Repayment of principal pursuant to this SECTION 2.5 shall be applied to prepay the outstanding Loans, pro rata, and shall be accompanied by accrued and unpaid interest thereon.

2.6 MANDATORY PRINCIPAL PAYMENTS. On any day on which the aggregate outstanding principal of the Loans exceeds the Borrowing Base or the Aggregate Commitment, such excess shall be immediately due and payable without the necessity of any notice or demand. Repayment of such excess amounts shall be applied to prepay the outstanding Loans, pro rata, and shall be accompanied by accrued and unpaid interest thereon.

2.7 ADJUSTMENTS OF COMMITMENTS.

2.7.1 ADJUSTMENTS BY THE COMPANY. The Company may permanently reduce the Aggregate Commitment, in whole or in part ratably among the Banks, in proportion to the amounts of their respective Commitments in integral multiples of $1,000,000, upon at least ten Business Days' written notice to the Banks, which shall specify the amount of any such reduction; PROVIDED, HOWEVER, that, subject to SECTIONS 2.7.2, 11.9(b) and 11.9(c), the amount of the Aggregate Commitment may not be reduced below the outstanding principal amount of the Advance(s), and provided further that a reduction by the Company of the Aggregate Commitment to zero shall terminate this Agreement as of the effective date of such reduction. All accrued and unpaid commitment fees shall be payable on the effective date of such termination.

2.7.2 ADJUSTMENTS BY BANKS FOR ACCELERATED TERMINATION. If the

Commitment of a Bank hereunder is terminated pursuant to SECTION 11.9(b) or 11.9(c), the Company shall immediately notify each remaining Bank ("NON-TERMINATING BANK"), in writing of such termination ("ACCELERATED TERMINATION NOTICE") and shall state the amount of such terminating Bank's Commitment ("TERMINATED COMMITMENT") in the Accelerated Termination Notice. Each Non-Terminating Bank shall notify the Company, in writing, on or before the 5th Business Day after the date of the Accelerated Termination Notice, if and by what amount such Bank is willing to increase its Commitment, which amount shall be equal to all or some portion of the Terminated Commitment (each, a "2.7.2 NOTICE"). Any Non-Terminating Bank that fails to so notify the Company on or before such 5th Business Day, shall be deemed to have declined to increase its Commitment. If offers to increase Commitments are made by two or more Non-Terminating Banks in an aggregate amount greater than the aggregate amount of the Terminated Commitment, such Non-Terminating Banks and the Company hereby agree that such offers shall be allocated as nearly as possible in proportion to the aggregate amount of such offers, so that the aggregate amount thereof will not exceed the amount of the Terminated Commitment. On or before the 6th Business Day after the date of the Accelerated Termination Notice, the Company shall notify each Non-Terminating Bank of the amount by which each such Non-Terminating Bank's Commitment has been increased, which amount shall not exceed the amount of such Non-Terminating Bank's offer to increase its

Commitment in such Bank's 2.7.2 Notice. All increases of Commitments by the Banks, under this SECTION 2.7.2 shall become effective on the terminating Bank's Accelerated Termination Date ("2.7.2 EFFECTIVE DATE"). The Company shall promptly, and in no event later than the 2.7.2 Effective Date, deliver to each Bank whose Commitment has been increased pursuant to this SECTION 2.7.2 a new Note reflecting such Bank's new Commitment amount and each such Bank shall promptly, after repayment of all Advances outstanding on the 2.7.2 Effective Date, return to the Company the Company's superseded Note. On the 2.7.2 Effective Date, the Commitments shall be adjusted to reflect any such increases.

2.8 COMMITMENT FEE. From the date hereof to and including the Revolving Credit Termination Date, the Company agrees to pay to each Bank a commitment fee of 8/100 of 1% per annum (on the basis of a year consisting of 360 days) on the daily amount of such Bank's ratable share (determined in proportion to its respective Commitment) of the excess of (i) the amount of the Aggregate Commitment over (ii) the aggregate principal amount of all outstanding Advances of the Banks, payable on the last day of each November, February, May and August hereafter and on the Revolving Credit Termination Date, commencing on the first of such dates to occur after the date hereof.

2.9 COLLATERAL.

(a) All Obligations of the Company under this Agreement, the Notes and all other Loan Documents shall be secured by the Collateral in accordance with the Collateral Documents.

(b) So long as no Default shall have occurred and be continuing, the Company may from time to time replace any security credited to the Securities Account or any Money Fund Shares subject to the Lien of the Security and Pledge Agreement with another security of a type described in CME Rule 816 that has a market value equal to or greater than the market value of the replaced security, determined as of the date of replacement by the Collateral Agent in accordance with its usual and customary practices.

(c) So long as no Default shall have occurred and be continuing, the Company may from time to time direct the Collateral Agent to (and the Collateral Agent shall upon the request of the Company) liquidate any securities credited to the Securities Account and any Money Fund Shares and apply the proceeds thereof and any other amounts credited to the Securities Account to repay any outstanding Loans, provided that after giving effect to such liquidation and the repayment of such Loans, the aggregate principal amount of all remaining Loans outstanding as of the date of such removal shall not exceed the Borrowing Base as of the date of such removal.

(d) Upon any replacement or liquidation of Collateral pursuant to subsection (b) or (c) above, the Lien of the Collateral Agent on the replaced or liquidated Collateral, as applicable, shall be deemed released without further consent of the Collateral Agent or any Bank.

ARTICLE III

FUNDING THE CREDITS

3.1 METHOD OF BORROWING. The Company shall give the Collateral Agent, each Bank and each Servicing Bank notice not later than 3:15 p.m. (Chicago time) on the Borrowing Date of each Advance, specifying the amount of such Advance, each Bank's pro rata share thereof and the bank and the account to which the proceeds are to be disbursed. Following such notice from the Company, the Collateral Agent shall determine the aggregate value of the Collateral and the Borrowing Base in accordance with the terms hereof and promptly, but in any event, not later than 3:45 p.m. (Chicago time), provide each Bank with a Collateral Notice. Subject to satisfaction of the applicable conditions precedent set forth in Article V, not later than 4:45 p.m. (Chicago time) on each Borrowing Date, each Bank

severally shall make available to the Company, its pro rata share of the full amount of each Advance in immediately available funds, at such Bank's address specified pursuant to Article XIII. Further, if applicable, not later than 4:45 p.m. (Chicago time) on each Borrowing Date, each Servicing Bank shall make available to the Company, on behalf of the Bank or Banks that it services, such serviced Bank's or Banks' pro rata share of the full amount of each Advance in immediately available funds, at such Servicing Bank's address specified pursuant to Article XIII.

3.2 MINIMUM AMOUNT OF EACH ADVANCE. Each Advance shall be in the minimum amount of $10,000,000 (and in integral multiples of $250,000 if in excess thereof), PROVIDED, HOWEVER, that any Advance may be in the aggregate amount of the Excess Availability.

3.3 RATE BEFORE AND AFTER MATURITY. Prior to maturity, Advances shall bear interest at the Fed Funds Rate plus 45/100 of 1% per annum. Any Advance not paid at maturity, whether by acceleration or otherwise, shall bear interest until paid in full at a rate per annum equal to the Fed Funds Rate plus 2.4% per annum. In the event that a change in the Fed Funds Rate is announced or published at the time a Loan is outstanding, such change shall become effective at the time it is announced or published.

3.4 METHOD OF PAYMENT. All payments (including prepayments) of principal, interest, commitment fees and other amounts payable hereunder by the Company shall be made in immediately available funds to the Banks (or, if applicable, the related Servicing Banks) at the addresses specified pursuant to Article XIII. All such payments shall be applied to principal, interest, fees, expenses and other amounts due and payable hereunder in the following order: FIRST, to amounts payable hereunder other than principal, interest and commitment fees; SECOND, to commitment fees (in chronological order in accordance with the dates such fees became due and payable); and THIRD, to principal of, and interest on, the Advances (in chronological order in accordance with the dates such Advances were made; and as to any single Advance, first to interest thereon and second to principal thereof). Subject to the provisions of SECTION 4.4, (a) all payments of principal of, and interest on, the Advances shall be made to the Banks (or, if applicable, the related Servicing Banks) ratably among the Banks, in proportion to the outstanding principal amount of their respective Loans constituting part of such Advance and (b) all payments of commitment fees and other amounts payable hereunder to the Banks shall be made to the Banks (or, if applicable, the related Servicing Banks on behalf of the applicable Banks, if applicable) ratably among the Banks, in proportion to the amounts of their respective Commitments on the date such payment is made.

3.5 NOTES; TELEPHONIC NOTICES. Each Bank shall maintain in accordance with its usual and customary practices an account or accounts evidencing

the Loans made by such Bank from time to time, including the amounts of principal and interest payable and paid to such Bank from time to time under this Agreement and the Notes; and each Bank is hereby authorized to record the principal amount of each of its Loans and each repayment on the schedule attached to its Note or in its books and records; PROVIDED, HOWEVER, that the failure to so record shall not affect the Company's obligations under such Note. The records kept by each Bank shall be presumed to be accurate and shall be binding upon the Company absent manifest error. The Company hereby authorizes the Banks and the Servicing Banks to extend Advances based on telephonic notices made by any Persons any such Bank or Servicing Bank in good faith believes to be acting on behalf of the Company. The Company agrees to deliver promptly to each Bank and Servicing Bank a written confirmation of each telephonic notice signed by an authorized signatory. If the written confirmation differs in any material respect from the action taken by a Bank or Servicing Bank, as applicable, the records of such Bank or Servicing Bank, as applicable, shall govern absent manifest error.

3.6 INTEREST PAYMENT DATES; INTEREST BASIS. Interest accrued on each Advance prior to maturity shall be payable to Banks (or, if applicable, the related Servicing Banks) on the date on which the Advance is paid or prepaid, whether due to acceleration or otherwise. Interest accrued on each Advance after maturity shall be payable on demand. Interest and commitment fees shall be calculated for actual days elapsed on the basis of a 360-day year. Interest shall be payable for the day an Advance is made but not for the day of any payment on the amount paid if payment is received prior to noon (local time at the place of payment). If any payment of principal of, or interest on, an Advance shall become due on a day which is not a Business Day, such payment shall be made on the next succeeding Business Day and, in the case of a principal payment, such extension of time shall be included in computing interest in connection with such payment.

ARTICLE IV

BANKS' SERVICING ARRANGEMENT

4.1 NOTICE TO AND PAYMENT BY THE BANKS. Promptly after receiving notice from the Company of each Advance requested pursuant to SECTION 3.1, the Servicing Banks shall notify each of the applicable Banks by telephone (which may, at the option of the Servicing Banks, be accompanied by facsimile transmission), of each Advance, which notice shall state: (a) the dollar amount of such Advance; (b) each Bank's ratable share of such Advance; (c) the date and time when such Advance is to be made; and (d) the Servicing Bank to which the Bank's ratable share of such Advance shall be sent. Except as hereinafter provided, promptly after receipt of such notice from the Servicing Banks and, in any event, before the time specified in such

notice as the time when such Advance is to be made to the Company, each applicable Bank shall transfer its ratable share of such Advance to the appropriate Servicing Bank by Federal Reserve wire transfer or, in the event of a failure of the Federal Reserve wire transfer system, in other immediately available funds.

4.2 PAYMENT BY BANKS TO SERVICING BANKS. If a Servicing Bank fails to receive a transfer from any of the applicable Banks by the time required pursuant to SECTION 4.1, such Servicing Bank shall advance such amount for and on behalf of such Bank, provided that, notwithstanding the foregoing, such Bank shall, in any event, transfer to the Servicing Bank, by the means set forth in SECTION 4.1, its ratable share of the relevant Advance not later than 10:00 a.m. (Chicago time) the next Business Day after the Servicing Bank provides such Bank with the notice specified in SECTION 4.1. In the event a Servicing Bank advances funds overnight to the Company pursuant to the immediately preceding sentence, the Bank on whose behalf such funds are advanced shall reimburse the Servicing Bank for the Servicing Bank's cost of overnight funds, for the period from the time the Servicing Bank advances such funds to the Company for and on behalf of such Bank to the time of the Servicing Bank's receipt of such Bank's transfer of its ratable share of the relevant Advance. Such Servicing Bank shall promptly provide such Bank with notice of the amount of its cost of overnight funds for such period and such amount shall thereupon become immediately due and payable from such Bank to such Servicing Bank, and shall be paid by such Bank to such Servicing Bank upon receipt of such notice without further notice from or demand by such Servicing Bank.

4.3 DISTRIBUTION OF PAYMENTS. Whenever a Servicing Bank receives from, or on behalf of the Company, or any other person or party, a payment of principal, interest or commitment fees in connection with the Loans with respect to any of which the applicable Banks are entitled to receive a share, such Servicing Bank shall promptly pay to such Banks, in lawful money of the United States of America and in the kind of funds so received by such Servicing Bank, the amount due each of such Banks as determined pursuant to this Agreement; PROVIDED, HOWEVER, that the amount of such distribution shall be adjusted to the extent that amounts are owed by any Bank to such Servicing Bank pursuant to SECTION 4.2. or are required to be returned to such Servicing Bank pursuant to SECTION 4.4. If any payment of principal, interest or commitment fees is received from or on behalf of the Company by a Servicing Bank before 10:00 a.m. (Chicago time) on any Business Day, that Servicing Bank shall use reasonable efforts to wire transfer the appropriate portion of the same to the applicable Banks that same Business Day, but in any event shall wire the same to each of such Banks before the end of the next Business Day. In the event that a Servicing Bank receives any such payment from or on behalf of the Company before 10:00 a.m. (Chicago time) on any Business Day and does not transfer to one or more of the applicable Banks the appropriate portion of such payment on that day, the Company shall, promptly upon receipt of notice from any

such Bank, pay directly to such Bank an amount equal to the interest on such portion, at the Fed Funds Rate or, with respect to any payment of principal on a Loan, at the rate set forth in SECTION 3.3, for the period commencing on the day such Servicing Bank receives such payment up to but not including the following Business Day.

4.4 RESCISSION OF PAYMENTS BY THE COMPANY. If all or part of any payment made by the Company to a Servicing Bank of principal, interest or commitment fees in connection with the Loans is rescinded or must otherwise be returned for any reason and if a Servicing Bank has paid to any of the Banks such Bank's ratable share therein, such Bank shall, upon telephone notice from such Servicing Bank, forthwith pay to such Servicing Bank, on the date of such telephone notice (if notice is received by such Servicing Bank at or prior to 10:00 a.m. Chicago time) or on the next Business Day (if notice is received by such Servicing Bank after 10:00 a.m. Chicago time), an amount equal to such Bank's ratable interest in the amount that was rescinded or that must be so returned by the Servicing Bank. A Servicing Bank shall promptly return to the Company each such amount (or any lesser amount) that is received from each Bank. A Servicing Bank shall have no obligation to the Company for any amount that the Servicing Bank paid to any Bank and that is not repaid by such Bank, provided that the Servicing Bank did in fact provide such Bank with the notice described above to the effect that such payment was rescinded or must be returned.

4.5 POWERS GRANTED TO THE SERVICING BANKS. The Company and one or more Banks (each a "PRINCIPAL BANK") may, upon mutual agreement, from time to time request another Bank to act as a Servicing Bank for the purpose of administering and servicing the Loans of the Principal Banks. Upon the acceptance of the offer to service by the proposed Servicing Bank (which shall be in the sole discretion of such Bank), such Servicing Bank as administrator of the Loans of the Principal Banks for which it acts (and not as an agent, employee or fiduciary), shall be entitled to exercise all such powers as are incidental to the powers to receive and collect funds from the Principal Banks and the Company provided for in this Agreement, and to take such other actions with respect to such Loans as are provided hereby or as may be from time to time agreed by such Servicing Bank and the Principal Banks. In acting under this Agreement, each Servicing Bank agrees to exercise the same degree of care in administering such Loans as it would use in managing its own loans; PROVIDED, HOWEVER, that this sentence shall not make any Servicing Bank a fiduciary to any Principal Bank. The Principal Banks and the Company hereby agree and acknowledge that (i) in performing the duties provided for in this Agreement, the Servicing Banks are acting solely for the benefit of the Principal Banks and are in no way to be construed to be acting as agent for the Company; and (ii) the servicing arrangement provided for herein is not intended to constitute, and shall not be construed to establish, a partnership or joint venture

between the Servicing Banks and the Principal Banks, or between the Servicing Banks and the Company.

4.6 RESIGNATION OR TERMINATION OF SERVICING BANK. A Servicing Bank may resign its position as such at any time upon thirty (30) day's prior notice to the Company and the Principal Banks for which it acts, and the Company and the applicable Principal Banks acting together may terminate a Servicing Bank's role as such at any time upon thirty (30) day's prior notice to such Servicing Bank. Subsequent to the effective date of such resignation or termination, the resigned or terminated (as applicable) Servicing Bank shall have no further obligations in that capacity under this Agreement, and unless and until a successor servicing bank is appointed by the Company and the applicable Principal Banks acting together, (i) the services performed by such Servicing Bank hereunder shall be performed by the individual Principal Banks, and the Company, each on its own behalf, and (ii) any payments or communications made by the Company to such Servicing Bank hereunder shall be made directly to the applicable individual Principal Banks.

4.7 NON-RELIANCE REPRESENTATION. Each of the Banks acknowledges and represents that it has, independently of and without reliance upon the Servicing Banks, and based solely upon its own expertise (and the expertise of its agents and independent advisors) and upon financial statements and other information deemed appropriate by it, made its own credit analysis of the Company and made its own decision to enter into this Agreement. Each of the Banks further acknowledges and represents that it will, independently of and without reliance upon the Servicing Banks, and based solely upon its own expertise (and the expertise of its agents and independent advisors, if any) and upon such documents and information as it shall deem appropriate at the time, continue to make its own credit analysis of the Company and its own decisions with respect to this Agreement.

4.8 EXCULPATION. No Servicing Bank nor any of its shareholders, directors, officers, employees or agents shall be liable to the Banks, or any of them individually, for any obligation, undertaking, act or judgment of the Company or any other Person, or for any error of judgment or any action taken or omitted to be taken by such Servicing Banks or any other Servicing Bank (except and to the extent that the same arises from gross negligence or willful misconduct on the part of such Servicing Bank), or be bound to ascertain or inquire as to the performance or observance of any term of any of the Loan Documents. Without limiting the generality of the foregoing, the Servicing Banks: (a) may consult with legal counsel selected by the Servicing Banks and shall not be liable for any action taken or omitted to be taken in good faith by the Servicing Banks in accordance with the advice of such counsel; (b) makes no warranty or representation and shall not be responsible for any warranty or representation made in or in connection with any of the Loan Documents, or for the financial condition of the Company or any other

Person, or for the observance or performance of any obligations of the Company or any other Person, or for the truth or accuracy of any document provided to the Banks that the Servicing Banks have initially received from, or that the Servicing Banks have prepared based upon information received from, the Company or any other Person; (c) make no warranty or representation and shall not be responsible for the due execution, validity, enforceability, sufficiency or collectibility of any of the Loan Documents; (d) shall incur no liability under or in respect of any such agreement or document by acting upon any notice (by telephone or otherwise), or writing (including telex and telegraphic communication) believed by the Servicing Banks in good faith to be genuine and to be signed or sent by the proper party or Person; and (e) make no warranty or guarantee as to: (i) future payments by the Company or any other obligor or guarantor of the Loans, (ii) the Company's future compliance with or performance of any of the terms and conditions contained in the Loan Documents, or (iii) the collectibility of the Loans.

ARTICLE V

CONDITIONS PRECEDENT

5.1 CONDITIONS PRECEDENT.

(a) CONDITIONS TO CLOSING. This Agreement shall become effective as of the date hereof upon the execution and delivery of a counterpart hereto by each party hereto.

(b) CONDITIONS TO INITIAL ADVANCE. The Banks shall not be required to make the initial Advance hereunder unless the Company has furnished to each such Bank:

(i) A certificate of good standing with respect to the Company, certified by the Secretary of State of Delaware.

(ii) A copy, certified by the Secretary or Assistant Secretary of the Company, of CME's Board of Directors' resolutions (and resolutions of other bodies, if any are deemed necessary by counsel for any Bank) authorizing the execution of the Loan Documents.

(iii) An incumbency certificate, in substantially the form of EXHIBIT G hereto, executed by the Secretary or Assistant Secretary of the Company, which shall identify by name

and title and bear the signature of the officers of the Company authorized to sign the Loan Documents and to make borrowings hereunder, including telephonic borrowings, upon which certificate the Banks shall be entitled to rely until informed of any change in writing by the Company.

(iv) A certificate, signed by the president & CEO, managing director & president of the Clearing House division, managing director and chief administrative officer, or managing director & chief financial officer of the Company or his delegate, in substantially the form of EXHIBIT B hereto. Such certificate may be furnished by the Company by any means set forth in SECTION 13.1 hereof, and shall be deemed given to such Bank as provided therein.

(v) A written opinion of the Company's counsel, addressed to the Banks, covering the matters set forth in EXHIBIT C hereto.

(vi) A Note, duly executed and delivered by the Company and payable to the order of such Bank.

(vii) A copy of the Security and Pledge Agreement, duly executed and delivered by the Company, for itself and as Member Attorney-in-Fact on behalf of each grantor named therein.

(viii) A copy of the Control Agreement, duly executed and delivered by the Company, for itself and as Member Attorney-in-Fact on behalf of each grantor named therein, The Bank of New York, as Securities Intermediary and the Collateral Agent.

5.2 EACH ADVANCE. No Bank shall be required to make any Advance (including the initial Advance), unless on the applicable Borrowing Date:

(a) There exists no Default or Unmatured Default.

(b) The representations and warranties contained in Article VI are true and correct in all material respects as of such Borrowing Date except for changes in the Schedules hereto reflecting transactions permitted by this Agreement.

(c) The Company has furnished to such Bank a certificate which sets forth in reasonable detail the intended use of the proceeds of such Advance

(which shall comply with SECTION 7.2 hereof) and confirms that such proceeds will not be used to repay maturing Advances except as permitted pursuant to SECTION 2.4 hereof, in substantially the form of EXHIBIT D hereto. Such certificate may be furnished by Company by any means set forth in SECTION 13.1 hereof, and shall be deemed delivered to such Bank as provided therein.

(d) The Collateral Agent has furnished to such Bank a Collateral Notice in accordance with SECTION 3.1 indicating the aggregate market value of the Collateral on such date.

(e) The aggregate outstanding principal of all Loans, after giving effect to the Loans to be made on such Borrowing Date, does not exceed the lesser of (i) the Aggregate Commitment and (ii) the Borrowing Base as of such date.

Each request by the Company for a Loan hereunder shall constitute a representation and warranty by the Company that the conditions contained in SECTIONS 5.2(a) and (b) have been satisfied.

5.3 RETURN OF EXISTING NOTES. Upon its receipt of a Note issued pursuant to this Agreement, each Bank holding a promissory note of the Company issued pursuant to the Existing Agreement, shall return the original of each such promissory note to the Company, marked "Cancelled."

ARTICLE VI

REPRESENTATIONS AND WARRANTIES

The Company represents and warrants to the Banks, as of the date of each Advance, that:

6.1 CORPORATE EXISTENCE AND STANDING. Each of the Company and the Subsidiaries is a corporation duly incorporated, validly existing and in good standing under the laws of its jurisdiction of incorporation and has all requisite authority to conduct its business in each jurisdiction in which its business is conducted and where the failure to have such authority would reasonably be expected to have a Material Adverse Effect.

6.2 AUTHORIZATION AND VALIDITY.

(a) The Company has the corporate power and authority and legal right to execute and deliver the Loan Documents and to perform its obligations thereunder. The execution and delivery by the Company of the Loan

Documents and the performance of its obligations thereunder have been duly authorized by proper corporate proceedings. The Company has duly executed and delivered the Loan Documents, and the Loan Documents constitute legal, valid and binding obligations of the Company enforceable against the Company in accordance with their terms, except as enforceability may be limited by bankruptcy, insolvency or similar laws affecting the enforcement of creditors' rights generally and by general principles of equity (whether enforcement is considered in a proceeding at law or in equity).

(b) The Company has the authority pursuant to CME Rule 816 to execute and deliver, as Member Attorney-in-Fact on behalf of the applicable Clearing Members, the Collateral Documents and to cause the Security Deposits to be subject to the Lien of the Collateral Documents to secure the Obligations. CME Rules 816 and 913.B have been duly adopted and are in full force and effect.

6.3 COMPLIANCE WITH LAWS AND CONTRACTS. Neither the execution and delivery by the Company of the Loan Documents, nor the consummation of the transactions therein contemplated, nor compliance with the provisions thereof will violate any law, rule, regulation, order, writ, judgment, injunction, decree or award binding on the Company or any Subsidiary or the Company's or any Subsidiary's articles of incorporation or by-laws or the provisions of any material indenture, instrument or agreement to which the Company or any Subsidiary is a party or is subject, or by which it, or its property, is bound, or conflict with or constitute a default thereunder. No order, consent, approval, license, authorization, or validation of, or filing, recording or registration with, or exemption by, any governmental or public body or authority, or any subdivision thereof, that has not been obtained is required to authorize, or is required in connection with the execution, delivery and performance of, or the legality, validity, binding effect or enforceability of, any of the Loan Documents.

6.4 FINANCIAL STATEMENTS. The most recent annual, audited consolidated financial statements of the Company and the Subsidiaries heretofore delivered to the Banks were prepared in accordance with generally accepted accounting principles in effect on the date such statements were prepared and fairly present the consolidated financial condition and operations of the Company and the Subsidiaries at such date and the consolidated results of their operations for the period then ended.

6.5 MATERIAL ADVERSE CHANGE. No material adverse change in the business, financial condition, or results of operations of the Company and the

Subsidiaries has occurred since the date of the financial statements referred to in SECTION 6.4; PROVIDED, HOWEVER, that in the event the Company utilizes its own funds

to repay all or any portion of an Advance, and such repayment results in such a material adverse change, then such material adverse change shall not be deemed to have occurred until the thirty-first consecutive day that such material adverse change continues.

6.6 SUBSIDIARIES. SCHEDULE I contains an accurate list of all of the presently existing Subsidiaries of the Company, setting forth their respective jurisdictions of incorporation and the percentage of their respective capital stock owned by the Company or other Subsidiaries. All of the issued and outstanding shares of capital stock of such Subsidiaries have been duly authorized and issued and are fully paid and non-assessable.

6.7 ACCURACY OF INFORMATION. No written information, exhibit or report furnished by the Company or any Subsidiary to any Bank in connection with the negotiation of the Loan Documents contained any material misstatement of fact or omitted to state a material fact or any fact necessary to make the statements contained therein not materially misleading in light of the circumstances existing at the time furnished.

6.8 MARGIN REGULATIONS. Margin stock (as defined in Regulation U) constitutes less than 25% of those assets of the Company and its Subsidiaries which are subject to any limitation on sale, pledge, or other restriction hereunder. No proceeds of any Loans will be used to "purchase" or "carry" any "margin stock" (each as defined in Regulation U), or for any purpose that violates the provisions of Regulation T, U or X of the Board of Governors of the Federal Reserve System as now and from time to time hereafter in effect.

6.9 TAXES. The Company and its Subsidiaries have filed all United States federal tax returns and all other tax returns which are required to be filed by any of them and have paid all taxes due pursuant to said returns or pursuant to any assessment received by the Company or any such Subsidiary, except such taxes, if any, as are being contested in good faith. To the best of the Company's knowledge, no tax liens have been filed and no claims are being asserted with respect to any such taxes other than those taxes that are being contested in good faith. The charges, accruals and reserves on the books of the Company and its Subsidiaries in respect of any taxes or other governmental charges are adequate.

6.10 LITIGATION. Except as set forth in SCHEDULE II attached hereto, there is no litigation or proceeding pending or, to the knowledge of any of their officers, threatened against or affecting the Company or any Subsidiary of the Company which might materially adversely affect the business, financial condition or results of operations of the Company or the ability of the Company to perform its obligations under the Loan Documents.

6.11 ERISA. No Plan has Unfunded Liabilities in excess of $1,000,000. Each Plan complies in all material respects with all applicable requirements of law and regulations, no Reportable Event has occurred with respect to any Plan, neither the Company nor any of its Subsidiaries has withdrawn from any Plan or initiated steps to do so, and no steps have been taken to terminate any Plan.

ARTICLE VII

COVENANTS

During the term of this Agreement and thereafter as long as any Advances remain outstanding hereunder, unless the Required Banks shall otherwise consent in writing:

7.1 FINANCIAL REPORTING. The Company will maintain, for itself and each Subsidiary, a system of accounting established and administered in accordance with generally accepted accounting principles, and furnish to the Banks:

(a) Within 120 days after the close of each of its fiscal years, an unqualified audit report certified by independent certified public accountants, acceptable to the Required Banks, prepared in accordance with Agreement Accounting Principles on a consolidated basis for itself and the Subsidiaries, including balance sheets as of the end of such period, and statements of income, changes in shareholders' equity and a statement of cash flows for the year then ended, accompanied by any management letter prepared by said accountants and by a certificate of said accountants in substantially the form of EXHIBIT E hereto, or if, in the opinion of such accountants, such certificate is not applicable, a description of any Default or Unmatured Default relating to accounting matters that in their opinion exists, stating the nature and status thereof.

(b) Within 45 days after the close of the first three quarterly periods of each of its fiscal years, for itself and the Subsidiaries, an unaudited consolidated balance sheet as at the close of each such period and unaudited consolidated statements of income, changes in shareholder's equity and cash flows from the beginning of such fiscal year to the end of such quarter, each prepared in a manner consistent with the preparation of the Company's year-end statements and in accordance with Agreement Accounting Principles.

(c) Within 45 days after the close of each quarterly period, a report of (i) current Surplus Funds and (ii) the aggregate amount of Security Deposits being held by the Company including a breakdown of the manner in which Security

Deposits are held (cash, money market mutual funds or treasury securities) and the location thereof.

(d) Within the time periods set forth herein for the furnishing of the financial statements required hereunder, a certificate signed by its managing director & chief financial officer or another managing director (i) in substantially the form of EXHIBIT F hereto, or (ii) if any Default or Unmatured Default exists, showing the calculations set forth in EXHIBIT F as well as a description of the nature and status of such Default or Unmatured Default.

(e) Within 120 days after the close of each fiscal year, a statement of the Unfunded Liabilities of each Plan, signed by the managing director & chief financial officer of the Company or another managing director, or, in the event there are no Unfunded Liabilities, a certificate signed by its managing director & chief financial officer or another managing director to that effect.

(f) As soon as possible and in any event within 10 days after the Company knows that any Reportable Event has occurred with respect to any Plan, a statement, signed by the managing director & chief financial officer of the Company or another managing director, describing said Reportable Event and the action which the Company proposes to take with respect thereto.

(g) Such other information (including non-financial information) as any Bank may from time to time reasonably request.

7.2 USE OF PROCEEDS. The Company will only use the proceeds of the Advances to provide temporary liquidity in circumstances where CME is entitled to use the Security Deposits of its Clearing Members as provided in the CME Rules and in circumstances where a Money Gridlock Situation exists. Additionally, the Company may use the proceeds of the Advances to fulfill its obligations under the GFX(TM) Guaranty, PROVIDED, HOWEVER, that the Company may use the proceeds for such purposes only up to the amount of Surplus Funds on any given day. The Company will not, nor will it permit any Subsidiary to, use any of the proceeds of the Loans to "purchase" or "carry" any "margin stock" (each as defined in Regulation U) or for any purpose that violates the provisions of Regulation T, U or X of the Board of the Federal Reserve System as now and from time to time hereafter in effect.

7.3 NOTICE OF DEFAULT. The Company will, and will cause each Subsidiary to, give prompt notice in writing to the Banks of the occurrence of any Default or Unmatured Default and of any other development, financial or otherwise, which would reasonably be expected to materially adversely affect its business, properties or affairs or the ability of the Company to repay the Obligations.

7.4 CONDUCT OF BUSINESS. The Company will, and will cause each Subsidiary to, carry on and conduct its business in substantially the same manner and in substantially the same fields of enterprise as it is presently conducted and to do all things necessary to remain duly incorporated, validly existing and in good standing as a domestic corporation in its jurisdiction of incorporation and maintain all requisite authority to conduct its business in each jurisdiction in which its business is conducted and where the failure to have such authority would reasonably be expected to have a Material Adverse Effect.

7.5 COMPLIANCE WITH LAWS. The Company will, and will cause each Subsidiary to, comply with all laws, rules, regulations, orders, writs, judgments, injunctions, decrees or awards to which it may be subject, except where the failure to so comply would not reasonably be expected to have a Material Adverse Effect.

7.6 INSPECTION. The Company will, and will cause each Subsidiary to, permit the Collateral Agent or its representatives and agents, to inspect any of the properties, corporate books and financial records of the Company and each Subsidiary, to examine and make copies of the books of accounts and other financial records of the Company and each Subsidiary, and to discuss the affairs, finances and accounts of the Company and each Subsidiary (the foregoing activities, an "AUDIT") with, and to be advised as to the same by, their respective officers at such reasonable times and intervals as the Collateral Agent may designate; provided that so long as no Default has occurred and is continuing the Company shall only be responsible for the costs and expenses of one Audit per 12-month period.

7.7 TANGIBLE NET WORTH. The Company will maintain at all times a Consolidated Tangible Net Worth of not less than $90,000,000.

7.8 LIENS. The Company will not, nor will it permit any Subsidiary to, create or incur any Lien in, of or on the Collateral, except:

(a) Liens in favor of the Collateral Agent.

(b) Liens in favor of the Company, which Liens are subordinated to the Liens in favor of the Collateral Agent in accordance with ARTICLE XV hereof.

(c) Liens arising out of repurchase agreements or reverse repurchase agreements entered into by the Company or any Subsidiary thereof.

(d) Liens arising out of judgments or awards against the Company or any Subsidiary, in an amount of not more than $5,000,000 in the aggregate, which judgment or award is vacated, discharged, satisfied or stayed or bonded pending appeal within 60 days from the entry thereof.

7.9 ADDITIONAL CLEARING MEMBERS. Promptly upon any Person becoming a Clearing Member of CME, the Company will execute and deliver, as Member Attorney-in-Fact, a supplement to the Security and Pledge Agreement, substantially in the form of Exhibit A thereto, joining such Clearing Member as a party to the Security and Pledge Agreement and a supplement to the Control Agreement, substantially in the form of Exhibit B thereto, joining such Clearing Member as a party to the Control Agreement.

7.10 CME RULE CHANGES. The Company will not, without the prior written consent of the Banks, amend, revoke, or rescind any CME Rule in any manner that would have a materially adverse effect on the Lien granted to the Collateral Agent in the Collateral or the ability of the Collateral Agent to enforce any of its rights under the Collateral Documents.

7.11 TAXES. The Company will, and will cause each Subsidiary to, pay when due all taxes, assessments and governmental charges and levies upon it or its income, profits or property, except those which are being contested in good faith by appropriate proceedings and with respect to which adequate reserves have been set aside.

7.12 INSURANCE. The Company will, and will cause each Subsidiary to, maintain with financially sound and reputable insurance companies insurance on all their property in such amounts and covering such risks as is consistent with sound business practice in the industry, and the Company will furnish to any Bank upon request full information as to the insurance carried.

ARTICLE VIII

DEFAULTS

The occurrence of any one or more of the following events shall constitute a Default:

8.1 Any representation or warranty made or deemed made by or on behalf of the Company or any Subsidiary to the Banks under or in connection with this Agreement, any Loan, or any certificate or written information delivered in connection with this Agreement or any other Loan Document shall be materially false as of the date on which made or deemed to have been made.

8.2 Nonpayment of principal of any Note when due, nonpayment of interest upon any Note within five days after the same becomes due or nonpayment of any commitment fee or other obligation under any of the Loan Documents within 10 days after the same becomes due.

8.3 (i) Any breach by the Company of any of the terms required to be observed by it under Section 7.1, which continues unremedied for 10 days after the Company receives notice of such breach from any Bank; (ii) any breach by the

Company of any of the terms required to be observed by it under SECTION 7.2, 7.7, 7.8 or 7.10; or (iii) any material breach by the Company of any of the other terms or provisions required to be observed by it under Article VII.

8.4 The breach by the Company (other than a breach which constitutes a Default under SECTION 8.1, 8.2 or 8.3) of any of the terms or provisions of this Agreement which is not remedied within five days after written notice from any Bank.

8.5 Failure of the Company or any Subsidiary to pay any Indebtedness in an aggregate amount in excess of $5,000,000 when due; or the default by the Company or any Subsidiary in the performance of any term, provision or condition contained in any agreement under which any such Indebtedness was created or is governed, which results in such Indebtedness being accelerated or declared to be due and payable or required to be prepaid (other than by a regularly scheduled payment) prior to its stated maturity.

8.6 The Company or any Subsidiary shall (a) have an order for relief entered with respect to it under the Federal Bankruptcy Code, (b) not pay, or admit in writing its inability to pay, its debts generally as they become due, (c) make an assignment for the benefit of creditors, (d) apply for, seek, consent to, or acquiesce in, the appointment of a receiver, custodian, trustee, examiner, liquidator or similar official for it or any substantial part of its property, (e) institute any proceeding seeking an order for relief under the Federal Bankruptcy Code or seeking to adjudicate it a bankrupt or insolvent, or seeking dissolution, winding up, liquidation, reorganization, arrangement, adjustment or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors or fail to file an answer or other pleading denying the material allegations of any such proceeding filed against it, (f) take any corporate action to authorize or effect any of the foregoing actions set forth in this SECTION 8.6 or (g) fail to contest in good faith any appointment or proceeding described in SECTION 8.7.

8.7 Without the application, approval or consent of the Company or any Subsidiary, a receiver, trustee, examiner, liquidator or similar official shall be appointed for the Company or any Subsidiary or any substantial part of its property, or a proceeding described in SECTION 8.6(e) shall be instituted against the Company or any Subsidiary and such appointment continues undischarged or such proceeding continues undismissed or unstayed for a period of 45 consecutive days.

8.8 Any court, government or governmental agency shall condemn, seize or otherwise appropriate, or take custody or control of all or any substantial portion of the property of the Company or any Subsidiary.

8.9 The Company or any Subsidiary shall fail within 30 days to pay, bond or otherwise discharge any judgment or order for the payment of money in excess of $250,000, which is not stayed on appeal or otherwise being appropriately contested in good faith.

8.10 The Collateral Agent, for the ratable benefit of the Banks, shall cease to have a valid and perfected first priority security interest in the Collateral other than any Money Fund Shares that have not been included in the Borrowing Base and other than in connection with any release of Collateral contemplated hereby or by any other Loan Document; or the Company shall assert the invalidity of any such security interest or the invalidity or unenforceability of any Collateral Document; or any Collateral Document shall be terminated without the Collateral Agent's written consent.

8.11 The Commodity Futures Trading Commission (or its successor) shall revoke or suspend the designation of the Company as a contract market under the Commodity Exchange Act for any futures contract other than for reasons of dormancy or low volume in such contract or for reasons of disruptions in the underlying market for such contract.

ARTICLE IX

ACCELERATION, WAIVERS, AMENDMENTS AND REMEDIES

9.1 ACCELERATION. If any Default described in SECTION 8.6 or 8.7 occurs, the obligations of the Banks to make Loans hereunder shall automatically terminate and the Obligations shall immediately become due and payable without any election or action on the part of any Bank. If any other Default occurs, the Required Banks may terminate or suspend the Commitments of the Banks to make Loans hereunder, or declare the Obligations to be due and payable, or both, whereupon such Obligations shall become immediately due and payable, without presentment, demand, protest or notice of any kind, all of which the Company hereby expressly waives. In addition, at any time after which the Obligations have become due and payable and the obligations of the Banks to make Loans hereunder have terminated in accordance with this Section 9.1, the Collateral Agent may, with the consent of the Required Banks (or shall, upon the direction of the Required Banks), enforce any and all rights and interest created under the Collateral Documents or the UCC, including, without limitation, foreclosing the security interests created pursuant to the Collateral Documents by any available judicial procedure, and exercise all other rights and remedies of the Collateral Agent otherwise available under any other provision of this Agreement, by operation of

law, at equity or otherwise, all of which are hereby expressly preserved and all of which rights shall be cumulative.

9.2 AMENDMENTS. Subject to the provisions of this Section, the Required Banks and the Company may enter into agreements supplemental hereto for the purpose of adding or modifying any provisions to the Loan Documents or changing in any manner the rights of the Banks or the Company hereunder or waiving any Default hereunder; PROVIDED, HOWEVER, that:

(a) the consent of the Company and all of the Banks shall be required to (i) reduce the percentage specified in the definition of Required Banks, (ii) reduce the principal amount of or extend the maturity date for any Advance or reduce the rate or change the time of payment of interest thereon, (iii) reduce the rate or change the time of payment of any commitment fee, (iv) adjust the amount of the Commitment of any Bank except as otherwise permitted herein, (v) amend SECTION 2.7, 2.8, 5.2 or this SECTION 9.2, (vi) extend the Revolving Credit Termination Date, (vii) permit the Company to assign its rights under this Agreement, (viii) amend the definition of "Borrowing Base" or (ix) release any of the Collateral from the Lien granted pursuant to the Collateral Documents other than as permitted by this Agreement or any other Loan Document; and

(b) the Company may add a new Bank(s) under the terms of this Agreement, PROVIDED, HOWEVER, the Aggregate Commitment shall not exceed the Borrowing Base at such time and each such new Bank shall agree in writing to be bound by the terms of this Agreement.

9.3 PRESERVATION OF RIGHTS. No delay or omission of the Banks to exercise any right under the Loan Documents shall impair such right or be construed to be a waiver of any Default or an acquiescence therein, and the making of a Loan notwithstanding the existence of a Default or the inability of the Company to satisfy the conditions precedent to such Loan shall not constitute any waiver or acquiescence. Any single or partial exercise of any such right shall not preclude other or further exercise thereof or the exercise of any other right, and no waiver, amendment or other variation of the terms, conditions or provisions of the Loan Documents whatsoever shall be valid unless in writing signed by the Banks required pursuant to SECTION 9.2, and then only to the extent in such writing specifically set forth. All remedies contained in the Loan Documents or by law afforded shall be cumulative and all shall be available to the Banks until the Obligations have been paid in full and the Commitments have been terminated.

ARTICLE X

COLLATERAL AGENT

10.1 DECLARATION AND ACCEPTANCE OF APPOINTMENT; NO FIDUCIARY DUTIES. Subject to the terms and conditions hereof, each Bank hereby appoints and authorizes The Bank of New York to act as its collateral agent hereunder and under each of the Collateral Documents and other Loan Documents, with such powers as are expressly delegated to the Collateral Agent by the terms of this Agreement, the Collateral Documents, and the other Loan Documents, together with such other powers as are reasonably incidental thereto. The Bank of New York, by its execution hereof, hereby accepts the appointment made under this SECTION 10.1. The Collateral Agent shall not have any duties or responsibilities except those expressly set forth in this Agreement, the Collateral Documents and the other Loan Documents, or be a trustee for, or have any fiduciary obligation to, any Bank, and no implied covenants, functions, responsibilities, duties, obligations or liabilities on the part of the Collateral Agent shall be read into this Agreement or any other Loan Document or otherwise exist for the Collateral Agent. In performing its functions and duties hereunder and under the other Loan Documents, the Collateral Agent shall act solely as agent for the Banks and does not assume nor shall be deemed to have assumed any obligation or relationship of trust or agency with or for the Company or any of its successors or assigns. The Collateral Agent shall not be required to take any action that exposes the Collateral Agent to personal liability or that is contrary to this Agreement, any other Loan Document or applicable law. The appointment and authority of the Collateral Agent hereunder shall terminate upon the indefeasible payment in full of all Obligations and the termination of the Commitments. Each Bank hereby authorizes the Collateral Agent to execute each of the Collateral Documents on behalf of such Bank (the terms of which shall be binding on such Bank).

10.2 RELIANCE BY COLLATERAL AGENT. The Collateral Agent shall in all cases be entitled to rely, and shall be fully protected in relying, upon any document or conversation believed by it in good faith to be genuine and correct and to have been signed, sent or made by the proper Person or Persons and upon advice and statements of legal counsel (including, without limitation, counsel to the Company), independent accountants and other experts selected by the Collateral Agent and acceptable to the Required Banks. The Collateral Agent shall in all cases be fully justified in failing or refusing to take any action under this Agreement or any other Loan Document unless it shall first receive such advice or concurrence of the Company or the Required Banks (or, if required, all of the Banks), as applicable, as it deems appropriate and it shall first be indemnified to its satisfaction by the Banks, provided that unless and until the Collateral Agent shall have received such advice, the Collateral Agent may take or refrain from taking any action, as the Collateral

Agent shall deem advisable and in the best interests of the Banks. The Collateral Agent shall in all cases be fully protected in acting, or in refraining from acting, in accordance with a request of the Company or the Required Banks or all of the Banks, as applicable, and such request and any action taken or failure to act pursuant thereto shall be binding upon all the Banks.

10.3 REIMBURSEMENT AND INDEMNIFICATION. The Banks severally agree to reimburse and indemnify the Collateral Agent and its officers, directors, employees, representatives and agents ratably in proportion to the amounts of their respective Commitments, to the extent not paid or reimbursed by the Company (i) for any amounts for which the Collateral Agent, acting in its capacity as Collateral Agent, is entitled to reimbursement by the Company hereunder or under any other Loan Document and (ii) for any other actual out-of-pocket expenses incurred by the Collateral Agent, in its capacity as Collateral Agent and acting on behalf of the Banks, in connection with the administration and enforcement of this Agreement and the other Loan Documents, except in each case, for any amounts or expenses that arise as a result of the gross negligence or willful misconduct of the Collateral Agent.

10.4 COLLATERAL AGENT IN ITS INDIVIDUAL CAPACITY. The Collateral Agent and its affiliates may make loans to, accept deposits from and generally engage in any kind of business with the Company or any affiliate of the Company as though the Collateral Agent were not the Collateral Agent hereunder. With respect to the making of Loans pursuant to this Agreement, the Collateral Agent shall have the same rights and powers under this Agreement in its individual capacity as any Bank and may exercise the same as though it were not the Collateral Agent, and the terms "Bank," and "Banks" shall include the Collateral Agent in its individual capacity.

10.5 RESIGNATION OR TERMINATION OF COLLATERAL AGENT. The Collateral Agent may resign its position as such at any time upon ninety (90) days' prior notice to the Company and the Banks. The Collateral Agent may be terminated by 100% of the Banks (excluding any Bank then acting as Collateral Agent) at any time upon thirty (30) days' prior notice to the Company, the Collateral Agent and the other Banks. The Required Banks, with the consent of the Company (such consent not to be unreasonably withheld), shall appoint a successor Collateral Agent to succeed any Collateral Agent that resigns or its terminated pursuant to this SECTION 10.5. Subsequent to the effective date of such resignation or termination, the resigning or terminated (as applicable) Collateral Agent shall have no further obligations in that capacity under this Agreement. If no successor Collateral Agent shall have been appointed by the Company and the Required Banks and shall have accepted such appointment prior to the effective date of the resignation or termination of the then acting Collateral Agent, the resigning or terminated Collateral Agent may appoint a successor Collateral Agent, which shall be a bank or

trust company organized under the laws of the United States of America or any State thereof, having a combined capital and surplus of at least $500,000,000.

10.6 NON-RELIANCE REPRESENTATION. Each of the Banks acknowledges and represents that it has, independently of and without reliance upon the Collateral Agent, and based solely upon its own expertise (and the expertise of its agents and independent advisors) and upon financial statements and other information deemed appropriate by it, made its own credit analysis of the

Company and made its own decision to enter into this Agreement. Each of the Banks further acknowledges and represents that it will, independently of and without reliance upon the Collateral Agent, and based solely upon its own expertise (and the expertise of its agents and independent advisors, if any) and upon such documents and information as it shall deem appropriate at the time, continue to make its own credit analysis of the Company and its own decisions with respect to this Agreement.

10.7 EXCULPATION. Neither the Collateral Agent nor any of its shareholders, directors, officers, employees or agents shall be liable to the Banks, or any of them individually, for any obligation, undertaking, act or judgment of the Company or any other Person, or for any error of judgment or any action taken or omitted to be taken by the Collateral Agent (except and to the extent that the same arises from gross negligence or willful misconduct on the part of the Collateral Agent), or be bound to ascertain or inquire as to the performance or observance of any term of any of the Loan Documents. Without limiting the generality of the foregoing, the Collateral Agent: (a) may consult with legal counsel selected by it and shall not be liable for any action taken or omitted to be taken in good faith by it in accordance with the advice of such counsel; (b) makes no warranty or representation and shall not be responsible for any warranty or representation made in or in connection with any of the Loan Documents by any Person other than the Collateral Agent, or for the financial condition of the Company or any other Person, or for the observance or performance of any obligations of the Company or any other Person other than the Collateral Agent, or for the truth or accuracy of any document provided to the Collateral Agent that the Collateral Agent has initially received from, or that the Collateral Agent has prepared based upon information received from, the Company or any other Person, except for the Collateral Agent's responsibility under SECTION 10.8; (c) makes no warranty or representation and shall not be responsible for the due execution, validity, enforceability, sufficiency or collectibility of any of the Loan Documents; (d) shall incur no liability under or in respect of any such agreement or document by acting upon any notice (by telephone or otherwise), or writing (including telex and telegraphic communication) believed by it in good faith to be genuine and to be signed or sent by the proper party or Person; and (e) makes no warranty or guarantee as to: (i) future payments by the Company or any other obligor or guarantor of the Loans, (ii) the Company's future compliance with or

performance of any of the terms and conditions contained in the Loan Documents, or (iii) the collectibility of the Loans.

10.8 COLLATERAL VALUATION. The Collateral Agent shall monitor the market value of the Collateral. On each Borrowing Date, promptly after receiving notice from the Company of a proposed borrowing, and on the last day of each calendar month (or, if such day is not a Business Day, the next succeeding Business Day), commencing with the first such date to occur after the date hereof, the Collateral Agent shall determine the aggregate market value of all Collateral on and as of such date in accordance with its usual and customary practices and shall advise and notify (which may be by telephone) each Bank thereof (each a, "COLLATERAL NOTICE").

ARTICLE XI

GENERAL PROVISIONS

11.1 SUCCESSORS AND ASSIGNS.

(a) The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns, except that the Company may not assign or otherwise transfer any of its rights under this Agreement.

(b) Any Bank may, in accordance with applicable law, at any time sell to one or more banks, financial institutions or other entities ("PARTICIPANTS") participating interests in any Loan owing to such Bank, any Note held by such Bank, any Commitment of such Bank or any other interest of such Bank hereunder. In the event of any such sale by a Bank of participating interests to a Participant, such Bank's obligations under this Agreement to the other parties to this Agreement shall remain unchanged, such Bank shall remain solely responsible for the performance thereof and the Company and the Collateral Agent shall continue to deal solely and directly with such Bank in connection with such Bank's rights and obligations under this Agreement and the other Loan Documents. In no event shall a Bank that sells a participating interest be obligated to the Participant to take or refrain from taking any action hereunder or under any of the other Loan Documents except that such Bank may agree that it will not, without the consent of such Participant, agree to (A) reduce the principal of, or interest payable on (or reduce the rate of interest applicable to), the Loans of such Bank or any fees or other amounts payable to such Bank hereunder which, in each case, are related to the participation sold to such Participant or, (B) postpone the date fixed for any payment of the principal of, or interest on, the Loans of such Bank or other amounts payable to such Bank hereunder which, in each case, are related to the participation sold to such Participant.

(c) Any Bank may (or in accordance with SECTION 11.4(h) shall), in accordance with applicable law, and with the consent of the Company (such consent not to be unreasonably withheld), at any time sell to any financial institution (all such purchasers, collectively, "PURCHASERS") all or any part of its rights and obligations under this Agreement and the Note held by it pursuant to an assignment agreement (an "ASSIGNMENT AGREEMENT"), executed by such Purchaser and such Bank and delivered to the Company and the Collateral Agent; provided that the consent of the Company to any such assignment shall not be required if (A) an Event of Default has occurred and is continuing, (B) the assignment is by a Bank to an Affiliate of such Bank or another existing Bank or (C) the assignment (including any pledge) is by any Bank of its Notes and its rights hereunder with respect thereto to any Federal Reserve Bank. Upon such execution and delivery of an Assignment Agreement, from and after the effective date as specified therein, (x) the Purchaser thereunder shall be a party hereto and shall be bound by the provisions hereto and, to the extent provided in such Assignment Agreement, shall have the rights and obligations of a Bank hereunder, with its Commitment as set forth in such Assignment Agreement, and (y) the transferor Bank thereunder shall, to the extent provided in such Assignment Agreement, be released from its obligations under this Agreement (and, in the case of an Assignment Agreement covering all or the remaining portion of a transferor Bank's rights and obligations under this Agreement, such transferor Bank shall cease to be a party hereto). Upon delivery of the Assignment Agreement to the Company and the Collateral Agent, the Company, the Collateral Agent and the Banks may treat the Purchaser as the owner of the Loans recorded therein for all purposes of this Agreement.

(d) On the effective date specified in any Assignment Agreement, or as soon as possible thereafter, the Company shall execute and deliver to the transferor Bank in exchange for the Note held by the transferor Bank (which existing Note shall be surrendered to the Company), a new Note to the order of such Purchaser reflecting the Commitment and outstanding Loans obtained by it pursuant to such Assignment Agreement and, if the transferor Bank has retained a Commitment and Loans hereunder, a new Note to the order of the transferor Bank reflecting the Commitment and outstanding Loans retained by it hereunder. Such new Notes shall be dated the Transfer Effective Date and shall otherwise be in the form of the Note replaced thereby. The Note surrendered by the transferor Bank shall be returned by the transferor Bank to the Company marked "canceled".

(e) The Company authorizes each Bank to disclose to any Participant or Purchaser and any prospective Participant or Purchaser any and all financial and other information in such Bank's possession concerning the Company which has been delivered to such Bank by or on behalf of the Company pursuant to this Agreement; PROVIDED that such Participant or Purchaser or prospective Participant or Purchaser agrees to be bound by the confidentiality provisions contained in SECTION 11.14.

(f) If, pursuant to this SECTION 11.1, any interest in this Agreement or any Note is transferred to any Purchaser which is organized under the laws of any jurisdiction other than the United States or any state thereof, such Purchaser, concurrently with the effectiveness of such transfer and becoming a party to this Agreement pursuant to the applicable Assignment Agreement shall, (i) represent to the transferor Bank (for the benefit of the transferor Bank, the Collateral Agent and the Company) that under applicable law and treaties then in effect no United States federal taxes will be required to be withheld by the Collateral Agent, the Company or the transferor Bank with respect to any payments to be made to such Purchaser hereunder, (ii) furnish to the Company the documentation described in SECTION 11.4(f), (wherein such Purchaser claims entitlement to complete exemption from U.S. federal withholding tax on all payments hereunder) and (iii) agree to otherwise comply with the terms of SECTION 11.4(f).

11.2 SURVIVAL OF REPRESENTATIONS. All representations and warranties of the Company contained in this Agreement shall survive delivery of the Notes and the making of the Loans herein contemplated.

11.3 GOVERNMENTAL REGULATION. Anything contained in this Agreement to the contrary notwithstanding, no Bank shall be obligated to extend credit to the Company in violation of any limitation or prohibition provided by any applicable statute or regulation.

11.4 TAXES.

(a) All payments to any Bank with respect to the Loans shall be made free and clear of, and without deduction for any Indemnified Taxes or Other Taxes; PROVIDED that if the Company shall be required to deduct any Indemnified Taxes or Other Taxes from such payments, then (i) the sum payable shall be increased by the amount (the "ADDITIONAL AMOUNT") necessary so that after making all required deductions (including deductions applicable to additional sums described in this paragraph) such Bank receives an amount equal to the sum it would have received had no such deductions been made, (ii) the Company shall

make such deductions and (iii) the Company shall pay the full amount deducted to the relevant governmental authority in accordance with applicable law. In addition, to the extent not paid in accordance with the preceding sentence, the Company shall pay any Other Taxes to the relevant governmental authority in accordance with applicable law.

(b) Subject to subsection (h) below, the Company shall indemnify each Bank for Indemnified Taxes and Other Taxes paid by such Bank, PROVIDED, HOWEVER, that the Company shall not be obligated to make payment to any Bank in respect of penalties, interest and other similar liabilities attributable to such Indemnified Taxes or Other Taxes if such penalties, interest or other similar liabilities are attributable to the gross negligence or willful misconduct of such Bank.

(c) If a Bank shall become aware that it is entitled to claim a refund from a governmental authority in respect of Indemnified Taxes or Other Taxes paid by the Company pursuant to this SECTION 11.4, including Indemnified Taxes or Other Taxes as to which it has been indemnified by the Company, or with respect to which the Company has paid Additional Amounts pursuant hereto, it shall promptly notify the Company of the availability of such refund claim and, if such Bank determines in good faith that making a claim for refund will not have a material adverse effect on its taxes or business operations, shall, within 30 days after receipt of a request by the Company, make a claim to such governmental authority for such refund at the Company's expense. If a Bank receives a refund in respect of any Indemnified Taxes or Other Taxes paid by the Company pursuant hereto, it shall within 30 days from the date of such receipt pay over such refund to the Company (but only to the extent of Indemnified Taxes or Other Taxes paid pursuant to hereto), including indemnity payments made or Additional Amounts paid, by the Company under this SECTION 11.4 with respect to the Indemnified Taxes or Other Taxes giving rise to such refund), net of all out of pocket expenses of such Bank and without interest (other than interest paid by the relevant governmental authority with respect to such refund).

(d) If any Bank is or becomes eligible under any applicable law, regulation, treaty or other rule to a reduced rate of taxation, or a complete exemption from withholding, with respect to Indemnified Taxes or Other Taxes on payments made to it by the Company, such Bank shall, upon the request, and at the cost and expense, of the Company, complete and deliver from time to time any certificate, form or other document requested by the Company, the completion and delivery of which are a precondition to obtaining the benefit of such reduced rate or exemption, provided that the taking of such action by such Bank, would not, in

the reasonable judgment of such Bank be disadvantageous or prejudicial to such Bank or inconsistent with its internal policies or legal or regulatory restrictions. For any period with respect to which a Bank has failed to provide any such certificate, form or other document requested by the Company, such Bank shall not be entitled to any payment under this SECTION 11.4 in respect of any Indemnified Taxes or Other Taxes that would not have been imposed but for such failure.

(e) Each Bank organized under the laws of a jurisdiction in the United States, any State thereof or the District of Columbia (other than Banks that are corporations or otherwise exempt from United States backup withholding Tax) shall (i) deliver to the Company, upon execution hereof (or, with respect to Persons becoming Banks hereunder by assignment, upon execution of the relevant assignment agreement), two original copies of United States Internal Revenue Form W-9 or any successor form, properly completed and duly executed by such Bank, certifying that such Bank is exempt from United States backup withholding Tax on payments of interest made under the Loan Documents and (ii) thereafter, at each time it is so reasonably requested in writing by the Company, deliver within a reasonable time two original copies of an updated Form W-9 or any successor form thereto.

(f) Each Bank that is organized under the laws of a jurisdiction other than the United States, any State thereof or the District of Columbia (each such Bank, a "FOREIGN BANK") that is entitled to an exemption from or reduction of withholding Tax under the laws of the jurisdiction in which the Company is located, or any treaty to which such jurisdiction is a party, with respect to payments under the Loan Documents shall deliver to the Company, upon execution hereof (or, with respect to Persons becoming Banks hereunder by assignment, upon execution of the relevant assignment agreement), such properly completed and duly executed documentation prescribed by applicable law or reasonably requested by the Company as will permit such payments to be made without withholding or at a reduced rate, unless in the good faith opinion of the Foreign Bank such documentation would expose the Foreign Bank to any material adverse consequences or risk. Such documentation shall be delivered by each Foreign Bank on or before the date it becomes a Bank and on or before the date, if any, such Foreign Bank changes its applicable lending office by designating a different lending office with respect to its Loans (a "NEW LENDING OFFICE"). In addition, each Foreign Bank shall deliver such forms promptly upon the obsolescence or invalidity of any form previously delivered by such Foreign Bank. Each Bank (and, in the case of a Foreign Bank, its lending office), represents that on the date hereof, payments made hereunder by the Company to it would not be subject to United States Federal withholding tax.

(g) Notwithstanding the provisions of subsection (a) and (b) above, the Company shall not be required to indemnify any Foreign Bank, or to pay any Additional Amounts to any Foreign Bank, in respect of United States Federal withholding tax pursuant to subsection (a) or (b) above, (A) to the extent that the obligation to withhold amounts with respect to United States Federal withholding tax existed on the date such Foreign Bank became a Bank; (B) with respect to payments to a New Lending Office with respect to a Loan, but only to the extent that such withholding tax exceeds any withholding tax that would have been imposed on such Bank had it not designated such New Lending Office; (C) with respect to a change by such Foreign Bank of the jurisdiction in which it is organized, incorporated, controlled or managed, or in which it is doing business, from the date such Foreign Bank changed such jurisdiction, but only to the extent that such withholding tax exceeds any withholding tax that would have been imposed on such Bank had it not changed the jurisdiction in which it is organized, incorporated, controlled or managed, or in which it is doing business; or (D) to the extent that the obligation to pay such indemnity payment or Additional Amounts would not have arisen but for a failure by such Foreign Bank to comply with the provisions of SECTION 11.4(f).

(h) If any Bank requests compensation under this SECTION 11.4, or if the Company is required to pay any additional amount to any governmental authority for the account of any Bank pursuant to this SECTION 11.4, then such Bank shall use reasonable efforts to designate a different lending office for funding or booking its Loans hereunder or to assign its rights and obligations hereunder to another of its offices, branches or affiliates with the object of avoiding or eliminating the amounts payable pursuant to this SECTION 11.4, provided that such designation or assignment shall be on such terms that such Bank and its lending office, in such Bank's sole judgment, suffer no economic, legal, regulatory or other disadvantage and would not otherwise be disadvantageous to such Bank. The Company hereby agrees to pay all reasonable costs and expenses incurred by any Bank in connection with any such designation or assignment.

If Bank requests compensation under this SECTION 11.4, or if the Company is required to pay any additional amount to any governmental authority for the account of any Bank pursuant to this SECTION 11.4, then the Company may, at its sole expense and effort, upon notice to such Bank, require such Bank to assign and delegate, without recourse, in accordance with and subject to the restrictions contained in SECTION 11.1, all of such Bank's interests, rights and obligations under this Agreement to one or more assignees that shall assume such obligations (which assignee or assignees may be one or more other Banks); PROVIDED, that (i) such Bank shall have received payment of an amount equal to the outstanding principal of its Loans, accrued and unpaid interest thereon, accrued and unpaid fees and all other

amounts payable to it hereunder from the assignee (to the extent of such outstanding principal and accrued interest and fees) or the Company (in the case of all other amounts) and (ii) such assignment will result in a reduction in such compensation or payments. A Bank shall not be required to make any such assignment and delegation if, prior thereto, as a result of a waiver by such Bank or otherwise, the circumstances entitling the Company to require such assignment and delegation cease to apply.

A certificate of the relevant Bank setting forth the basis for any amounts (and the calculation thereof and methodology in calculating, each in reasonable detail) claimed under this SECTION 11.4 shall be delivered to the Company and shall be conclusive absent manifest error. Failure or delay on the part of a

Bank to demand compensation of any amount under this Section shall not constitute a waiver of such Bank's right to demand such compensation; PROVIDED that the Company shall not be required to compensate any such Bank for any amounts claimed under this Section that are incurred more than 90 days prior to the date that such Bank notifies the Company of the circumstances giving rise to such amounts and such Bank's intention to claim compensation therefor; provided, further, that if the circumstances giving rise to such amounts have retroactive effect, then the 90-day period referred to above shall be extended to include the period of retroactive effect thereof.

(i) Any payment required to be made by the Company to any Bank under this SECTION 11.4 shall be deemed an Obligation and be secured by the Collateral.

11.5 CHOICE OF LAW; JURISDICTION. The Loan Documents (other than those containing a contrary express choice of law provision) shall be construed in accordance with the laws of the State of Illinois (excluding choice-of-law principles of the law of such State that would require the application of the laws of a jurisdiction other than such State), but giving effect to federal laws applicable to national banks. The Company and the Banks hereby irrevocably submit to the non-exclusive jurisdiction of any United States federal or Illinois state court sitting in Chicago in any action or proceedings arising out of or relating to any Loan Documents and the Company and the Banks hereby irrevocably agree that all claims in respect of such action or proceeding may be heard and determined in any such court.

11.6 HEADINGS. Section headings in the Loan Documents are for convenience of reference only, and shall not govern the interpretation of any of the provisions of the Loan Documents.

11.7 ENTIRE AGREEMENT. The Loan Documents embody the entire agreement and understanding among the Company and the Banks and supersede all prior agreements and understandings among the Company and the Banks relating to the subject matter thereof, including the Existing Agreement.

11.8 SEVERAL OBLIGATIONS. The respective obligations of the Banks hereunder are several and not joint and no Bank shall be the partner or agent of any other. The failure of any Bank to perform any of its obligations hereunder shall not relieve any other Bank from any of its obligations hereunder.

11.9 EXPENSES; INDEMNIFICATION.

(a) The Company shall reimburse the Collateral Agent and each Bank for any reasonable costs, internal charges and out-of-pocket expenses (including attorneys' fees and time charges of attorneys, which attorneys may be employees of the Collateral Agent or such Bank, as applicable) paid or incurred by the Collateral Agent or such Bank, as applicable, in connection with the collection, liquidation and enforcement of the Loan Documents and/or the Collateral. The Company further agrees to indemnify the Collateral Agent, each Bank and their respective directors, officers and employees (each an "INDEMNIFIED PARTY") against all losses, claims, damages, penalties, judgments, liabilities and expenses (including, without limitation, all expenses of litigation or preparation therefor) which any of them may pay or incur arising out of or relating to this Agreement, the other Loan Documents, the transactions contemplated hereby or the direct or indirect application or proposed application of the proceeds of any Loan hereunder (all of the foregoing being collectively referred to as "INDEMNIFIED AMOUNTS"), excluding, however, in all of the foregoing instances, Indemnified Amounts arising from the gross negligence or willful misconduct on the part of the Indemnified Party seeking indemnification and Indemnified Amounts consisting of taxes imposed on or measured by the overall net income of the Indemnified Party seeking indemnification.

(b) If, after the date hereof, any law or any governmental rule, regulation, policy, guideline or directive (whether or not having the force of law) is adopted, or there is any change in the interpretation thereof, or the compliance of any Bank with such, which, in any case, affects the amount of capital required or expected to be maintained by the Bank or any corporation controlling any Bank and any Bank reasonably determines the amount of capital required is increased by or based upon the existence of this Agreement or its Commitment hereunder, then, the Bank shall notify the Company of such fact and shall provide a reasonably detailed description of such increased costs in the notice ("INCREASED COST NOTICE"), together with documentation from the relevant regulatory body setting forth such increased capital requirement, and within 15 days of the Company's receipt of such Increased

Cost Notice, the Company shall, in its sole discretion, determine whether to terminate such Bank's Commitment and obligation to make Loans hereunder, or to attempt to negotiate with such Bank a revised commitment fee (which revision shall not constitute an amendment to SECTION 2.8 hereof for the purposes of SECTION 9.2) and any other reimbursements provided for hereunder which reflect the Bank's increased costs. In the event that the Company determines to terminate such Bank's Commitment and obligation to make Loans hereunder, the Company shall send written notice to the Bank within 15 days of the Company's receipt of the Increased Cost Notice specifying a date at least 30 days thereafter on which the Bank's Commitment and obligation to make Loans hereunder shall be terminated. In the event that the Company determines to attempt to negotiate with such Bank a revised commitment fee and other reimbursements, and the Company and the Bank are unable to agree, within 30 days of the date of the Increased Cost Notice, upon such revised fees and other reimbursements, the Bank may send written notice to the Company, or the Company may send written notice to the Bank specifying a date at least 30 days thereafter on which the Bank's Commitment and obligation to make Loans hereunder shall be terminated. Any payment required to be made by the Company under this SECTION 11.9(b) shall be deemed an Obligation and be secured by the Collateral.

(c) At least 45 days prior to the proposed consummation date of any merger or consolidation of the Company with or into any other Person in which the Company shall not be the surviving entity (such transaction, a "RESTRUCTURING"), the Company will give written notice thereof to each Bank (a "RESTRUCTURING NOTICE"), which notice shall set forth the material terms and conditions of such Restructuring, including the identity of the surviving entity of such Restructuring (the "SURVIVOR"). Upon receipt of a Restructuring Notice, a Bank may elect, in its sole discretion, to terminate its Commitment hereunder by notifying the Company thereof, which may be by telephone (a "TERMINATION NOTICE") within 15 days of such Bank's receipt of the Restructuring Notice, which termination shall become effective no sooner than 30 days after the Company's receipt of the Termination Notice. Any Bank that fails to deliver a Termination Notice within 15 days after its receipt of a Restructuring Notice shall be deemed to have elected to terminate its Commitment.

(d) The effective date of any termination of a Bank's Commitment hereunder pursuant to subsection (b) or (c) above is referred to herein as the "ACCELERATED TERMINATION DATE". Any such termination shall not accelerate the maturity of any Loans outstanding to such Bank; commitment fees to such Bank shall cease to accrue as of the Accelerated Termination Date; and the Company shall be responsible for any and all Obligations and accrued and unpaid costs (including increased costs), fees and expenses incurred with respect to such Bank prior to the

Accelerated Termination Date. The obligations of the Company under this SECTION 11.9 shall survive the termination of this Agreement.

11.10 ACCOUNTING. Except as provided to the contrary herein, all accounting terms used herein shall be interpreted and all accounting determinations hereunder shall be made in accordance with Agreement Accounting Principles.

11.11 SEVERABILITY OF PROVISIONS. Any provision in any Loan Document that is held to be inoperative, unenforceable, or invalid in any jurisdiction shall, as to that jurisdiction, be inoperative, unenforceable, or invalid without affecting the remaining provisions in that jurisdiction or the operation, enforceability, or validity of that provision in any other jurisdiction, and to this end the provisions of all Loan Documents are declared to be severable.

11.12 PARENT HOLDING COMPANY. The Banks acknowledge that: (i) a corporation, CME Holdings, Inc. ("HOLDINGS"), is currently being organized under the laws of the State of Delaware, (ii) upon consummation of such organization all of the capital stock of the Company currently held by its shareholders will be transferred to Holdings in exchange for share of the capital stock of Holdings and (iii) upon consummation of such exchange, the Company will be a wholly-owned subsidiary of Holdings.

11.13 AMENDMENT AND RESTATEMENT.

(a) The effect of this Agreement is to amend and restate the Existing Agreement, and to the extent that any rights, benefits or provisions in favor of any of the parties to the Existing Agreement existed in the Existing Agreement and continue to exist in this Agreement without any written waiver of any such rights, benefits or provisions prior to the date hereof, then such rights, benefits or provisions are acknowledged to be and to continue to be effective from and after the date of the Existing Agreement. This Agreement is not a novation.

(b) The parties hereto agree and acknowledge that any and all rights and provisions under the Existing Agreement, which expressly survive any termination of the Existing Agreement shall continue and survive the execution and delivery of this Agreement.

11.14 CONFIDENTIALITY. Each of the Banks and the Collateral Agent agrees to maintain the confidentiality of the Company Information, except that Company Information may be disclosed (a) to its Affiliates, directors, officers, employees and agents, including accountants, legal counsel and other advisors who have a need to know such information (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such Company

Information and agree to keep such Company Information confidential on terms substantially similar to this SECTION 11.14), (b) to any governmental agency or representative thereof, provided that prior to such disclosure, the disclosing party shall, to the extent practicable, promptly inform the Company of such potential disclosure, (c) to the extent required by applicable laws or regulations or by any subpoena or similar legal process or to the extent reasonably required in connection with any litigation relating to this Agreement or the Collateral to which such Bank or the Collateral Agent, as applicable, is a party, (d) subject to an agreement containing provisions substantially the same as those described in this SECTION 11.14, to any Purchaser or Participant or any prospective Purchaser or Participant, (e) with the consent of the Company or (f) to the extent such Company Information becomes publicly available other than as a result of a breach of its confidentiality obligations as described in this SECTION 11.14.

As used in this Section, "COMPANY INFORMATION" means all information received from the Company or any of its Subsidiaries or Affiliates relating to the Company, any of its Subsidiaries or Affiliates, or their businesses, other than any such information that is available to the Collateral Agent or any Bank, as applicable, on a non-confidential basis prior to disclosure by the Company.

11.15 WAIVER OF TRIAL BY JURY. TO THE EXTENT PERMITTED BY APPLICABLE LAW, EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY WAIVES ALL RIGHT OF TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM ARISING OUT OF OR IN CONNECTION WITH THIS AGREEMENT OR ANY MATTER ARISING HEREUNDER OR THEREUNDER.

ARTICLE XII

SETOFF; RATABLE PAYMENTS

12.1 SETOFF; RATABLE PAYMENTS.

(a) In addition to, and without limitation of, any rights of the Banks under applicable law, if the Company becomes insolvent, however evidenced, or any Default occurs and is continuing, any indebtedness from any Bank to the Company (including all account balances, whether provisional or final and whether or not collected or available but excluding any accounts designated as or representing "customer segregated funds" accounts and any accounts pledged to such Bank to secure an overdraft facility to ensure the settlement of foreign currency futures and options contracts traded on the Company) may be offset and applied

toward the payment of the Obligations owing to such Bank, whether or not the Obligations, or any part thereof, shall then be due.

(b) If any Bank, whether by setoff or otherwise, has payment made to it upon any Loan in a greater proportion than that received by any other Bank upon any Loan constituting a portion of the same Advance, such Bank (or, if applicable, such Bank's Servicing Bank) shall distribute to all the other Banks (of, if applicable, such other Banks' Servicing Banks) an amount equal to their pro rata share of such payment. Such payment shall be distributed ratably between the Banks in proportion to each Bank's respective share of the total Obligations outstanding under this Agreement. Any payment distributed pursuant to this subsection (b) to a Servicing Bank shall be distributed by the Servicing Banks to the applicable Banks in accordance with the provisions of this Agreement.

(c) If any Bank, whether in connection with setoff or amounts which might be subject to setoff or otherwise, receives collateral or other protection for any category of its Obligations or such amounts which may be subject to setoff, in any case, in excess of its pro rata share thereof, such Bank agrees, promptly upon demand, to take such action necessary such that all Banks share in the benefits of such collateral ratably in proportion to their Obligations of the same category. In case any such payment is disturbed by legal process, or otherwise, appropriate further adjustments shall be made.

(d) The Company agrees that any holder of a participation in a Loan may, to the fullest extent permitted by law, exercise all its rights of payment with respect to such participation as if such holder were the direct creditor of the Company in the amount of the participation.

ARTICLE XIII

NOTICES

13.1 GIVING NOTICE. Except as otherwise herein provided, any notice required or permitted to be given under this Agreement shall be in writing and shall be deemed, given (i) when delivered if sent by an overnight courier service, or (ii) when sent by facsimile, telex or SWIFT message, in each case, addressed to the Company and the Banks at the addresses or transmission numbers indicated below their signatures to the Agreement or otherwise notified to the Company or the Banks, as applicable.

13.2 CHANGE OF ADDRESS. The Company and any Bank may each change the address for service of notice upon it by a notice in writing to the other parties hereto.

ARTICLE XIV

COUNTERPARTS

This Agreement may be executed in any number of counterparts, all of which taken together shall constitute one agreement, and any of the parties hereto may execute this Agreement by signing any such counterpart. This Agreement shall be effective when it has been executed by the Company and the Banks.

ARTICLE XV

SUBORDINATION

The Company hereby subordinates its Lien on the Collateral to the Lien therein granted to the Collateral Agent pursuant to the Collateral Documents, and, except as permitted by SECTION 2.9, the Company shall not take any action of any nature whatsoever to enforce its Lien until all of the Obligations have been paid in full and the Commitments have been terminated.

IN WITNESS WHEREOF, the Company and the Banks have executed this Agreement as of the date first above written.

CHICAGO MERCANTILE EXCHANGE INC.
(A Delaware Corporation)

By: /s/ James J. McNulty

Title: President and CEO

Date: October 19, 2001
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30 South Wacker Drive
Chicago, Illinois 60606
Fax: (312) 930-3187
S.W.I.F.T.: XCMEUS4C

Attention: Managing Director & President,
Clearing House Division

COMMITMENTS

$50,000,000 THE BANK OF NEW YORK,
individually and as Collateral Agent

By: ______________________________

Title:____________________________

One Wall Street, 42nd Floor
New York, New York 10286
Fax: (212) 809-9575

Attention: John Carbaugh/Heerawan Singh
References: Chicago Mercantile Exchange
Inc., Borrowings, Payments Etc.

$ 50,000,000 BANK OF AMERICA, N.A.

By: ______________________________

Title:____________________________

231 South LaSalle Street
Chicago, Illinois 60697
Fax: (312) 828-3359

Attention: Edna Reganess
Reference: Loan Payment - Chicago Mercantile
Exchange Inc.

$ 25,000,000 BROWN BROTHERS HARRIMAN & CO.

By: ______________________________

Title:____________________________

59 Wall Street
New York, New York 10005
Fax: (212) 493-7997
S.W.I.F.T.: BBHCUS33

Attention: Senior Credit Officer

$ 50,000,000 THE CHASE MANHATTAN BANK

By: ______________________________

Title:__________________________

52 Broadway, 6th Floor
New York, New York 10004
Fax: (212) 701-4081
S.W.I.F.T.: CHASU33
Attention: Downtown Region

$ 50,000,000 BANK ONE, NA

By: ______________________________

Title:____________________________

1 Bank One Plaza
Suite IL1-0162
Chicago, Illinois 60670-0162
Telex: 6732667
Fax: (312) 732-6222
S.W.I.F.T.: FNBCUS44
Attention: Financial Institutions Division

$ 50,000,000 HARRIS TRUST AND SAVINGS BANK

By: _____________________________

Title:___________________________

111 West Monroe Street
Chicago, Illinois 60603
Fax: (312) 765-8201
S.W.I.F.T.: HATRUS44

$ 50,000,000 THE BANK OF TOKYO-MITSUBISHI, LTD

By:______________________________

Title:____________________________

Chicago Branch
227 West Monroe Street, Suite 2300
Chicago, Illinois 60606
Fax: (312) 696-4535
S.W.I.F.T.: BOTKUS4C

Reference: Chicago Mercantile Exchange

S-8

$ 35,000,000 CITIBANK, N.A.

By: ______________________________

Title:____________________________

399 Park Avenue
New York, New York 10043
Fax: (302) 894-6120

Reference: Chicago Mercantile
Attention: Lee Ocasio

S-9

$ 25,000,000 HSBC BANK USA

By:______________________________

Title:____________________________

1 HSBC Center, 26th Floor
Buffalo, New York 14203
Fax: (716) 841-0269

Attention: Maria Mendez-Tadak
Re: Chicago Mercantile Exchange Inc.

S-10

$ 15,000,000 THE NORTHERN TRUST COMPANY

By:______________________________

Title:____________________________

50 South LaSalle Street
11th Floor
Chicago, Illinois 60675
Fax: (312) 630-6062

Reference: Chicago Mercantile Exchange Inc.

S-11

$ 25,000,000 U.S. BANK NATIONAL ASSOCIATION

By:______________________________

Title:______________________________

777 E. Wisconsin Avenue
Milwaukee, Wisconsin 53201
Fax: (414) 765-4632
MK-FC-GLCB

Attention: Patrick Pfersch

$ 50,000,000 UBS, AG STAMFORD BRANCH

By:________________________________

Title:______________________________

By:________________________________

Title:______________________________

677 Washington Boulevard
Stamford, Connecticut 06901
Fax: (203) 719-3888

Attention: Marie Haddad
Reference: Chicago Mercantile Exchange Inc.

$ 25,000,000 SVENSKA HANDELSBANKEN AB (PUBL)

By:________________________________

Title:______________________________

153 East 53rd Street - 37th Floor
New York, New York 10022
Fax: (212) 326-5151
S.W.I.F.T.: HAND US33

EXHIBIT A

NOTE

$[AMOUNT]
[MONTH] [DAY], [YEAR]

Chicago Mercantile Exchange Inc., a Delaware corporation (the "COMPANY"), promises to pay to the order of ____________ (the "BANK") the lesser of the principal sum of _____________________ and 00/100 Dollars or the aggregate unpaid principal amount of all Loans made by the Bank to the Company pursuant to SECTION 2.1 of the First Amended and Restated Credit Agreement, dated as of

October 19, 2001, among the Company, the Banks party thereto and The Bank of New York, as Collateral Agent (as amended, restated, supplemented or otherwise modified from time to time, the "AGREEMENT"), whichever is less, in immediately available funds at the office of _______________ in [CITY], [STATE], together with interest on the unpaid principal amount hereof until maturity at a rate per annum equal to the sum of the Fed Funds Rate, plus 45/100 of 1% per annum from time to time in effect. After maturity and until paid in full, the Loans shall bear interest at a rate per annum equal to the sum of the Fed Funds Rate, plus 2.4% per annum. Interest shall be calculated on the basis of a 360 day year for actual number of days elapsed. The Company shall pay each Loan in full thirty days after such Loan is made. Interest prior to maturity shall be payable on the date on which the relevant Loan is paid or prepaid, whether due to acceleration or otherwise. Interest after maturity shall be payable on demand.

The Bank shall, and is hereby authorized to, record on the schedule attached hereto, or to otherwise record in accordance with its usual practice, the date and amount of each Loan and the date and amount of each principal payment hereunder. The records of the Bank shall be presumed to be accurate and shall be binding upon the Company absent manifest error.

This Note is one of the Notes issued pursuant to, and is entitled to the benefits of, the Agreement and the other Loan Documents, to which Agreement and Loan Documents reference is hereby made for a statement of the terms and conditions under which this Note may be prepaid or its maturity date accelerated. Capitalized terms used herein and not otherwise defined herein are used with the meanings attributed to them in the Agreement.

CHICAGO MERCANTILE EXCHANGE INC.
(A Delaware corporation)

By______________________________
Title:____________________________

SELECTED FINANCIAL DATA

The following selected financial data for each of the five years ended December 31, 1997 through 2001 was derived from the consolidated financial statements of Chicago Mercantile Exchange Holdings Inc. and subsidiaries and should be read in conjunction with the audited financial statements, related notes and other financial information included elsewhere herein. No dividends have been paid to shareholders. We intend to retain our future earnings, if any, for use in the operation and expansion of our business. Any future dividends will be at the discretion of our Board of Directors.

	Year ended December 31,				
	2001	2000	1999	1998	1997
	(dollars in thousands, except per share data)				
Income Statement Data:					
Revenues(1)	$ 387,153	$ 226,552	$ 210,602	$ 197,165	$ 177,644
Operating expenses	272,788	234,635	203,958	182,972	158,586
Limited partners' interest in earnings of PMT Limited Partnership	—	(1,165)	(2,126)	(2,849)	—
Discontinued operations, net of tax	—	—	—	—	(3,428)
Net income (loss)	68,302	(5,909)	2,663	7,029	8,667
Earnings (loss) per share:(2)					
Basic	$ 2.37	$ (0.21)	$ 0.09	$ 0.24	$ 0.30
Diluted	$ 2.33	$ —	$ 0.09	$ 0.24	$ 0.30
Balance Sheet Data:					
Shareholders' equity	$ 250,369	$ 163,671	$ 168,663	$ 166,897	$ 159,554
Total assets	2,068,881	381,444	303,467	295,090	346,732
Other Data:					
Total trading volume (round turn trades)	411,712	231,110	200,737	226,619	200,742
GLOBEX volume (round turn trades)	81,895	34,506	16,135	9,744	4,388
Open interest at year-end (contracts)	15,039	8,021	6,412	7,282	6,479

(1) For the year ended December 31, 2001, revenues are net of securities lending interest expense. Securities lending transactions began in June 2001.

(2) Earnings per share are presented as if common stock issued on December 3, 2001 had been outstanding for all periods presented. For 2000, diluted loss per share is not presented, since shares issuable for stock options would have an anti-dilutive effect.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Corporate Structure

We are the largest futures exchange in the United States, as measured by 2001 trading volume. Our international marketplace brings together buyers and sellers on our trading floors, as well as through our GLOBEX electronic trading platform and privately negotiated transactions. We offer market participants the opportunity to trade futures contracts and options on futures primarily in four product areas: interest rates, stock indexes, foreign exchange and commodities.

Our exchange was organized in 1898 as a not-for-profit membership organization. Until recently, our business strategy and fee structure were designed to provide profit opportunities for our members. On November 13, 2000, we became the first U.S. financial exchange to become a for-profit corporation by converting membership interests into shares of common stock. As part of our demutualization, we also purchased all of the assets and liabilities of P-M-T Limited Partnership, or PMT, an Illinois limited partnership that operated the GLOBEX electronic trading platform.

On December 3, 2001, we completed our reorganization of Chicago Mercantile Exchange Inc. (CME) into a holding company structure. The reorganization was completed by merging CME into a wholly owned subsidiary of a newly formed holding company, Chicago Mercantile Exchange Holdings Inc. (CME Holdings). In the merger, CME shareholders exchanged their equity interests in CME for similar equity interests in CME Holdings. Prior to the reorganization, CME Holdings had no significant assets or liabilities. Our financial statements have been prepared as if the holding company structure had been in place for all periods presented.

In conjunction with our demutualization and corporate reorganization, we adopted a new for-profit business strategy that is being integrated into our operations. As part of this integration process, we have examined and will continue to examine the fees we charge for our products in order to increase revenues and profitability, while providing incentives for members and non-members to use our markets. In the fourth quarter of 2000 and first quarter of 2001, we implemented changes to our fee structure, which included some fee increases, new fees for services previously provided to members at minimal or no charge and volume discounts to liquidity providers. This new approach to fees contrasts with our historical practices as a not-for-profit organization, which included reductions in fees and payment of rebates when we recorded substantial net income. For example, in 1998 we paid a rebate of $17.9 million to our clearing firms and member brokers.

Overview

Growth in our revenues is driven primarily by the growth in the volume of trades executed on our exchange. Our average daily trading volume increased at a compound annual rate of 19.90% from 1997 to 2001. This rate of growth was significantly impacted by the 78.9% increase in trading volume for the year ended December 31, 2001 when compared to 2000. Volume increased as a result of economic and political factors, enhancements to our product and service offerings and expansion of our electronic and other trade execution choices. Global and national economic and political uncertainty generally results in increased trading activity, as our customers seek to hedge or manage the risks associated with fluctuations in interest rates, equities, foreign exchange and commodities. In recent periods, our trading volumes have been positively affected by the increased volatility in the markets for equity and fixed-income securities. Products and services offered also have a significant effect on volume. We built on earlier successes in our standard S&P 500 and Nasdaq-100 contracts by introducing E-mini versions of the S&P 500 contract in 1997 and the Nasdaq-100 contract in 1999, which are one-fifth the size of the standard contract. These E-mini contracts are traded only through GLOBEX, our electronic trading platform. In addition, we significantly upgraded our GLOBEX electronic trading platform in 1998 and we modified GLOBEX policies, in November 2000, to give more users direct access to our markets. Electronic trading represented 19.9% of total trading volume in 2001, compared to 2.2% in 1997.

In addition to increases in trading volume, revenues have grown as a result of increases to some of our clearing and transaction fees that became effective in the fourth quarter of 2000 and first quarter of 2001. Furthermore, the growth in electronic trading volume has a compound effect on our revenue, because trades executed through GLOBEX are charged fees for using the electronic trading platform in addition to the clearing fees assessed on all transactions executed on our exchange.

The majority of our expenses fall into three categories: salaries and benefits; communications and computer and software maintenance; and depreciation and amortization. With the exception of license fees paid for the trading of our stock index contracts and a component of our trading facility rent that is related to trading volume, expenses do not change substantially with changes in trading volume. The number of transactions processed rather than the number of contracts traded tends to impact expenses. However, revenues can fluctuate significantly with volume changes, and thus our profitability is tied directly to the trading volume generated.

Expenses increased during the five-year period from 1997 to 2001. However, the rate of increase has been lower than the rate of increase in revenues. In particular, stock-based compensation, a non-cash expense, totaled $17.6 million in 2001. Expenses of this nature did not occur prior to 2000, when the expense totaled $1.0 million. In addition, in 2000 we incurred $9.8 million of one-time expenses associated with restructuring of management, our demutualization and the write-off of certain internally developed software that could not be utilized as intended. Other increases in our expenses have been driven primarily by our growing emphasis on technology. In addition, expenses are likely to vary in the future as a result of the stock-based compensation expense we are required to record.

Net operating results for 1998 through 2000 were adversely affected by the limited partners' interest in the earnings of PMT. Prior to our demutualization, PMT owned all rights to electronic trading of our products, received the revenue generated from electronic trading and was charged for our services to support electronic trading. The limited partners were entitled to a portion of the income of PMT, thus reducing net income to us. We purchased PMT's net assets as part of our demutualization. As a result, there has been no reduction in our earnings for the limited partners' interests since that date.

Revenues

Over the past five years, our revenues have grown from $177.6 million in 1997 to $387.2 million in 2001. Our revenues consist of clearing and transaction fees; quotation data fees; communication fees; investment income, including securities lending activities; and other operating revenue. The revenues derived from clearing and transaction fees, which represent 75.5% of revenues in 2001, are determined by three factors: volume, rates and the mix of trades.

Our clearing and transaction fee revenues are tied directly to volume and underlying market uncertainty. We attempt to mitigate the downside of unpredictable volume swings through various means, such as increasing clearing fees, creating volume incentives, opening access to new markets and further diversifying the range of products and services we offer.

Similar to volume, the rate structure for clearing and transaction fees has a significant impact on revenue. We implemented rate increases in the fourth quarter of 2000 and first quarter of 2001 which have had a positive impact on our revenues. The pricing changes in the first quarter of 2001 retained some of the increases from the fourth quarter of 2000; implemented charges for some services previously provided at no charge, such as order routing; altered the pricing structure for access to GLOBEX; and reduced certain fees to stimulate activity in targeted areas. These fee changes are in contrast to the fee rebate of $17.9 million in 1998 that had a negative impact on profitability, as did other fee reductions implemented prior to our demutualization.

The mix of trades reflects the types of products traded, the method by which trades are executed and the percentage of transactions executed by members compared to non-members. All transactions are charged a clearing fee that differs by type of contract traded. Additional fees from trades executed through GLOBEX and privately negotiated transactions have become an increasing source of revenue, as the percentage of trades executed electronically and the volume of privately negotiated transactions have increased. Finally, the percentage of trades attributed to non-members impacts revenue, as higher fees are charged to non-member customers than to members.

Our transaction fee revenues, stated as an average rate per contract, are illustrated in the table below:

	Year Ended December 31,				
	2001	2000	1999	1998	1997
	(in thousands, except per contract amounts)				
Transaction revenues	$ 292,459	$ 156,649	$ 140,305	$ 126,524	$ 116,917
Total contracts traded	411,712	231,110	200,737	226,619	200,742
Average rate per contract	$ 0.710	$ 0.678	$ 0.699	$ 0.558	$ 0.582

The trend in the average rate per contract is influenced by a variety of factors. As the percentage of trades executed electronically has grown, the average rate per contract has increased from 1997 to 2001. The average rate per contract decreased in 1998 as a result of fee reductions and rebates. The decline in the average rate per contract from 1999 to 2000 resulted primarily from two factors: a larger percentage of trades were executed by members, who are charged lower rates; and there was a decline in demand for some of our product delivery services. The increase in 2001 reflects increases in pricing that were partially offset by a shift in the type of products traded.

Transaction fees are calculated and recorded as revenue when the trade is accepted and processed through our Clearing House. The amount of the fee is affected by several factors. Should any of these factors, such as the membership status of the individual making the trade, require correction in our fee system, a fee adjustment can be processed for a period of three months following the month in which the trade occurred. Based on historical trends, we have established an accrual to allow for the likelihood of future adjustments to fees that have already been recorded as revenue and collected from clearing firms.

Our second largest source of revenue is quotation data fees, which we receive from the sale of our market data. At year-end 2001, more than 48,000 subscribers displayed our data on approximately 190,000 screens worldwide. With the exception of 2000, revenues from quotation data fees have grown steadily over the past five years. In 2000, a lower-priced, non-professional service was offered that increased the number of subscribers but adversely affected revenue as some of our existing customers switched to this lower-priced service. In addition, one of our major vendors declared bankruptcy, which had a negative effect on our income from quotation data fees in 2000 and 2001. The pricing of quotation data services was increased on March 1, 2001 as part of the pricing changes implemented in 2001.

Investment income represents earnings from our general investment portfolio, as well as income generated by the short-term investment of clearing firms' cash performance bonds and security deposits. Investment income has fluctuated with operating results. Investment income also is affected by changes in the levels of cash performance bonds deposited by clearing firms, which in turn is a function of the type of collateral used to meet performance bond requirements, the number of open positions held by clearing firms and volatility in our markets. As a result, the amount of cash deposited by clearing firms is subject to significant fluctuation. For example, cash performance bonds and security deposits totaled $855.2 million at December 31, 2001, compared to $156.0 million at December 31, 2000.

Beginning late in the second quarter of 2001, we entered into securities lending transactions utilizing a portion of the securities that clearing firms deposited to satisfy their proprietary performance bond requirements. Securities lending interest income is presented separately in the consolidated statements of income. Substantial interest expense is incurred as part of this securities lending activity and is presented as a deduction from total revenues to arrive at revenues, net of securities lending interest expense.

Communication fees consist of charges to members and firms that utilize our various telecommunications networks and communications services. Revenue from communication fees is dependent on open outcry trading, as a significant portion relates to telecommunications on the trading floor. There is a corresponding variable expense associated with providing these services.

GLOBEX access fees are the connectivity charges to customers of our electronic trading platform. The fee each customer is charged will vary depending on the type of connection provided. There is a corresponding communication expense associated with providing these connections that also varies based on the type of connection selected by the customer.

Other operating revenue is composed of fees for trade order routing and various services to members, as well as fees for administering our Interest Earning Facilities. We offer clearing firms the opportunity to invest cash performance bonds in an Interest Earning Facility (IEF®). These clearing firms receive interest income, and we receive a fee based on total funds on deposit. Other operating revenue also includes trading revenue generated by GFX, our wholly owned subsidiary that trades in foreign exchange futures contracts to enhance liquidity in our markets for these products.

A substantial portion of our clearing and transaction fees, telecommunications fees and various service charges included in other operating revenue, are billed to the clearing firms of the exchange. The majority of clearing and transaction fees received from clearing firms represent charges for trades executed on behalf of the customers of the various clearing firms. There are currently approximately 60 clearing firms. Should a clearing firm withdraw from CME, we believe the customer portion of that firm's trading activity would most likely transfer to another clearing firm. Therefore, we do not believe that the exchange is exposed to significant risk from the loss of revenue received from any particular clearing firm.

Expenses

Salaries and benefits expense is our most significant expense and includes employee wages, bonuses, related benefits and employer taxes. Changes in this expense are driven by increases in wages as a result of inflation or labor market conditions, the number of employees, rates for employer taxes and price increases affecting benefit plans. Annual bonus payments also vary from year to year and have a significant impact on total salaries and benefits expense. The number of employees increased from 865 at December 31, 1997 to 1,057 at December 31, 2001.

Stock-based compensation is the expense for stock options and restricted stock grants. The most significant portion of this expense relates to our CEO's stock option, granted in February 2000 for 5% of all classes of our outstanding common stock. The option was treated as a stock appreciation right prior to our demutualization. At the date of demutualization, fixed accounting treatment was adopted for the Class A shares included in this option. Variable accounting treatment was required for the Class B shares included in the option beginning in the second quarter of 2001. As a result, this expense now fluctuates based on changes in the value of the trading rights on our exchange, which are associated with our Class B shares. In the second quarter of 2001, restricted stock grants were awarded to certain employees, and the expense associated with these grants comprises the balance of our stock-based compensation expense.

Occupancy costs consist primarily of rent, maintenance and utilities for our offices, trading facilities and remote data center. Our office space is primarily in Chicago, although smaller offices are located in Washington, D.C., London and Tokyo. Occupancy costs are relatively stable, although our trading floor rent fluctuates to a limited extent based on open outcry trading volume.

Professional fees, outside services and licenses expense consists primarily of consulting services provided for major technology initiatives, license fees paid as a result of trading volume in stock index products, and legal and accounting fees. This expense fluctuates primarily as a result of changes in requirements for consultants to complete technology initiatives, stock index product trading volume changes that impact license fees, and other major undertakings that require the use of professional services, such as the demutualization and holding company reorganization.

Communications and computer and software maintenance expense consists primarily of costs for network connections with our GLOBEX customers; maintenance of the hardware and software required to support our technology; telecommunications costs of our exchange; and fees paid for access to market data. This expense is affected primarily by the growth of electronic trading. Our computer and software maintenance costs are driven by the number of transactions processed, not the volume of contracts traded. Currently, we process approximately 70% of total transactions electronically, which represent approximately 20% of total contracts traded.

Depreciation and amortization expense results from the depreciation of fixed assets purchased, as well as amortization of purchased and internally developed software. This expense increased as a result of significant technology investments in equipment and software that began in late 1998 and led to additional depreciation and amortization in the following years.

Public relations and promotion expense consists primarily of media, print and other advertising expenses, as well as expenses incurred to introduce new products and promote our existing products and services. Also included are seminar, conference and convention expenses for attending trade shows.

Other operating expense consists primarily of travel, staff training, fees incurred in providing product delivery services to customers, stipends for the Board of Directors, interest for equipment purchased under capital leases, meals and entertainment, fees for our credit facility and various state and local taxes. Other operating expense fluctuates, in part, due to changes in demand for our product delivery services and decisions regarding the manner in which to purchase capital equipment. Certain expenses, such as those for travel and entertainment, are more discretionary in nature and can fluctuate from year to year as a result of management decisions.

Key Statistical Information

The following table presents key information on volume of contracts traded, expressed in round turn trades, as well as information on open interest and notional value of contracts traded.

	Year Ended December 31,				
	2001	2000	1999	1998	1997
Average Daily Volume:					
Product area:					
Interest rate	1,091,846	550,810	475,023	574,829	522,835
Equity	425,149	258,120	189,984	174,840	116,801
Foreign exchange	89,290	76,615	94,747	113,948	119,429
Commodity	34,003	31,575	33,671	35,664	34,562
Total Average Daily Volume	1,640,288	917,120	793,425	899,281	793,627
Method of trade:					
Open outcry	1,282,147	754,049	698,011	830,687	752,273
GLOBEX	326,274	136,928	63,782	38,668	17,343
Privately negotiated	31,867	26,143	31,632	29,926	24,011
Total Average Daily Volume	1,640,288	917,120	793,425	899,281	793,627
Largest Open Interest (contracts)	18,900,911	9,324,154	8,799,641	10,174,734	8,305,804

Total Notional Value (in trillions)	$ 293.9	$ 155.0	$ 138.3	$ 161.7	$ 184.6

Results of Operations for the Twelve Months Ended December 31, 2001 and 2000

Overview

Our operations for the year ended December 31, 2001 resulted in net income of $68.3 million compared to a net loss of $5.9 million for the year ended December 31, 2000. Our improved operating results were driven by a $170.0 million, or 75.1%, increase in total revenues. Revenues, net of securities lending interest expense, increased $160.6 million, or 70.9%. This increase in revenues was partially offset by a $38.2 million, or 16.3%, increase in expenses in 2001 when compared to 2000. Excluding stock-based compensation, which represented a non-cash expense of $17.6 million, our net income for 2001 would have been $78.8 million compared to a loss of $5.3 million for 2000.

During 2001, the U.S. Federal Reserve Board lowered the Fed funds rate on 11 occasions, resulting in a total reduction of 4.75%. The increased need for risk management instruments resulting from this interest rate volatility led to increased volume in our Eurodollar contract. Our Eurodollar contract also became a benchmark for the industry, contributing to its volume growth. Concerns and uncertainty about the global and national economy, interest rates and the performance of U.S. stocks that had resulted in increased trading volume throughout 2001 were magnified after the terrorist attacks of September 11. In addition, opening access to our electronic trading platform and improved performance of that platform, coupled with uncertainty over the economy and interest rates, resulted in increased trading volume in our stock index products.

Revenues

Total revenues increased $170.0 million, or 75.1%, from $226.6 million for 2000 to $396.6 million for 2001. Revenues, net of securities lending interest expense, increased $160.6 million, or 70.9%, from 2000 to 2001. The increase in revenues is attributable primarily to a 78.9% increase in average daily trading volume in 2001, establishing an exchange record and making our exchange the largest futures exchange in the United States, based on annual trading volume, for the first time. In 2001, we also experienced record levels of electronic trading that resulted in average daily GLOBEX volume of 326,274 contracts, representing 19.9% of our trading volume and an increase of 138.3% compared to 2000. These increased volume levels resulted from uncertainty over interest rates and volatility in U.S. stocks, a diverse product offering, our new open access policy for GLOBEX and volume discounts available to customers using our markets to manage their financial risk. Finally, a new pricing framework announced in December 2000 that took effect in the first quarter of 2001 resulted in additional revenue.

Clearing and Transaction Fees. Clearing and transaction fees and other volume-related charges increased $135.9 million, or 86.7%, from $156.6 million in 2000 to $292.5 million in 2001. Total trading volume increased 78.1% from 231.1 million contracts, our previous trading volume record established in 2000, to 411.7 million contracts for 2001. Many other volume records were established in 2001. Trading volume of 3.3 million contracts on November 15, 2001 established a new single-day trading volume record. Trading volume for the month of November 2001 also established a new monthly record, with 45.3 million contracts traded. This growth in total volume, and the related increase in clearing fees, was compounded by additional GLOBEX transaction fees resulting from a 138.3% increase in electronic trading volume from 2000 to 2001. In addition to increased volume, revenue was favorably impacted by changes to our pricing structure that were implemented in the first quarter of 2001.

In response to the terrorist attacks in the United States, our markets closed early on September 11, 2001, and our exchange remained closed on September 12, 2001. Trading resumed on September 13, 2001. However, equity index products did not trade for an additional two business days, until September 17, 2001, when the equity markets in the U.S. resumed trading.

The following table shows the average daily trading volume in our four product areas and the portion that was traded electronically through the GLOBEX platform:

Product Area	2001	2000	Percentage Increase
Interest rate	1,091,846	550,810	98.2%
Equity	425,149	258,120	64.7
Foreign exchange	89,290	76,615	16.5
Commodity	34,003	31,575	7.7
Total Volume	1,640,288	917,120	78.9
GLOBEX Volume	326,274	136,928	138.3
GLOBEX Volume as a Percent of Total Volume	19.9 %	14.9 %	

While we experienced increased volume in all products, the most significant increases were experienced in interest rate and equity products. This increased volume reflected market dynamics in U.S. stocks and interest rates, as well as the effect of volume discounts and increased access to our electronic trading platform. These measures were designed to stimulate additional activity in a time of volatility in interest rates and U.S. equities.

Quotation Data Fees. Quotation data fees increased $12.0 million, or 33.0%, from $36.3 million in 2000 to $48.3 million in 2001. On March 1, 2001, we implemented a fee increase for professional subscribers. At year-end 2001, more than 48,000 subscribers displayed our data on approximately 190,000 screens worldwide. In addition, while we maintained our non-professional market data offering, the service was changed from real-time streaming to one-minute snapshots of market data. This led some of our subscribers to convert to the higher-priced professional service. In addition, our 2000 revenue was adversely impacted by the bankruptcy filing of one of our larger vendors.

Communication Fees. Communication fees were relatively constant, experiencing a decrease of $0.1 million, from $9.4 million in 2000 to $9.3 million in 2001.

Investment Income. Investment income decreased $0.7 million, or 8.0%, from $9.7 million in 2000 to $9.0 million in 2001. The decline resulted primarily from a decrease in interest rates, which had a negative impact on the rate earned on funds invested. Also, there was a $0.2 million decrease in the investment results of our non-qualified deferred compensation plan which did not impact our net income, as there was an equal reduction to our salaries and benefits expense. Partially offsetting these decreases was investment income generated by additional funds available for investment as a result of our improved financial performance. Also, cash performance bonds deposited by clearing firms increased from 2000 to 2001, resulting in additional investment income in 2001.

Securities Lending Interest Income and Expense. Securities lending interest income was $10.7 million in 2001. There was no similar income for 2000, as our securities lending activity began in June 2001. Securities lending is limited to a portion of the securities that clearing firms deposit to satisfy their proprietary performance bond requirements. Securities lending interest expense was $9.5 million in 2001. There was no similar expense for 2000. This expense is an integral part of our securities lending program and is required to engage in securities lending transactions. Therefore, this expense is presented in the consolidated statements of income as a reduction of total revenues.

GLOBEX Access Fees. GLOBEX access fees increased $8.0 million, or 201.9%, from $4.0 million in 2000 to $12.0 million in 2001. In addition to the growth in the number of GLOBEX users, there were changes to fees charged for access to GLOBEX and expansion of the number of access choices.

Other Operating Revenue. Other operating revenue increased $4.4 million, or 41.7%, from $10.5 million in 2000 to $14.9 million in 2001. The majority of this increase, or $2.3 million, is attributable to increased fees associated with managing our Interest Earning Facility program. Fees earned are directly related to amounts deposited in each IEF. In addition, the comprehensive pricing changes implemented in the first quarter of 2001 resulted in additional revenue from floor access charges, booth rental on our trading floors and order routing services. Finally, sales of our SPAN software increased by $0.3 million in 2001 compared to 2000. Partially offsetting these increases was a $0.6 million decrease in the trading revenue generated by GFX and our share of the net loss of OneChicago, LLC, the joint venture established in August 2001 for the trading of single stock futures.

Expenses

Total operating expenses increased $38.2 million, or 16.3%, from $234.6 million in 2000 to $272.8 million in 2001. This increase was attributed primarily to the increase in non-cash stock-based compensation, as well as salaries and benefits. Excluding the increase resulting from stock-based compensation, expenses increased $21.5 million, or 9.2% from 2000 to 2001.

Salaries and Benefits Expense. Salaries and benefits expense increased $11.1 million, or 11.9%, from $94.1 million in 2000 to $105.2 million in 2001. Included in this expense in 2000 were $4.3 million of one-time expenses relating to the restructuring of management that included a sign-on bonus for our new President and CEO hired in February 2000 and expenses related to severance payments to departing executives with employment contracts. Excluding these one-time charges, salaries and benefits increased $15.5 million, or 17.3%, in 2001, as a result of an increase in overall compensation levels and employee bonus expense, coupled with related increases in pension expense, employment taxes and employee benefits costs. The number of employees increased 7.1% from year-end 2000 to year-end 2001. These increases were compounded by a reduction in the number of technology staff utilized for internally developed software initiatives in 2001 when compared to 2000. As a result, more employee-related costs were expensed, rather than being capitalized as part of the development of internal use software.

Stock-*Based Compensation Expense.* Stock-based compensation, a non-cash expense, increased $16.6 million, from $1.0 million in 2000 to $17.6 million in 2001. This increase was primarily the result of the increase in value of the trading rights on our exchange associated with the Class B shares included in the stock option granted to our CEO in 2000. Prior to our demutualization in November 2000, the expense relating to this option was recognized as a stock appreciation right using variable accounting as prescribed under Accounting Principles Board (APB) Opinion No. 25, "Accounting for Stock Issued to Employees," and related pronouncements. Since demutualization, fixed accounting treatment has been adopted for the Class A shares included in the option. However, variable accounting has been required for the Class B shares beginning in the second quarter of 2001. The Class B portion of the option represented $16.4 million of our stock-based compensation expense in 2001.

Occupancy Expense. Occupancy expense increased $0.8 million, or 4.0%, from $19.6 million in 2000 to $20.4 million in 2001. This is primarily the result of an increase in rent expense related to our trading floors, as a portion of this rent is directly related to increased open outcry trading volume.

Professional Fees, Outside Services and Licenses Expense. Professional fees, outside services and licenses increased $4.2 million, or 18.0%, from $23.1 million in 2000 to $27.3 million in 2001. Professional fees for technology-related initiatives, net of the reduction for the portion that relates to the development of internal use software and is capitalized rather than expensed, increased $4.5 million in 2001 when compared to 2000. Major initiatives in 2001 included improvements to the Application Program Interface (API) to GLOBEX, work on enhancing the ability to execute sophisticated spread trades in GLOBEX, and improvements to our Web site. In addition, there was a $0.9 million increase in license fees resulting from increased stock index product trading volume. We also incurred fees in 2001 relating to our reorganization into a holding company structure. In 2000, we completed our management restructuring and demutualization that resulted in recruiting, legal and other professional fees that were not repeated in 2001.

Communications and Computer and Software Maintenance Expense. Communications and computer and software maintenance expense increased $1.7 million, or 4.0%, from $41.9 million in 2000 to $43.6 million in 2001. As a result of a new contract with our communications provider, communication costs related to GLOBEX connections increased modestly despite the increased number of customers utilizing our electronic trading platform. In addition, our hardware and software maintenance costs increased in 2001 as a result of technology-related purchases.

Depreciation and Amortization Expense. Depreciation and amortization expense increased $4.1 million, or 12.4%, from $33.5 million in 2000 to $37.6 million in 2001. This increase was attributed primarily to depreciation of the cost of equipment and software purchased late in 2000, as well as amortization on internally developed software completed in 2001 and the second half of 2000.

Public Relations and Promotion Expense. Public relations and promotion expense increased $1.1 million, or 21.2%, from $5.2 million in 2000 to $6.3 million in 2001. In response to the terrorist attacks on September 11, 2001, we established the Chicago Mercantile Exchange Foundation with an initial contribution of $1.0 million to be distributed to various agencies and charities offering relief and support to the victims and their families. In addition, in 2001 promotion expense was affected by increased spending on direct advertising offset by reduced expenditures for trade shows and specific product promotions.

Other Operating Expense. Other operating expense decreased $1.4 million, or 9.3%, from $16.1 million in 2000 to $14.7 million in 2001. This decrease was due primarily to a $2.7 million write-off of previously capitalized software development costs during 2000. It was determined that the software would not be utilized as intended. A similar write-off of $0.3 million occurred in 2001. Other factors affecting these expenses in 2001 included a reduction in travel and entertainment when compared to 2000, offset by the expense associated with the settlement of certain litigation in 2001.

During 2000, the limited partners' interest in the earnings of PMT was $1.2 million. We purchased the net assets of PMT on November 13, 2000 as part of our demutualization. Therefore, there was no reduction in earnings during 2001 as a result of the sharing of profits with the limited partners of this entity.

Income Tax Provision

We recorded a tax provision of $46.1 million in 2001, compared to a tax benefit of $3.3 million in 2000. The effective tax rate was 40.3% in 2001 and 36.1% in 2000.

Results of Operations for the Twelve Months Ended December 31, 2000 and 1999

Overview

We experienced a net loss of $5.9 million in 2000, compared to net income of $2.7 million in 1999. The change was due primarily to several one-time expenses in 2000 and increased technology-related expenses. As a result, overall expense increases outpaced the growth in revenue.

Revenues

Total revenues increased $16.0 million, or 7.6%, from $210.6 million in 1999 to $226.6 million in 2000.

Clearing and Transaction Fees. Clearing and transaction fees accounted for 69.1% of total revenues in 2000. Clearing and transaction fee revenues increased $16.3 million, or 11.6%, from $140.3 million in 1999 to $156.6 million in 2000. This increase was due primarily to a 15.1% increase in total trading volume in 2000 over 1999, setting a new annual volume record at that time of 231.1 million contracts. The increase in trading volume was due primarily to uncertainty over interest rates and the 2000 U.S. presidential election that resulted in strong volume in our interest rate and stock index products as a way to help manage financial risk. Total electronic trading volume on our GLOBEX platform in 2000 rose 113.8% to 34.5 million contracts and accounted for 14.9% of total volume.

The following table shows the average daily trading volume in our four product areas and the portion that was traded electronically through the GLOBEX platform:

Product Area	2000	1999	Percentage Increase/ (Decrease)
Interest rate	550,810	475,023	16.0%
Equity	258,120	189,984	35.9
Foreign exchange	76,615	94,747	(19.1)
Commodity	31,575	33,671	(6.2)
Total Volume	917,120	793,425	15.6
GLOBEX Volume	136,928	63,782	114.7
GLOBEX Volume as a Percent of Total Volume	14.9 %	8.0 %	

In addition to the increase in trading volume, clearing and transaction fee revenue rose as a result of a fee increase that went into effect on October 1, 2000. The fee increase was replaced with a new, strategically designed fee structure that went into effect primarily on January 1, 2001. The new pricing structure reflects our business strategy as a for-profit corporation.

Quotation Data Fees. Quotation data fees decreased $6.7 million, or 15.6%, from $43.0 million in 1999 to $36.3 million in 2000. The decrease was a result of lower promotional fees charged to non-professional subscribers. This special promotional fee was eliminated in 2001. While the total number of subscribers increased from 1999 to 2000, a portion of our existing subscribers switched to the new non-professional service at a lower monthly fee. In addition, the likelihood of collecting certain receivables outstanding at December 31, 2000 appeared questionable. The resulting reserve against receivables reduced revenue in 2000 by $1.4 million.

Communication Fees. Communication revenue increased $1.2 million, or 15.0%, from $8.2 million in 1999 to $9.4 million in 2000. The increase was a result of rate increases to users of our telecommunications system.

Investment Income. Investment income increased $0.6 million, or 7.1%, from $9.1 million in 1999 to $9.7 million in 2000. Investment income generated by increased cash performance bonds was partially offset by net sales of financial assets in the general investment portfolio.

GLOBEX Access Fees. GLOBEX access fees increased $2.1 million, or 109.1%, from $1.9 million in 1999 to $4.0 million in 2000. The total number of GLOBEX terminals increased more than 30% during 2000, resulting in additional revenue.

Other Operating Revenue. Other operating revenue increased $2.4 million, or 29.3%, from $8.1 million in 1999 to $10.5 million in 2000. Trading gains of GFX increased by $2.0 million in 2000 compared to 1999, and there was an increase in fees generated as a result of our Interest Earning Facility program. Partially offsetting these increases was a decline in consulting revenue generated for work completed by us for ParisBourse^{SBF}SA. Since this consulting arrangement was concluded in 1999, there was no similar revenue in 2000.

Expenses

Total operating expenses increased $30.6 million, or 15.0%, from $204.0 million in 1999 to $234.6 million in 2000. Excluding approximately $9.8 million of one-time expenses in 2000, the increase was $20.8 million, or 10.2%. Technology-related expenses of $100.1 million increased $23.2 million, as we continued to invest in trading and clearing systems. In electronic trading, we made significant capacity and performance enhancements to GLOBEX to support our new open access policy approved in 2000. We continued to upgrade our clearing technology and made advances in furthering alliances with other exchanges. Clearing infrastructure enhancements enabled us to launch the world’s first cross-border, cross-margining program with the London Clearing House. Other enhancements included an upgraded real-time mutual offset system with Singapore Exchange Derivatives Trading Ltd. (SGX), improved asset management capabilities for exchange customers and a more flexible and streamlined clearing process. Seeking new growth opportunities by leveraging our established clearing house expertise, we explored opportunities in the e-business market in 2000 and incurred $0.9 million in related expenses.

Salaries and Benefits Expense. Salaries and benefits expense increased $13.1 million, or 16.2%, from $81.0 million in 1999 to $94.1 million in 2000. In January 2000, we entered into an employment agreement with our new President and CEO that stipulated payment of a sign-on bonus. In addition, three executives with employment contracts resigned during the first quarter of 2000. The payments required by these contracts, a rise in overall compensation levels, and the related effect on employment taxes and employee benefit costs accounted for the remainder of the increase in salaries and benefits.

Stock-based Compensation Expense. Stock-based compensation expense of $1.0 million resulted from the expense relating to the stock option granted to our CEO in 2000. We adopted fixed accounting treatment for the shares of Class A common stock included in the option under APB Opinion 25, "Accounting for Stock Issued to Employees," as of the date of demutualization. As of December 31, 2000, we had not measured compensation expense relating to the shares of Class B common stock included in the option, as there are insufficient authorized Class B shares.

Occupancy Expense. Occupancy costs increased $1.8 million, or 10.4%, from $17.8 million in 1999 to $19.6 million in 2000. In 1999, reductions in real estate taxes, combined with credits from the landlord for operating expenses, resulted in one-time savings and represented the majority of the variance between 1999 and 2000.

Professional Fees, Outside Services and Licenses Expense. Professional fees, outside services and licenses decreased $5.2 million, or 18.3%, from $28.3 million in 1999 to $23.1 million in 2000. The decrease resulted primarily from a $3.7 million decline in expenditures relating to major technology initiatives that were substantially completed in 1999. Additional savings resulted from a $0.8 million reduction in recruiting costs, a $0.4 million reduction in ongoing legal and accounting fees and a decrease in the use of temporary employees. Also, in 1999, certain professional fees were incurred for projects that were concluded the same year, including $0.9 million in professional fees relating to the development of our strategic plan, $0.9 million for services associated with the launch of side-by-side electronic trading of our Eurodollar products and $0.7 million in professional fees for certain enhancements to GLOBEX. These savings were partially offset by a $1.3 million increase in legal costs and professional fees associated with our demutualization and a $0.9 million increase in license fees incurred as a result of increased trading volume in our equity products in 2000 when compared to 1999.

Communication and Computer and Software Maintenance Expense. Communication and computer and software maintenance expense increased $13.5 million, or 47.4%, from $28.4 million in 1999 to $41.9 million in 2000. Communication costs rose $9.1 million, or 38.9%, as a result of additional GLOBEX electronic trading subscribers. The number of GLOBEX terminals increased more than 30% in 2000. In addition, software and related maintenance costs increased by $3.3 million in 2000 compared to 1999 as a result of technology initiatives.

Depreciation and Amortization Expense. Depreciation and amortization increased $8.2 million, or 32.5%, from $25.3 million in 1999 to $33.5 million in 2000. The increase was due to the amortization of completed capitalized software development, additional depreciation expense resulting from software and computer equipment purchases made in 2000 and late in 1999 and the change in depreciable lives of such software and computer equipment from five years to four years.

Public Relations and Promotion Expense. Public relations and promotion expense decreased $2.5 million, or 32.2%, from $7.7 million in 1999 to $5.2 million in 2000, due primarily to the elimination or reduction of certain incentive programs related to specific contracts offered on our exchange.

Other Operating Expense. Other operating expense increased $0.6 million, or 4.2%, from $15.5 million in 1999 to $16.1 million in 2000. The increase resulted from a $2.7 million write-off during the second quarter of 2000 of previously capitalized software development costs. It was determined that the software would not be utilized as intended. Partially offsetting this were decreases in travel and entertainment expenses as well as in various state and local taxes.

The limited partners' interest in the earnings of PMT was $1.2 million for the period January 1, 2000 through November 13, 2000, the date of the sale of PMT's net assets to us as part of our demutualization, compared to $2.1 million in 1999. A decline in the operating results of PMT, and the corresponding decline in the limited partners' interest in the earnings of PMT in 2000, was due to higher operating costs associated with electronic trading. The fact that PMT operated for less than a full year also reduced its profits compared to 1999. The impact of these factors was partially offset by an increase in the net income of GFX in 2000, a portion of which was allocated to PMT.

Income Tax Provision

A benefit for income taxes of $3.3 million was recorded for the twelve months ended December 31, 2000 as a result of operating losses during this period. The effective income tax rate for the period was 36.1%. The benefit will be realized through a tax loss carryback to offset a prior year's taxable income.

Liquidity and Capital Resources

Cash and cash equivalents totaled $69.1 million and $30.7 million at December 31, 2001 and 2000, respectively. The increase is due to two factors. The change resulted primarily from improved operating performance. In addition, at December 31, 2001, a larger portion of our general investment portfolio was held in short-term instruments, and considered to be a cash equivalent, when compared to December 31, 2000. The balance retained in cash and cash equivalents is a function of anticipated or possible short-term cash needs, prevailing interest rates and alternative investment choices.

Other current assets readily convertible into cash include investments as well as accounts receivable. When combined with cash and cash equivalents, these assets comprised 60.9% of our total assets, excluding investment of securities lending proceeds and cash performance bonds and security deposits, at December 31, 2001 compared to 45.9% at December 31, 2000. This improvement is a result of improved operating results that increased cash, receivables and investments from year-end 2000 levels. Investment of securities lending proceeds, as well as cash performance bonds and security deposits, are excluded from total assets for purposes of this comparison as these assets vary significantly in amount and there are equal and offsetting current liabilities for these assets.

Historically, funding requirements have been satisfied by the cash flow generated by operations. Net cash provided by operating activities was $120.6 million for 2001 and $33.0 million for 2000. The cash provided by operations increased in 2001 as a result of our improved operating results. The increase in net cash provided by operating activities exceeded our net income in 2001 primarily as a result of increases in non-cash expenses, such as depreciation and stock-based compensation, that do not adversely impact our cash flow. Stock-based compensation totaled $17.6 million in 2001, compared to $1.0 million in 2000.

For the year ended December 31, 2001, net cash used in investing activities was $78.2 million, compared to $13.0 million for 2000. As a result of our improved operating results in 2001, purchases of investments that require the use of cash exceeded sales and maturities by $46.5 million. This is in contrast to 2000, when sales and maturities from our investment portfolio that generated cash exceeded purchases by $16.4 million. In addition, in 2001, purchases of property increased $5.1 million when compared to 2000. In 2000, cash used in investing activities was increased by the $4.2 million payment to the limited partners of PMT to complete the purchase of PMT.

Net cash used in financing activities was $3.9 million for 2001 and $3.6 million for 2000, representing scheduled payments on capital leases.

Capital expenditures, which includes expenditures for purchased and internally developed software as well as equipment acquired utilizing capital leases, have varied significantly from 1999 through 2001, as demonstrated in the table below:

	Year Ended December 31,		
	2001	2000	1999
	(in millions, except percentages)		
Total Capital Expenditures	$ 36.5	$ 27.1	$ 63.2
Technology	32.3	21.6	50.8

Percent for Technology	88.3 %	79.9 %	80.2 %

This highlights our commitment to continual enhancements to the technology we employ. These enhancements have been for our electronic trading platform as well as for our open outcry facilities. The significant expenditures in 1999 included $31.2 million for additional equipment and upgrades to our data center, expenditures for hardware and software required for year 2000 compliance and an improvement to our back-up recovery capabilities. Capital expenditures in 1999 also were made in connection with an upgrade to GLOBEX, which represented a significant portion of the $15.3 million of capitalized costs for staff and consultants who completed work on internally developed software. In 2001, capital expenditures for technology included $13.9 million for purchased and internally developed software, as well as $17.3 million in equipment purchases for our data centers. These purchases were attributed primarily to increased capacity requirements to our electronic platform as a result of increased trading volume. This necessitated increased equipment and software licenses. Continued capital expenditures for technology are anticipated as our electronic trading platform is expanded and we continue to improve the technology utilized as part of our open outcry facilities.

Other than technology, significant expenditures in 1999 included an upgrade to the telecommunications systems at a cost of $2.4 million and exchange-wide purchases that were required in anticipation of the new millennium. Each year capital expenditures are also incurred for improvements to our trading floor facilities, offices, telecommunications capabilities and other operating equipment.

We maintain a line of credit with a consortium of banks to be used in certain situations, such as a disruption in the domestic payments system that would delay settlement between our exchange and our clearing firms or in the event of a clearing firm default. The line of credit has never been utilized. On October 19, 2001, as part of the scheduled renewal, the amount of the line of credit was increased from $350.0 million to $500.0 million. In addition to raising the amount of the line of credit, the new credit agreement is collateralized by clearing firm security deposits held by us in the form of U.S. Treasury or agency securities, as well as security deposit funds in Interest Earning Facility2.

If operations do not provide sufficient funds to complete capital expenditures, the general investment portfolio is reduced to provide the needed funds or assets are acquired through capital leases.

Quantitative and Qualitative Disclosure About Market Risk

Market risk represents interest rate risk relating to the investments held by our exchange, as well as derivative trading risk associated with GFX. With respect to interest rate risk, a change in market interest rates would impact interest income from temporary cash investments, cash performance bonds and security deposits, variable rate investment securities and new purchases of investment securities. Changes in market interest rates also would have an effect on the fair value of investment securities held. GFX engages in the purchase and sale of our foreign exchange futures contracts to promote liquidity in our products and subsequently enters into offsetting transactions using futures contracts or spot foreign exchange transactions to limit market risk. Net position limits have been established for each trader. These position limits were increased in 2001 and at December 31, 2001, the aggregate notional value of the net position limits was $12.0 million.

Interest Rate Risk

Interest income from investment securities, temporary cash investments and cash performance bonds and security deposits was $8.9 million in 2001. Realized and unrealized gains (losses) in the investment portfolio totaled ($1.4) million, $0.6 million and $0.7 million in 1999, 2000 and 2001, respectively. For the year ended December 31, 2001, additional interest income of $10.7 million and interest expense of $9.5 million were generated by securities lending activities. At December 31, 2001, our investment portfolio consisted primarily of U.S. government agency, corporate, state and municipal securities, including approximately $4.2 million in variable rate securities. Contractual maturities and interest coupon rates for fixed rate investment securities at December 31, 2001 were as follows :

Year	Principal Amount (in thousands)	Average Interest Rate
2002	$ 7,270	6.8 %
2003	11,555	4.9
2004	18,335	5.5
2005	21,681	5.1
2006	21,550	5.6
2007	4,815	5.4
Total	$ 85,206	5.4 %

Derivative Trading Risk

At December 31, 2001, GFX held futures positions with a notional value of $102.3 million, offset by a similar amount of spot foreign exchange positions, resulting in a zero net position. All positions are marked to market through a charge or credit to income on a daily basis. Net trading gains were $2.4 million, $4.4 million and $3.8 million for 1999, 2000 and 2001 respectively.

Accounting Matters

Recent Accounting Pronouncements

At this time, we do not believe that any recently issued accounting standards which require adoption in the future will have a material impact on our financial condition or operating results.

Critical Accounting Policies

The notes to consolidated financial statements include disclosure of our significant accounting policies. In establishing these policies within the framework of U.S. generally accepted accounting principles, management must make certain assessments, estimates and choices that will result in the application of these principles in a manner that appropriately reflects our financial condition and results of operations. Critical accounting policies are those policies that we believe present the most complex or subjective measurements and have the most potential to impact our financial position and operating results. While all decisions regarding accounting policies are important, we believe there are three accounting policies that could be considered critical. These three critical policies, which are presented in detail in the notes to consolidated financial statements, relate to securities lending; stock-based compensation; and clearing and transaction fees.

With respect to securities lending, we have elected to present the interest expense associated with this activity as a reduction of total revenues and present revenues, net of securities lending interest expense in the consolidated statements of income. Due to the nature of securities lending transactions, a substantial amount of interest expense is incurred in relation to the total interest income from this activity. While generally accepted accounting principles require that interest income and interest expense be disclosed separately, we believe the income statement presentation adopted provides the best insight into our revenues and expenses.

The accounting for stock-based compensation is complex and, under certain circumstances, generally accepted accounting principles allow for alternative methods. As permitted, we have elected to account for stock-based compensation using the intrinsic value method in accordance with APB Opinion No. 25 rather than the alternative fair value method, prescribed in Statement of Financial Accounting Standards (SFAS) No. 123 "Accounting for Stock Based Compensation." Fixed accounting treatment has been adopted for stock grants relating to our Class A common stock while variable accounting is required for the Class B common stock options. We have elected the accelerated method for recognizing the expense related to stock options. As a result of this election and the vesting provisions of our stock grants, a greater percentage of the total expense for all options is recognized in the first years of the vesting period than would be recorded if we elected the straight-line method.

Clearing and transaction fees are recorded as revenue and collected from clearing firms on a monthly basis. Several factors affect the fees charged for a trade, including whether the individual making the trade has trading privileges on our exchange. In the event inaccurate information has resulted in an incorrect fee, the clearing firm has a period of three months following the month in which the trade occurred to submit the correction and have the fee adjusted. When preparing financial statements for a reporting period, an estimate of anticipated fee adjustments applicable to that period is recorded as a liability with a corresponding reduction to clearing and transaction fee revenue. This estimate is based on historical trends for such adjustments.

MANAGEMENT'S FINANCIAL RESPONSIBILITY AND REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

Management is responsible for preparation of the accompanying financial statements. The statements were prepared in accordance with generally accepted accounting principles, which included amounts based on management's best estimates and judgments.

Arthur Andersen LLP, independent public accountants, has audited our financial statements as described in their report.

The Company maintains financial control systems designed to provide reasonable assurance, at appropriate cost, that transactions authorized by management are recorded and reported properly in the consolidated financial statements, and that assets are adequately safeguarded. The control environment is complemented by the Company's internal audit function, which evaluates the adequacy of controls, policies and procedures, as well as adherence to them, and recommends improvements when applicable.

The Audit Committee of the Board of Directors meets with Arthur Andersen LLP and the internal auditors in the presence of management, as well as privately, without management present. It monitors and reviews matters relating to internal controls, accounting, auditing, financial reporting and auditor independence. Both the internal auditors and the independent auditors have unrestricted access to the Committee.

/s/ James J. McNulty
James J. McNulty
President and Chief Executive Officer

/s/ David G. Gomach
David G. Gomach
Managing Director and
Chief Financial Officer

/s/ Nancy W. Goble
Nancy W. Goble
Director and Controller

To the Board of Directors and Shareholders of Chicago Mercantile Exchange Holdings Inc.:

We have audited the accompanying consolidated balance sheets of Chicago Mercantile Exchange Holdings Inc. (a Delaware corporation) and subsidiaries as of December 31, 2001 and 2000, and the related consolidated statements of income, shareholders' equity and comprehensive income and cash flows for each of the years in the three-year period ended December 31, 2001. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Chicago Mercantile Exchange Holdings Inc. and subsidiaries as of December 31, 2001 and 2000, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2001, in conformity with accounting principles generally accepted in the United States.

/s/ Arthur Andersen LLP
Arthur Andersen LLP
Chicago, Illinois
February 19, 2002

CHICAGO MERCANTILE EXCHANGE HOLDINGS INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

	Year Ended December 31,		
	2001	2000	1999
	(dollars in thousands, except per share amounts)		
Revenues			
Clearing and transaction fees	$ 292,459	$ 156,649	$ 140,305
Quotation data fees	48,250	36,285	43,005
Communication fees	9,330	9,391	8,165
Investment income	8,956	9,736	9,091
Securities lending interest income *(note 3)*	10,744	—	—
GLOBEX access fees	11,987	3,971	1,899
Other operating revenue	14,904	10,520	8,137
Total Revenues	396,630	226,552	210,602
Securities lending interest expense *(note 3)*	(9,477)	—	—
Revenues, net of securities lending interest expense	387,153	226,552	210,602
Expenses			

Salaries and benefits *(note 13)*	105,227	94,067	80,957
Stock-based compensation *(note 15)*	17,639	1,032	—
Occupancy	20,420	19,629	17,773
Professional fees, outside services and licenses	27,289	23,131	28,319
Communications and computer and software maintenance	43,598	41,920	28,443
Depreciation and amortization	37,639	33,489	25,274
Public relations and promotion	6,326	5,219	7,702
Other operating expense	14,650	16,148	15,490
Total Expenses	272,788	234,635	203,958
Income (loss) before limited partners' interest in PMT and income taxes	114,365	(8,083)	6,644
Limited partners' interest in earnings of PMT *(note 16)*	—	(1,165)	(2,126)
Income tax (provision) benefit *(note 9)*	(46,063)	3,339	(1,855)
Net Income (Loss)	$ 68,302	$ (5,909)	$ 2,663
Earnings (Loss) per Common Share: *(note 20)*			
Basic	$ 2.37	$ (0.21)	$ 0.09
Diluted	$ 2.33	—	$ 0.09
Weighted average number of common shares outstanding-basic	28,774,700	28,774,700	28,774,700
Weighted average number of common shares outstanding-diluted	29,273,289	—	28,774,700

See accompanying notes to consolidated financial statements.

CHICAGO MERCANTILE EXCHANGE HOLDINGS INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	At December 31, 2001	At December 31, 2000
	(dollars in thousands)	
Assets		
Current Assets:		
Cash and cash equivalents	$ 69,101	$ 30,655
Proceeds from securities lending activities *(note 3)*	882,555	—
Investments *(note 4)*	91,570	44,326
Accounts receivable, net of allowance of $962 and $1,700	40,986	28,526
Other current assets *(note 5)*	6,671	7,877
Cash performance bonds and security deposits *(note 6)*	855,227	156,048
Total current assets	1,946,110	267,432
Property, net of accumulated depreciation and amortization *(note 7)*	75,901	80,393
Other assets *(notes 4, 8 and 9)*	46,870	33,619
Total Assets	$ 2,068,881	$ 381,444
Liabilities and Shareholders' Equity		
Current Liabilities:		
Accounts payable	$ 23,834	$ 11,897
Payable under securities lending agreements *(note 3)*	882,555	—
Other current liabilities *(note 10)*	40,229	30,349
Cash performance bonds and security deposits *(note 6)*	855,227	156,048
Total current liabilities	1,801,845	198,294
Long-term debt *(notes 11 and 12)*	6,650	6,063
Other liabilities *(notes 11, 13 and 15)*	10,017	13,416
Total liabilities	1,818,512	217,773
Shareholders' Equity: *(note 14)*		
Preferred stock, $0.01 par value, 9,860,000 shares authorized, none issued and outstanding	—	—
Series A junior participating preferred stock, $0.01 par value, 140,000 shares authorized, none issued and outstanding	—	—
Class A common stock, $0.01 par value, 138,000,000 shares authorized, 28,771,562 shares issued and outstanding at December 31, 2001 and 2000	288	288
Class B common stock, $0.01 par value, 3,138 shares authorized, issued and outstanding at December 31, 2001 and 2000	—	—
Additional paid-in capital	63,451	43,882
Unearned restricted stock compensation	(1,461)	—
Retained earnings	187,814	119,512
Accumulated unrealized gains (losses) on securities	277	(11)
Total shareholders' equity	250,369	163,671
Total Liabilities and Shareholders' Equity	$ 2,068,881	$ 381,444

See accompanying notes to consolidated financial statements.

CHICAGO MERCANTILE EXCHANGE HOLDINGS INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY AND COMPREHENSIVE INCOME

	Class A Common Stock	Class B Common Stock	Common Stock and Additional Paid-In Capital	Unearned Restricted Stock	Retained	Unrealized Securities Gains	Total Shareholders'
	Shares	Shares	Amount	Compensation	Earnings	(Losses)	Equity
				(dollars in thousands)			
Balance, December 31, 1998	—	—	$ 43,605	—	$ 122,758	$ 534	$ 166,897
Comprehensive income:							
Net income					2,663		2,663
Change in unrealized net loss on securities, net of tax benefit of $597						(897)	(897)
Total comprehensive income							1,766
Balance, December 31, 1999	—	—	$ 43,605	—	$ 125,421	$ (363)	$ 168,663
Comprehensive income:							
Net loss					(5,909)		(5,909)
Change in unrealized net gain on securities, net of tax of $234						352	352
Total comprehensive income							(5,557)
Stock-based compensation			565				565
Issuance of Class A common stock	28,771,562						
Issuance of Class B common stock		3,138					
Balance, December 31, 2000	28,771,562	3,138	$ 44,170	—	$ 119,512	$ (11)	$ 163,671
Comprehensive income:							
Net income					68,302		68,302
Change in unrealized net gain on securities, net of tax of $192						288	288
Total comprehensive income							68,590
Stock-based compensation			17,134				17,134
Grant of 117,000 shares of restricted Class A common stock			2,435	(2,435)			0
Amortization of unearned restricted Class A common stock				974			974
Balance, December 31, 2001	28,771,562	3,138	$ 63,739	$ (1,461)	$ 187,814	$ 277	$ 250,369

See accompanying notes to consolidated financial statements.

CHICAGO MERCANTILE EXCHANGE HOLDINGS INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31, 2001	2000	1999
		(dollars in thousands)	
Cash Flows from Operating Activities:			
Net income (loss)	$ 68,302	$ (5,909)	$ 2,663
Adjustments to reconcile net income to net cash provided by operating activities:			
Loss on investment in joint venture	281	—	—
Limited partners' interest in earnings of PMT	—	1,165	2,126
Deferred income tax provision (benefit)	(8,878)	811	5,087
Stock-based compensation	17,639	1,032	—
Depreciation and amortization	37,639	33,489	25,274
Loss (gain) on sale of investments	(226)	14	(135)
Loss on disposal of fixed assets	—	—	7
Write-off of internally developed software	262	2,739	—
Increase (decrease) in allowance for doubtful accounts	(738)	1,350	215
Decrease (increase) in accounts receivable	(11,722)	(8,307)	3,468
Decrease (increase) in other current assets	1,206	1,416	(3,227)
Decrease (increase) in other assets	(415)	859	(1,563)
Increase (decrease) in accounts payable	11,937	(3,821)	(3,983)
Increase (decrease) in other current liabilities	8,213	7,120	(931)
Increase (decrease) in other liabilities	(2,931)	1,011	2,160
Net Cash Provided by Operating Activities	120,569	32,969	31,161
Cash Flows from Investing Activities:			
Purchases of property, net	(16,302)	(11,170)	(37,480)
Increase in internally developed and purchased software	(14,065)	(14,001)	(17,815)
Capital contributions to joint venture	(1,316)	—	—
Purchases of investments	(286,542)	(43,116)	(41,938)
Proceeds from sales and maturities of investments	240,004	59,518	68,144
Purchase of limited partners' interest in PMT	—	(4,183)	—
Net Cash Used In Investing Activities	(78,221)	(12,952)	(29,089)
Cash Flows from Financing Activities:			
Payments on long-term debt	(3,902)	(3,611)	(2,664)
Net Cash Used in Financing Activities	(3,902)	(3,611)	(2,664)

Net increase (decrease) in cash and cash equivalents	38,446	16,406	(592)
Cash and cash equivalents, beginning of year	30,655	14,249	14,841
Cash and Cash Equivalents, End of Year	$ 69,101	$ 30,655	$ 14,249
Supplemental Disclosure of Cash Flow Information:			
Interest paid	$ 627	$ 892	$ 705
Income taxes paid (refunded)	49,062	(5,471)	(265)
Capital leases—asset additions and related obligations	6,156	1,907	7,940

See accompanying notes to consolidated financial statements.

CHICAGO MERCANTILE EXCHANGE HOLDINGS INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Presentation and Description of Business

Chicago Mercantile Exchange Holdings Inc. (CME Holdings) is a Delaware stock corporation organized in August 2001 to be the holding company for Chicago Mercantile Exchange Inc. and its subsidiaries (CME or the exchange). CME became a wholly owned subsidiary of CME Holdings through a merger of a subsidiary of CME Holdings with and into CME that was completed on December 3, 2001. At that time, existing shareholders received stock in CME Holdings for stock in CME (note 14). The consolidated financial statements include Chicago Mercantile Exchange Inc. and its controlled subsidiaries, which include P-M-T Limited Partnership and GFX Corporation as well as the holding company, CME Holdings (collectively, the company). All intercompany transactions have been eliminated in consolidation.

The merger of CME into CME Holdings was accounted for as a pooling of interests because of the common owners before and after the transaction. These financial statements have been prepared as if the current holding company structure had been in place for all periods presented. CME Holdings has no assets or liabilities, other than its investment in CME.

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

CME resulted from the completion of a demutualization process whereby Chicago Mercantile Exchange, an Illinois not-for-profit membership organization, became a Delaware for-profit stock corporation. The transaction resulted in the conversion of membership interests in the Illinois corporation into stock ownership in the Delaware corporation and was completed on November 13, 2000. When the membership of the exchange approved the demutualization process, the holders of the units of P-M-T Limited Partnership (PMT) also approved the cash purchase of the assets and business of PMT by the exchange (note 16).

In the ordinary course of business, a significant portion of accounts receivable and revenues are from the shareholders of CME Holdings.

2. Summary of Significant Accounting Policies

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

Investments. Investment securities generally have been classified as available for sale and are carried at fair value, with unrealized gains and losses reported net of tax as a component of shareholders' equity and comprehensive income. Interest on investment securities is recognized as income when earned and includes accreted discount less amortized premium. Realized gains and losses are calculated using specific identification.

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

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

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

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

Property. Property is stated at cost less accumulated depreciation and amortization. Depreciation on furniture, fixtures and equipment is provided on the straight-line method over the estimated useful lives of the assets, generally three to seven years. In 2000, the company reduced the depreciable lives of newly purchased equipment from five years to four years. Leasehold improvements are amortized over the lesser of their estimated useful lives or the remaining term of the applicable leases. Maintenance and repair items as well as certain minor purchases are charged to expense as incurred. Renewals and betterments are capitalized.

Software. The company adopted the American Institute of Certified Public Accountants Statement of Position 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use" (SOP 98-1) on January 1, 1999, and accordingly, began capitalizing certain costs of developing internal use software that otherwise would have been expensed under its previous accounting policy. Capitalized costs generally are amortized over three years, commencing with the completion of the project. In 2000, the depreciable life for newly purchased software was reduced from five years to four years.

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

Revenue Recognition. The Securities and Exchange Commission has issued Staff Accounting Bulletin No. 101 on revenue recognition. The company's revenue recognition policies comply with the requirements of that Bulletin.

Clearing and Transaction Fees. Clearing and transaction fees include per contract charges for trade execution and clearing and GLOBEX fees. Fees are charged at various rates based on the product traded and the account owner's exchange trading privileges and are included as revenue when trades are cleared. An accrual is established for possible fee adjustments to reflect corrections to account owner information. The accrual is based on the historical pattern of adjustments processed.

Quotation Data Fees. Quotation data fees represent revenue received for the dissemination of market information. Revenues are accrued and billed each month based on the number of subscribers reported by vendors. CME conducts periodic audits of the information provided.

Derivative Transactions. As required by SFAS No. 133, "Accounting for Derivatives and Similar Financial Instruments and for Hedging Activities," the realized and unrealized gains and losses relating to GFX trading transactions are reflected in the operating results of the company.

Stock-Based Compensation. As permitted by SFAS No. 123, "Accounting for Stock Based Compensation," the company accounts for its stock-based compensation using the intrinsic value method in accordance with Accounting Principles Board (APB) Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations. As required, pro forma disclosure of net income (loss) under SFAS No. 123 is presented. The company has elected to recognize expense relating to stock-based compensation on an accelerated basis. As a result, the expense associated with each vesting date within a stock grant is recognized over the period of time that each portion of the grant vests.

Marketing Costs. Marketing costs are incurred for production and communication of advertising as well as other marketing activities. These costs are expensed when incurred.

Income Taxes. Deferred income taxes are determined in accordance with SFAS No. 109, "Accounting for Income Taxes," and arise from temporary differences between amounts reported for income tax and financial statement purposes.

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

Reclassifications. Certain reclassifications have been made to the 2000 and 1999 consolidated financial statements to conform to the presentation in 2001.

3. Securities Lending

Securities lending transactions utilize a portion of the securities that clearing members have deposited to satisfy their proprietary performance bond requirements. Under this securities lending program, CME lends a security to a third party and receives collateral in the form of cash. The majority of the cash is then invested on an overnight basis to generate interest income. The related interest expense represents payment to the borrower of the security for the cash collateral retained during the duration of the lending transaction. Securities on loan are marked to market daily and compared to collateral received. At December 31, 2001, the fair value of securities on loan was $882.6 million. The average daily amount of securities on loan from commencement of the program on June 18, 2001 to December 31, 2001 was $632.6 million.

The securities lending activity utilized some of the securities deposited by one clearing firm, which is a subsidiary of the bank used for executing this securities lending program. Proceeds from securities lending at December 31, 2001 were invested in a money market mutual fund administered by a subsidiary of this same bank or held in the form of cash.

4. Investment Securities

Investment securities included in current assets have been classified as available for sale. The amortized cost and fair value of these investment securities at December 31, 2001 and 2000, were as follows:

	2001		2000	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
	(dollars in thousands)			
U.S. Treasury	$ —	$ —	$ 109	$ 109
U.S. Government agency	26,507	26,818	13,284	13,286
State and municipal	57,231	57,390	30,952	30,931
Corporate securities	7,371	7,362	—	—
Total	$ 91,109	$ 91,570	$ 44,345	$ 44,326

Unrealized gains (losses) on investment securities classified as available for sale are reported as a component of comprehensive income and included in the accompanying consolidated statements of changes in shareholders' equity and comprehensive income. The amortized cost and fair value of these investment securities at December 31, 2001, by contractual maturity, were as follows:

	Amortized Cost	Fair Value
	(dollars in thousands)	
Maturity of one year or less	$ 7,414	$ 7,432
Maturity between one and five years	75,822	76,265
Maturity greater than five years	7,873	7,873
Total	$ 91,109	$ 91,570

Trading securities held in connection with non-qualified deferred compensation plans are included in other assets and totaled $6.6 million at December 31, 2001 and $5.9 million at December 31, 2000. Investment income includes unrealized gains (losses) relating to the non-qualified deferred compensation plans' trading securities of $(304,000), $(723,000) and $469,000 for the years ended December 31, 2001, 2000 and 1999, respectively.

5. Other Current Assets

Other current assets consisted of the following at December 31:

	2001	2000
	(dollars in thousands)	
Refundable income taxes	$ 1,215	$ 4,568
Prepaid expenses	3,226	1,806
Accrued interest receivable	1,637	1,503
Other	593	—
Total	$ 6,671	$ 7,877

6. Performance Bonds and Security Deposits

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

The exchange maintains a line of credit with a consortium of banks to provide liquidity and capacity to pay settlement variation to all clearing firms, even if a clearing firm may have failed to meet its financial obligations to CME, or in the event of a temporary disruption with the domestic payments system that would delay payment of settlement variation between the exchange and its clearing firms. Prior to October 19, 2001, the line of credit was in the amount of $350.0 million and was unsecured. On October 19, 2001, the time of the annual renewal, the facility was increased to $500.0 million and it became a secured line of credit (note 17).

Clearing firms, at their option, may instruct CME to invest cash on deposit for performance bond purposes in a portfolio of securities that is part of the Interest Earning Facility (IEF) program. The first IEF was organized in 1997 as two limited liability companies. Interest earned, net of expenses, is passed on to participating clearing firms. The principal of these facilities is guaranteed by the exchange. The investment portfolio of these facilities is managed by two of the exchange's approved settlement banks, and eligible investments include U.S. Treasury bills and notes, U.S. Treasury strips, reverse repurchase agreements and repurchase agreements. The maximum average portfolio maturity is 90 days, and the maximum maturity for an individual security is 13 months. Management believes that the market risk exposure relating to its guarantee is not material to the financial statements taken as a whole. In 2001, IEF2 was organized. IEF2 offers clearing firms the opportunity to invest cash performance bonds in shares of CME-approved money market mutual funds. Dividends earned on these shares, net of fees, are solely for the account of the clearing firm on whose behalf the shares were purchased. The total principal in all IEF programs was approximately $8.3 billion and $1.8 billion at December 31, 2001 and 2000, respectively. The exchange earned fees under the IEF program in the amount of $3,289,000, $946,000 and $932,000 during 2001, 2000 and 1999, respectively.

Under an agreement between CME and the Board of Trade Clearing Corporation (BOTCC), firms that are clearing members of both CME and BOTCC may place required performance bonds in one common bank account and designate the portion allocable to each clearing organization. CME and Options Clearing Corporation (OCC) have a cross-margin arrangement, whereby a common clearing firm may maintain a cross-margin account in which the clearing firm's positions in certain CME futures and options on futures are combined with certain positions cleared by OCC for purposes of calculating performance bond requirements. The performance bond deposits are held jointly by CME and OCC. In addition, a cross-margin agreement with the London Clearing House (LCH) became effective in March 2000, whereby offsetting positions with CME and LCH are subject to reduced margin requirements.

Each clearing firm also is required to deposit and maintain specified security deposits in the form of cash or approved securities. In the event that performance bonds and security deposits of a defaulting clearing firm are inadequate to fulfill that clearing firm's outstanding financial obligation, the entire security deposit fund is available to cover potential losses after first utilizing operating funds of the exchange in excess of amounts needed for normal operations (surplus funds). Clearing firm security deposits received in the form of U.S. Treasury or agency securities, or in money market funds purchased through IEF2 are used to collateralize the secured line of credit.

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

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

	2001		2000	
	Cash	Securities and IEF Funds	Cash	Securities and IEF Funds
	(dollars in thousands)			
Performance bonds	$ 848,391	$ 27,208,994	$ 150,051	$ 25,271,341
Security deposits	6,836	694,323	5,997	398,786
Cross-margin securities, held jointly with OCC	—	422,996	—	1,012,515
Total	$ 855,227	$ 28,326,313	$ 156,048	$ 26,682,642

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

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

	2001	2000
	(dollars in thousands)	
Performance bonds	$ 908,250	$ 1,335,000
Cross-margin accounts	144,000	151,700
Total Letters of Credit	$ 1,052,250	$ 1,486,700

7. Property

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

	2001	2000
	(dollars in thousands)	
Furniture, fixtures and equipment	$ 157,997	$ 148,846
Leasehold improvements	90,174	88,530
Total property	248,171	237,376
Less accumulated depreciation and amortization	(172,270)	(156,983)
Property, net	$ 75,901	$ 80,393

Included in property are assets that were acquired through capital leases in the amount of $22.1 million and $16.0 million (net of accumulated amortization of $8.9 million and $4.9 million) at December 31, 2001 and 2000, respectively. Depreciation for these assets is included in depreciation and amortization expense.

8. Other Assets

Other assets consisted of the following at December 31:

	2001	2000
	(dollars in thousands)	
Software development costs	$ 27,320	$ 22,598
Less accumulated amortization	(13,031)	(5,933)
Software	22,371	13,290
Less accumulated amortization	(11,570)	(7,722)
Deferred compensation assets	6,574	5,910
Net deferred tax asset	13,509	4,823
Investment in OneChicago, LLC	1,035	—
Other	662	653
Total	$ 46,870	$ 33,619

On August 28, 2001, CME entered into a joint venture, OneChicago, LLC, with the Chicago Board Options Exchange and the Chicago Board of Trade (CBOT) to trade single stock futures and futures on narrow-based stock indexes. CME owns a 42% interest in the joint venture and the investment is reflected in the financial statements using the equity method of accounting. The investment balance at December 31, 2001 represents CME's initial capital contribution of $1.3 million reduced by its proportionate share of the joint venture's net loss for the period from August 28, 2001 to December 31, 2001. The net loss is included in other operating revenue. The maximum total capital contributions CME is obligated to fund by the operating agreement, without dilution of its ownership interest, are approximately $4.4 million and may be requested periodically at the discretion of the joint venture.

9. Income Taxes

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

	2001	2000	1999
		(dollars in thousands)	
Current:			
Federal	$ 45,031	$ (3,544)	$ (2,721)
State	9,910	(606)	(511)
Total	54,941	(4,150)	(3,232)
Deferred:			
Federal	(7,316)	784	4,166
State	(1,562)	27	921
Total	(8,878)	811	5,087
Total Provision (Benefit) for Income Taxes	$ 46,063	$ (3,339)	$ 1,855

Reconciliation of the statutory U.S. federal income tax rate to the effective tax rate on income (loss) from continuing operations is as follows:

	2001	2000	1999
Statutory U.S. federal tax rate	35.0 %	(35.0)%	35.0 %
State taxes, net of federal benefit	4.7	(3.8)	5.9
Tax-exempt interest income	(0.6)	(5.3)	(15.0)
Nondeductible expenses	0.7	12.1	21.1
Other, net	0.5	(4.1)	(5.9)
Effective Tax Rate - Provision (Benefit)	40.3 %	(36.1)%	41.1 %

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

	2001	2000
	(dollars in thousands)	
Deferred Tax Assets:		
Depreciation and amortization	$ 7,730	$ 5,724
Deferred compensation	2,678	2,331
Accrued expenses	1,755	3,622
Stock-based compensation	7,407	410
Other	218	—
Unrealized losses on securities	—	7
Subtotal	19,788	12,094
Valuation allowance	—	—
Deferred Tax Assets	19,788	12,094
Deferred Tax Liabilities:		
Software development costs	(5,664)	(6,593)
Unrealized gains on securities	(184)	—
Other	(431)	(678)

Deferred Tax Liabilities	(6,279)	(7,271)
Net Deferred Tax Asset	$ 13,509	$ 4,823

10. Other Current Liabilities

Other current liabilities consisted of the following at December 31:

	2001	2000
	(dollars in thousands)	
Accrued salaries and benefits	$ 23,331	$ 16,550
Accrued fee adjustments	2,241	5,215
Current portion of long-term debt	5,294	3,627
Accrued operating expenses	4,413	2,526
Accrued federal and state taxes	4,943	—
Other	7	2,431
Total	$ 40,229	$ 30,349

11. Commitments

The exchange has commitments under operating and capital leases for certain facilities and equipment. Lease commitments for office space at the main location in Chicago expire in the year 2003, with annual minimum rentals of approximately $7.9 million. The exchange leases trading facilities from the Chicago Mercantile Exchange Trust through October 2005, with annual minimum rentals of approximately $1.3 million, and has an option to extend the term of the lease thereafter. Additional rental expense is incurred in connection with the trading facilities based on annual trading volume. This expense totaled $1,016,000, $560,000 and $565,000 for the years ended December 31, 2001, 2000 and 1999, respectively. Leases for other locations where the exchange maintains offices expire at various times through the year 2012 with annual minimum rentals that will not exceed $772,000 in any year. Total rental expense was approximately $18.5 million in 2001, $17.4 million in 2000 and $15.1 million in 1999.

In addition, the commitments represented by other liabilities included on the consolidated balance sheets require payments in future periods as indicated in the table below. The anticipated payment dates for certain other liabilities are not included in the table as these dates are not fixed and determinable. This includes $6.6 million relating to the deferred compensation plan that will be distributed from the assets of the plan as participants retire or terminate their employment with the exchange.

Future obligations under commitments in effect at December 31, 2001 including the minimum for operating leases, were as follows :

	Capitalized Leases	Operating Leases	Other Liabilities
		(dollars in thousands)	
2002	$ 5,907	$ 10,772	$ —
2003	4,782	9,873	460
2004	2,206	2,245	460
2005	—	1,712	270
2006	—	621	—
Thereafter	—	3,906	—
Total minimum payments	12,895	29,129	1,190
Less sublease commitments	—	(531)	—
Less amount representing interest	(950)	—	—
Total	$ 11,945	$ 28,598	$ 1,190

12. Long-Term Debt

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

13. Employee Benefit Plans

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

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

	2001	2000
	(dollars in thousands)	
Change in Benefit Obligation:		
Benefit obligation at beginning of year	$ 16,101	$ 13,468
Service cost	2,483	2,235
Interest cost	1,393	1,207
Actuarial loss	1,080	748
Benefits paid	(1,491)	(1,557)
Benefit Obligation at End of Year	$ 19,566	$ 16,101
Change in Plan Assets:		
Fair value of plan assets at beginning of year	$ 13,968	$ 15,168
Actual return on plan assets	(708)	357
Employer contribution	6,129	—
Benefits paid	(1,491)	(1,557)
Fair Value of Plan Assets at End of Year	$ 17,898	$ 13,968

Funded Status at December 31:		
Plan assets less than benefit obligation	$ (1,668)	$ (2,133)
Unrecognized transition asset	(187)	(261)
Unrecognized prior service cost (credit)	(125)	(176)
Unrecognized net actuarial loss (gain)	1,265	(1,674)
Accrued Benefit Cost	$ (715)	$ (4,244)

	2001	2000	1999
Actuarial Assumptions as of December 31:			
Discount rate	7.25%	7.50%	7.75%
Rate of compensation increase	5.00%	5.00%	5.00%
Expected return on plan assets	9.00 %	8.00 %	8.00%
Components of Pension Cost:			
Service cost	$ 2,483	$ 2,235	$ 2,052
Interest cost	1,393	1,207	988
Expected return on plan assets	(1,145)	(1,017)	(925)
Amortization of prior service cost	(51)	(51)	(51)
Amortization of transition asset	(74)	(74)	(74)
Net Pension Cost	$ 2,606	$ 2,300	$ 1,990

Savings Plan. The exchange maintains a savings plan pursuant to Section 401(k) of the Internal Revenue Code, whereby all employees are participants and have the option to contribute to this plan. The exchange matches employee contributions up to 3% of the employee's base salary and makes an additional discretionary contribution of up to 2% of salary. Prior to 2001, this additional contribution was based on increases in annual trading volume. Total expense for the savings plan amounted to $2.6 million, $2.1 million and $1.3 million in 2001, 2000 and 1999, respectively.

Non-Qualified Plans. The following non-qualified plans, under which participants may make assumed investment choices with respect to amounts contributed on their behalf, are maintained by the exchange. Although not required to do so, the exchange invests such contributions in assets which mirror the assumed investment choices. The balances in these plans are subject to the claims of general creditors of the exchange, and totaled approximately $6.6 million and $5.9 million at December 31, 2001 and 2000, respectively.

Supplemental Plan—The exchange maintains a non-qualified supplemental plan to provide benefits for certain officers who have been impacted by statutory limits under the provisions of the qualified pension and savings plans. Total expense for the supplemental plan was $333,000, $267,000 and $319,000 in 2001, 2000 and 1999, respectively.

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

Supplemental Executive Retirement Plan—The exchange maintains a non-qualified defined contribution plan for senior officers. Under this plan, the exchange makes an annual contribution of 8% of salary and bonus for eligible employees. Contributions made after 1996 are subject to a vesting schedule, under which each annual contribution begins to vest after three years and is fully vested after five years. Unvested contributions are returned to the exchange if a participant leaves the employment of the exchange. Total expense for the plan, net of any forfeitures, was $545,000, $42,000 and $461,000 in 2001, 2000 and 1999, respectively.

14. Capital Stock

On November 7, 2001, a special meeting of the shareholders of Chicago Mercantile Exchange Inc. was held. At that time, the shareholders approved the reorganization of CME into a holding company structure. The reorganization was accomplished through a merger of CME into a subsidiary of a newly formed holding company, CME Holdings. The merger was completed on December 3, 2001. As a result, CME became a wholly owned subsidiary of CME Holdings, and CME shareholders became shareholders of CME Holdings.

In the merger, shares of Class A common stock of CME were converted into four classes of Class A common stock of CME Holdings, with each class representing approximately 25% of the previously issued number of shares of Class A common stock of CME. In addition, each outstanding share of Class B common stock of CME was converted into two pieces: (1) Class A common stock of CME Holdings in an amount of shares essentially the same as the Class A share equivalents that were embedded in the Class B share of CME, and (2) one share of Class B common stock of CME Holdings that corresponds to the series of Class B share of CME surrendered in the merger, as shown below:

	Converted into Shares of CME Holdings Common Stock Post-Merger			
Share of CME Common Stock Pre-Merger	Class A common stock, by class	Class B common stock, by class	Total shares of common stock in CME Holdings	Number of Votes on "Core Rights" Per Class B Share
Series B-1 common stock (included 1,800 Class A share equivalents)	450 Class A-1 shares 450 Class A-2 shares 450 Class A-3 shares 449 Class A-4 shares	1 Class B-1 share	1,800 shares	6
Series B-2 common stock (included 1,200 Class A share equivalents)	300 Class A-1 shares 300 Class A-2 shares 300 Class A-3 shares 299 Class A-4 shares	1 Class B-2 share	1,200 shares	3
Series B-3 common stock (included 600 Class A share equivalents)	150 Class A-1 shares 150 Class A-2 shares 150 Class A-3 shares 149 Class A-4 shares	1 Class B-3 share	600 shares	1
Series B-4 common stock	25 Class A-1 shares	1 Class	100	1/6

(included 100 Class A share equivalents)	25 Class A-2 shares 25 Class A-3 shares 24 Class A-4 shares	B-4 share	shares

The trading rights associated with the Class B shares of CME were retained by the holders of the Class B shares of CME Holdings. Holders of Class A and Class B common stock of CME Holdings participate equally in dividends based on the number of shares outstanding.

As part of the demutualization of CME, the Board of Directors is in the process of being reduced from the original composition of 39 directors in 1999 to 19 in 2002. Following the completion of the reduction to 19 directors, the holders of Class A and B shares will have the right to vote together in the election of 13 directors to the 19-member Board of Directors of CME Holdings. The remaining six directors will be elected by the holders of shares of Class B-1, B-2 and B-3 common stock.

Core Rights. Holders of Class B shares have the right to approve changes in specified rights relating to the trading privileges associated with those shares. These core rights include allocation of products which a holder of a class of Class B shares is permitted to trade through the exchange; the circumstances under which CME can determine that an existing open outcry product will no longer be traded by means of open outcry; the number of authorized and issued shares of any class of Class B shares; and eligibility requirements to exercise trading rights associated with Class B shares. Votes on changes to these core rights are weighted by class, as indicated in the table above. Holders of Class A shares do not have the right to vote on changes to these core rights.

Shares Outstanding and Transfer Restrictions. Upon the completion of the reorganization, four series of Class A common stock of CME Holdings were outstanding, representing a total of 28,771,562 shares. Classes A-1, A-2, A-3 and A-4 of common stock are subject to transfer restrictions, as summarized in the table below. The timing of the expiration of the transfer restrictions is determined by the possible completion of an initial public offering (IPO) by CME Holdings, but will begin to expire no later than December 16, 2002 if an IPO is not completed by December 15, 2002. Until these transfer restrictions lapse, the Class A-1, A-2, A-3 and A-4 common stock may not be sold or transferred separately from a share of Class B common stock, subject to limited exceptions specified in the Certificate of Incorporation of CME Holdings.

		Transfer Restrictions Expire:	
	Shares Outstanding	After IPO	If No IPO by December 15, 2002
Class A-1	7,193,675	180 days	December 16, 2002
Class A-2	7,193,675	360 days	March 16, 2003
Class A-3	7,193,675	540 days	June 16, 2003
Class A-4	7,190,537	540 days	September 16, 2003
Total Shares Outstanding	28,771,562		

If an IPO is completed, the expiration of the transfer restrictions on Class A-1 and A-2 stock may be extended an additional 60 days to allow for the completion of a secondary sale of company stock, provided notice is given within the required time period. Under certain circumstances, transfer restrictions for Class A-1 and A-2 stock may continue until the final expiration date if a shareholder elects not to participate in a successful secondary sale.

As part of the reorganization, four classes of Class B common stock were issued. Upon completion of the reorganization, a total of 3,138 Class B common shares of CME Holdings were outstanding as indicated in the table below. The shares of Class B common stock received in the reorganization may only be transferred in connection with the transfer of the associated CME trading right.

	Shares Outstanding
Class B-1	625
Class B-2	813
Class B-3	1,287
Class B-4	413
Total Shares Outstanding	3,138

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

Omnibus Stock Plan. An Omnibus Stock Plan has been adopted under which stock-based awards may be made to employees. A total of 2.7 million Class A shares have been reserved for awards under the plan. Awards totaling 2.7 million shares have been made under this plan (note 15).

15. Stock Options

On February 7, 2000, an option was granted to the President and Chief Executive Officer, James J. McNulty, to purchase 5% of the common stock of the company, as represented by an equivalent percentage of all Class A and Class B common stock issued at the date of demutualization. One-half of the option (Tranche A), or 2.5% of all common stock, has an aggregate exercise price of $21.8 million, which was estimated to be 2.5% of the fair value of the exchange at the grant date. Since demutualization had not been completed at the grant date, the fair value of CME was calculated based on the average value of all exchange memberships. The option on the remaining 2.5% of all common stock (Tranche B) has an aggregate exercise price of $32.8 million, or 3.75% of the fair value of the exchange at the grant date. The option vests over a four-year period, with 40% vesting one year after the grant date and 20% vesting on that same date in each of the following three years. The term of the option is 10 years. As of December 31, 2001, all of the option remains outstanding.

Pursuant to SFAS Statement No. 123, the exchange has elected to account for the stock option under APB Opinion No. 25, "Accounting for Stock Issued to Employees" and related interpretations. From the grant date until the date of demutualization of the exchange, or November 13, 2000, CME accounted for the option in a manner similar to a stock appreciation right in accordance with Financial Accounting Standards Board (FASB) Interpretation No. 28, "Accounting for Stock Appreciation Rights and Other Variable Stock Option or Award Plans (An Interpretation of APB Opinions No. 15 and 25)." At the date of demutualization, the measurement of the compensation expense was fixed for the Class A shares included in the option at that time. Additional Class A shares were included in the option as a result of the reorganization into a holding company structure. The measurement of compensation expense related to these additional shares was fixed at the date of reorganization, or December 3, 2001. CME was required to adopt variable accounting for the portion of the grant related to Class B common stock, beginning in the second quarter of 2001. As a result, the expense related to the Class B portion of the option has fluctuated based on the change in the value of the underlying trading rights on the exchange associated with Class B common stock. The Class B portion of the option represented $16.4 million of stock-based compensation expense in 2001.

In 2001, CME granted stock options to various employees under the Omnibus Stock Plan. The options vest over a four-year period, with 40% vesting one year after the grant date and 20% vesting on that same date in each of the following three years. The options have a 10-year term. No compensation expense has been recognized on these stock options, as the exercise price exceeded the value of the stock at the date of grant. Restricted stock grants of 117,000 shares were also awarded to certain executives in 2001 that have the same vesting provisions as the stock options.

Fixed accounting treatment has been elected under the provisions of APB Opinion No. 25 and related interpretations for all eligible stock options and awards. Had compensation cost for the stock options been recognized using the minimum value approach to the fair value method prescribed by SFAS No. 123, net income for the year ended December 31, 2001 would have decreased by approximately $8.2 million (or a basic earnings per share decrease of $0.29) and the net loss for the year ended December 31, 2000 would have increased by approximately $133,000 (with no effect on the basic loss per share). The fair value of the Chief Executive Officer's option on Class A common stock is $7.4 million, measured at the demutualization date under the minimum value method. Significant assumptions used to calculate fair value include: risk-free interest rate of 5.11%, expected life equal to the maximum term of the option and no expected dividends. The fair value of the option on Class B common stock is $28.7 million, measured under the minimum value method at the date variable accounting was required in the second quarter of 2001 and adjusted for the reorganization. Significant assumptions used to calculate fair value include: risk-free interest rate of 5.39%, expected life equal to the maximum term of the option and no expected dividends. The fair value of the additional Class A shares included in Chief Executive Officer's option as a result of the reorganization is $664,000, measured at the reorganization date under the minimum value method. Significant assumptions used to calculate fair value include: risk-free interest rate of 5.11%, expected life equal to the maximum term of the option and no expected dividends. The fair value of the option granted to employees is $4.2 million, measured at the grant date under the minimum value method. A risk-free interest rate of 5.40% was used over a period of five years.

The following table summarizes stock option activity for the two-year period ending December 31, 2001:

	Number of Shares		Weighted Average Exercise Price Per Share	
	Class A	Class B	Class A	Class B
Balance at December 31, 1999	—	—		
Granted	1,293,035	156	$ 23.09	$ 157,763
Exercised	—	—		
Cancelled	—	—		
Balance at December 31, 2000	1,293,035	156	$ 23.09	$ 157,763
Granted	1,176,500	—	22.00	
Adjustment for reorganization	145,543	—	23.09	(21,468)
Exercised	—	—		
Cancelled	(3,750)	—	22.00	
Balance at December 31, 2001	2,611,328	156	$ 22.60	$ 136,295

Total stock options outstanding and the portion of each option that can be exercised at December 31, 2001 are as follows:

		Total Options Outstanding	Exercisable Shares	Date Shares Exercisable	Average Exercise Price
CEO Option:					
Tranche A:	Class A shares	719,289	287,716	February 7, 2001	$ 18.47
	Class B shares	78	31		109,054.00
Tranche B:	Class A shares	719,289	287,716	February 7, 2001	27.71
	Class B shares	78	31		163,535.00
Employee Options:					
Class A shares		1,172,750	0		
Total Stock Options		2,611,484	575,494		

16. P-M-T Limited Partnership

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

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

PMT reported net income of $1.4 million for the period from January 1, 2000 to November 13, 2000 and $2.6 million for the year ended December 31, 1999. If the assets and business of the partnership had been purchased by the exchange as of January 1, 2000, the net operating loss of CME for 2000 would have been reduced by approximately $615,000, or a reduction of the basic loss per share of $0.02.

17. Credit Facility

On October 19, 2001, the exchange renewed its committed line of credit with a consortium of banks. The line of credit was increased to $500.0 million and became a secured credit facility. This new line of credit replaced the $350.0 million unsecured line of credit that had been in place since 1988. The secured credit agreement is collateralized by clearing firm security deposits held by CME in the form of U.S. Treasury or agency securities, as well as security deposit funds in IEF2. The amount held as collateral at December 31, 2001 was $620.7 million. The facility, which has never been used, may be utilized in certain situations, such as a temporary disruption of the domestic payments system that would delay settlement between the exchange and its clearing firms, or in the event of a clearing firm default. Under the terms of the credit agreement, there are a number of covenants with which CME must comply. Among these covenants, CME is required to submit quarterly reports to the participating banks and maintain at all times a tangible net worth of not less than $90.0 million. Interest on amounts borrowed is calculated at the Fed Funds Rate plus 45/100 of 1% per annum. Commitment fees for the line of credit were $521,000, $519,000 and $516,000 for the years ended December 31, 2001, 2000 and 1999, respectively.

18. Contingencies
At December 31, 2001, the exchange was contingently liable on irrevocable letters of credit totaling $41.0 million in connection with its mutual offset system with Singapore Exchange Derivatives Trading Ltd. and also contingently liable in the amount of $2.5 million in connection with the activities of GFX Corporation.

Legal Matters. In May 1999, a suit for alleged infringement of Wagner patent 4,903,201 entitled "Automated Futures Trade Exchange" was brought against CME, CBOT, New York Mercantile Exchange (NYMEX) and Cantor Fitzgerald LP by Electronic Trading Systems, Inc. The patent relates to a system and method for implementing a computer-automated futures exchange. CME informed Euronext-Paris, the licensor of the software utilized in the GLOBEX electronic trading system, in conformity with the indemnification provision of the license agreement, of the receipt of a summons in that proceeding. Euronext-Paris hired and has to date paid the fees and expenses of a law firm to defend and contest this litigation. Euronext-Paris reserved its rights under that agreement in the event that any modifications to the licensed system made by the exchange result in liability. On June 25, 2001, Euronext-Paris wrote to disclaim responsibility for defense of this litigation and requested that CME reimburse it for all legal expenses and other costs incurred to date. It asked that the exchange take over full responsibility for defense of this litigation and assume all costs associated with CME's defense. CME rejected this demand. Subsequently, CME and Euronext-Paris have agreed to share responsibility for defense of this litigation, utilizing new lead defense counsel selected by CME, and to share equally the costs and expenses of such new lead defense counsel as of January 1, 2002. As part of this agreement, neither CME nor Euronext-Paris has waived any rights with respect to the indemnification provision of the license agreement.

The case against NYMEX was transferred to the Southern District of New York and is pending. Cantor Fitzgerald, L.P. settled with the plaintiff for undisclosed consideration. On March 29, 2001, eSpeed, Inc., an affiliate of Cantor Fitzgerald, L.P., acquired certain rights to the '201 patent. An amended complaint was filed on June 5, 2001, adding eSpeed, Inc. as an additional party plaintiff. The amended complaint seeks treble damages, attorneys' fees and preliminary and permanent injunctions against the remaining defendants.

On June 4, 2001, a hearing was conducted before Judge Barbara M.G. Lynn to interpret the claims of the '201 patent. On October 12, 2001, Judge Lynn entered a Claim Construction Order. That order rejects certain arguments that CME had made with respect to the scope of plaintiffs' patent claims and interprets the patent claims more broadly. The broad scope of the claims, as interpreted by the court, may reduce the number of arguments we have as to non-infringement.

If the plaintiffs are ultimately successful before the district court, CME may be required to obtain a license to develop, market and use its computer automated trading system; to cease developing, marketing or using that system; or to redesign the system to avoid infringement. As a result, this litigation could have a material adverse effect on CME's business, financial condition and operating results, including the ability to offer electronic trading in the future.

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

Employment-Related Agreement. The exchange has an employment agreement with James J. McNulty, as its President and Chief Executive Officer, through December 31, 2003, subject to renewal by mutual agreement of the parties. In the event of a termination without cause by the exchange, Mr. McNulty shall be entitled to receive his base salary plus one-third of the maximum annual incentive bonus for the remainder of the original term. Mr. McNulty's base salary for the year ended December 31, 2001 was $1.0 million. The annual bonus may not exceed the lesser of $1.5 million or 10% of CME's net income. In addition, the unvested portion of the stock options granted to Mr. McNulty would become fully vested.

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

19. GFX Derivative Transactions
GFX Corporation engages in the purchase and sale of CME foreign exchange futures contracts. GFX posts bids and offers in these products on the GLOBEX electronic trading platform to maintain a market and promote liquidity in CME's foreign exchange futures products. It limits risk from these transactions through offsetting transactions using futures contracts or spot foreign exchange transactions with approved counterparties in the interbank market. Formal trading limits hav been established. Futures transactions are cleared by an independent clearing member. Any residual open positions are marked to market on a daily basis, and all realized and unrealized gains (losses) are included in other operating revenue in the accompanying consolidated statements of income. Net trading gains amounted $3.8 million in 2001, $4.4 million in 2000 and $2.4 million in 1999.

20. Earnings per Share
Basic earnings per share is computed by dividing net income by the weighted average number of all classes of common stock outstanding each year. Shares outstanding are calculated as if the current holding company structure was in place for all periods presented. Diluted earnings per share is computed in a manner similar to basic earnings per share, except that the weighted average shares outstanding is increased to include additional shares from restricted stock grants and th assumed exercise of stock options, if dilutive. The number of additional shares is calculated assuming that outstanding stock options with an exercise price less tha the current market price of that class of stock would be exercised, and that proceeds from such exercises would be used to acquire shares of common stock at the average market price during the reporting period.

	2001	2000	1999
	(dollars in thousands, except per share amounts)		
Net Income (Loss)	$ 68,302	$ (5,909)	$ 2,663
Weighted Average Common Shares Outstanding:			
Basic	28,774,700	28,774,700	28,774,700
Effect of stock options	477,492	—	—
Effect of restricted stock grants	21,097	—	—
Diluted	29,273,289	—	28,774,700
Earnings (Loss) per Share:			
Basic	$ 2.37	$ (0.21)	$ 0.09

Diluted	$ 2.33		—	$ 0.09

21. Segment Reporting

The company has two reportable operating segments: Chicago Mercantile Exchange Inc. (a designated contract market and clearing house), and GFX Corporation (a wholly owned trading subsidiary). A summary by business segment follows :

	CME	GFX	Eliminations	Total
		(dollars in thousands)		
Year Ended December 31, 2001:				
Total revenues from external customers	$ 373,171	$ 3,759	$ —	$ 376,930
Investment and securities lending income	19,603	97	—	19,700
Depreciation and amortization	37,487	152	—	37,639
Operating profit (loss)	114,740	(375)	—	114,365
Total assets	2,066,358	5,320	(2,797)	2,068,881
Capital expenditures	30,340	27	—	30,367
Year Ended December 31, 2000:				
Total revenues from external customers	$ 212,385	$ 4,431	$ —	$ 216,816
Intersegment revenues	57	700	(757)	—
Investment income	9,540	196	—	9,736
Depreciation and amortization	33,338	151	—	33,489
Operating profit (loss)	(8,110)	608	(581)	(8,083)
Total assets	380,125	6,535	(5,216)	381,444
Capital expenditures	25,138	33	—	25,171
Year Ended December 31, 1999:				
Total revenues from external customers	$ 199,119	$ 2,392	$ —	$ 201,511
Intersegment revenues	139	1,190	(1,329)	—
Investment income	8,781	310	—	9,091
Depreciation and amortization	25,141	133	—	25,274
Operating profit (loss)	6,674	(675)	(645)	6,644
Total assets	302,814	8,139	(7,486)	303,467
Capital expenditures	55,194	101	—	55,295

CME considers and manages its open outcry and electronic trading of its various products as a reportable segment. PMT Limited Partnership was previously reported as a segment for the year ending December 31, 1999. As a result of the purchase of the partnership in 2000, PMT is no longer a reportable operating segment. Information for 1999 has been reclassified to include PMT in the CME segment.

22. Quarterly Information (unaudited)

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
		(dollars in thousands, except per share amounts)			
Year Ended December 31, 2001:					
Revenues(1)	$ 92,170	$ 94,698	$ 95,329	$ 104,956	$ 387,153
Income before income taxes	33,347	23,523	29,662	27,833	114,365
Net Income	19,990	14,230	17,609	16,473	68,302
Earnings per share:					
Basic	0.69	0.49	0.61	0.57	2.37
Diluted	0.69	0.48	0.60	0.56	2.33
Year Ended December 31, 2000:					
Revenues	$ 57,589	$ 52,328	$ 49,481	$ 67,154	$ 226,552
Income (loss) before income taxes	(4,808)	(6,759)	(6,096)	8,415	(9,248)
Net income (loss)	(2,884)	(4,056)	(3,658)	4,689	(5,909)
Earnings per share:					
Basic	(0.10)	(0.14)	(0.13)	0.16	(0.21)
Diluted(2)	—	—	—	0.16	—

(1) *Revenues are net of securities lending interest expense. CME began entering securities lending transactions in June 2001.*
(2) *For the first, second and third quarters of 2000, diluted loss per share is not presented since shares issuable for stock options would be anti-dilutive.*

Share Information

CME demutualized on November 13, 2000. On that date, CME issued shares of Class A common stock (representing equity rights in CME) and Class B common stock (representing trading and equity rights in CME). Transfer restrictions prohibited the independent sale or transfer of CME Class A shares for all of 2000 and portions of 2001. On December 3, 2001, CME became a wholly owned subsidiary of CME Holdings through a merger of a subsidiary of CME Holdings with and into CME, and shareholders of CME automatically became shareholders of CME Holdings. In the merger, each share of Class A common stock of CME was converted into shares of four classes of Class A common stock of CME Holdings, with each class representing approximately 25% of the previously issued number of shares of Class A common stock of CME. Each outstanding share of Class B common stock of CME was converted into two pieces: (i) Class A common stock of CME Holdings in an amount of shares essentially the same as the Class A share equivalents that were embedded in the Class B shares of CME; and (ii) one share of Class B common stock of CME Holdings that corresponds to the series of the Class B share of CME surrendered in the merger. After the merger, shareholders of CME retained their membership interests and trading privileges in CME.

Shares of Class A common stock of CME Holdings received in the merger are subject to temporary transfer restrictions that vary in length depending on the class. These transfer restrictions are described in detail in CME Holdings' proxy statement/prospectus relating to the merger and CME Holdings' Amended and Restated Certificate of Incorporation, both of which are on file with the Securities and Exchange Commission and can be obtained at its Web site at www.sec.gov. These documents also can be obtained by contacting our Shareholder Relations and Membership Services Department, 30 South Wacker Drive, Chicago, Illinois 60606-7499.

Shares of Class A common stock in CME Holdings represent equity rights in the holding company. CME Holdings has four classes of Class B common stock, each of which consists of equity rights in CME Holdings and the right to elect a certain number of members to the Board of Directors of CME Holdings and to vote on certain core rights relating to trading activities at CME. Each share of Class B common stock is associated with a membership interest in CME and can only be transferred in connection with the transfer of the associated membership interest. The membership interests are:

- CME (Chicago Mercantile Exchange full membership interest);
- IMM (International Monetary Market);
- IOM (Index and Option Market); and
- GEM (Growth and Emerging Markets).

Membership interests can be leased to non-shareholders who wish to trade at CME and satisfy the membership requirements. Class B shares and the associated membership interests are bought and sold through our Shareholder Relations and Membership Services Department. In addition, membership interests may be leased through the department. Membership interest sales are reported on our Web site at www.cme.com.

The tables below show the range of high and low prices of the indicated shares from November 13, 2000 to December 31, 2001 (source: CME records). Due to the absence of an independent established public trading market for CME Class A shares and CME Holdings' Class A shares, and the limited number and disparity of bids made for various shares in the time periods shown, bid prices for shares tend to be unrepresentative of the sale prices realized upon the sale of shares. Past sale prices may not be indicative of future sale prices. All share information prior to December 3, 2001 relates to shares of CME before the completion of our reorganization into a holding company structure. Since December 3, 2001, shares of CME Holdings Class A common stock could only be sold as part of a bundle with a membership interest in CME and the related Class B share.

CME Holdings (Shares issued December 3, 2001)	**2001 High**	**2001 Low**
Class A share	not applicable	not applicable
CME membership interest (associated with CME Holdings Class B-1) + 17,999 Class A shares	$ 780,000	$ 756,000
IMM membership interest (associated with CME Holdings Class B-2) + 11,999 Class A shares	625,000	600,000
IOM membership interest (associated with CME Holdings Class B-3) + 5,999 Class A shares	380,000	365,000
GEM membership interest (associated with CME Holdings Class B-4) + 99 Class A shares	25,000	25,000

CME (Traded November 13, 2000 to November 30, 2001)	**2000 High**	**2000 Low**	**2001 High**	**2001 Low**
Class A share	not applicable	not applicable	not applicable	not applicable
Series B-1 share (includes CME membership interest and 1,800 Class A share equivalents) + 16,200 Class A shares	$ 525,000	none	$ 750,000	$ 500,000
Series B-2 share (includes IMM membership interest and 1,200 Class A share equivalents) + 10,800 Class A shares	none	none	589,000	360,000
Series B-3 share (includes IOM membership interest and 1,000 Class A share equivalents) + 5,400 Class A shares	none	none	395,000	245,000
Series B-1 share	none	none	375,000	188,000
Series B-2 share	none	none	367,000	180,000
Series B-3 share	150,000	112,000	291,000	130,000
Series B-4 share (includes GEM membership interest and 100 Class A share equivalents)	12,500	none	24,500	10,000
Series B-5* share	1,700	1,000	1,400	900

* *From November 13, 2000 through April 18, 2001, 10 Series B-5 shares could be converted into one B-4 share by the owner. On April 18, 2001, Series B-5 shares that were not converted into B-4 shares were converted automatically into 10 Class A shares.*

As of December 27, 2001, there were approximately 2,196 holders of CME Holdings' Class A, A-1, A-2, A-3 and A-4 shares and 512, 686, 1,043 and 364 holders of the Class B-1, B-2, B-3 and B-4 shares, respectively. CME Holdings has not paid any dividends on its common stock. We intend to retain our future earnings, if any, for use in the operation and expansion of our business. Any future dividends will be at the discretion of our Board of Directors.

Exhibit 21.1

Subsidiaries of Chicago Mercantile Exchange Holdings Inc.

Jurisdiction
of
Incorporation
Name of
Subsidiary
or
Organization
- ----------

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Chicago
Mercantile
Exchange
Inc.
Delaware GFX
Corporation
Illinois

Exhibit 23.1

[ARTHUR ANDERSEN LOGO]

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation of our report included in this Form 10-K, into the Company's previously filed Registration Statement File No. 333-60266.

/s/ Arthur Andersen LLP

Chicago, Illinois
March 25, 2002