



Regulatory Circular RG02-44

DATE: June 14, 2002

TO: Members and Member Firms

FROM: Market Operations Department

RE: Restrictions on Transactions in Certain
HOLDR Options (IGD, HLL, HGL, MYA, OBH, OBK, PRH, PSH
VWH, OHZ, and OYC)

CBOE trades options on certain HOLDR equity products, each of which is comprised of various underlying individual stocks. Trading in the following individual stocks on the Nasdaq was suspended and these stocks were subsequently delisted from the Nasdaq: NTL Incorporated, Global Crossing, ATHOME Corporation, Exodus Communications, PSINET Incorporated, Enron Corporation, and New USinternetworking Incorporated. The delisting of these individual stocks has caused adjustments to certain HOLDR equity products and related options traded on CBOE. The affected option symbols for these HOLDRS are Adjusted Telecom HOLDRS Trust (IGD and HLL), Adjusted Internet Infrastructure HOLDRS Trust (HGL), Adjusted Utilities HOLDRS Trust (MYA), and Adjusted Internet HOLDRS Trust (OBH, OBK, PRH, PSH VWH, OHZ AND OYC) (collectively, "Affected HOLDR Options").

Trading on CBOE in existing series of the Affected HOLDR Options is subject to the following restrictions. Only closing transactions may be effected in any series of the Affected HOLDR Options, except for (i) opening transactions by market-makers executed to accommodate closing transactions of other market participants and (ii) opening transactions by CBOE member organizations to facilitate the closing transactions of public customers executed as crosses pursuant to and in accordance with CBOE Rule 6.74(b) or (d). Pursuant to CBOE Rule 8.51, floor officials have determined that all series of the Affected HOLDR Options are in non-firm mode. In addition, the Affected HOLDR Options will not be traded on RAES. Other HOLDR option classes with option symbols different than those listed above are not subject to these restrictions.

The execution of opening transactions in the Affected HOLDR Options, except as permitted above, and/or the misrepresentation as to whether an order is opening or closing, will constitute a violation of CBOE rules, and may result in disciplinary action.

There are no restrictions in place with respect to the exercise of the Affected HOLDR Options and the Options Clearing Corporation (OCC) has advised CBOE that the expiration of the Affected HOLDR Options will remain subject to OCC's Exercise-by-Exception Procedures.

Any questions regarding this circular may directed to Kerry Winters at (312) 786-7312 or Mike Felty at (312) 786-7504.