



Regulatory Circular RG03-42

DATE: June 18, 2003

TO: Members and Member Firms

FROM: Market Operations Department

RE: **Correction to Regulatory Circular RG03-40, Restrictions on Transactions in HealthSouth Corporation (HRC), dated June 18, 2003**

The Exchange has received clarification from The Options Clearing Corporation ("OCC") regarding the applicability of Exercise-by-Exception procedures to the HealthSouth Corporation ("HRC") option class. Because HRC common stock is trading on the "pink sheets", OCC will not be waiving Exercise-by-Exception procedures in the HRC option class.

Accordingly, Exercise-by-Exception procedures will apply to the HRC option class, and CBOE's normal requirements with respect to the submission of Contrary Exercise Advices will be in place for the HRC option class (as further modified by CBOE Regulatory Circular RG03-41).

Additionally, the closing only restrictions with respect to the HRC option class will remain in place. Specifically, only closing transactions may be effected in any series of HRC 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 Rule 8.51, floor officials have determined that all series of HRC option are in non-firm mode. In addition, HRC will not be traded on RAES.

This circular supersedes the bolded portion of CBOE Regulatory Circular RG03-40.

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