

Date: September 1, 2005
To: The Membership
From: Accounting
Subject: Dividend & Merger Spreads Fee Cap Pilot Extended to March 1, 2006

Regulatory Circulars RG05-36 dated March 31, 2005 and RG05-53 dated May 31, 2005 detailed fee cap pilot programs for dividend and merger spreads through August 31, 2005. The purpose of this circular is to inform you the pilot program has been extended until March 1, 2006.

Key details of the programs are described below:

Dividend Spreads Fee Cap of \$2,000:

Market maker, firm and broker-dealer transaction fees are capped at \$2,000 for all dividend spreads executed on the same trading day in the same class. A dividend spread is defined as any trade done to achieve a dividend arbitrage between any two deep-in-the-money options.

Merger Spreads Fee Cap of \$2,000:

Market maker, firm and broker-dealer transaction fees are capped at \$2,000 for all merger spread transactions executed on the same trading day in the same options class.

A merger spread is defined as a transaction executed pursuant to a strategy involving the simultaneous purchase and sale of options of the same class and expiration date, but with different strike prices, followed by the exercise of the resulting long options position, each executed prior to the date on which shareholders of record are required to elect their respective form of consideration, i.e., cash or stock.

In order to benefit from the above fee caps, a standard rebate request form with supporting documentation (e.g. clearing firm transaction data) must be submitted to CBOE Accounting within 30 days of the above spreads trade date. Rebate request forms are available on the CBOE members website (cboe.com) or on the 6th floor in Accounting.

Rebates will be processed via a credit to the member's clearing firm at month-end. Clearing firms will see the rebate credits as a separate item on monthly CBOE billing statements.

The \$2,000 fee cap applies to CBOE transaction fees and excludes any marketing fee assessments. As you are aware, certain marketing fees are rebated when a market maker trades with another market maker. This market maker-to-market maker marketing fee rebate is processed separately.

Please contact Don Patton at 312-786-7026 or patton@cboe.com if you have any questions.