

Regulatory Circular RG98-28

Date: March 5, 1998

To: Members and Member Organizations

From: Membership Department

Re: Transfers of Option Trading Permits

In connection with the transfer of the New York Stock Exchange (NYSE) option program to the CBOE, the Exchange created and issued seventy-five Option Trading Permits (OTPs). An OTP gives the holder limited member status by entitling the holder to the trading rights and privileges set forth in Rule 3.27.

The Exchange deposited into a "lease pool" those OTPs not issued to NYSE option members, plus any OTPs which, following their issuance to NYSE option members, were surrendered by those members. There are currently twenty-eight OTPs in the lease pool. Those twenty-eight OTPs will remain in the lease pool for the remaining six year life of the OTPs. OTPs in the lease pool are allocated to lessees pursuant to a competitive bidding process which is held every six months (see Regulatory Circular RG98-26).

In accordance with Rule 3.27(a)(5), the forty-seven OTPs that are not in the lease pool will become transferable (i.e. they may be sold, transferred, or leased by the owner) beginning Tuesday, April 28, 1998. The rules and procedures relating to the sale, transfer, or lease of an OTP will be the same as the rules and procedures that relate to the sale, transfer, or lease of a regular Exchange membership.

In order to assure that a fair and orderly market is maintained, the Exchange's Membership Department will begin accepting bids and offers for OTPs on Monday, April 27, 1998 at 8:00 a.m. (the day prior to the first day that an OTP may be sold, transferred or leased). Any bid or offer for an OTP that is received on April 27, 1998 will be posted on the Exchange Bulletin Board. However, any such bid or offer will not become effective until 8:00 a.m. on the following morning at which time transactions in OTPs may take place.

Bids, offers and last sale prices for OTPs will be posted on the Exchange Bulletin Board and will be published in the Exchange Bulletin.

Questions concerning the terms of the OTPs or the operation of the OTP lease pool may be directed to Edward L. Provost at 312-786-7717. Questions concerning the purchase, sale, transfer, or lease of an OTP may be directed to the Department of Membership at 312-786-7460.