

Regulatory Circular RG98-86

Date: August 17, 1998

To: All Members and Member Organizations

From: Department of Market Regulation

RE: Exercise Cutoff Time for Expiring Ciena Corporation, Inc. (EUQ) Options

The Chicago Board Options Exchange understands that on Friday, August 21, 1998, Ciena Corporation, Inc. (CIEN/EUQ) and Tellabs Inc. (TLAB/TEQ)¹ shareholders will vote on the companies' proposed merger. The possibility exists that information regarding the results of the vote may be released after the close of trading. In this regard, CBOE members and member organizations are urged to review their responsibilities with respect to CBOE Rule 11.1, Interpretations and Policies .06, which pertains to the exercise of expiring equity option contracts.

CBOE Rule 11.1.06 specifies procedures to be followed with respect to the exercise of equity option contracts that would otherwise not be exercised, or the non-exercise of equity option contracts that otherwise would be exercised, by operation of OCC Rule 805. The Rule states that for all such equity contracts exercised or not exercised, a Contrary Exercise Advice ("CEA") must be delivered, in such form or manner prescribed by the Exchange, to a place designated by the Exchange no later than 4:30 p.m. (CT) on the business day immediately prior to the expiration date. Specifically, CEAs must be placed in designated boxes located at market-maker clearing firms and the CBOE 1st Floor Trade Match Window in Chicago or directly submitted to OCC via C/MACS no later than 4:30 p.m. (CT) on August 21, 1998.

Members and member organizations that maintain proprietary or customer positions in expiring EUQ options should take appropriate steps to ensure that final exercise decisions are properly submitted as noted above. Member organizations with processing cutoff times earlier than the CBOE's 4:30 p.m. (CT) cutoff time are urged to apprise their customers of such earlier cutoff times. In addition, please note that a CEA is not a substitute for submitting instructions to OCC for the exercise or non-exercise of expiring options.

Members and member organizations are cautioned that the preparation, time stamping or submission of a CEA prior to the purchase of the contracts to be exercised or not exercised shall be deemed a violation of CBOE Rule 11.1. Also, the failure of any member or member organization to follow the provisions of the Rule may be referred to the Exchange's Business Conduct Committee ("BCC") and may result in the assessment of a fine, which may include but is not limited to disgorgement of potential economic gain obtained or loss avoided by the subject exercise, as determined by the BCC. Further, submitting or preparing an exercise instruction after the exercise cutoff time for any expiring option on the basis of material information released after the cutoff time is activity inconsistent with just and equitable principles of trade.

Should you have any questions concerning this circular, please contact Patricia Cerny at (312) 786-7722 or Karen Charleston at (312) 786-7724.

¹ EUQ options are listed on the CBOE, AMEX and PSE. Tellabs, Inc. (TEQ) options are listed on the PSE.