The ChicagoBoard Options Exchange

LaSalle at Van Buren
Chicago, Illinois 60605 312 786-5600

MEMORANDUM

Regulatory Circular RG92-18

TO: Member Firm Compliance Departments
Member Firm Margin and Credit Departments
Member Firm Regulatory Accounting Departments
Senior Registered Options Principals
Compliance Registered Options Principals
Registered Principals

FROM: Regulatory Services Division

DATE: March 16, 1992

SUBJECT: Regulatory Requirements for SuperShares™*

This memorandum is intended to point out a number of regulatory issues that Member Firms should be aware of in connection with the anticipated listing and start of trading of SuperShares. This circular does not encompass all applicable Exchange rules concerning these products. Such requirements may be found in Chapter XXX of Exchange Rules. Member firms should be aware that this product is proposed to be listed and traded pursuant to CBOE stock rules. The ticker symbols for SuperShares when listed will be: Appreciation, ZAS; Priority, ZIS; Protection, ZPS; Income and Residual, ZYS.

The SuperTrust structure consists of two tiers:

1. The Capital Market Fund (the "Fund"), an open-ended mutual fund, is composed of Index and Money Market Series shares. A minimum investment of $10,000/$5,000 is required for the Index and Money Market, respectively. Investors tender money to the Fund and receive shares of the Index or Money Market Series. The Fund is open-ended and has a perpetual life.

2. The SuperTrust™, is a unit investment trust composed of the Index Trust and the Money Market Trust. Shareholders of the Fund may tender Index or Money Market shares (with a minimum value of $10,000/$5,000, respectively) to the SuperTrust in exchange for the corresponding SuperTrust shares either Index or Money Market SuperUnits™. The SuperUnits may be converted back to the related Fund. SuperUnits are proposed to be traded on the AMEX.

---

* SuperTrust™, SuperUnit™ and SuperShare™ are trademarks of Leland O'Brien Rubinstein Associates Incorporated.

The SuperUnits can be converted into a pair of complementary SuperShares. Index SuperUnits may be divided into Appreciation and Priority SuperShares. Money Market SuperUnits may be divided into Protection SuperShares and Income and Residual SuperShares. The complementary pair of SuperShares may be recombined and redeemed as the related SuperUnit. SuperShares are proposed to be traded on the CBOE and will have a three year life.

It is suggested that you consult with your operations personnel regarding any systems or operations considerations that SuperShares may pose to your firm.

Risk Disclosure Requirements

Member Firms should be aware that due to the nature of SuperShares and SuperUnits the application of Section 24(d) of the 1940 Act and CBOE Rule 30.50, the prospectus delivery requirements of Section 5(b)(2) of the Securities Act of 1933 must be satisfied in connection with each purchase of SuperShares and SuperUnits, unless such member or member organization has in place a procedure by which to verify previous receipt by the investor of a current prospectus. The investor must receive such prospectus prior to or concurrently with the first transaction confirmation. The prospectus can be obtained by contacting SSC Distribution Services, Inc. at P.O. Box 1078, Framingham, MA 01701-1078, (800) 328-7408. Firms should develop a record to evidence that they have complied with this requirement.

Suitability

Before a member organization or one of its employees makes a recommendation to a customer with respect to a transaction in a SuperUnit or in a SuperShare, such organization or its employee shall make a determination that the transaction is not unsuitable for such customer. When making a recommendation concerning a SuperUnit transaction it is also necessary to make a determination that the SuperShares into which the SuperUnit may be divided are not unsuitable for such customer. The person making the recommendation shall have a reasonable basis for believing that the customer has the knowledge and experience in financial matters necessary to evaluate the risks and characteristics of the recommended transactions and is able to bear the potential financial risks.

Margin Requirements

Long Appreciation, Income and Residual and Protection SuperShares will have an initial margin

requirement equal to 100% of the purchase price and a maintenance requirement of 25% of the current market value. A long Priority SuperShare will have an initial margin requirement equal to 50% of the current market value and a maintenance requirement of 25% of the current market value. The initial margin requirement for any short SuperShare shall be 150% of the current market value. The maintenance requirement for a short SuperShare is the greater of $2.50 per SuperShare or 100% of the current market value for each SuperShare worth less than $5, or $5 per SuperShare or 30% of the current market value, whichever is greater, for each SuperShare worth $5 or more.

No margin would be required for a short Standard and Poor's 500 [R] ("S&P 500") [R] call option contract if the customer also maintains a long position in (a) the Index SuperUnit, (b) a combination of Priority and Appreciation SuperShare ("SuperUnit equivalent"), or (c) the underlying open end index mutual fund, having an aggregate market value at least equal to the underlying value of the S&P 500 contracts to be covered.

Members and member organizations should be aware that pursuant to section 11(d) of the Securities and Exchange Act of 1934, a broker-dealer may not effect any transaction in connection with which it extends, maintains or arranges for the extension of credit to a customer on SuperShares or SuperUnits which were part of a distribution of which the broker-dealer participated as a member of the selling group within 30 days prior to the transaction and must disclose in writing in which capacity he is acting.

Capital

In general, the SEC has determined to treat SuperShares and SuperUnits as stock for net capital purposes (See the attached haircut matrix). It should be noted that an Income and Residual SuperShare will be haircut at 30% of the long market value and 15% of the short market value. The long Income and Residual SuperShare is similar in nature to a short put spread with treasury securities, therefore, it will be haircut as a short position. Additionally, the Appreciation SuperShare can offset index options or futures for cross-index haircut relief[1] and can be used to offset stock baskets, Index SuperUnits, Index SuperTrust or Index SuperUnit equivalents for stock basket

---

[R]"Standard & Poors" [R] and "S & P 500" [R] are service marks of Standard & Poors Corporation and have been licensed for use by the sponsor of the SuperTrust.

[1]Cross-index haircuts are outlined in an October 4, 1988 letter from the CBOE to Michael Macchiaroli of the Securities and Exchange Commission.

haircut relief.[2]

Questions about this memorandum, or other regulatory related questions about SuperShares may be directed to one of the following individuals:

Department of Compliance - Larry Bresnahan (312) 786-7713
Department of Financial Compliance - Diane Malley (312) 786-7924

malley\superegu.mem

[2]The stock basket haircut relief is outlined in a February 27, 1986 letter from the SEC to Mr. David Marcus of the New York Stock Exchange.