

Date: April 11, 1995
To: Members and Member Organizations
From: Membership Department
Re: Transfer of Individual Memberships in Trust

In response to requests from members that they be allowed to place their CBOE memberships in trust for estate planning purposes, the Exchange filed with the Securities and Exchange Commission ("SEC"), proposed Rule 3.25 - Transfer of Individual Memberships in Trust (File No. SR-CBOE-94-48). The SEC approved Rule 3.25 on March 1, 1995, and the Exchange is currently in the process of finalizing the administrative procedures necessary to process transfer requests under the new rule. Accordingly, members will be permitted to submit transfer requests to the Exchange under Rule 3.25 beginning on June 1, 1995.

Briefly, Rule 3.25 is designed to allow an individual member in good standing the ability to transfer a membership which he or she owns into a trust during his or her lifetime, subject to various limitations and requirements concerning the structure of the trust. Among the requirements is that the member must be named the sole beneficiary and trustee of the trust and the trust must appoint a successor trustee in the event of a member's death, incompetency or disablement. The role of the successor trustee, who may be an individual or an institution, would be limited in that the successor trustee may only be empowered to perform the following functions:

- In the event of the death of the member, the successor trustee would be required to either 1) sell the membership, or 2) transfer it to a family member of the deceased member who has qualified for Exchange membership.
- In the event of the member being deemed incompetent or disabled, the successor trustee would be required to either 1) sell the membership, or 2) lease the membership for the benefit of the member.

Transfers of a membership into or out of a trust and the sale or lease of a membership held in trust would be subject to existing CBOE Rules governing such activities. Furthermore, the proposed transfer of a membership into or out of a trust would be reviewed by the Membership Committee, as is currently the case with any other membership transfer.

Members must notify the Membership Department in writing of any changes in successor trustee and upon the termination of the trust.

A member desiring to transfer his or her membership into a trust will be required to furnish the Exchange with a copy of the trust documents, and an opinion signed by the attorney who prepared the trust stating that the trust conforms to the requirements of Rule 3.25. Additionally, in the event of the disability or incompetency of a member who has transferred his or her membership into a trust, certification of such disability or incompetency will be required prior to the appointment of a successor trustee. In the event of the death of a member, a copy of the death certificate will be required prior to the sale or transfer of a membership.

Rule 3.25 does not affect the duties and obligations of the individual member who has transferred his or her membership into a trust. At all times, the member is responsible for all obligations and liabilities associated with the membership and is subject to all of the rules of the Exchange.

This circular is not intended to be a comprehensive description of the requirements of Rule 3.25 - Transfer of Individual Memberships in Trust. Members are advised to read the full text of Rule 3.25. Any questions regarding this circular may be directed to Rae Tapia-Pancake at (312) 786-7460 or Lawrence J. Bresnahan at (312) 786-7713.