



Regulatory Circular RG 01-138

DATE: September 19, 2001

TO: Members and Member Firms

FROM: Market Operations Department

RE: Restrictions on Transactions in Covad Communications Group (COU)

Trading in Covad Communications Group (COU) common stock on the NASDAQ (COVD) and trading in COU options on CBOE was halted on August 16, 2001 and the NASDAQ subsequently delisted COU common stock.

Trading on CBOE in existing series of COU options will reopen on September 19, 2001, subject to the following restrictions. Only closing transactions may be effected in any series of COU options, except for (i) opening transactions by market-makers executed to accommodate closing transactions of other market participants and (ii) opening transactions by CBOE member organizations to facilitate the closing transactions of public customers executed as crosses pursuant to and in accordance with CBOE Rule 6.74(b) or (d). The firm quotation provisions under Rule 8.51 will be suspended in COU options and the options will not be traded on RAES.

The execution of opening transactions in COU options, except as permitted above, and/or the misrepresentation as to whether an order is opening or closing, will constitute a violation of CBOE rules, and may result in disciplinary action.

There are no restrictions in place with respect to the exercise of COU options and the Options Clearing Corporation (OCC) has advised CBOE that the expiration of COU options will remain subject to OCC's Exercise-by-Exception Procedures.

The provisions of this circular apply to any options on Covad Communications Group traded on CBOE, including any Covad Communications Group option series with a different option symbol than COU.

Any questions regarding this circular may directed to Kerry Winters at (312) 786-7312 or Patricia Cerny at (312) 786-7722.