



DATE: August 29, 2006  
 TO: Members  
 FROM: Scott Speer

RE: **Chaparral Steel Company ("CHAP/ZHQ")**  
**2-for-1 Stock Split**  
**Ex-Distribution Date: September 5, 2006**

Chaparral Steel Company ("CHAP/ZHQ") has announced a 2-for-1 common stock split, with a payable date of September 1, 2006, to shareholders of record August 15, 2006. The ex-date for the stock split is Tuesday, September 5, 2006.

**Contract Adjustment**

Pursuant to OCC rules (Article VI, Section 11), all outstanding ZHQ option series will be adjusted to reflect this 2-for-1 stock split on Tuesday, September 5, 2006, at 8:30 A.M. Chicago time. The OCC will issue one additional contract for each open contract on the ex-date. Also on the ex-date, each ZHQ series will have an adjusted exercise price equal to one-half of the exercise price rounded to the nearest 1/8 of a point for each ZHQ series existing on the business day immediately prior to the ex-date. The option symbol will remain the same. Adjusted exercise prices are shown below. [Any FLEX series that may exist will be adjusted in a similar manner to the standardized option.]

The option adjustment will appear in the Daily Position Report of the clearing member firms on the ex-date. After 8:30 A.M. Tuesday, September 5, 2006, all trades, corrections, and exercises must be submitted to the CBOE and OCC on an adjusted basis.

**Adjusted Exercise Prices**

On Tuesday, September 5, 2006, the ex-distribution date, trading in ZHQ series will be on an adjusted basis. At 8:30 A.M., Chicago time, an opening rotation will be effected with the following adjustments:

EXISTING SERIES				ADJUSTED SERIES*		
100 Shares				100 Shares		
MONTH/STRIKE	CALLS	PUTS		MONTH/STRIKE	CALLS	PUTS
Sep 60	ZHQIL	ZHQUL	->	Sep 30	ZHQIF	ZHQUF
Sep 65	ZHQIM	ZHQUM	->	Sep 32 1/2	ZHQIZ	ZHQUZ
Sep 70	ZHQIN	ZHQUN	->	Sep 35	ZHQIG	ZHQUG
Sep 75	ZHQIO	ZHQUO	->	Sep 37 1/2	ZHQIU	ZHQUU
Oct 35	ZHQJG	ZHQVG	->	Oct 17 1/2	ZHQJW	ZHQVW
Oct 40	ZHQJH	ZHQVH	->	Oct 20	ZHQJD	ZHQVD
Oct 45	ZHQJI	ZHQVI	->	Oct 22 1/2	ZHQJX	ZHQVX
Oct 50	ZHQJJ	ZHQVJ	->	Oct 25	ZHQJE	ZHQVE

EXISTING SERIES				ADJUSTED SERIES*				
100 Shares				100 Shares				
MONTH/STRIKE	CALLS	PUTS		MONTH/STRIKE	CALLS	PUTS		
Oct	55	ZHQJK	ZHQVK	->	Oct	27 1/2	ZHQJY	ZHQVY
Oct	60	ZHQJL	ZHQVL	->	Oct	30	ZHQJF	ZHQVF
Oct	65	ZHQJM	ZHQVM	->	Oct	32 1/2	ZHQJZ	ZHQVZ
Oct	70	ZHQJN	ZHQVN	->	Oct	35	ZHQJG	ZHQVG
Oct	75	ZHQJO	ZHQVO	->	Oct	37 1/2	ZHQJU	ZHQVU
Oct	80	ZHQJP	ZHQVP	->	Oct	40	ZHQJH	ZHQVH
Oct	85	ZHQJQ	ZHQVQ	->	Oct	42 1/2	ZHQJV	ZHQVV
Jan	35	ZHQAG	ZHQMG	->	Jan	17 1/2	ZHQAW	ZHQMW
Jan	40	ZHQAH	ZHQMH	->	Jan	20	ZHQAD	ZHQMD
Jan	45	ZHQAI	ZHQMI	->	Jan	22 1/2	ZHQAX	ZHQMX
Jan	50	ZHQAJ	ZHQMJ	->	Jan	25	ZHQAE	ZHQME
Jan	55	ZHQAK	ZHQMK	->	Jan	27 1/2	ZHQAY	ZHQMY
Jan	60	ZHQAL	ZHQML	->	Jan	30	ZHQAF	ZHQMF
Jan	65	ZHQAM	ZHQMM	->	Jan	32 1/2	ZHQAZ	ZHQMZ
Jan	70	ZHQAN	ZHQMN	->	Jan	35	ZHQAG	ZHQMG
Jan	75	ZHQAO	ZHQMO	->	Jan	37 1/2	ZHQAU	ZHQMU
Jan	80	ZHQAP	ZHQMP	->	Jan	40	ZHQAH	ZHQMH
Apr	50	ZHQDJ	ZHQPJ	->	Apr	25	ZHQDE	ZHQPE
Apr	55	ZHQDK	ZHQPK	->	Apr	27 1/2	ZHQDY	ZHQPY
Apr	60	ZHQDL	ZHQPL	->	Apr	30	ZHQDF	ZHQPF
Apr	65	ZHQDM	ZHQPM	->	Apr	32 1/2	ZHQDZ	ZHQPZ
Apr	70	ZHQDN	ZHQPN	->	Apr	35	ZHQDG	ZHQPG
Apr	75	ZHQDO	ZHQPO	->	Apr	37 1/2	ZHQDU	ZHQPU

Any additional ZHQ series that are added prior to the ex-date will also be adjusted in the manner described above.

The following series have non-standard strikes and price symbols with respect to the OPRA exercise price symbol format:

Y (27-1/2)    Z (32-1/2)    U (37-1/2)    V (42-1/2)

**IMPORTANT -Order Entry After Adjustment**

Please note that at the time of the adjustment, the strike prices of all ZHQ options will be reduced by one-half, and OCC will issue one additional contract for each open contract on the ex-date. **At 8:30 A.M., Chicago time, on Tuesday, September 5, 2006, all outstanding ZHQ 35 options will become 17 1/2 options, and ZHQ 70 options will become 35 options. Any ZHQ 35 positions opened prior to the ex-date that are closed out on or after the ex-date must be closed out as 17 1/2 options.** Negligence in this matter could lead customers to establish new positions in the 35 options rather than closing out then-existing positions in the 17 1/2 options.

Strikes that will be affected by the adjustment in the manner described above are included in the table below. Members should be aware of the potential for confusion respecting any of the related pairs of strikes shown below, and should be cautious in this regard.

<b>Existing</b>	<b>-&gt;</b>	<b>Adjusted</b>	<b>&amp;</b>	<b>Existing</b>	<b>-&gt;</b>	<b>Adjusted</b>
35	->	17 1/2		70	->	35
40	->	20		80	->	40

### **GTC Order Conversion**

On Friday, September 1, 2006, immediately after the CBOE close, the system will convert or cancel all resting orders in the ZHQ order book. If your firm has requested, all EBook orders (phone, wire, and electronic) and all ORS orders residing outside the book (booth or crowd routed) will be converted reflecting the adjustments. If your firm has requested, all EBook orders and ORS orders residing outside of the book will be canceled. If your firm receives EBook CXL drops, the CXL confirms will print at your booth at 3:15 p.m. ORS CXLs will also be transmitted electronically to your branches.

Immediately after the close, the book staff will return a final written report listing the orders that are converted or canceled to all firms. If converted, this list will also show how the new orders will be adjusted. This report will be available on request anytime during the day prior to the night of the adjustment.

### **Position and Exercise Limits**

The CBOE Department of Market Regulation has determined that: "The position and exercise limits following this stock split will be 150,000 contracts (15,000,000 shares) on the same side of the market through April 21, 2007. Following the April 2007 expiration, the position and exercise limits will revert to the standard limit of 75,000 contracts (7,500,000 shares)."

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Questions regarding this memo can be addressed to Options Industry Services at 1-888-OPTIONS (1-888-678-4667). CBOE contract adjustment memos can also be accessed from CBOE.com at the following web address:

<http://www.cboe.com/ContractAdjustments>