



DATE: November 9, 2004

TO: Members

RE: *****UPDATE*****UPDATE*****UPDATE*****
Microsoft Corporation ("MSFT/MQF/MSQ/WMF/VMF")
CONTRACT ADJUSTMENT FOR SPECIAL CASH DIVIDEND
Ex-Date: November 15, 2004

From: Scott Speer

Today, Tuesday, November 9, 2004, shareholders of Microsoft Corporation ("MSFT/MQF/MSQ/WMF/VMF") approved a proposed special cash dividend of **\$3.00** per share on its outstanding common stock, which represents approximately 10.59% of the value per share of MSFT at the close of trading on July 20, 2004, the date the dividend was declared. The special cash dividend will be payable on December 2, 2004, to shareholders of record on November 17, 2004. **The ex-distribution date for this special cash dividend will be Monday, November 15, 2004.**

THE FOREGOING DISCUSSION IS AN UNOFFICIAL SUMMARY OF THE TERMS OF THE SPECIAL DIVIDEND, PREPARED BY CBOE FOR THE CONVENIENCE OF ITS MEMBERS. CBOE ACCEPTS NO RESPONSIBILITY FOR THE ACCURACY OR COMPLETENESS OF THIS SUMMARY. MEMBERS SHOULD REFER TO THE MICROSOFT CORPORATION PRESS RELEASE DATED JULY 20, 2004, FOR THE AUTHORITATIVE DESCRIPTION OF THE SPECIAL DIVIDEND AND ALL OF ITS TERMS AND CONDITIONS.

Contract Adjustment for the Special Cash Dividend

Pursuant to OCC rules (Article VI, Section 11), all outstanding MQF/MSQ/WMF/VMF option series will be adjusted to reflect this special cash dividend on the ex-distribution date, at 8:30 A.M. Chicago time. **On Monday, November 15, 2004, each MQF/MSQ/WMF/VMF series shall be adjusted by decreasing the strike price by \$3.00, the amount of the special cash dividend.** The option symbols for the adjusted contracts will remain the same. Premiums and strike-price amounts for the adjusted MQF/MSQ/WMF/VMF options will continue to be calculated on the basis of a multiplier of 100, i.e., for premium and strike-price extensions, 1.00 will equal \$100. [Any FLEX series that may exist will be adjusted in a similar manner to the standardized option.]

Adjusted Option Symbols

On Monday, November 15, 2004, trading in MQF/MSQ/WMF/VMF 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*		
MONTH/STRIKE	CALLS	PUTS		MONTH/STRIKE	CALLS	PUTS	
Nov 7 1/2	MQFKM	MQFWM	->	Nov 4 1/2	MQFKJ	MQFWJ	
Nov 10	MQFKN	MQFVN	->	Nov 7	MQFKK	MQFWK	
Nov 12 1/2	MQFKV	MQFVW	->	Nov 9 1/2	MQFKL	MQFWL	

EXISTING SERIES				ADJUSTED SERIES*			
MONTH/STRIKE	CALLS	PUTS		MONTH/STRIKE	CALLS	PUTS	
Nov 15	MQFKC	MQFWC	->	Nov 12	MQFKM	MQFWM	
Nov 17 1/2	MQFKW	MQFWW	->	Nov 14 1/2	MQFKN	MQFWN	
Nov 20	MQFKD	MQFWD	->	Nov 17	MQFKO	MQFWO	
Nov 22 1/2	MQFKX	MQFWX	->	Nov 19 1/2	MQFKP	MQFWP	
Nov 25	MSQKE	MSQWE	->	Nov 22	MSQKQ	MSQWQ	
Nov 27 1/2	MSQKY	MSQWY	->	Nov 24 1/2	MSQKR	MSQWR	
Nov 30	MSQKF	MSQWF	->	Nov 27	MSQKS	MSQWS	
Nov 32 1/2	MSQKZ	MSQWZ	->	Nov 29 1/2	MSQKT	MSQWT	
Nov 35	MSQKG	MSQWG	->	Nov 32	MSQKA	MSQWA	
Nov 37 1/2	MSQKU	MSQWU	->	Nov 34 1/2	MSQKB	MSQWB	
Nov 40	MSQKH	MSQWH	->	Nov 37	MSQKC	MSQWC	
Nov 42 1/2	MSQKS	MSQWS	->	Nov 39 1/2	MSQKD	MSQWD	
Nov 45	MSQKI	MSQWI	->	Nov 42	MSQKE	MSQWE	
Nov 47 1/2	MSQKT	MSQWT	->	Nov 44 1/2	MSQKF	MSQWF	
Dec 7 1/2	MQFLM	MQFXM	->	Dec 4 1/2	MQFLJ	MQFXJ	
Dec 10	MQFLN	MQFXN	->	Dec 7	MQFLK	MQFXK	
Dec 12 1/2	MQFLV	MQFXV	->	Dec 9 1/2	MQFLI	MQFXL	
Dec 15	MQFLC	MQFXC	->	Dec 12	MQFLM	MQFXM	
Dec 17 1/2	MQFLW	MQFXW	->	Dec 14 1/2	MQFLN	MQFXN	
Dec 20	MQFLD	MQFXD	->	Dec 17	MQFLO	MQFXO	
Dec 22 1/2	MQFLX	MQFXX	->	Dec 19 1/2	MQFLP	MQFXP	
Dec 25	MSQLE	MSQXE	->	Dec 22	MSQLQ	MSQXQ	
Dec 27 1/2	MSQLY	MSQXY	->	Dec 24 1/2	MSQLR	MSQXR	
Dec 30	MSQLF	MSQXF	->	Dec 27	MSQLS	MSQXS	
Dec 32 1/2	MSQLZ	MSQXZ	->	Dec 29 1/2	MSQLT	MSQXT	
Dec 35	MSQLG	MSQXG	->	Dec 32	MSQLA	MSQXA	
Dec 37 1/2	MSQLU	MSQXU	->	Dec 34 1/2	MSQLB	MSQXB	
Dec 40	MSQLH	MSQXH	->	Dec 37	MSQLC	MSQXC	
Dec 42 1/2	MSQLS	MSQXS	->	Dec 39 1/2	MSQLD	MSQXD	
Dec 45	MSQLI	MSQXI	->	Dec 42	MSQLE	MSQXE	
Dec 47 1/2	MSQLT	MSQXT	->	Dec 44 1/2	MSQLF	MSQXF	
Jan 12 1/2	MQFAV	MQFMV	->	Jan 9 1/2	MQFAL	MQFML	
Jan 15	MQFAC	MQFMC	->	Jan 12	MQFAM	MQFMM	
Jan 17 1/2	MQFAW	MQFMW	->	Jan 14 1/2	MQFAN	MQFMN	
Jan 20	MQFAD	MQFMD	->	Jan 17	MQFAO	MQFMO	
Jan 22 1/2	MQFAX	MQFMX	->	Jan 19 1/2	MQFAP	MQFMP	
Jan 25	MSQAE	MSQME	->	Jan 22	MSQAA	MSQMA	
Jan 27 1/2	MSQAY	MSQMY	->	Jan 24 1/2	MSQAR	MSQMR	
Jan 30	MSQAF	MSQMF	->	Jan 27	MSQAS	MSQMS	
Jan 32 1/2	MSQAZ	MSQMZ	->	Jan 29 1/2	MSQAT	MSQMT	
Jan 35	MSQAG	MSQMG	->	Jan 32	MSQAA	MSQMA	
Jan 37 1/2	MSQAU	MSQMU	->	Jan 34 1/2	MSQAB	MSQMB	

EXISTING SERIES				ADJUSTED SERIES*		
MONTH/STRIKE	CALLS	PUTS		MONTH/STRIKE	CALLS	PUTS
Jan 40	MSQAH	MSQMH	->	Jan 37	MSQAC	MSQMC
Jan 45	MSQAI	MSQMI	->	Jan 42	MSQAE	MSQME
Jan 47 1/2	MSQAT	MSQMT	->	Jan 44 1/2	MSQAF	MSQMF
Jan 50	MSQAJ	MSQMJ	->	Jan 47	MSQAG	MSQMG
Jan 55	MSQAK	MSQMK	->	Jan 52	MSQAH	MSQMH
Jan 60	MSQAL	MSQML	->	Jan 57	MSQAI	MSQMI
Jan 65	MSQAM	MSQMM	->	Jan 62	MSQAU	MSQMU
Jan 70	MSQAN	MSQMN	->	Jan 67	MSQAV	MSQMV
Jan 80	MSQAP	MSQMP	->	Jan 77	MSQAW	MSQMW
Apr 7 1/2	MQFDM	MQFPM	->	Apr 4 1/2	MQFDJ	MQFPJ
Apr 10	MQFDN	MQFPN	->	Apr 7	MQFDK	MQFPK
Apr 12 1/2	MQFDV	MQFPV	->	Apr 9 1/2	MQFDL	MQFPL
Apr 15	MQFDC	MQFPC	->	Apr 12	MQFDM	MQFPM
Apr 17 1/2	MQFDW	MQFPW	->	Apr 14 1/2	MQFDN	MQFPN
Apr 20	MQFDD	MQFPD	->	Apr 17	MQFDO	MQFPO
Apr 22 1/2	MQFDX	MQFPX	->	Apr 19 1/2	MQFDP	MQFPP
Apr 25	MSQDE	MSQPE	->	Apr 22	MSQDQ	MSQPQ
Apr 27 1/2	MSQDY	MSQPY	->	Apr 24 1/2	MSQDR	MSQPR
Apr 30	MSQDF	MSQPF	->	Apr 27	MSQDS	MSQPS
Apr 32 1/2	MSQDZ	MSQPZ	->	Apr 29 1/2	MSQDT	MSQPT
Apr 35	MSQDG	MSQPG	->	Apr 32	MSQDA	MSQPA
Apr 37 1/2	MSQDU	MSQPU	->	Apr 34 1/2	MSQDB	MSQPB
Apr 40	MSQDH	MSQPH	->	Apr 37	MSQDC	MSQPC
Apr 42 1/2	MSQDS	MSQPS	->	Apr 39 1/2	MSQDD	MSQPD
Apr 45	MSQDI	MSQPI	->	Apr 42	MSQDE	MSQPE
Apr 47 1/2	MSQDT	MSQPT	->	Apr 44 1/2	MSQDF	MSQPF
2006 LEAPS						
Jan 15	WMFAC	WMFMC	->	Jan 12	WMFAM	WMFMM
Jan 17 1/2	WMFAW	WMFMW	->	Jan 14 1/2	WMFAN	WMFMN
Jan 20	WMFAD	WMFMD	->	Jan 17	WMFAO	WMFMO
Jan 22 1/2	WMFAX	WMFMX	->	Jan 19 1/2	WMFAP	WMFMP
Jan 25	WMFAE	WMFME	->	Jan 22	WMFAQ	WMFMQ
Jan 27 1/2	WMFAY	WMFMY	->	Jan 24 1/2	WMFAR	WMFMR
Jan 30	WMFAF	WMFMF	->	Jan 27	WMFAS	WMFMS
Jan 32 1/2	WMFAZ	WMFMZ	->	Jan 29 1/2	WMFAT	WMFMT
Jan 35	WMFAG	WMFMG	->	Jan 32	WMFAA	WMFMA
Jan 37 1/2	WMFAU	WMFMU	->	Jan 34 1/2	WMFAB	WMFMB
Jan 40	WMFAH	WMFMH	->	Jan 37	WMFAC	WMFMC
Jan 45	WMFAI	WMFMI	->	Jan 42	WMFAE	WMFME
Jan 47 1/2	WMFAT	WMFMT	->	Jan 44 1/2	WMFAF	WMFMF
Jan 50	WMFAJ	WMFMJ	->	Jan 47	WMFAG	WMFMG
Jan 55	WMFAK	WMFMK	->	Jan 52	WMFAH	WMFMH
Jan 60	WMFAL	WMFML	->	Jan 57	WMFAI	WMFMI
Jan 65	WMFAM	WMFMM	->	Jan 62	WMFAU	WMFMU

EXISTING SERIES				ADJUSTED SERIES*		
MONTH/STRIKE	CALLS	PUTS		MONTH/STRIKE	CALLS	PUTS
Jan 70	WMFAN	WMFMN	->	Jan 67	WMFAV	WMFMV
2007 LEAPS						
Jan 15	VMFAC	VMFMC	->	Jan 12	VMFAM	VMFMM
2007 LEAPS						
Jan 20	VMFAD	VMFMD	->	Jan 17	VMFAO	VMFMO
Jan 22 1/2	VMFAX	VMFMX	->	Jan 19 1/2	VMFAP	VMFMP
Jan 25	VMFAE	VMFME	->	Jan 22	VMFAQ	VMFMQ
Jan 27 1/2	VMFAY	VMFMY	->	Jan 24 1/2	VMFAR	VMFMR
Jan 30	VMFAF	VMFMF	->	Jan 27	VMFAS	VMFMS
Jan 32 1/2	VMFAZ	VMFMZ	->	Jan 29 1/2	VMFAT	VMFMT
Jan 35	VMFAG	VMFMG	->	Jan 32	VMFAA	VMFMA
Jan 37 1/2	VMFAU	VMFMU	->	Jan 34 1/2	VMFAB	VMFMB
Jan 40	VMFAH	VMFMH	->	Jan 37	VMFAC	VMFMC

* Any additional MQF/MSQ/WMF/VMF 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:

J (4-1/2)	K (7)	L (9-1/2)	M (12)	N (14-1/2)	O (17)
P (19-1/2)	Q (22)	R (24-1/2)	S (27)	T (29-1/2)	A (32)
B (34-1/2)	C (37)	D (39-1/2)	E (42)	F (44-1/2)	G (47)
H (52)	I (57)	U (62)	V (67)	W (77)	

GTC Order Conversion

On Friday, November 12, 2004, immediately after the CBOE close, the system will convert or cancel all resting orders in the MQF/MSQ/WMF/VMF order books. 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 adjustment. 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 cash distribution will remain the same."

Questions regarding this memo can be addressed to the Options Industry Services Department at 1-888-OPTIONS (1-888-678-4667). This and all other CBOE contract adjustment research circulars can be accessed from the CBOE Web site at the following web address:

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