

The exercise price of a cash-settled option is the base for the determination of the amount of cash, if any, that the option holder is entitled to receive upon exercise (see the discussion of "Cash Settlement Amount and Exercise Settlement Value" below).

Exercise prices for each options series are established by the options market on which that series is traded at the time trading in the series is introduced, and are generally set at levels above and below the then market value of the underlying interest. The options markets generally have authority to introduce additional series of options with different exercise prices based on changes in the value of the underlying interest, or in response to investor interest, or in unusual market conditions, or in other circumstances.

EXPIRATION DATE—This is the date on which the option expires. If an option has not been exercised prior to its expiration, it ceases to exist—that is, the option holder no longer has any rights, and the option no longer has any value. The expiration dates for the various options series are fixed by the options market on which the series trades. Readers should learn the expiration date of each option they wish to buy or write.

STYLE OF OPTION—The style of an option refers to when that option is exercisable. At the date of this booklet there are three different styles of options—American-style, European-style and capped. Subject to certain limitations prescribed in the rules of OCC or the options markets and subject to applicable law, these three styles are exercisable at the following times:

An American-style option may be exercised at any time prior to its expiration.

A European-style option may be exercised only during a specified period before the option expires. Every European-style option being traded at the date of this booklet is exercisable only on its expiration date.

A capped option will be automatically exercised prior to expiration if the options market on which the option is trading determines that the value of the underlying interest at a specified time on a trading day "hits the cap price" for the option. Capped options may also be exercised, like European-style options, during a specified period before expiration.