

date with respect to options series designated by OCC as "grandfathered" for purposes of this rule (i.e., series opened prior to publication of this Supplement that remain outstanding on February 1, 2009). In the case of all other options series, a cash dividend or distribution announced on or after February 1, 2009, will generally be considered "ordinary," regardless of size, if OCC believes that it was declared pursuant to a policy or practice of paying such dividends or distributions on a quarterly or other regular basis (and no adjustment will normally be made for any cash dividend or distribution that amounts to less than \$12.50 per contract). As an exception to the general rule, options on fund shares will generally be adjusted for capital gains distributions even if made on a regular basis, and adjustments may be made for certain other distributions in respect of fund shares in special circumstances described in OCC's rules, provided in each case that the amount of the adjustment would be \$.125 or more per fund share. Determinations whether to adjust for cash dividends or distributions not covered by the preceding rules, or when other special circumstances apply, are made on a case-by-case basis.

#### **Part II. Adjustment of Exercise Prices.**

*The first seven paragraphs on page 20 of the Booklet are deleted in their entirety, and the following material is inserted in lieu thereof.*

Stock dividends, stock distributions and stock splits may result in an adjustment of the number of options held or written or the number of underlying shares, and in some cases may also result in an adjustment of the exercise price.

#### **Stock Options with Exercise Prices Stated in Fractions**

As of the date of this Supplement, exercise prices for stock options are stated in points and fractions of a point (e.g., 20<sup>3</sup>/<sub>8</sub> or 30<sup>1</sup>/<sub>2</sub>). The smallest fraction is <sup>1</sup>/<sub>8</sub>. The following adjustment rules apply to any series of stock options whose exercise price is stated in points and fractions of a point:

As a general rule, a 2 for 1 or a 4 for 1 stock split, stock distribution or stock dividend will result in the number of outstanding options being proportionately increased and the exercise price being proportionately decreased.

**EXAMPLE:** Before a 2 for 1 stock split, an investor holds an option on 100 shares of XYZ stock with an exercise price of \$60. After adjustment for the split, he will hold two XYZ options, each on 100 shares and each with an exercise price of \$30.

A stock dividend, stock distribution or stock split other than a 2 for 1 or a 4 for 1 distribution or split will normally result in an adjustment in the number of shares deliverable upon exercise, while the aggregate exercise price for the contract remains unchanged.