



ISE Options Exchange

Market Information Circular			
Circular number:	2007-24	Contact:	Jodi Burns, Director of Product Operations
Date:	August 27, 2007	Telephone:	646-805-1823

This notice is to inform members of an industry-wide change in the way options series are adjusted to reflect certain corporate actions. The purpose of this change is to eliminate the economic inequities created by the need to round strike prices to the nearest eighth (the minimum strike price denomination).

For corporate actions with an ex-distribution date of Sept 4, 2007 or later, options series impacted by all stock splits or distributions will be adjusted using the following guidelines:

- The strike price will not change.
- The premium/strike multiplier (typically 100) will not change.
- The number of contracts will not change.
- The number of shares in the deliverable will increase.

This new method will not be used for stock splits that would not otherwise result in the need to round strike prices, i.e., 2-for-1 or 4-for-1 splits.

This adjustment method is not new to the options industry, as it is currently used for adjusting options series to reflect spin-offs, mergers, and stock dividends containing cash in lieu of shares. However, it is important to note that, for options series adjusted in this manner, **it will not be possible to determine if the adjusted option is in- or out-of-the money by simply comparing the underlying stock price to the option strike price**. Option investors must always be aware of the number of shares in the deliverable and the fact that the premium/strike multiplier remains unchanged.

Please refer to OCC Memo # 23348 for more details and for examples of this new method. The memo can be found at:

<http://theocc.com/market/infomemos/2007/aug/23348.pdf>.

Please call me with any questions.