Treatment of Corporate Events for Single Stock Futures

OneChicago

This document provides a representative sampling of adjustments related to corporate events that will be applied to OneChicago's security futures contracts by OneChicago's clearinghouse, The Options Clearing Corporation (OCC). The examples listed in this document represent typical treatments for certain types of events and are not exhaustive of all possible events. OneChicago and its clearinghouse will address each corporate event as it occurs to determine appropriate treatment.

Revision: 2.4

Revision Date: October 21, 2010

Table of Contents

Introduction

The term "Corporate Event" is used to describe certain types of actions taken by a company's governing board that directly affect the valuation of the company's stock. Actions classified as Corporate Events include stock splits, dividends, extraordinary dividends, rights offerings, mergers, spin offs, tender offers, and certain other types of transactions. In some cases, derivatives exchanges must make adjustments to contract specifications with regard to Corporate Events to ensure continuity in the markets for the relevant derivative securities.

This document provides a representative sampling of adjustments related to corporate events that will be applied to OneChicago's single stock futures contracts by OneChicago's clearinghouse, The Options Clearing Corporation (OCC). Treatment of OneChicago futures contracts on narrow-based indices is outside the scope of this document.

The examples listed in this document represent typical treatments for certain types of events and are not exhaustive of all possible events. OneChicago and its clearinghouse will address each corporate event as it occurs to determine appropriate treatment.

OCC rules govern the application of adjustments for OneChicago single stock futures products.

General Approach

OneChicago and the OCC intend to treat corporate events for security futures in a manner similar to the current treatment for security options to the extent practical for the efficient operation of OneChicago's markets. Adjustments for Corporate Events are applied in a fashion aimed at maximizing the parity between pre-event and post-event market value of the security futures contract. OneChicago's treatment will often correspond to the adjustments made to derivatives products traded on other exchanges, with the exception of the OCX.NoDiv™ product as it relates to Ordinary Dividend or Distribution, although perfect symmetry is not always possible.

Pending corporate events will be communicated to market participants through a combination of notices and website information. The OCC will post information on its website.

Generally, required adjustments will be applied before the start of trading on the **"Ex-date,"** which is the first date on which the underlying security trades "Ex" (without) the event having an impact on the position of an investor holding the underlying security. For example, in the case of an ordinary cash dividend, the holder of the underlying stock must purchase the shares *prior* to the ex-dividend date to be entitled to receive the dividend payment. If a buyer of the stock purchases the shares on or after the ex-date, the holder is not entitled to receive the dividend payment.

Unless otherwise indicated, the **Settlement Price** referenced in this document is the settlement price on the day prior to the corporate event. The **Adjusted Settlement Price,** also known as the **Start of Day Price,** refers to the price to which the contract will be **marked from** on the ex-date of the event. In the absence of a corporate event, the Start of Day Price equals the previous day's settlement price.

The term **Trade Price** refers to the price at which a trade was initially executed. As some accounting systems retain this price for profit and loss calculations, some corporate events indicate that adjustments may need to be made to the value.

Mark-to Position Value is determined by multiplying the contract quantity times the settlement price times the contract multiplier. It is this value that demonstrates the contract parity before and after a corporate event. Examples in this document assume no price movement on ex-date.

Good 'til Canceled (GTC) order handling: Member firms must determine if the "Good 'til Canceled" (GTC) order terms meet their clients' objectives and cancel or cancel/replace orders as appropriate. The match engine does **NOT** automatically adjust GTC orders.

Corporate Events Codes

Corporate events will affect the product symbols OneChicago uses to designate its contracts. An explanation of OneChicago's corporate event coding may therefore be useful to readers of this document.

OneChicago's product codes range from three to six bytes in length depending on the type of future, the underlying symbol and the contract size. The second to last byte represents the contract specification indicator and will have a numeric range of 1 through 9 depending on the type of future and/or corporate event for that security. A "C" is inserted into the last byte to identify the product as a standard OneChicago contract or a "D" to identify the product as **OCX.NoDiv™** futures product.

For standard and OCX.NoDiv futures contracts, the contract specifications indicator byte will normally contain a value of "1" if no corporate events have occurred. As corporate events occur, the contract specifications byte may be changed to indicate that there are new specifications for the contract. By changing this byte, OneChicago will thereby provide for multiple listings of the same underlying security with different contract specifications.

In the case of OCX.Weekly futures the contract specifications indicator "5", "6", "7" and "8" represents the expiry week; "5" for the first Friday of the month, 6C for the 2nd Friday of the month, 7C for the 4th Friday of the month, 8C for the 5th Friday of the month.

Examples:

MSFT1C	Indicates a OneChicago single stock futures contract on Microsoft
MSFT2C	Indicates a OneChicago single stock futures contract on Microsoft subsequent to a corporate event
Or	
T1D	Indicates a OCX.NoDiv single stock futures contract on AT&T
T2D	Indicates a OCX.NoDiv single stock futures contract on AT&T subsequent to a corporate event

To allow for flexibility in OneChicago's product codes, specific types of events are not assigned specific codes. A change in the contract specifications byte designates only that a change has occurred, not the specific type of event that generated the change.

Treatment of Specific Corporate Events

1. Integral Stock Split

Event:

The underlying stock instrument is split into a greater number of shares for each prior share, and that split **is** evenly divisible by the original stock amount.

Treatment:

- For open positions, the number of contracts is multiplied by the split ratio and the start of day price (adjusted settlement price) will be divided by the split ratio.
- The adjustment is applied to all positions in all listed contract months
- The deliverable product does not change.
- The contract symbol remains the same
- GTC orders are not adjusted. Member firms must determine if the GTC order terms meet their clients' wishes and cancel/replace orders as appropriate.

Specifications:

Symbol Change	No change
Position quantity	Multiplied by split ratio
Contract multiplier	No change
Deliverable	No change
Prior Settlement price	Divided by split ratio
Original trade price	Divided by split ratio

Example:

ABCD announces a 3-for-1 stock split. A position was entered in at $90. On the day prior to the e x date, the futures settled at $100.

	Ex-Date – 1	**Ex-Date**
Position	Long 1 ABCD1C	Long 3 ABCD1C
Trade Price	$90	$30 ($90 / 3)
Settlement	$100.00	
Adjusted Settlement Price		$33.3333 (100 / 3)
Deliverable	100 shares ABCD	100 shares ABCD
Contract Multiplier	100	100
Mark-to Position Value	$10,000	$9,999.99

2. Non-Integral Stock Split

Event:
The underlying stock instrument is split into a greater number of shares for each prior share and that split is **NOT** evenly divisible by the original stock amount. For example: a 3-for-2 or 4-for-3 split.

Treatment:

- New product symbols for existing contracts are created with appropriate adjusted deliverable(s) attached.
- The contract multiplier is multiplied by the split ratio.
- The start of day price is divided by the split ratio.
- The adjustment is applied to all positions in all listed contract months.
- New contract months are not introduced on contracts that have had their terms modified by the corporate event.
- Standard contracts will be introduced after a one-day lag.
- GTC orders are not adjusted. Member firms must determine if the GTC order terms meet their clients' wishes and cancel or cancel/replace orders as appropriate.

Specifications:

Symbol change	New symbol
Position quantity	No change
Contract multiplier	Multiplied by split ratio
Deliverable	Multiplied by split ratio
Prior Settlement price	Divided by split ratio
Original trade price	Divided by split ratio

Example:

ABC announces a 3-for-2 stock split. A position was entered in at $90. On the day prior to the ex-date, the futures settled at $100.

	Ex-Date – 1	**Ex-Date**
Position	Long 1 ABCD1C	Long 1 ABCD2C
Trade Price	$90	$60
Settlement	$100.00	
Adjusted Settlement Price		$66.6666 (100 / (3/2))
Deliverable	100 shares ABCD	150 shares ABCD
Contract Multiplier	100	150
Mark-to Position Value	$10,000	$10,000.50
New standard contract		**Ex-Date + 1**
Trading Symbol		ABCD1C
Deliverable		100 shares ABCD
Contract Multiplier		100

3. Reverse Stock Split

Event:
In this type of event the underlying stock instrument has its number of shares outstanding reduced by a factor. For example, a 1-for-5 reverse stock split where each holder of 5 "old" shares" receives one "new" share of the company's stock. There are two methods available for handling this type of corporate event. OneChicago and its clearinghouse will decide on a case-by-case basis the alternative that best fits the nuances of the event.

Treatment Method 1 (similar to a non-integral stock split):

- New product symbols for existing contracts are created with appropriate adjusted deliverable(s) attached.
- The adjustment is applied to all positions in all listed contract months.
- Standard contracts will be introduced after a one-day lag.
- New contract months are not introduced on the contracts that have had their terms modified by the corporate event.
- GTC orders are not adjusted. Member firms must determine if the GTC order terms meet their clients' wishes and cancel or cancel/replace orders as appropriate.

Specifications:

Symbol change	New symbol
Position quantity	No change
Contract multiplier	Multiplied by reverse split ratio
Deliverable	Multiplied by reverse split ratio
Prior Settlement price	Divided by reverse split ratio
Original trade price	Divided by reverse split ratio

Example:

ABCD announces a 1-for-10 reverse stock split. A prior position had been initiated at a price of $5. On the day prior to the ex date, the futures settled at $2.

	Ex-Date – 1	**Ex-Date**
Position	Long 1 ABCD1C	Long 1 ABCD2C
Trade Price	$3	$30
Settlement	$2	$20
Deliverable	100 shares ABCD	10 shares ABCD
Contract Multiplier	100	10
Mark-to position value	$200	$200

New base contract	**Ex-Date + 1**
Trading Symbol	ABCD1C
Deliverable	100 shares ABCD
Contract Multiplier	100

Treatment Method 2 (Reverse Stock Split)

- New product symbols for existing contracts are created with appropriate adjusted deliverable(s) attached.
- The adjustment is applied to all positions in all listed contract months.
- Standard contracts will be introduced after a one-day lag.
- New contract months are not introduced on the contracts that have had their terms modified by the corporate event.
- GTC orders are not adjusted. Member firms must determine if the GTC order terms meet their clients' wishes and cancel or cancel/replace orders as appropriate.

Specifications:

Symbol change	New symbol
Position quantity	No change
Contract multiplier	No change
Deliverable	Multiplied by reverse split ratio
Prior Settlement price	No change
Original trade price	No change

Example:

ABCD announces a 1-for-10 reverse stock split. A prior position had been initiated at a price of $5. On the day prior to the ex date, the futures settled at $2.

	Ex-Date – 1	**Ex-Date**
Position	Long 1 ABCD1C	Long 1 ABCD2C
Trade Price	$3	$3
Settlement	$2	$2
Deliverable	100 shares ABCD	10 shares ABCD
Contract Multiplier	100	100
Mark-to position value	$200	$200

New base contract	**Ex-Date + 1**
Trading Symbol	ABCD1C
Deliverable	100 shares ABCD
Contract Multiplier	100

4. Extraordinary Cash Dividend

Event:

An extraordinary cash dividend is a cash dividend payment outside of the routine practice of periodic dividend payments. Note that no contract adjustments are made for routine cash dividends as they are accounted for in standard pricing models for securities and derivatives.

Treatment:

- The start of day price is reduced by the amount of the extraordinary dividend to ensure no mark to market variation occurs due to the corporate event.
- The deliverable remains the same.
- The adjustment is applied to all positions in all listed contract months
- GTC orders are not adjusted. Member firms must determine if existing GTC order terms meet their clients' wishes and cancel or cancel/replace orders as appropriate.

Specifications:

Symbol change	No change
Position quantity	No change
Contract multiplier	No change
Deliverable	No change
Settlement price	Previous day settle decreased by extraordinary dividend
Original trade price	Decreased by extraordinary dividend

Example:

ABCD announces a $10 per share extraordinary dividend. The position was entered into at $100 and on the day prior to the ex date, the futures settled at $100.

	Ex-Date – 1	**Ex-Date**
Position	Long 1 ABCD1C	Long 1 ABCD1C
Trade Price	$100	$90
Settlement	$100	
Adjusted Settlement Price		$90 ($100-$10)
Deliverable	100 shares ABCD	100 shares ABCD
Contract Multiplier	100	100
Mark-to position value	$10,000	$9,000

5. OCX.NoDiv™ Ordinary Dividend or Distribution

Event:

An ordinary dividend or distribution is a cash payment of dividends paid on a quarterly or other regular basis. Only **OCX.NoDiv™** futures products are adjusted. Note: Traditional "1C" OneChicago products **are not adjusted.**

Treatment:

- The start of day price is reduced by the amount of the dividend to ensure no mark to market variation occurs due to the corporate event.
- The deliverable remains the same.
- The adjustment is applied to all positions in all listed contract months
- GTC orders are not adjusted. Member firms must determine if existing GTC order terms meet their clients' wishes and cancel or cancel/replace orders as appropriate.

Specifications:

Symbol change	No change
Position quantity	No change
Contract multiplier	No change
Deliverable	No change
Settlement price	Previous day settle decreased by dividend
Original trade price	Decreased by dividend

Example:

ABCD announces a $1 per share dividend. The position was entered into at $100 and on the day prior to the ex date, the futures settled at $100.

	Ex-Date – 1	**Ex-Date**
Position	Long 1 ABCD1D	Long 1 ABCD1D
Trade Price	$100	$99
Settlement	$100	
Adjusted Settlement Price		$99 ($100-$1)
Deliverable	100 shares ABCD	100 shares ABCD
Contract Multiplier	100	100
Mark-to position value	$10,000	$9,900

6. Stock Dividend

Event:

Stock Dividends occur when a company issues stock as a dividend. Adjustments are handled in a manner similar to a non-integral stock split..

Treatment:

- New product symbols for existing contracts are created with appropriate adjusted deliverable(s) attached.
- The contract multiplier is multiplied by the stock dividend ratio.
- The start of day price is reduced (multiplied) by the ratio of the old deliverable to the new deliverable.
- The adjustment is applied to all positions in all listed contract months.
- Standard contracts are introduced after a one-day lag.
- New contract months are not introduced on contracts that have had their terms modified by the corporate event.
- GTC orders are not adjusted. Member firms must determine if existing GTC order terms meet their clients' wishes and cancel or cancel/replace orders as appropriate.

Specifications:

Symbol Change	New symbol
Position quantity	No change
Contract multiplier	Increased by amount of stock dividend
Deliverable	Increased by amount of stock dividend
Settlement price	Multiplied by old deliverable/new deliverable
Original trade price	Multiplied by old deliverable/new deliverable

Example:

ABCD announces a 5% stock dividend. The position was entered into at $90 and on the day prior to the ex date, the futures settled at $100.

	Ex-Date – 1	**Ex-Date**
Position	Long 1 ABCD1C	Long 1 ABCD2C
Trade Price	$90	$85.71 ($90 * (100/105))
Settlement	$100	
Adjusted Settlement Price		$95.24 ($100 * (100/105))
Deliverable	100 shares ABCD	105 shares ABCD
Contract Multiplier	100	105
Mark to position value	$10,000	$10,000.20

New standard contract	**Ex-Date + 1**
Trading Symbol	ABCD1C
Deliverable	100 shares ABCD
Contract Multiplier	100

7. Stock Rights Offering

Event:

A Stock Rights Offering occurs when a company announces that shareholders will be offered the right to purchase additional stock shares at a fixed price for a limited period. Essentially, this type of corporate event creates a two-step sequence of events. The first occurs on the effective date of the rights offering and the second when the rights expire. How the second event is treated depends on the nature of the offering.

Treatment:

- New product symbols for existing contracts are created with modified deliverable terms to reflect the additional stock rights. In order to maintain pricing parity new contracts listed before the rights expiration will also include a rights delivery factor.
- Unlike most events involving a deliverable modification, OneChicago will not introduce standard symbols during the rights period. Instead when the second step (rights expiration) occurs, the symbols will revert back to the standard symbol after rights related adjustments are made.
- At expiration of the rights, if the underlying stock rights are in the money, the prior days settlement price and the original trade price will be reduced by the amount that the stock right is in the money versus the underlying stock price so that no mark to market variation is triggered due to the corporate event.
- At expiration of the rights, if the underlying stock rights are out-of-the-money, no adjustment will be made to the start of the day price or the original trade price and the rights will be dropped from all of the outstanding contracts' deliverables.
- GTC orders are not adjusted. Member firms must determine if existing GTC order terms meet their clients' wishes and cancel or cancel/replace orders as appropriate.

Specifications:

Symbol change	New Symbol
Position quantity	No change
Contract multiplier	No change
Deliverable	For the stock rights distribution period, the deliverable includes the rights distribution.
Settlement price	Settlement price is adjusted downward by the in-the-money amount (if any) of the stock rights **at their expiration**.
Original trade price	Trade price is adjusted downward by the in-the-money amount (if any) of the stock rights **at their expiration**.

Example Stock Rights Offering:

On June 1, ABCD will begin trading with a stock distribution rights offering. Specifically, the previously held stock position will be augmented with the right to purchase 1 additional share of stock for each 10 shares previously held, at a strike price of $100 per share. The expiration date of this offering is July 1. The positions were entered into at $95 and on expiration the stock closes at $103, so that the rights are in-the-money. On July 2, the prior day settlement price and original trade price would be adjusted by the amount that the rights are in the money, which is 1/10 share * $3, or $.30.

	Ex-Date – 1 (May 31)	**Ex-Date (June 1)**
Position	Long 1 ABCD1C	Long 1 ABCD2C
Trade Price	$95	$95
Settlement	$95	$95
Deliverable	100 shares ABCD	100 shares ABCD + rights
Contract Multiplier	100	100
Mark to Position value	$9,500	$9,500

	Rights Expire (Jul 1)	**July 2nd**
Position	Long 1 ABCD2C	Long 1 ABCD1C
Trade Price	$95	$94.70
Settlement	$103	
Adjusted Prior Settlement		$102.70
Deliverable	100 shares ABCD + Rights	100 shares ABCD
Contract Multiplier	100	100
Mark to Position value	$10,300	$10,270

In the above example, if there was an expiration between June 1 and June 30 the deliverable would include 100 shares of ABCD + the stock rights.

8. Shares for Shares Merger

Event:

A "shares for shares" merger occurs when one company's shares will be replaced with the shares of another company.

Treatment:

- New product symbols for existing contracts are created with appropriate adjusted deliverable(s) attached.
- Each adjusted contract has a deliverable of the surviving entity shares in an amount based on the stock replacement ratio.
- The settlement price will be determined by multiplying the surviving entity's settlement price by the stock replacement ratio.
- The contract multiplier will remain the same.
- No new security futures contracts on the replaced company will be offered.
- GTC orders are not adjusted. Member firms must determine if existing GTC order terms meet their clients' wishes and cancel or cancel/replace orders as appropriate.

Specifications:

Symbol change	New symbol
Position quantity	No change
Contract multiplier	No change
Deliverable	Number of old contract shares multiplied by the replacement ratio and the replacement shares then become the contract deliverables
Settlement price	No change
Original trade price	No change

Example:

ABCD and PQRS announce a merger with ABCD shares being replaced by .65 shares of PQRS for every 1 share of ABCD. Assume that PQRS has a settlement of 76.92 on the day prior to Ex-Date.

	Ex-Date – 1	**Ex-Date**
Position	Long 1 ABCD1C	Long 1 ABCD2C
Trade Price	$50	$50
Settlement	$50	$50
Deliverable	100 shares ABCD	65 shares of PQRS
Contract Multiplier	100	100
Mark to Position value	$5,000	$4,999.80

9. Cash for Shares Merger

Event:

A merger where one entity has its stock replaced with an all cash amount.

Treatment:

- All contract months have their expiry accelerated to the nearest practical date following the effective date of the merger.
- All contracts of the entity being replaced cease trading on the Ex-Date and settle at the stated cash for shares price.
- No new contracts will be listed on the replaced entity
- Old contracts will be deactivated; GTC orders are not adjusted. Member firms must determine if existing GTC order terms meet their clients' wishes and cancel or cancel/replace orders ad appropriate.

Specifications:

Symbol change	No change (class is deactivated)
Position quantity	Terminates
Contract multiplier	Terminates
Deliverable	Cash settled based on stated cash amount
Settlement price	Stated cash amount
Original trade price	No change

Example:

ABCD and PQRS announce a merger with ABCD shares being replaced at $101 per share.

	Ex-Date – 1	**Ex-Date**
Position	Long 1 ABCD1C	Settled
Trade Price	$100	$100
Settlement	$101	$101
Deliverable	100 shares ABCD	Cash settled at $101
Contract Multiplier	100	100
Mark to Position value	$10,100	$10,100

10. Cash and Shares for Shares Merger

Event:

A merger where one company's shares will be replaced with the shares of another company in addition to a cash amount.

Treatment:

- New product symbols for existing contracts are created with appropriate adjusted deliverable(s) attached.
- Each adjusted contract has a deliverable of the surviving entity shares in an amount based on the stock replacement ratio in addition to the cash amount.
- If fractional shares are involved, a settlement price adjustment or a "cash in lieu" of those fractional shares may be part of the deliverable. See note below.
- The contract multiplier remains the same.
- No new security futures contracts on the replaced company will be offered.
- GTC orders are not adjusted. Member firms must determine if existing GTC order terms meet their clients' wishes and cancel or cancel/replace orders as appropriate.

Specifications:

Symbol change	New symbol
Position quantity	No change
Contract multiplier (lot size)	No change
Deliverable	Surviving entity shares multiplied by the replacement ratio + cash
Settlement price	No change
Original trade price	No change

Example:

ABCD and PQRS announce a merger with ABCD shares being replaced by .65 shares of PQRS for every 1 share of ABCD plus $0.20 cash for each share of ABCD.

	Ex-Date – 1	Ex-Date
Position	Long 1 ABCD1C	Long 1 ABCD2C
Trade Price	$100	$100
Settlement	$100	$100
Deliverable	100 shares ABCD	65 shares of PQRS + $20 cash
Contract Multiplier	100	100
Mark-to Position value	$10,000	$10,000

Note: In certain circumstances it may be appropriate to utilize a technique whereby the prior day's settlement price is adjusted in order to more closely align with OCC's determination of its handling of related security options, if any exist.

11. New Entity Merger

Event:

A merger where both company's shares will be replaced by a new entity with new shares. The treatment for this type of event mirrors that of the Shares for Shares Merger except that there are multiple corporate entities have their shares replaced.

Treatment:

- New product symbols for existing contracts are created with appropriate adjusted deliverable(s) attached.
- Each adjusted contract has a deliverable of the surviving entity's shares in an amount based on the stock replacement ratio.
- The contract multiplier remains unchanged.
- No new security futures contracts on the replaced companies will be offered.
- GTC orders are not adjusted. Member firms must determine if existing GTC order terms meet their clients' wishes and cancel or cancel/replace orders as appropriate.

Specifications:

Symbol Change	New symbol
Position quantity	No change
Contract multiplier	No change
Deliverable	Surviving entity shares in an amount equal to old contract shares multiplied by the replacement ratio
Settlement price	No change
Original trade price	No change

Example:

ABCD and PQRS announce a merger forming a new company WXYZ. Each ABCD share will be replaced by .65 shares of WXYZ. Each share of PQRS will be replaced by .80 shares of WXYZ. Old contract settlements imply a $130 start of day price for WXYZ on ex-date.

	Ex-Date – 1	**Ex-Date**
Position	Long 1 ABCD1C	Long 1 ABCD2C
Trade Price	$100	$100
Settlement	$84.50	$84.50
Deliverable	100 shares ABCD	65 shares of WXYZ
Contract Multiplier	100	100
Mark-to Position Value	$8,450	$8,450 (65 * $130) and (100 * 84.50)

	Ex-Date – 1	**Ex Date**
Position	Long 1 PQRS1C	Long 1 PQRS2C
Trade Price	$100	$100
Settlement	$104	$104
Deliverable	100 shares ABCD	80 shares of WXYZ
Contract Multiplier	100	100
Mark-to Position Value	$10,400	$10,400 (80 * $130) and (100 * $104)

12. Spin-Offs

Event:

A "spin off" occurs when a company creates a separate entity out of an existing part of the company.

Treatment:

- New product symbols for existing contracts are created with appropriate adjusted deliverable(s) attached.
- Each adjusted contract has a deliverable of the original contract deliverable plus shares reflecting the spin-off ratio of the new entity.
- Newly listed contract months will not reflect the spun-off entity.
- Standard contracts will be introduced after a one day lag
- GTC orders are not adjusted. Member firms must determine if existing GTC order terms meet their clients' wishes and cancel or cancel/replace orders as appropriate.

Specifications:

Symbol Change	New symbol
Position quantity	No change
Contract multiplier	No change
Deliverable	Original deliverable + some number of shares of new contract based on the spin-off ratio
Settlement price	No change
Original trade price	No change

Example:

ABCD announces a spin-off that creates an entity, PQRS, having a spin-off ratio of 1 share for every 10 shares of ABCD.

	Ex-Date – 1	**Ex-Date**
Position	Long 1 ABCD1C	Long 1 ABCD2C
Trade Price	$90	$90
Settlement	$100	$100
Deliverable	100 shares ABCD	100 shares of ABCD + 10 shares of PQRS
Contract Multiplier	100	100

New standard contract	**Ex-Date + 1**
Trading Symbol	ABCD1C
Deliverable	100 shares ABCD
Contract Multiplier	100

13. Tender Offers/Election Mergers

A tender offer is an event where a corporation has offered to repurchase its stock from shareholders in return for cash and/or other assets. The primary tender offer is often coupled with additional offerings in which the shareholders may elect to participate. (Note that sometimes these elections are not disclosed at the time of the initial offering.) Non-cash components of the offer may then result in the company reorganizing, merging or being purchased by another entity. Since shareholders effectively choose whether to participate in these offerings, these types of events are often referred to as "Election Mergers."

As with many Corporate Events described in this document, an announcement of a tender offer or election merger does not by itself trigger adjustments to open positions in single stock futures contracts on the security in question. Instead, the announcement may portend a potential action that will take place at a later date if the relevant threshold(s) specified in the offering are met.

If the prescribed terms of the offer are met when the final election date is reached, the corporation will often go through a merger or other exchange of assets for shareholders who have elected not to tender their shares. If and when the merger or asset exchange becomes effective for the shareholder of the security, OneChicago contracts will usually be adjusted in accordance with the rights of these "non-electing" shareholders.

Typical adjustments to be applied to these contracts are described under various sections of this document, although this document is not meant to be an exhaustive listing of all possible events and/or adjustments.

Example:

Company ABCD has made a tender offer to its shareholders to repurchase shares at $50 per share. Each share that is not tendered under this offer will be exchanged for 5 shares of XYZ stock.

> OneChicago's security futures contracts will be adjusted to reflect the shares not tendered under the offer when the subsequent merger or similar event is actually consummated. This adjustment would be handled as per the treatment of a Shares for Shares Merger described in this document, reflecting that each share of non-tendered ABCD stock will beis being replaced with 5 shares of XYZ stock.

14. In the case of bankruptcy of the underlying security

Provided the underlying stock continues trading, OneChicago LLC will continue to trade the Single Stock Future "SSF" and the Options Clearing Corporation "OCC" will continue to clear the SSF and deliver the stock.

The information in this document has been compiled by OneChicago, LLC for general information purposes only. Although every attempt has been made to ensure the accuracy of the information, OneChicago assumes no responsibility for any errors or omissions. All examples in these materials are hypothetical situations used for explanation purposes only and should not be considered investment advice. All matters pertaining to rules and specifications herein are made subject to and are superseded by the official OneChicago rules.