Options Clearing Corp. ("OCC") will be the exclusive issuer of the Products which the Exchange proposes to issue in accordance with the disclosure scheme provided for under Rule 9b-1 of the Act ("Rule 9b-1"). The Products will be issued in separate series with each series having its own distinct CUSIP number and trading symbol. The Products will be issued in book-entry form. DIVS, ZIPS and SPECS will be created when opening buy and sell orders are executed, and the additional execution of such orders will increase the open interest. Quotations and transaction reporting will occur through the facilities of the Options Price Reporting Authority.

The criteria for underlying common stocks upon which the Products will be based are the same criteria as utilized for standardized equity options listed on the PHLX under PHLX Rule 1009. Additionally, only the top 250 capitalized stocks traded on a national securities exchange or the NASDAQ national market will be considered for listing (See Rule 1009C). DIVS, ZIPS and SPECS of a particular series will all be issued for the same length of time. currently proposed to be up to 60 months, and therefore all components of the same series will possess the same termination date ("Termination Date"), as defined in PHLX Rule 1000C(b)(5). The Products will have a Europeanstyle 1 settlement similar to standardized options.

ZIPS and SPECS of the same series also will have a coordinate termination claim ("Termination Claim"), as defined in PHLX Rule 1000C(b)(4). The Termination Claim is a preset price established at the time of the issuance of a new series of SPECS and ZIPS and is used to determine these instruments' payout on their Termination Date. In accordance with the PHLX Rule 1004C. Termination Claims will be set at the underlying stock price reflecting the most recent business day's consolidated closing value rounded up to the nearest \$2.50 increment for stocks priced at or below \$25.00 or to the nearest \$5.00 increment for stocks priced above \$25.00. The PHLX may list new series of DIVS, ZIPS and SPECS annually, or at more frequent intervals, depending on market conditions. No new series will be opened nor opening transactions be permitted if open interest in DIVS, ZIPS and SPECS represent more than 10 percent of the outstanding shares of any related underlying stock. See Rule 1012C.

The PHLX anticipates that the sum of the market prices of DIVS, ZIPS and SPECS on the same underlying security with the same Termination Date and Termination Claim will approximate the actual market price for the related underlying security. Because DIVS, ZIPS and SPECS are each economic interests in a single underlying share, if the combined price of a DIVS, ZIPS and SPECS diverges from that of the underlying security, the Exchange believes that arbitrage opportunities would tend to remove the pricing disparity.

As discussed below, the Products confer voting rights to their purchasers. The voting rights are allocated among the three components, as discussed below. In this regard, sellers of the Products are obligated to deliver the voting rights to the purchasers.

For customer margin purposes, DIVS, ZIPS and SPECS are contemplated to be margined as equity securities pursuant to Regulation T for initial margin and PHLX Rule 722 for maintenance margin.²

Characteristics of Individual Components DIVS

The basic characteristic of DIVS will be the right to receive substitute payments in the same amount (and at the same time) as regular dividends declared and paid on the underlying shares of common stock for all record dates that precede the Termination Date of the particular series of DIVS.

On each ex-dividend date, OCC will notify clearing members of debits they have incurred on OCC's books for any net short DIVS positions. These debits will be charged to such clearing members' accounts at OCC on payment date. Ex dates and payment dates will coincide with that of the underlying common stock. Hence, DIVS sellers assume the obligation to fund the substitute dividend payments with respect to DIVS as they arise. On the Termination Date for a particular series of DIVS, DIVS holders' rights will cease except as to rights to unpaid dividends declared as of a record date occurring prior to the Termination Date.

ZIPS

Each ZIPS will confer the right to receive on the Termination Date that number of underlying common shares to which the ZIPS relate having an aggregate value (determined soley by reference to the market price) equal to the lesser of (i) the Termination Claim for that class of ZIPS or (ii) the market price of the common shares on the Termination Date. 3

For example, if the Termination Claim for a class of ZIPS is \$50, and on the Termination Date of the ZIPS the market price of the related underlying common stock is \$80, a holder of 100 ZIPS would be entitled to receive that number of common shares with an aggregate market value of 100×\$50=\$5,000. \$5,000/\$80 equals 62.5 shares, so that an owner would be entitled to 62 whole shares and a payment of cash in lieu of the fractional share of \$40.4 Brokers holding short component positions for clients would make delivery of the shares and cash for any fractional shares. Brokers holding long component positions for their clients would receive the shares and cash for any fractional shares, which they will forward to their clients.

SPECS

SPECS will reflect the appreciation in value above the Termination Claim for that series of SPECS. Specifically, SPECS will constitute the right to receive on the Termination Date that number of related common shares having a market value equal to the amount, if any, by which the market price of the related common shares exceeds the Termination Claim.

From the example given in the discussion above of ZIPS, an owner of 100 SPECS with respect to the same series of ZIPS would be entitled to receive the following number of common shares: $100 \times (\$80 - \$50) = \$3,000. \$3,000/\$80$

100×(\$80 – \$50)=\$3,000. \$3,000/\$80 equals 37.5 common shares, so the owner of the 100 SPECS would be entitled to 37 whole shares and a cash payment in lieu of the fractional share of \$40.5

On the Termination Date for a class of ZIPS or SPECS, OCC will instruct delivery, based on information provided by the brokers. Shares of the underlying stock will be delivered from the accounts of investors short the ZIPS or SPECS to satisfy the entitlements of those investors long the ZIPS and SPECS.

¹ A European-style option may only be exercised during a limited period of time before the option expires.

² The PHLX and counsel for ASPC are currently seeking agreement and confirmation of this treatment from the staff of the Board of Governors of the Federal Reserve System.

³ All references to market price are to the last sale price on the relevant day as set forth on the appropriate consolidated tape, or if there is no such last sale price, the mean of the closing bid and ask price or as otherwise approved by the Commission prior to the commencement of trading in a series.

⁴ If the market price of a share of the related common stock on the Termination Date had been \$50 or less, the owner of the 100 ZIPS would have received 100 shares of the underlying common stock. Exercise procedures in accordance with OCC guidelines would be followed on Termination Date.

⁵ If the market price of a common share had been less than \$50 (the Termination Claim), the SPECS would expire worthless.