



#41556

DATE: JULY 25, 2017

SUBJECT: REYNOLDS AMERICAN INC. - CONTRACT ADJUSTMENT
OPTION SYMBOL: 7/25/17 - RAI remains RAI
7/26/17 - RAI becomes BTI1
FUTURES SYMBOLS: 7/25/17 - RAI1D remains RAI1D
7/26/17 - RAI1D becomes RAI2D
7/25/17 - RAI1I remains RAI1I
7/26/17 - RAI1I becomes RAI2I
7/25/17 - RAI1J remains RAI1J
7/26/17 - RAI1J becomes RAI2J
7/25/17 - RAI1K remains RAI1K
7/26/17 - RAI1K becomes RAI2K
7/25/17 - RAI4T remains RAI4T
7/26/17 - RAI4T becomes RAI6T
7/25/17 - RAI4W remains RAI4W
7/26/17 - RAI4W becomes RAI6W
7/25/17 - RAI4H remains RAI4H
7/26/17 - RAI4H becomes RAI6H
7/25/17 - RAI4F remains RAI4F
7/26/17 - RAI4F becomes RAI6F
7/25/17 - RAI5M remains RAI5M
7/26/17 - RAI5M becomes RAI6M

DATE: 7/25/17

Contract Adjustment

DATE: July 25, 2017

OPTION SYMBOL: 7/25/17 - RAI remains RAI (with adjusted deliverable described below)
7/26/17 - RAI becomes BTI1

STRIKE DIVISOR: 1

CONTRACTS MULTIPLIER: 1

NEW MULTIPLIER: 100 (e.g., a premium of 1.50 yields \$150; a strike of 65 yields \$6,500.00)

NEW DELIVERABLE PER CONTRACT:

- 1) 52 British American Tobacco p.l.c. (BTI) American Depositary Shares
- 2) Cash in lieu of 0.6 fractional BTI shares
- 3) \$2,944.00 Cash (\$29.44 x 100)

CUSIP: BTI: 110448107

PRICING

Until the cash in lieu amount is determined, the underlying price for BTI1 will be determined as follows:

$$\text{BTI1} = 0.526 (\text{BTI}) + 29.44$$

DELAYED SETTLEMENT

The BTI component of the BTI1 deliverable will settle through National Securities Clearing Corporation (NSCC). OCC will delay settlement of the cash portion of the BTI1 deliverable until the cash in lieu of fractional BTI shares is determined. Upon determination of the cash in lieu amount, OCC will require Put exercisers and Call assignees to deliver the appropriate cash amount.

Futures Contract Adjustment

DATE: July 25, 2017

FUTURES SYMBOLS: 7/25/17 - RAI1D remains RAI1D (with adjusted deliverable described below)
7/26/17 - RAI1D becomes RAI2D
7/25/17 - RAI4T remains RAI4T (with adjusted deliverable described below)
7/26/17 - RAI4T becomes RAI6T
7/25/17 - RAI4W remains RAI4W (with adjusted deliverable described below)
7/26/17 - RAI4W becomes RAI6W
7/25/17 - RAI4H remains RAI4H (with adjusted deliverable described below)
7/26/17 - RAI4H becomes RAI6H
7/25/17 - RAI4F remains RAI4F (with adjusted deliverable described below)
7/26/17 - RAI4F becomes RAI6F
7/25/17 - RAI5M remains RAI5M (with adjusted deliverable described below)
7/26/17 - RAI5M becomes RAI6M
7/25/17 - RAI1I remains RAI1I (with adjusted deliverable described below)
7/26/17 - RAI1I becomes RAI2I
7/25/17 - RAI1J remains RAI1J (with adjusted deliverable described below)
7/26/17 - RAI1J becomes RAI2J
7/25/17 - RAI1K remains RAI1K (with adjusted deliverable described below)
7/26/17 - RAI1K becomes RAI2K

NUMBER OF CONTRACTS: No Change

MULTIPLIER 100 (e.g., a premium of 1.50 yields \$150)

NEW DELIVERABLE PER CONTRACT: 1) 52 British American Tobacco p.l.c. (BTI) American Depositary Shares
2) Cash in lieu of 0.6 fractional BTI shares
3) \$2,944.00 Cash (\$29.44 x 100)

CUSIP: BTI: 110448107

PRICING

Until the cash in lieu amount is determined, the underlying price for the RAI2D/RAI2I/RAI2J/RAI2K/RAI6T/

RAI6W/RAI6H/RAI6F/RAI6M contract deliverables, expressed in term of current market value, would be calculated as follows:

$$\text{RAI2D} = 0.526 (\text{BTI}) + 29.44$$

Please note that the valuation would apply only to the RAI2D/RAI2I/RAI2J/RAI2K/RAI6T/RAI6W/RAI6H/RAI6F/RAI6M deliverables in terms of current market value of the deliverable securities. The resulting price would not be equivalent to the daily settlement price of a futures contract month, whose determination would include cost of money carrying charges, adjustment for dividends, and other factors.

DELAYED SETTLEMENT

The BTI component of the RAI2D/RAI2I/RAI2J/RAI2K/RAI6T/RAI6W/RAI6H/RAI6F/RAI6M deliverables will settle through National Securities Clearing Corporation (NSCC). OCC will delay settlement of the cash portion of the RAI2D/RAI2I/RAI2J/RAI2K/RAI6T/RAI6W/RAI6H/RAI6F/RAI6M deliverables until the cash in lieu of fractional BTI shares is determined. Upon determination of the cash in lieu amount, OCC will require delivery of the appropriate cash amount.

BACKGROUND

On July 19, 2017, Shareholders of Reynolds American Inc. (RAI) voted concerning the proposed merger with British American Tobacco p.l.c. (BTI). The merger was approved and subsequently consummated before the open on July 25, 2017. As a result, each existing RAI Common Share will be converted into the right to receive 0.526 BTI American Depositary Shares plus \$29.44 Cash. Cash will be paid in lieu of fractional BTI shares.

DISCLAIMER

This Information Memo provides an unofficial summary of the terms of corporate events affecting listed options or futures prepared for the convenience of market participants. OCC accepts no responsibility for the accuracy or completeness of the summary, particularly for information which may be relevant to investment decisions. Option or futures investors should independently ascertain and evaluate all information concerning this corporate event(s).

The determination to adjust options and the nature of any adjustment is made by a panel of The OCC Securities Committee pursuant to OCC By-Laws, Article VI, Sections 11 and 11A. The adjustment panel is comprised of representatives from OCC and each exchange which trades the affected option. The determination to adjust futures and the nature of any adjustment is made by OCC pursuant to OCC By-Laws, Article XII, Sections 3, 4, or 4A, as applicable. For both options and futures, each adjustment decision is made on a case by case basis. Adjustment decisions are based on information available at the time and are subject to change as additional information becomes available or if there are material changes to the terms of the corporate event(s) occasioning the adjustment.

ALL CLEARING MEMBERS ARE REQUESTED TO IMMEDIATELY ADVISE ALL BRANCH OFFICES AND CORRESPONDENTS ON THE ABOVE.

For questions regarding this memo, call Investor Services at 1-888-678-4667 or email investorservices@theocc.com. Clearing Members may contact Member Services at 1-800-544-6091 or, within Canada, at 1-800-424-7320, or email memberservices@theocc.com.