



#34660

TO: ALL CLEARING MEMBERS

DATE: MAY 21, 2014

SUBJECT: TIME WARNER INC. - DISTRIBUTION
OPTION SYMBOL: TWX
NEW SYMBOL: TWX1
FUTURES SYMBOLS: TWX1C/TWX1D
NEW SYMBOLS: TWX2C/TWX2D
DATE: 6/9/14
***** UPDATE *****

CONTRACT ADJUSTMENT - OPTIONS

EFFECTIVE DATE: June 9, 2014

OPTION SYMBOL: TWX changes to TWX1

STRIKE PRICES: No Change

NUMBER OF CONTRACTS: No Change

MULTIPLIER: 100 (e.g., a premium of 1.50 yields \$150; a strike of 67.5 yields \$6,750)

NEW DELIVERABLE PER CONTRACT

- 1) 100 Time Warner Inc. (TWX) Common Shares
- 2) 12 Time Inc. (TIME) Common Shares
- 3) Cash in lieu of 0.5 fractional TIME Shares

SETTLEMENT ALLOCATION:

TWX: 95%
TIME: 5%

CUSIPS:

TWX: 887317303
TIME: 887228104

THE SETTLEMENT ALLOCATION OF THE TOTAL STRIKE PRICE AMOUNT IS BEING PROVIDED SOLELY FOR THE PURPOSE OF THE INTERFACE BETWEEN OCC AND THE NATIONAL SECURITY CLEARING CORPORATION (NSCC), AND IS NOT INTENDED TO BE USED FOR ANY OTHER PURPOSE, TRANSACTION OR CUSTOMER ACCOUNT STATEMENTS.

PRICING

Until the cash in lieu amount is determined, the underlying price for TWX1 will be determined as follows:

$$\text{TWX1} = \text{TWX} + 0.125 (\text{TIME})$$

DELAYED SETTLEMENT

The TWX and TIME components of the TWX1 deliverable will settle through National Securities Clearing Corporation (NSCC). OCC will delay settlement of the cash portion of the TWX1 deliverable until the cash in lieu of fractional TIME 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.

CONTRACT ADJUSTMENT - FUTURES

EFFECTIVE DATE:	June 9, 2014
FUTURES SYMBOLS:	TWX1C changes to TWX2C TWX1D changes to TWX2D
SETTLEMENT PRICES:	No Change
NUMBER OF CONTRACTS:	No Change
MULTIPLIER:	100 (e.g., a premium of 1.50 yields \$150)
NEW DELIVERABLE PER CONTRACT	1) 100 Time Warner Inc. (TWX) Common Shares 2) 12 Time Inc. (TIME) Common Shares 3) Cash in lieu of 0.5 fractional TIME Shares
SETTLEMENT ALLOCATION:	TWX: 95% TIME: 5%
CUSIPS:	TWX: 887317303 TIME: 887228104

THE SETTLEMENT ALLOCATION IS BEING PROVIDED SOLELY FOR THE PURPOSE OF THE INTERFACE BETWEEN OCC AND THE NATIONAL SECURITY CLEARING CORPORATION (NSCC), AND IS NOT INTENDED TO BE USED FOR ANY OTHER PURPOSE, TRANSACTION OR CUSTOMER ACCOUNT STATEMENTS.

PRICING

Until the cash in lieu amount is determined, the underlying price for the TWX2C/TWX2D Futures contract deliverables, expressed in term of current market value, would be calculated as follows:

$$\text{TWX2C} = \text{TWX} + 0.125 (\text{TIME})$$

Please note that the valuation would apply only to the TWX2C/TWX2D 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 TWX and TIME components of the TWX2C/TWX2D deliverable will settle through National Securities Clearing Corporation (NSCC). OCC will delay settlement of the cash portion of the TWX2C/TWX2D deliverable until the cash in lieu of fractional TIME shares is determined. Upon determination of the cash in lieu amount, OCC will require delivery of the appropriate cash amount.

BACKGROUND

Time Warner Inc. (TWX) has announced a distribution of Time Inc. (TIME) Common Shares. The distribution ratio is 0.125 TIME shares for each TWX share held. The record date is May 23, 2014; the mail date is June 6, 2014. The New York Stock Exchange (NYSE) has set June 9, 2014, as the ex-distribution date for this distribution.

Time Inc. Common Shares began trading on a when issued basis on May 21, 2014 on NYSE under the trading symbol TIME WI.

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.

Questions regarding this memo can be addressed to Member Services at (800) 544-6091. Within Canada call (800) 424-7320.

CATEGORY: CONTRACT ADJUSTMENT