C2 Research Circular #C2-RS12-011

DATE: April 12, 2012
TO: Permit Holders
FROM: Scott Speer

RE: **ConocoPhillps ("COP")**
Distribution of Shares of
Phillips 66 ("PSX")
Ex-Distribution Date: May 1, 2012

ConocoPhillps ("COP") has announced a distribution of shares of Phillips 66 ("PSX") Common Stock. The distribution ratio will be **one (1)** share of Phillips 66 ("PSX") Common Stock for **every two (2)** shares of ConocoPhillps, Class A ("COP") Common Stock held of record April 16, 2012. The mail date for the distribution will be April 30, 2012. Phillips 66 was admitted to "when issued" trading under the symbol PSX WI on the NYSE on April 12, 2012. Beginning April 12, 2012 through April 30, 2012, ConocoPhillps will be trading on the NYSE on a "regular way" basis under the symbol COP, and on an "ex-distribution"-"when issued" basis under the symbol COP WI. Phillips 66 "when issued" trading and ConocoPhillps "ex-distribution"-"when issued" trading will be suspended as of the opening on May 1, 2012. **The ex-date for the distribution will be Tuesday, May 1, 2012.**

Contract Adjustment

Pursuant to Article VI, Section 11 and 11A of OCC's By-Laws, all COP options outstanding as of Tuesday, May 1, 2012, shall be adjusted to require the per-contract delivery or receipt of the following: **(A) 100 shares of ConocoPhillps Class A ("COP") Common Stock; plus (B) 50 shares of Phillips 66 ("PSX") Common Stock.** The COP option symbol will change to **COP1**. Premiums and strike-price amounts for the adjusted COP1 options will continue to be calculated on the basis of a multiplier of 100, *i.e.*, for premium and strike-price extensions, 1.00 will equal $100. Strike prices will remain the same. [Any FLEX series that may exist will be adjusted in a similar manner to the standardized option.]

New Unadjusted Series

To facilitate the maintenance of a fair and orderly market in ConocoPhillps options, new COP series with a contract unit of 100 shares will be introduced on Wednesday, May 2, 2012. The COP series will be added for May, June, August, November, and January expirations at exercise prices nearest the money.

Settlement Procedures

The OCC will delay settlement of COP1 exercise and assignment activity until the end of "when issued" trading in Phillips 66.

GTC Order Conversion

On Monday, April 30, 2012, immediately after the C2 close, the system will convert or cancel all resting orders in the COP order book. If your firm has requested, all booked orders (phone, wire, and electronic) and all ORS orders

residing outside the book (booth or crowd routed) will be converted reflecting the adjustment. If your firm has requested, all booked orders and ORS orders residing outside of the book will be canceled. If your firm receives CXL drops, the CXL confirms will print at your booth at 3:15 p.m. ORS CXLs will also be transmitted electronically to your branches.

A report will be available at the Help Desk listing the orders that are converted or canceled. If converted, this list will also show how the new orders will be adjusted. This report will be available on request anytime during the day prior to the night of the adjustment.

Order Entry After Adjustment

In entering orders, it is essential for member firms to identify trades in old (adjusted) series with the option symbol COP1; trades in the new (unadjusted) ConocoPhillps series must have the standard option symbol COP. Brokers should make certain that customers entering closing transactions describe the option series with the correct symbol. Negligence in this matter could lead customers to establish new positions in unadjusted series rather than closing out existing positions in adjusted series.

Position and Exercise Limits

The Department of Market Regulation has determined that: "The position and exercise limits following this stock distribution will remain the same."

Questions regarding this memo can be addressed to Options Industry Services at 1-888-OPTIONS (1-888-678-4667). C2 contract adjustment memos can also be accessed from C2Exchange.com at the following web address:

http://www.C2Exchange.com/ContractAdjustments