



THE OPTIONS CLEARING CORPORATION

#19542

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DATE: MARCH 8, 2004

**SUBJECT: UNISOURCE ENERGY CORPORATION – ANTICIPATED CASH
SETTLEMENT
OPTION SYMBOL: UNS
DATE: ???**

On March 29, 2004, Shareholders of UniSource Energy Corporation (“UNS”) will vote concerning a proposed merger with Saguaro Utility Group L.P. If the merger is approved and consummated, each existing UNS Common Share will be converted into the right to receive \$25.25 net cash per share.

THE FOREGOING IS AN UNOFFICIAL SUMMARY OF THE TERMS OF THE MERGER, PREPARED BY OCC FOR THE CONVENIENCE OF CLEARING MEMBERS. OCC ACCEPTS NO RESPONSIBILITY FOR THE ACCURACY OR COMPLETENESS OF THE SUMMARY. CLEARING MEMBERS SHOULD REFER TO THE UNS PROXY STATEMENT DATED FEBRUARY 23, 2004, FOR THE AUTHORITATIVE DESCRIPTION OF THE MERGER AND ALL ITS TERMS AND CONDITIONS.

CONTRACT ADJUSTMENT

Pursuant to Article VI, Section 11, of OCC’s By-Laws, a panel of OCC’s Securities Committee has determined to adjust all UNS options as indicated below (the panel consists of two representatives from the Exchanges on which the affected option is traded (in this case the Pacific Exchange (“PCX”)) and the Chairman of OCC or his delegee, who only votes in case of a tie).

DATE: Effective the opening of the business day after the merger is consummated. Contract Adjustment is expected to occur during the second half of 2004.

**NEW DELIVERABLE
PER CONTRACT:** \$2,525.00 (\$25.25 x 100)

Settlement in UNS options will take place through OCC’s cash settlement system. Settlement will be accomplished by payment of the difference between the extended strike amount and the cash deliverable.

Existing UNS open interest will remain open until it is exercised or expires. Since UNS options are American-style, they are exercisable at the option of the holder.

THE FOREGOING POSSIBLE ADJUSTMENT IS BASED ON THE INFORMATION AVAILABLE AT THIS TIME. THE DETERMINATION TO ADJUST AND THE EXTENT OF THE ADJUSTMENT ARE

SUBJECT TO CHANGE AS ADDITIONAL INFORMATION BECOMES AVAILABLE OR IF THERE ARE MATERIAL CHANGES TO THE TERMS OF THIS MERGER.

CATEGORY: CONTRACT ADJUSTMENT
SUB-CATEGORY: CASH SETTLEMENT

For questions regarding this memo call 1-888-OPTIONS or email options@theocc.com.