



# THE OPTIONS CLEARING CORPORATION

#24719

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**DATE:** JULY 31, 2008

**SUBJECT:** KRAFT FOODS INC. – PARTIAL EXCHANGE OFFER  
OPTION SYMBOL: KFT/YTW (10)  
PREVIOUSLY ADJUSTED SYMBOLS: ZKM/1MOZ22  
FUTURES SYMBOL: KFT1C  
EXPIRATION DATE: 8/4/08

**\*\*\*UPDATE\*\*\***

**IMPORTANT NOTE: DTC'S EXPIRATION DATE FOR THIS EXCHANGE OFFER WILL BE AUGUST 1, 2008.**

Kraft Foods Inc. ("KFT") is the subject of a Partial Offer to Exchange (The "Offer"), as described below:

**PURCHASER:** Kraft Foods Inc. ("KFT")

**SECURITY TO BE PURCHASED:** Kraft Foods Inc. ("KFT") Class A Common Shares

**QUANTITY:** Approximately 49,354,940 KFT Class A Common Shares

**EXCHANGE TERMS:** See Below

**EXPIRATION:** 8:00 A.M., New York City Time, on August 4, 2008, unless extended

**EXCHANGE AGENTS:** Wells Fargo Bank, NA

**GUARANTY PERIOD\*:** Three (3) New York Stock Exchange ("NYSE") Trading Days

\*Under the terms of this Offer, shares not immediately available may nevertheless be tendered provided they are tendered under a properly executed "Notice of Guaranteed Delivery", and valid delivery is subsequently made within the specified "guaranty period". Call option holders anticipating using this method to tender shares must exercise no later than **August 1, 2008, one day prior to the expiration date of August 4, 2008**, unless this date is extended. Holders of long, physically-settled security futures contracts can tender shares only if their long

futures contracts mature on or before the expiration date of the Offer. In all cases it is the sole responsibility of the person tendering to comply with all terms and conditions of the Offer.

## **EXCHANGE TERMS**

Approximately \$1.11 of value of Ralcorp Holdings, Inc Common Shares for each Class A Common Share of Kraft Foods Inc. ("KFT").

THE FOREGOING IS AN UNOFFICIAL SUMMARY OF THE TERMS OF THE EXCHANGE OFFER, 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 KFT OFFER TO EXCHANGE DATED JUNE 25, 2008, FOR THE AUTHORITATIVE DESCRIPTION OF THE OFFER AND ALL ITS TERMS AND CONDITIONS.

## **DELIVERY SETTLEMENT AND PROTECT PROVISIONS**

Option contracts which are exercised, and physically-settled security futures contracts which mature, will require the settlement of all component securities included in the contract deliverable at the time of the futures contract maturation or option contract exercise, including rights, warrants, or similar instruments. Additional entitlements (such as due bills, eligibility to participate in tender offers, elections, etc.) may also automatically attach to securities deliverable upon physically-settled futures contract maturity or option exercise. Conversely, securities not included in the contract deliverable at the time of the option exercise or futures contract maturity, or other entitlements not associated with the underlying deliverable securities, may preclude holders of long futures contracts from realizing the benefit of such entitlements. For example, if a physically-settled security futures underlying security is the subject of a tender offer, exchange offer, or similar event which expires *before* the futures contract reaches its maturity, the securities due to long futures holders upon maturity *will not* be eligible for participation in the tender/exchange offer. Conversely, if such tender offer, exchange offer or similar event expires *after* the futures contract matures, securities deliverable to long futures holders *will* be eligible for participation in these events.

Except in unusual cases, securities deliverable as a result of equity option exercise or the maturity of physically-settled security futures are settled through National Securities Clearing Corporation ("NSCC").

Rights and obligations of Members with respect to securities settling at NSCC as a result of an option exercise or assignment or a physically-settled security future delivery or receipt obligation are governed by the rules of NSCC. NSCC has its own rules which enable purchasers of securities to protect themselves for value which may be lost if timely delivery is not made to them of securities subject to specific deadlines, such as the expiration of a tender offer, rights subscription, election, or similar event. These rules are generally called "protect" or "liability notice" procedures, and are intended to protect purchasers by binding the delivering parties to liability if such value is lost because timely delivery is not effected. Purchasers of securities must observe the rules and procedures of NSCC to avail themselves of such "protect" provisions of NSCC. Questions regarding these provisions should be addressed to NSCC.

## **SPECIAL RISKS**

Writers of call options and holders of short positions in physically-settled security futures at maturity who are uncovered with respect to deliverable securities subject to deadlines or cut-off times (such as expirations of tender offers, rights subscriptions, elections, or similar events) should be aware of a risk associated with the timing of their possible assignments or physically-settled security futures delivery obligations: Equity option exercise settlement and settlement of physically-settled security futures delivery obligations normally occurs 3 business days after the option exercise date or the security-futures maturity date. An uncovered call writer or uncovered short futures holder who has an obligation to deliver, and who waits until after assignment or futures maturity to effect purchase of the underlying security, may not be able to effect timely delivery by a regular-way purchase (3 business-day settlement) or call option exercise (3 business-day settlement after exercise). Such uncovered writer or short futures holder may nevertheless be subject to liability under the "protect" provisions of NSCC (see above) with respect to his delivery obligation, because he cannot make timely delivery. Additionally, Cash Markets (same-day, or less-than-3-business-day settlement) may not be available, or may be expensive for buyers of the underlying security.

## **SHORT TENDERING**

Questions concerning compliance with the SEC's "Short Tendering Rule" - SEC Rule 14e – 4 should be addressed to the Exchange specified by each Clearing Member as their "Designated Examining Authority". Members are also referred to the SEC for questions concerning SEC Rule 14e-4.

## **POSSIBLE DELAYED SETTLEMENT**

After the Offer expires, it is possible Kraft Foods Inc. ("KFT") Common Stock may begin to trade on a when-distributed basis on the New York Stock Exchange. Should this occur, OCC may delay settlement of KFT/YTW and adjusted ZKM/1MOZ22 option exercises until a settlement date for when-distributed trades is determined.

## **NO CONTRACT ADJUSTMENT**

**KRAFT FOODS INC. OPTIONS AND FUTURES WILL NOT BE ADJUSTED TO REFLECT THE EXPIRATION OF THE EXCHANGE OFFER.**

## **ADJUSTMENT POLICY FOR TENDER OFFERS**

Interpretation .03 to Article VI, Section 11A of OCC's By-Laws states:

Adjustments will not be made to reflect a tender offer or exchange offer to the holders of the underlying security, whether such offer is made by the issuer of the underlying security or by a third person or whether the offer is for cash, securities, or other property. This policy will apply without regard to whether the price of the underlying security may be favorably or adversely affected by the offer or whether the offer may be deemed to be "coercive." Outstanding options ordinarily will be adjusted to reflect a merger, consolidation or similar event that becomes effective following the completion of a tender offer or exchange offer.

As a result, KFT/YTW and ZKM/1MOZ22 options and KFT1C physically-settled security futures will not be adjusted to reflect the expiration of this offer.

THE FOREGOING IS BASED ON THE INFORMATION AVAILABLE AT THIS TIME. THE DETERMINATION TO ADJUST, OR NOT ADJUST, AND THE EXTENT OF ANY ADJUSTMENT ARE SUBJECT TO CHANGE AS ADDITIONAL INFORMATION BECOMES AVAILABLE OR IF THERE ARE MATERIAL CHANGES TO THE TERMS OF THIS OFFER.

CATEGORY: CONTRACT ADJUSTMENTS

SUB: CATEGORY: EXCHANGE OFFER

**For questions regarding this memo, call 1-888-OPTIONS or email [options@theocc.com](mailto:options@theocc.com).**