



THE OPTIONS CLEARING CORPORATION

#24185

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DATE: MARCH 10, 2008

SUBJECT: COLLAGENEX PHARMACEUTICALS, INC. - TENDER OFFER
OPTION SYMBOL: CKU
DATE: 4/4/08

CollaGenex Pharmaceuticals, Inc. ("CGPI") is the subject of an Offer to Purchase (The "Offer"), as described below:

PURCHASER: Galderma Acquisition Inc., a wholly-owned subsidiary of Galderma Laboratories, Inc.

SECURITY TO BE PURCHASED: CollaGenex Pharmaceuticals, Inc. ("CGPI") Common Shares

QUANTITY: All CollaGenex Pharmaceuticals, Inc. ("CGPI") Common Shares

PRICE: \$16.60 net cash per share

EXPIRATION: 12:00 Midnight, New York City time, on Friday, April 4, 2008, unless extended

DEPOSITARY: American Stock Transfer & Trust Company

GUARANTY PERIOD*: Three (3) NASDAQ Global Market 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 the expiration date of April 4, 2008, unless this date is extended. In all cases it is the sole responsibility of the person tendering to comply with all terms and conditions of the Offer.

THE FOREGOING IS AN UNOFFICIAL SUMMARY OF THE TERMS OF THE 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 OFFER TO PURCHASE

DATED MARCH 10, 2008, FOR THE AUTHORITATIVE DESCRIPTION OF THE OFFER AND ALL ITS TERMS AND CONDITIONS.

DELIVERY SETTLEMENT AND PROTECT PROVISIONS

Option contracts which are exercised will require the settlement of all component securities included in the contract deliverable at the time of the 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 option exercise. Conversely, securities not included in the contract deliverable at the time of the option exercise not associated with the underlying deliverable securities, may preclude call exercisers from realizing the benefit of such entitlements. (See also "Special Risks - Valuation Disparity".)

Except in unusual cases, securities deliverable as a result of equity option exercise 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/assignment 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

A. Uncovered Short Positions

The holder of an uncovered short call position who has an obligation to deliver and who waits until after call assignment to effect purchase of the underlying security, may not be able to effect timely delivery by a regular-way purchase or call option exercise.

B. Valuation Disparity - Option contracts

Contract adjustments are not made merely to reflect the expiration of a tender offer (see "Adjustment Policy for Tenders"). This may present a risk for writers of put options, because the completion of a tender offer may have significant - possibly adverse - effects on the market value of the underlying security put writers would be obligated to buy if assigned after the tender expires. Accordingly, the normal price relationship of calls and puts may be disrupted while this condition pertains. Customers can be referred to "Characteristics and Risks of Standardized Options" (p.21) where this topic is discussed.

POSSIBLE CONTRACT ADJUSTMENT

The Offer is being made with the intention to subsequently effect a merger wherein all remaining CGPI Common Shares will be converted into the right to receive \$16.60 net cash per share. Interpretation .03 to Article VI, Section 11A, of OCC's By-Laws indicates CKU options would ordinarily be adjusted to call for cash settlement when and if the aforementioned intended merger is actually consummated. It is not known how quickly after the expiration of the Offer the intended merger or contract adjustment would be effected. Until such merger is consummated, CKU option exercises would continue to call for delivery of the underlying security.

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: TENDER OFFER

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