Research Circular #RS12-516

DATE: October 4, 2012

TO: Permit Holders

RE: **Watsco, Inc. ("WSO")**
CONTRACT ADJUSTMENT FOR SPECIAL CASH DIVIDEND
Ex-Date: October 11, 2012

From: Scott Speer

Watsco, Inc. ("WSO") has declared a special cash dividend of **$5.00** per share on its outstanding common stock. The special cash dividend has a record date of October 15, 2012 and a payable date of October 31, 2012. **The ex-distribution date will be on Thursday, October 11, 2012.**

THE FOREGOING DISCUSSION IS AN UNOFFICIAL SUMMARY OF THE TERMS OF THE SPECIAL DIVIDEND, PREPARED BY CBOE FOR THE CONVENIENCE OF ITS PERMIT HOLDERS. CBOE ACCEPTS NO RESPONSIBILITY FOR THE ACCURACY OR COMPLETENESS OF THIS SUMMARY. PERMIT HOLDERS SHOULD REFER TO THE WATSCO, INC. PRESS RELEASE DATED OCTOBER 1, 2012, FOR THE AUTHORITATIVE DESCRIPTION OF THE SPECIAL DIVIDEND AND ALL OF ITS TERMS AND CONDITIONS.

Contract Adjustment for the Special Cash Dividend

Pursuant to OCC rules (Article VI, Section 11 and 11A), all outstanding WSO option series will be adjusted to reflect this special cash dividend on the ex-distribution date, at 8:30 A.M. Chicago time. **On Thursday, October 11, 2012, each WSO series shall be adjusted by decreasing the strike price by $5.00, the amount of the cash dividend.** The option symbol for the adjusted contracts will remain the same. Premiums and strike-price amounts for the adjusted WSO options will continue to be calculated on the basis of a multiplier of 100, *i.e.,* for premium and strike-price extensions, 1 point of premium or strike price will equal $100. [Any FLEX series that may exist will be adjusted in a similar manner to the standardized option.]

Adjusted Option Symbols

On Thursday, October 11, 2012, trading in WSO series will be on an adjusted basis. At 8:30 A.M., Chicago time, an opening rotation will be effected with the following adjustments:

EXISTING SERIES					ADJUSTED SERIES*			
WSO	50.00	2012-10-20	C/P	=>	WSO	45.00	2012-10-20	C/P
WSO	55.00	2012-10-20	C/P	=>	WSO	50.00	2012-10-20	C/P
WSO	60.00	2012-10-20	C/P	=>	WSO	55.00	2012-10-20	C/P
WSO	65.00	2012-10-20	C/P	=>	WSO	60.00	2012-10-20	C/P
WSO	70.00	2012-10-20	C/P	=>	WSO	65.00	2012-10-20	C/P
WSO	75.00	2012-10-20	C/P	=>	WSO	70.00	2012-10-20	C/P
WSO	80.00	2012-10-20	C/P	=>	WSO	75.00	2012-10-20	C/P
WSO	85.00	2012-10-20	C/P	=>	WSO	80.00	2012-10-20	C/P
WSO	90.00	2012-10-20	C/P	=>	WSO	85.00	2012-10-20	C/P
WSO	95.00	2012-10-20	C/P	=>	WSO	90.00	2012-10-20	C/P

EXISTING SERIES					ADJUSTED SERIES*			
WSO	100.00	2012-10-20	C/P	=>	WSO	95.00	2012-10-20	C/P
WSO	35.00	2012-11-17	C/P	=>	WSO	30.00	2012-11-17	C/P
WSO	40.00	2012-11-17	C/P	=>	WSO	35.00	2012-11-17	C/P
WSO	45.00	2012-11-17	C/P	=>	WSO	40.00	2012-11-17	C/P
WSO	50.00	2012-11-17	C/P	=>	WSO	45.00	2012-11-17	C/P
WSO	55.00	2012-11-17	C/P	=>	WSO	50.00	2012-11-17	C/P
WSO	60.00	2012-11-17	C/P	=>	WSO	55.00	2012-11-17	C/P
WSO	65.00	2012-11-17	C/P	=>	WSO	60.00	2012-11-17	C/P
WSO	70.00	2012-11-17	C/P	=>	WSO	65.00	2012-11-17	C/P
WSO	75.00	2012-11-17	C/P	=>	WSO	70.00	2012-11-17	C/P
WSO	80.00	2012-11-17	C/P	=>	WSO	75.00	2012-11-17	C/P
WSO	85.00	2012-11-17	C/P	=>	WSO	80.00	2012-11-17	C/P
WSO	90.00	2012-11-17	C/P	=>	WSO	85.00	2012-11-17	C/P
WSO	95.00	2012-11-17	C/P	=>	WSO	90.00	2012-11-17	C/P
WSO	100.00	2012-11-17	C/P	=>	WSO	95.00	2012-11-17	C/P
WSO	105.00	2012-11-17	C/P	=>	WSO	100.00	2012-11-17	C/P
WSO	110.00	2012-11-17	C/P	=>	WSO	105.00	2012-11-17	C/P
WSO	35.00	2013-02-16	C/P	=>	WSO	30.00	2013-02-16	C/P
WSO	40.00	2013-02-16	C/P	=>	WSO	35.00	2013-02-16	C/P
WSO	45.00	2013-02-16	C/P	=>	WSO	40.00	2013-02-16	C/P
WSO	50.00	2013-02-16	C/P	=>	WSO	45.00	2013-02-16	C/P
WSO	55.00	2013-02-16	C/P	=>	WSO	50.00	2013-02-16	C/P
WSO	60.00	2013-02-16	C/P	=>	WSO	55.00	2013-02-16	C/P
WSO	65.00	2013-02-16	C/P	=>	WSO	60.00	2013-02-16	C/P
WSO	70.00	2013-02-16	C/P	=>	WSO	65.00	2013-02-16	C/P
WSO	75.00	2013-02-16	C/P	=>	WSO	70.00	2013-02-16	C/P
WSO	80.00	2013-02-16	C/P	=>	WSO	75.00	2013-02-16	C/P
WSO	85.00	2013-02-16	C/P	=>	WSO	80.00	2013-02-16	C/P
WSO	90.00	2013-02-16	C/P	=>	WSO	85.00	2013-02-16	C/P
WSO	95.00	2013-02-16	C/P	=>	WSO	90.00	2013-02-16	C/P
WSO	100.00	2013-02-16	C/P	=>	WSO	95.00	2013-02-16	C/P
WSO	105.00	2013-02-16	C/P	=>	WSO	100.00	2013-02-16	C/P
WSO	110.00	2013-02-16	C/P	=>	WSO	105.00	2013-02-16	C/P
WSO	115.00	2013-02-16	C/P	=>	WSO	110.00	2013-02-16	C/P
WSO	40.00	2013-05-18	C/P	=>	WSO	35.00	2013-05-18	C/P
WSO	45.00	2013-05-18	C/P	=>	WSO	40.00	2013-05-18	C/P
WSO	50.00	2013-05-18	C/P	=>	WSO	45.00	2013-05-18	C/P
WSO	55.00	2013-05-18	C/P	=>	WSO	50.00	2013-05-18	C/P
WSO	60.00	2013-05-18	C/P	=>	WSO	55.00	2013-05-18	C/P
WSO	65.00	2013-05-18	C/P	=>	WSO	60.00	2013-05-18	C/P
WSO	70.00	2013-05-18	C/P	=>	WSO	65.00	2013-05-18	C/P
WSO	75.00	2013-05-18	C/P	=>	WSO	70.00	2013-05-18	C/P
WSO	80.00	2013-05-18	C/P	=>	WSO	75.00	2013-05-18	C/P
WSO	85.00	2013-05-18	C/P	=>	WSO	80.00	2013-05-18	C/P
WSO	90.00	2013-05-18	C/P	=>	WSO	85.00	2013-05-18	C/P

EXISTING SERIES					ADJUSTED SERIES*			
WSO	95.00	2013-05-18	C/P	=>	WSO	90.00	2013-05-18	C/P
WSO	100.00	2013-05-18	C/P	=>	WSO	95.00	2013-05-18	C/P
WSO	105.00	2013-05-18	C/P	=>	WSO	100.00	2013-05-18	C/P
WSO	110.00	2013-05-18	C/P	=>	WSO	105.00	2013-05-18	C/P
WSO	115.00	2013-05-18	C/P	=>	WSO	110.00	2013-05-18	C/P

*** Any additional WSO series that are added prior to the ex-date will also be adjusted in the manner described above.**

GTC Order Conversion

On Wednesday, October 10, 2012, immediately after the CBOE close, the system will convert or cancel all resting orders in the WSO 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.

Position and Exercise Limits

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

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

http://www.cboe.com/ContractAdjustments