

MEMORANDUM

To: All Option Members, Member Organizations and ROTs
From: Market Watch
Date: February 27, 2007
Subject: **UPDATE Reader's Digest Association (RDA) Pending Merger**

On Friday, February 2, 2007, the shareholders of Reader's Digest Association (RDA) voted to approve the proposed merger with Ripplewood Holdings LLC. Pursuant to the merger terms each RDA share will be converted into the right to receive \$17.00 cash. **The merger is expected to become effective on Friday, March 2, 2007.**

***The foregoing is an unofficial summary of the terms of the Merger, prepared by the PHLX for the convenience of its members. PHLX accepts no responsibility for the accuracy or completeness of the summary. Members should refer to the proxy statement for the authoritative description of the merger terms and conditions.*

Pursuant to Options Clearing Corporation (OCC) By-Laws, all outstanding RDA options will be adjusted as follows:

EFFECTIVE DATE: Option changes are expected to become effective on Monday, March 5, 2007
NEW DELIVERABLE: \$1,700.00 cash per contract (\$17.00 x 100)

Existing open interest in al RDA options will remain until options are either exercised or expire. Since they are American style options, they are exercisable at the option of the holder.

Questions regarding this release may be directed to the Market Watch at 1-800-THE-PHLX, choice #2, or (215) 496-1508.