

MEMORANDUM

To: All Option Members, Member Organizations and ROTs

From: Market Watch

Date: July 23, 2007

Re: Kindred Healthcare, Inc. (KND) - Stock Distribution

Kindred Healthcare, Inc. (KND) has declared a distribution of Common Stock of PharMerica Corporation (PMC) to KND shareholders of record, July 20, 2007. Distribution will be Tuesday, July 31, 2007. **Ex-distribution is August 1, 2007.** The distribution will be 0.366 shares of PharMerica Corporation per share of Kindred Healthcare, Inc. Cash will be paid in lieu of fractional shares of PharMerica Corporation.

Accordingly, pursuant to OCC By-Laws, all KND options on the ex-distribution date must be adjusted as follows:

Adjustment Date: Effective Wednesday, August 1, 2007.
Symbol(s): KND/OXK/WKC becomes KNS/KMV/XUM
Strike Price: Unchanged
Multiplier: 100 (e.g., Premium of 1.00 = \$100)
New Deliverable: 1) 100 Shares of Kindred Healthcare, Inc. (KND)
 2) 36 Shares of PharMerica Corporation (PMC)
 3) Cash in lieu of 0.6 fractional PMC shares

GOOD-TILL-CANCELLED (GTC) ORDERS

Customers should be advised that all Good-til-Cancelled (GTC) orders not on AUTOM must be cancelled and re-entered prior to the ex-distribution or effective date. GTC AUTOM orders will be deleted by PHLX Service Desk/AUTOM personnel.

Kindred Healthcare, Inc. (KND) (Before 8/1/2007) (100 shrs KND)					Kindred Healthcare, Inc. (KNS) (Beginning 8/1/2007) (See new deliverable above)				
			Calls	Puts			Calls	Puts	
KND	AUG	22 1/2	HX	TX	KNS	AUG	22 1/2	HX	TX
KND	AUG	25	HE	TE	KNS	AUG	25	HE	TE
KND	AUG	30	HF	TF	KNS	AUG	30	HF	TF
KND	AUG	35	HG	TG	KNS	AUG	35	HG	TG
KND	AUG	40	HH	TH	KNS	AUG	40	HH	TH
KND	SEP	25	IE	UE	KNS	SEP	25	IE	UE
KND	SEP	30	IF	UF	KNS	SEP	30	IF	UF
KND	SEP	35	IG	UG	KNS	SEP	35	IG	UG
KND	NOV	25	KE	WE	KNS	NOV	25	KE	WE
KND	NOV	30	KF	WF	KNS	NOV	30	KF	WF
KND	NOV	35	KG	WG	KNS	NOV	35	KG	WG
KND	NOV	40	KH	WH	KNS	NOV	40	KH	WH
KND	JAN	20	AD	MD	KNS	JAN	20	AD	MD
KND	JAN	25	AE	ME	KNS	JAN	25	AE	ME
KND	JAN	30	AF	MF	KNS	JAN	30	AF	MF
KND	JAN	35	AG	MG	KNS	JAN	35	AG	MG
KND	JAN	40	AH	MH	KNS	JAN	40	AH	MH

Kindred Healthcare, Inc. (KND) (Before 8/1/2007) (100 shrs KND)					Kindred Healthcare, Inc. (KNS) (Beginning 8/1/2007) (See new deliverable above)				
			Calls	Puts			Calls	Puts	
KND	JAN	45	AI	MI	KNS	JAN	45	AI	MI
KND	JAN	50	AJ	MJ	KNS	JAN	50	AJ	MJ
KND	JAN	60	AL	ML	KNS	JAN	60	AL	ML
KND	FEB	25	BE	NE	KNS	FEB	25	BE	NE
KND	FEB	30	BF	NF	KNS	FEB	30	BF	NF
KND	FEB	35	BG	NG	KNS	FEB	35	BG	NG
KND	FEB	40	BH	NH	KNS	FEB	40	BH	NH
Kindred Healthcare, Inc. - 2009 Leap (OXK) (Before 8/1/2007) (100 shrs KND)					Kindred Healthcare, Inc. - 2009 Leap (KMV) (Beginning 8/1/2007) (See new deliverable above)				
			Calls	Put			Calls	Put	
OXK	JAN	15	AC	MC	KMV	JAN	15	AC	MC
OXK	JAN	20	AD	MD	KMV	JAN	20	AD	MD
OXK	JAN	25	AE	ME	KMV	JAN	25	AE	ME
OXK	JAN	30	AF	MF	KMV	JAN	30	AF	MF
OXK	JAN	35	AG	MG	KMV	JAN	35	AG	MG
OXK	JAN	40	AH	MH	KMV	JAN	40	AH	MH
OXK	JAN	45	AI	MI	KMV	JAN	45	AI	MI
OXK	JAN	50	AJ	MJ	KMV	JAN	50	AJ	MJ
Kindred Healthcare, Inc. - 2010 Leap (WKC) (Before 8/1/2007) (100 shrs KND)					Kindred Healthcare, Inc. - 2010 Leap (XUM) (Beginning 8/1/2007) (See new deliverable above)				
			Calls	Put			Calls	Put	
WKC	JAN	20	AD	MD	XUM	JAN	20	AD	MD
WKC	JAN	25	AE	ME	XUM	JAN	25	AE	ME
WKC	JAN	30	AF	MF	XUM	JAN	30	AF	MF
WKC	JAN	35	AG	MG	XUM	JAN	35	AG	MG
WKC	JAN	40	AH	MH	XUM	JAN	40	AH	MH
WKC	JAN	45	AI	MI	XUM	JAN	45	AI	MI

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

The new KND option contracts representing 100 shares of KND, will be admitted to trading on Thursday, August 2, 2007. Strike prices and expiration months will be announced on a separate release prior to that date.

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