

MEMORANDUM

To: All Option Members, Member Organizations and ROTs

From: Market Watch

Date: June 26, 2007

**Re: Petroleo Brasileiro S.A. - ADR (PBR) - 2 for 1 Stock Split**

Petroleo Brasileiro S.A. - ADR (PBR) has declared a 2 for 1 stock split payable to share holders of record on Friday, June 22, 2007. Distribution date for the stock split will be Friday, June 29, 2007. **Ex-distribution date for the stock split will be Monday, July 2, 2007.**

The Options Clearing Corporation (OCC), pursuant to OCC By-Laws, intends to issue on the distribution date (1) additional PBR option contract for each option contract held. Further, on the ex-distribution date each PBR series will have an adjusted exercise (strike) price equal to 1/2 of the exercise (strike) price for each PBR series existing on the business day preceding the ex-distribution date. For example, beginning on Monday, July 2, 2007 an account holding (2) PBR JUL 75 calls (PBR GO) will hold (4) PBR JUL 37 1/2 calls (PBR GA). Customers should be advised that (1) contract in the adjusted PBR series will still represent 100 shares of PBR common shares.

**POSITION/EXERCISE LIMITS:**

Position and exercise limits will change from 250,000 to 500,000 contracts until the expiration date of January 16, 2010

**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.

The resulting list of adjusted strike prices and symbols is as follows:

Petroleo Brasileiro S.A. - ADR (PBR) (Before 7/2/2007) (1 Contract)					Petroleo Brasileiro S.A. - ADR (PBR) (Beginning 7/2/2007) (2 Contracts)				
			Calls	Puts			Calls	Puts	
PBR	JUL	75	GO	SO	PBR	JUL	37 1/2	GA	SA
PBR	JUL	80	GP	SP	PBR	JUL	40	GH	SH
PBR	JUL	85	GQ	SQ	PBR	JUL	42 1/2	GV	SV
PBR	JUL	90	GR	SR	PBR	JUL	45	GI	SI
PBR	JUL	95	GS	SS	PBR	JUL	47 1/2	GW	SW
PBR	JUL	100	GT	ST	PBR	JUL	50	GJ	SJ
PBR	JUL	105	GA	SA	PBR	JUL	52 1/2	GX	SX
PBR	JUL	110	GB	SB	PBR	JUL	55	GK	SK
PBR	JUL	115	GC	SC	PBR	JUL	57 1/2	GY	SY
PBR	JUL	120	GD	SD	PBR	JUL	60	GL	SL
PBR	JUL	125	GE	SE	PBR	JUL	62 1/2	GZ	SZ
PBR	JUL	130	GF	SF	PBR	JUL	65	GM	SM
PBR	JUL	135	GG	SG	PBR	JUL	67 1/2	GU	SU
PBR	AUG	95	HS	TS	PBR	AUG	47 1/2	HW	TW
PBR	AUG	100	HT	TT	PBR	AUG	50	HJ	TJ
PBR	AUG	105	HA	TA	PBR	AUG	52 1/2	HX	TX
PBR	AUG	110	HB	TB	PBR	AUG	55	HK	TK
PBR	AUG	115	HC	TC	PBR	AUG	57 1/2	HY	TY

Petroleo Brasileiro S.A. - ADR (PBR)  
 (Before 7/2/2007)  
 (1 Contract)

			Calls	Puts
PBR	AUG	120	HD	TD
PBR	AUG	125	HE	TE
PBR	AUG	130	HF	TF
PBR	AUG	135	HG	TG
PBR	AUG	140	HZ	TZ
PBR	OCT	65	JM	VM
PBR	OCT	70	JN	VN
PBR	OCT	75	JO	VO
PBR	OCT	80	JP	VP
PBR	OCT	85	JQ	VQ
PBR	OCT	90	JR	VR
PBR	OCT	95	JS	VS
PBR	OCT	100	JT	VT
PBR	OCT	105	JA	VA
PBR	OCT	110	JB	VB
PBR	OCT	115	JC	VC
PBR	OCT	120	JD	VD
PBR	OCT	125	JE	VE
PBR	OCT	130	JF	VF
PBR	OCT	135	JG	VG
PBR	OCT	140	JZ	VZ
PBR	JAN	25	AW	MW
PBR	JAN	30	AX	MX
PBR	JAN	35	AY	MY
PBR	JAN	40	AH	MH
PBR	JAN	45	AI	MI
PBR	JAN	50	AJ	MJ
PBR	JAN	55	AK	MK
PBR	JAN	60	AL	ML
PBR	JAN	65	AM	MM
PBR	JAN	70	AN	MN
PBR	JAN	75	AO	MO
PBR	JAN	80	AP	MP
PBR	JAN	85	AQ	MQ
PBR	JAN	90	AR	MR
PBR	JAN	95	AS	MS
PBR	JAN	100	AT	MT
PBR	JAN	105	AA	MA
PBR	JAN	110	AB	MB
PBR	JAN	115	AC	MC
PBR	JAN	120	AD	MD
PBR	JAN	125	AE	ME
PBR	JAN	130	AF	MF
PBR	JAN	135	AG	MG
PBR	JAN	140	AZ	MZ
PBR	JAN	145	AU	MU
PMJ	JAN	150	AJ	MJ
PMJ	JAN	155	AK	MK

Petroleo Brasileiro S.A. - ADR (PBR)  
 (Beginning 7/2/2007)  
 (2 Contracts)

			Calls	Puts
PBR	AUG	60	HL	TL
PBR	AUG	62 1/2	HZ	TZ
PBR	AUG	65	HM	TM
PBR	AUG	67 1/2	HU	TU
PBR	AUG	70	HN	TN
PBR	OCT	32 1/2	JT	VT
PBR	OCT	35	JG	VG
PBR	OCT	37 1/2	JA	VA
PBR	OCT	40	JH	VH
PBR	OCT	42 1/2	JV	VV
PBR	OCT	45	JI	VI
PBR	OCT	47 1/2	JW	VW
PBR	OCT	50	JJ	VJ
PBR	OCT	52 1/2	JX	VX
PBR	OCT	55	JK	VK
PBR	OCT	57 1/2	JY	VY
PBR	OCT	60	JL	VL
PBR	OCT	62 1/2	JZ	VZ
PBR	OCT	65	JM	VM
PBR	OCT	67 1/2	JU	VU
PBR	OCT	70	JN	VN
PBR	JAN	12 1/2	AP	MP
PBR	JAN	15	AC	MC
PBR	JAN	17 1/2	AQ	MQ
PBR	JAN	20	AD	MD
PBR	JAN	22 1/2	AR	MR
PBR	JAN	25	AE	ME
PBR	JAN	27 1/2	AS	MS
PBR	JAN	30	AF	MF
PBR	JAN	32 1/2	AT	MT
PBR	JAN	35	AG	MG
PBR	JAN	37 1/2	AA	MA
PBR	JAN	40	AH	MH
PBR	JAN	42 1/2	AV	MV
PBR	JAN	45	AI	MI
PBR	JAN	47 1/2	AW	MW
PBR	JAN	50	AJ	MJ
PBR	JAN	52 1/2	AX	MX
PBR	JAN	55	AK	MK
PBR	JAN	57 1/2	AY	MY
PBR	JAN	60	AL	ML
PBR	JAN	62 1/2	AZ	MZ
PBR	JAN	65	AM	MM
PBR	JAN	67 1/2	AU	MU
PBR	JAN	70	AN	MN
PBR	JAN	72 1/2	AB	MB
PMJ	JAN	75	AO	MO
PMJ	JAN	77 1/2	AC	MC

Petroleo Brasileiro S.A. - ADR - 2009 Leap (VDW)  
 (Before 7/2/2007)  
 (1 Contract)

			Calls	Put
VDW	JAN	60	AL	ML
VDW	JAN	70	AN	MN
VDW	JAN	80	AP	MP
VDW	JAN	85	AQ	MQ
VDW	JAN	90	AR	MR
VDW	JAN	95	AS	MS
VDW	JAN	100	AT	MT
VDW	JAN	105	AA	MA
VDW	JAN	110	AB	MB
VDW	JAN	115	AC	MC
VDW	JAN	120	AD	MD
VDW	JAN	125	AE	ME
VDW	JAN	130	AF	MF
VDW	JAN	135	AG	MG
VDW	JAN	140	AH	MH
VDW	JAN	145	AI	MI
VDW	JAN	150	AJ	MJ
VDW	JAN	155	AK	MK
VDW	JAN	160	AZ	MZ
VDW	JAN	165	AM	MM

Petroleo Brasileiro S.A. - ADR - 2009 Leap (VDW)  
 (Beginning 7/2/2007)  
 (2 Contracts)

			Calls	Put
VDW	JAN	30	AF	MF
VDW	JAN	35	AG	MG
VDW	JAN	40	AH	MH
VDW	JAN	42 1/2	AV	MV
VDW	JAN	45	AI	MI
VDW	JAN	47 1/2	AW	MW
VDW	JAN	50	AJ	MJ
VDW	JAN	52 1/2	AX	MX
VDW	JAN	55	AK	MK
VDW	JAN	57 1/2	AY	MY
VDW	JAN	60	AL	ML
VDW	JAN	62 1/2	AZ	MZ
VDW	JAN	65	AM	MM
VDW	JAN	67 1/2	AU	MU
VDW	JAN	70	AN	MN
VDW	JAN	72 1/2	AB	MB
VDW	JAN	75	AO	MO
VDW	JAN	77 1/2	AC	MC
VDW	JAN	80	AP	MP
VDW	JAN	82 1/2	AD	MD

Petroleo Brasileiro S.A. - ADR - 2010 Leap (YMO)  
 (Before 7/2/2007)  
 (1 Contract)

			Calls	Put
YMO	JAN	90	AR	MR
YMO	JAN	100	AT	MT
YMO	JAN	110	AB	MB
YMO	JAN	120	AD	MD
YMO	JAN	130	AF	MF

Petroleo Brasileiro S.A. - ADR - 2010 Leap (YMO)  
 (Beginning 7/2/2007)  
 (2 Contracts)

			Calls	Put
YMO	JAN	45	AI	MI
YMO	JAN	50	AJ	MJ
YMO	JAN	55	AK	MK
YMO	JAN	60	AL	ML
YMO	JAN	65	AM	MM

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

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