

MEMORANDUM

To: All Option Members, Member Organizations and ROTs

From: Market Watch

Date: March 29, 2007

Subject: **UPDATE Agere Systems, Inc. (AGR) Pending Merger**

On Thursday, March 29, 2007, the shareholders of Agere Systems, Inc. (AGR) voted to approve the proposed merger with LSI Logic Corporation (LSI). Pursuant to the merger terms each AGR share will be converted into the right to receive 2.16 LSI common shares. **The merger is expected to become effective before the opening on Monday, April 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 AGR options will be adjusted as follows:

EFFECTIVE DATE: Option changes are expected to become effective on Monday, April 2, 2007
SYMBOL(S): AGR/WGW/OJA becomes AGK/KAO/XAP respectively
STRIKE PRICE: No Change
POS/EXERCISE LIMIT: 500,000 contracts until January 2009 expiration, where the limits revert to 250,000 contracts
MULTIPLIER: 100*(eg., Premium of 1.00 = \$100)
NEW DELIVERABLE: 1) 216 LSI common shares.

Agere Systems, Inc. (AGR) (Before 4/2/2007) 100 shares AGR					Agere Systems, Inc. (AGK) (Beginning 4/2/2007) (See New Deliverable Above)				
			Calls	Puts			Calls	Puts	
AGR	APR	17 1/2	DW	PW	AGK	APR	17 1/2	DW	PW
AGR	APR	20	DD	PD	AGK	APR	20	DD	PD
AGR	APR	22 1/2	DX	PX	AGK	APR	22 1/2	DX	PX
AGR	MAY	17 1/2	EW	QW	AGK	MAY	17 1/2	EW	QW
AGR	MAY	20	ED	QD	AGK	MAY	20	ED	QD
AGR	MAY	22 1/2	EX	QX	AGK	MAY	22 1/2	EX	QX
AGR	MAY	25	EE	QE	AGK	MAY	25	EE	QE
AGR	JUN	15	FC	RC	AGK	JUN	15	FC	RC
AGR	JUN	17 1/2	FW	RW	AGK	JUN	17 1/2	FW	RW
AGR	JUN	20	FD	RD	AGK	JUN	20	FD	RD
AGR	JUN	22 1/2	FX	RX	AGK	JUN	22 1/2	FX	RX
AGR	JUN	25	FE	RE	AGK	JUN	25	FE	RE
AGR	SEP	17 1/2	IW	UW	AGK	SEP	17 1/2	IW	UW
AGR	SEP	20	ID	UD	AGK	SEP	20	ID	UD
AGR	SEP	22 1/2	IX	UX	AGK	SEP	22 1/2	IX	UX
AGR	SEP	25	IE	UE	AGK	SEP	25	IE	UE

Agere systems Inc. - 2008 Leap (AGR/WGW)
 (Before 4/2/2007)
 100 shares AGR

			Call	Put
WGW	JAN	10	AB	MB
WGW	JAN	12 1/2	AV	MV
WGW	JAN	15	AC	MC
WGW	JAN	17 1/2	AW	MW
WGW	JAN	20	AD	MD
WGW	JAN	22 1/2	AX	MX
WGW	JAN	25	AE	ME

Agere systems Inc. - 2008 Leap (AGR/KAO)
 (Beginning 4/2/2007)
 (See New Deliverable Above)

			Call	Put
KAO	JAN	10	AB	MB
KAO	JAN	12 1/2	AV	MV
KAO	JAN	15	AC	MC
KAO	JAN	17 1/2	AW	MW
KAO	JAN	20	AD	MD
KAO	JAN	22 1/2	AX	MX
KAO	JAN	25	AE	ME

Agere systems Inc. - 2009 Leap (AGR/OJA)
 (Before 4/2/2007)
 100 shares AGR

			Call	Put
OJA	JAN	10	AB	MB
OJA	JAN	12 1/2	AV	MV
OJA	JAN	15	AC	MC
OJA	JAN	17 1/2	AW	MW
OJA	JAN	20	AD	MD
OJA	JAN	22 1/2	AX	MX
OJA	JAN	25	AE	ME

Agere systems Inc. - 2009 Leap (AGR/XAP)
 (Beginning 4/2/2007)
 (See New Deliverable Above)

			Call	Put
XAP	JAN	10	AB	MB
XAP	JAN	12 1/2	AV	MV
XAP	JAN	15	AC	MC
XAP	JAN	17 1/2	AW	MW
XAP	JAN	20	AD	MD
XAP	JAN	22 1/2	AX	MX
XAP	JAN	25	AE	ME

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

Questions regarding this release may be directed to the Market Watch at 1-800-THE-PHLX, choice #2, or (215) 496-5380.