

Date: 13 November 2000

Ref: GB

MEMORANDUM

To: New Zealand Trading Permit Holders

From: Greg Boland

SUBJECT: Fletcher Challenge Forests Rights Issue

New Zealand Futures & Options Exchange has adjusted the Fletcher Challenge Forests equity options today in accordance with Contract Specifications for the Exchange Traded Equity Options Contracts (EQO).

As in the past the Exchange has adjusted Fletcher Challenge Forests share option contracts using the standard adjustment formulas (normally used for rights issues). The formula will result in the contract size of shares being increased and the strike price decreased as discussed below:

1. Adjustment to contract size:

The contract size will be increased using the "Contract Size Multiplier" (CSM) calculated as follows:

$$CSM = \frac{(m * WASP) + (n * WARP)}{(m * WASP)}$$

where:

m	=	number of FF shares held ex date
n	=	number of FF shares to be received ex date
WASP	=	average weighted share price of FF on ex day
WARP	=	average weighted rights price on ex day

The actual adjustment is set out below:

RIGHTS ISSUES (EXAMPLE)

	n	m	
Terms of rights issue :	2	for	1
Number of shares covered by contract - cum rights :			1,000
Average share price - ex date :			0.2700 WASP
Average rights price - ex date :			0.0200 WARP
Number of options held - cum rights (same series) :			1
Exercise Price - cum rights :			\$0.40
		CONTRACT SIZE MULTIPLIER	1.14814815
Calculations :		PRICE ADJUSTMENT	0.87096774
INCREASE IN SHARES :	148.15		
NEW CONTRACT SIZE :	1,148 Shares		1148.1481
STRIKE PRICE ADJUSTMENT FACTOR :	0.8710		

	Strike Price (\$)	No of Shares		Strike Price (\$)	No of Shares
CUM RIGHTS :	0.40	(for 1000 shares)	EX RIGHTS :	0.35	(for 1148 shares)
	0.50	(for 1000 shares)		0.44	(for 1148 shares)
	0.60	(for 1000 shares)		0.52	(for 1148 shares)
	0.70	(for 1000 shares)		0.61	(for 1148 shares)
	0.80	(for 1000 shares)		0.70	(for 1148 shares)
	0.90	(for 1000 shares)		0.78	(for 1148 shares)
	1.00	(for 1000 shares)		0.87	(for 1148 shares)
	1.10	(for 1000 shares)		0.96	(for 1148 shares)
	1.20	(for 1000 shares)		1.05	(for 1148 shares)

A new contract for Fletcher Forests with the mnemonic FS will be launched this evening for trade date Tuesday, 14th November 2000.

If you have any questions regarding this, please contact Greg Boland on (09) 309 8308, 021 428 600 or greg@nzfoe.co.nz

Greg Boland
GENERAL MANAGER

13 NOVEMBER 2000