



**THE FOUNDATION  
FOR SECURE  
MARKETS**

**#43451**

**DATE: JULY 31, 2018**

**SUBJECT: CYS INVESTMENTS, INC. - CONTRACT ADJUSTMENT**  
**OPTION SYMBOL: CYS**  
**NEW SYMBOL: TWO1**  
**FUTURES SYMBOL: CYS1D**  
**NEW SYMBOL: CYS2D**  
**DATE: 8/1/18**

**CONTRACT ADJUSTMENT**

**DATE:** August 1, 2018

**OPTION SYMBOL:** CYS changes to TWO1

**STRIKE DIVISOR:** 1

**CONTRACTS  
MULTIPLIER:** 1

**NEW MULTIPLIER:** 100 (e.g., a premium of 1.50 yields \$150; a strike of 8.00 yields \$800.00)

**NEW DELIVERABLE  
PER CONTRACT:**

- 1) 46 Two Harbors Investment Corporation (TWO) Common Shares
- 2) Cash in lieu of 0.80 fractional TWO shares
- 3) \$9.65 Cash (\$0.0965 x 100)

**CUSIP:** TWO: 90187B408

**PRICING**

Until the cash in lieu amount is determined, the underlying price for TWO1 will be determined as follows:

$$\text{TWO1} = 0.4680 (\text{TWO}) + 0.0965$$

**DELAYED SETTLEMENT**

The TWO component of the TWO1 deliverable will settle through National Securities Clearing Corporation (NSCC). OCC will delay settlement of the cash portion of the TWO1 deliverable until the cash in lieu of fractional TWO shares is determined. Upon determination of the cash in lieu amount, OCC will require Put exercisers and Call assignees to deliver the appropriate cash amount.

**Futures Contract Adjustment**

DATE: August 1, 2018

FUTURES SYMBOL: CYS1D changes to CYS2D

NUMBER OF CONTRACTS: No Change

MULTIPLIER 100 (e.g., a premium of 1.50 yields \$150)

NEW DELIVERABLE PER CONTRACT:

- 1) 46 Two Harbors Investment Corporation (TWO) Common Shares
- 2) Cash in lieu of 0.80 fractional TWO shares
- 3) \$9.65 Cash (\$0.0965 x 100)

CUSIP: TWO: 90187B408

### **PRICING**

Until the cash in lieu amount is determined, the underlying price for the CYS2D Futures contract deliverables, expressed in term of current market value, would be calculated as follows:

$$\text{CYS2D} = 0.4680 (\text{TWO}) + 0.0965$$

Please note that the valuation would apply only to the CYS2D futures deliverables in terms of current market value of the deliverable securities. The resulting price would not be equivalent to the daily settlement price of a futures contract month, whose determination would include cost of money carrying charges, adjustment for dividends, and other factors.

### **DELAYED SETTLEMENT**

The TWO component of the CYS2D futures deliverables will settle through National Securities Clearing Corporation (NSCC). OCC will delay settlement of the cash portion of the CYS2D futures deliverables until the cash in lieu of fractional TWO shares is determined. Upon determination of the cash in lieu amount, OCC will require delivery of the appropriate cash amount.

### **BACKGROUND**

On July 27, 2018, Shareholders of CYS Investments, Inc. (CYS) voted concerning the proposed merger with Two Harbors Investment Corporation (TWO). The merger was approved and subsequently consummated on July 31, 2018. As a result, each existing CYS Common Share will be converted into the right to receive 0.4680 TWO Common Shares and \$0.0965 Cash. Cash will be paid in lieu of fractional shares.

### **DISCLAIMER**

This Information Memo provides an unofficial summary of the terms of corporate events affecting listed options or futures prepared for the convenience of market participants. OCC accepts no responsibility for the accuracy or completeness of the summary, particularly for information which may be relevant to investment decisions. Option or futures investors should independently ascertain and evaluate all information concerning this corporate event(s).

The determination to adjust options and the nature of any adjustment is made by a panel of The OCC Securities Committee pursuant to OCC By-Laws, Article VI, Sections 11 and 11A. The adjustment panel is

comprised of representatives from OCC and each exchange which trades the affected option. The determination to adjust futures and the nature of any adjustment is made by OCC pursuant to OCC By-Laws, Article XII, Sections 3, 4, or 4A, as applicable. For both options and futures, each adjustment decision is made on a case by case basis. Adjustment decisions are based on information available at the time and are subject to change as additional information becomes available or if there are material changes to the terms of the corporate event(s) occasioning the adjustment.

**ALL CLEARING MEMBERS ARE REQUESTED TO IMMEDIATELY ADVISE ALL BRANCH OFFICES AND CORRESPONDENTS ON THE ABOVE.**

For questions regarding this memo, call Investor Services at 1-888-678-4667 or email [investorservices@theocc.com](mailto:investorservices@theocc.com). Clearing Members may contact Member Services at 1-800-544-6091 or, within Canada, at 1-800-424-7320, or email [memberservices@theocc.com](mailto:memberservices@theocc.com).