**#30718**

**Back to Infomemo Search**

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| **DATE:** | **JUNE 1, 2012** |
| **SUBJECT:** | **EL PASO CORPORATION (ELECTION MERGER) - CONTRACT ADJUSTMENT**<br>**OPTION SYMBOL: EP**<br>**NEW SYMBOL: KMI1**<br>**FUTURES SYMBOLS: EP1C/EP1D**<br>**NEW SYMBOLS: EP2C/EP2D**<br>**DATE: 5/25/12**<br>*** * * DETERMINATION OF EXACT DELIVERABLE * * *** |

On March 6, 2012, Shareholders of El Paso Corporation (EP) approved the proposed merger with Kinder Morgan, Inc. (KMI).

**The Merger: Aggregate Terms**

The merger was consummated before the opening of business on May 25, 2012. As a result, EP Common Shares will be converted as follows:

- Approximately 43% of the aggregate merger consideration (excluding warrants) will be paid in Kinder Morgan Class P common stock.
- Approximately 57% of the aggregate merger consideration (excluding warrants) will be paid in cash.

**The Merger: Individual Share Elections**

The election deadline was 5:00 p.m., New York City time, on May 23, 2012. Within the terms of the aggregate merger, individual EP Shareholders had the choice to:

- Elect to receive .9635 of a share of Kinder Morgan Class P Common Share (KMI) and .640 of a warrant per each EP Common Share (Stock Election). Stock Elections will be subject to proration. OR,
- Elect to receive $25.91 cash and .640 of a warrant per each EP Common Share (Cash Election). Cash elections will be subject to proration. OR,
- Elect to receive .4187 of a share of Kinder Morgan Class P Common Share (KMI), $14.65 cash and .640 of a warrant per each EP Common Share (Mixed Election). The Mixed Election will be subject to proration. OR,
- Register no preference by not making an election (Non-Election).
  Under the terms of the election, shares which were not subject to an effective election will be treated as non-electing shares and converted into the right to receive the Mixed Election consideration, subject to proration as described in the merger agreement.

**Each warrant will entitle its holder to purchase one (1) share of Kinder Morgan Class P Common Stock at an exercise price of $40.00 per share, subject to specified adjustments, at any time during the 5-year period following the closing of the transaction.**

## CONTRACT ADJUSTMENT

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| DATE: | May 25, 2012. |
| OPTION SYMBOLS: | EP becomes KMI1 |
| STRIKE DIVISOR: | 1 |
| CONTRACT MULTIPLIER: | 1 |
| NEW MULTIPLIER: | 100 (e.g., for premium or strike price extensions, 1.00 equals $100) |
| NEW DELIVERABLE PER CONTRACT: | 1) 41 Kinder Morgan, Inc. (KMI) Class P Common Shares, no longer subject to delayed settlement<br>2) Cash in lieu of .87 fractional KMI shares<br>3) 64 Warrants (KMI WS) to purchase 64 KMI shares, no longer subject to delayed settlement<br>4) $1,465.00 Cash |
| CUSIP: | KMI: 49456B101<br>KMI WS: 49456B119 |
| SETTLEMENT ALLOCATION: | KMI: 95%<br>KMI WS: 5% |

## DELAYED SETTLEMENT

The KMI and KMI WS components of the KMI1 deliverable will settle through National Securities Clearing Corporation (NSCC). OCC will delay settlement of the cash portion of the KMI1 deliverable until the cash in lieu of fractional KMI Class P Common 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

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| DATE: | May 25, 2012 |
| FUTURES SYMBOL: | EP1C changes to EP2C<br>EP1D changes to EP2D |
| NUMBER OF CONTRACTS: | No Change |
| MULTIPLIER | 100 (e.g., a premium of 1.50 yields $150) |
| NEW DELIVERABLE PER CONTRACT: | 1) 41 Kinder Morgan, Inc. (KMI) Class P Common Shares, no longer subject to delayed settlement<br>2) Cash in lieu of .87 fractional KMI shares<br>3) 64 Warrants to purchase 64 KMI shares, no longer subject to delayed settlement |

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| | 4) $1,465.00 Cash |
| CUSIP: | KMI: 49456B101<br>KMI WS: 49456B119 |
| SETTLEMENT ALLOCATION: | KMI: 95%<br>KMI WS: 5% |

**Delivery Settlement and Protect Provisions**

Option contracts which are exercised, and physically-settled security futures contracts which mature, will require the settlement of all component securities included in the contract deliverable at the time of the futures contract maturation or option contract exercise, including rights, warrants, or similar instruments. Additional EP entitlements (such as due bills, eligibility to participate in tender offers, elections, etc.) may also automatically attach to securities deliverable upon physically-settled futures contract maturity or option exercise. Conversely, securities not included in the contract deliverable at the time of the option exercise or futures contract maturity, or other entitlements not associated with the underlying deliverable securities, may preclude holders of long futures contracts from realizing the benefit of such entitlements. For example, if a physically-settled security futures underlying security is the subject of a tender offer, exchange offer, or similar event which expires *before* the futures contract reaches its maturity, the securities due to long futures holders upon maturity *will not* be eligible for participation in the tender/exchange offer. Conversely, if such tender offer, exchange offer or similar event expires *after* the futures contract matures, securities deliverable to long futures holders *will* be eligible for participation in these events.

Except in unusual cases, securities deliverable as a result of equity option exercise or the maturity of physically-settled security futures are settled through National Securities Clearing Corporation (NSCC).

Rights and obligations of Members with respect to securities settling at NSCC as a result of an option exercise or assignment or a physically-settled security future delivery or receipt obligation are governed by the rules of NSCC. NSCC has its own rules which enable purchasers of securities to protect themselves for value which may be lost if timely delivery is not made to them of securities subject to specific deadlines, such as the expiration of a tender offer, rights subscription, election, or similar event. These rules are generally called protect or liability notice procedures, and are intended to protect purchasers by binding the delivering parties to liability if such value is lost because timely delivery is not effected. Purchasers of securities must observe the rules and procedures of NSCC to avail themselves of such "protect" provisions of NSCC. Questions regarding these provisions should be addressed to NSCC.

**Special Risks**

Writers of call options and holders of short positions in physically-settled security futures at maturity who are uncovered with respect to deliverable securities subject to deadlines or cut-off times (such as expirations of tender offers, rights subscriptions, elections, or similar events) should be aware of a risk associated with the timing of their possible assignments or physically-settled security futures delivery obligations: Equity option exercise settlement and settlement of physically-settled security futures delivery obligations normally occurs 3 business days after the option exercise date or the security-futures maturity date. An uncovered call writer or uncovered short futures holder who has an obligation to deliver, and who waits until after assignment or futures maturity to effect purchase of the underlying security, may not be able to effect timely delivery by a regular-way purchase (3 business-day settlement) or call option exercise (3 business-day settlement after exercise). Such uncovered writer or short futures holder may nevertheless be subject to liability under the protect provisions of NSCC (see above) with respect to his delivery obligation, because he cannot make timely delivery. Additionally, Cash Markets (same-day, or less-than-3-business-day settlement) may not be available, or may be expensive for buyers of the underlying security.

**DISCLAIMER**

**CATEGORY: CONTRACT ADJUSTMENT**

**For questions regarding this memo, call 1-888-OPTIONS or email options@theocc.com.**