#33940

Back to Infomemo Search

DATE:	**JANUARY 16, 2014**
SUBJECT:	**COLE REAL ESTATE INVESTMENTS, INC. (ELECTION MERGER) - ANTICIPATED ADJUSTMENT** **OPTION SYMBOL: COLE** **NEW SYMBOL: ARCP1** **FUTURES SYMBOLS: COLE1C/COLE1D** **NEW SYMBOLS: COLE2C/COLE2D** **DATE: 1/24/14??? (ELECTION DEADLINE: 1/22/14)**

On January 23, 2014, Shareholders of Cole Real Estate Investments, Inc. (COLE) will vote concerning the proposed merger with American Realty Capital Properties, Inc. (ARCP).

The Merger: Aggregate Terms

If the merger is approved and consummated, COLE Common Shares will be converted as follows:

- An amount of all outstanding COLE Common Shares will be converted into $13.82 Cash per COLE Share, subject to prorations The maximum aggregate number of COLE common shares converted to cash will not exceed 20% of the shares of COLE common stock issued and outstanding as of immediately prior to the consummation of the merger.

- An amount of COLE Shares will be converted into 1.0929 shares of American Realty Capital Properties, Inc. (ARCP) Shares.

The Merger: Individual Share Elections

Within the terms of the aggregate merger, individual COLE Shareholders may:

- Elect to receive $13.82 cash per each COLE Common Share (Cash Election). Cash elections will be subject to proration. OR,
- Elect to receive 1.0929 shares of American Realty Capital Properties (ARCP) for each COLE Common Share (Stock Election). OR,
- Register no preference by not making an election (Non-Electing).
  Under the terms of the election, shares which are not subject to an effective election will be deemed to have elected to receive the Stock Election, as stated in the COLE/ARCP Joint Proxy Statement/ Prospectus dated December 23, 2013.

Elections must be submitted to Computershare Trust Company, N.A., the exchange agent. The election deadline will be 5:00 p.m., New York City time on January 22, 2014. COLE Shareholders must observe all terms and conditions for the election as specified in the COLE/ARCP Joint Proxy Statement/Prospectus. **It should be noted that COLE Shares may not be delivered pursuant to an election under "Notices of**

Guaranteed Delivery." In all cases, Call option holders exercising in order to obtain stock for an election must exercise in sufficient time to be able to make valid delivery pursuant to the election procedures.

The Merger Consideration: Prorations

Cash Elections will be subject to proration as described in the COLE/ARCP Joint Proxy Statement/Prospectus dated December 23, 2013.

CONTRACT ADJUSTMENT

DATE:	Effective the opening of the business day after the merger is consummated. Contract adjustment is anticipated to occur in the first quarter of 2014.
OPTION SYMBOL:	COLE changes to ARCP1
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) 109 American Realty Capital Properties, Inc. (ARCP) Common Shares 2) Cash in lieu of 0.29 fractional ARCP shares
CUSIP:	ARCP: 02917T104

PRICING

Until the cash in lieu amount is determined, the underlying price for ARCP1 will be determined as follows:

ARCP1 = 1.0929 (ARCP)

DELAYED SETTLEMENT

The ARCP component of the ARCP1 deliverable will settle through National Securities Clearing Corporation (NSCC). OCC will delay settlement of the cash portion of the ARCP1 deliverable until the cash in lieu of fractional ARCP Shares is determined. Upon determination of the cash in lieu amount, OCC will require delivery of the appropriate cash amount.

Important Exercise Considerations

Holders of COLE Call options who wish to make their own elections with respect to COLE shares received through exercise (for example, to receive a consideration other than the Non-Electing consideration) bear sole responsibility in determining when to exercise their options to permit a valid election. After the merger is consummated and the contract adjustment described above is effected, adjusted COLE options will no longer call for the delivery of COLE shares upon exercise. Call option holders will receive upon exercise (and Put holders deliver upon exercise) the aggregate Non-Electing merger consideration (on a per contract basis).

Futures Contract Adjustment

DATE:	Effective the opening of the business day after the merger is consummated. Contract adjustment is anticipated to occur in the first quarter of 2014.

FUTURES SYMBOLS:	COLE1C changes to COLE2C COLE1D changes to COLE2D
NUMBER OF CONTRACTS:	No Change
MULTIPLIER:	100 (e.g., a premium of 1.50 yields $150)
NEW DELIVERABLE PER CONTRACT:	1) 109 American Realty Capital Properties (ARCP) Common Shares 2) Cash in lieu of 0.29 fractional ARCP shares
CUSIP:	ARCP: 02917T104

PRICING

Until the cash in lieu amount is determined, the underlying price for the COLE2C and COLE2D Futures contract deliverables, expressed in term of current market value, would be calculated as follows:

COLE2C = 1.0929 (ARCP)

Please note that the valuation would apply only to the COLE2C and COLE2D deliverable 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 ARCP component of the COLE2C/COLE2D deliverable will settle through National Securities Clearing Corporation (NSCC). OCC will delay settlement of the cash portion of the COLE2C/COLE2D deliverable until the cash in lieu of fractional ARCP Common Shares is determined. Upon determination of the cash in lieu amount, OCC will require delivery of the appropriate cash amount.

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 COLE 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

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.

CATEGORY: CONTRACT ADJUSTMENT

For questions regarding this memo, call 1-888-678-4667 or email investorservices@theocc.com.