



**THE FOUNDATION
FOR SECURE
MARKETS**

#43534

DATE: AUGUST 16, 2018

SUBJECT: TWO1 OPTIONS - EXPIRATION PRICING CONSIDERATION

TWO1 (adjusted CYS Investments, Inc. options) will be subject to special pricing consideration in expiration processing on August 17, 2018. The pricing consideration is due to the undetermined cash in lieu of fractional shares amount included in the option deliverable of TWO1 as indicated below. These options will continue to be subject to normal exercise based on customary exercise thresholds in OCC's Ex-by-Ex processing.

MEMBERS SHOULD ADVISE THEIR CUSTOMERS TO TAKE THE FOLLOWING CONSIDERATIONS INTO ACCOUNT IN DECIDING TO EXERCISE, OR NOT TO EXERCISE, THESE OPTIONS.

TWO1

TWO1 options are adjusted CYS Investments, Inc. options, adjusted August 1, 2018, (see OCC Information Memo #43451). The deliverable of TWO1 options is:

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

As of August 16, 2018, the CYS Exchange Agent has not determined price to be used to determine the cash in lieu amount.

For purposes of calculating an TWO1 price for use in expiration processing, OCC will use the following formula:

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

For example, if TWO closes at 15.43, the TWO1 price would be:

$$\text{TWO1} = 0.4680 (15.43) + 0.0965 = 7.32$$

This formula includes an estimate for the value of the cash in lieu amount and not the actual amount applicable in the merger.

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. Clearing Members may contact Member Services at 1-800-544-6091 or, within Canada, at 1-800-424-7320, or email memberservices@theocc.com.