



# THE OPTIONS CLEARING CORPORATION

#24348

[Back to Infomemo Search](#)

**DATE:** MAY 1, 2008

**SUBJECT:** TELEMIG CELULAR PARTICIPACOES S.A. - PARTIAL TENDER  
OFFER  
ADJUSTED OPTION SYMBOL: TBW  
**DATE:** 5/9/08

Telemig Celular Participacoes S.A. ("TMB") is the subject of an Offer to Purchase (The "Offer"), as described below:

**PURCHASER:** Vivo Participacoes, S.A. through its subsidiary TCO IP S.A

**SECURITY TO BE PURCHASED:** Telemig Celular Participacoes S.A. ("TMB") American Depository Shares ("ADS's")

**QUANTITY** Up to 7,257,020 Preferred Shares including shares held as American Depository Shares of Telemig Celular Participacoes S.A.

**PRICE:** R\$63.90 per underlying Preferred Shares (Approximately \$74.68 per American Depository Share of Telemig Celular Participacoes S.A. ("TMB"))

**EXPIRATION:** 12:00 Noon, New York City Time, on Friday, May 9, 2008, unless extended.

**DEPOSITARY:** The Bank of New York Mellon

**GUARANTY PERIOD:** **NONE**

THE FOREGOING IS AN UNOFFICIAL SUMMARY OF THE TERMS OF THE OFFER, PREPARED BY OCC FOR THE CONVENIENCE OF CLEARING MEMBERS. OCC ACCEPTS NO RESPONSIBILITY FOR THE ACCURACY OR COMPLETENESS OF THE SUMMARY. CLEARING MEMBERS SHOULD REFER TO THE OFFER TO PURCHASE DATED APRIL 8, 2008, FOR THE AUTHORITATIVE DESCRIPTION OF THE OFFER AND ALL ITS TERMS AND CONDITIONS.

## **DELIVERY SETTLEMENT AND PROTECT PROVISIONS**

Option contracts which are exercised will require the settlement of all component securities included in the contract deliverable at the time of the option contract exercise, including rights, warrants, or similar instruments. Additional entitlements (such as due bills, eligibility to participate in tender offers, elections, etc.) may also automatically attach to securities deliverable upon option exercise. **Conversely, securities not included in the contract deliverable at the time of the option exercise not associated with the underlying deliverable securities, may preclude call exercisers from realizing the benefit of such entitlements.** (See also "Special Risks - Valuation Disparity".)

Except in unusual cases, securities deliverable as a result of equity option exercise 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/assignment 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**

### **A. Uncovered Short Positions**

The holder of an uncovered short call position who has an obligation to deliver and who waits until after call assignment to effect purchase of the underlying security, may not be able to effect timely delivery by a regular-way purchase or call option exercise.

### **B. Valuation Disparity - Option contracts**

Contract adjustments are not made merely to reflect the expiration of a tender offer (see "Adjustment Policy for Tenders"). This may present a risk for writers of put options, because the completion of a tender offer may have significant - possibly adverse - effects on the market value of the underlying security put writers would be obligated to buy if assigned after the tender expires. Accordingly, the normal price relationship of calls and puts may be disrupted while this condition pertains. Customers can be referred to "Characteristics and Risks of Standardized Options" (p.21) where this topic is discussed.

## **SHORT TENDERING**

Questions concerning compliance with the SEC's "Short Tendering Rule" - SEC Rule 14e – 4 should be addressed to the Exchange specified by each Clearing Member as their "Designated Examining Authority". Members are also referred to the SEC for questions concerning SEC Rule 14e-4.

## POSSIBLE DELAYED SETTLEMENT

After the Offer expires, it is possible Telemig Celular Participacoes S.A. ("TMB") American Depositary Shares may begin to trade on a when-distributed basis on the NYSE. Should this occur, OCC may delay settlement of TBW option exercises until a settlement date for when-distributed trades is determined.

## ADJUSTMENT POLICY FOR TENDERS

Interpretation .03 to Article VI, Section 11A of OCC's By-Laws states:

Adjustments will not be made to reflect a tender offer or exchange offer to the holders of the underlying security, whether such offer is made by the issuer of the underlying security or by a third person or whether the offer is for cash, securities, or other property. This policy will apply without regard to whether the price of the underlying security may be favorably or adversely affected by the offer or whether the offer may be deemed to be "coercive." Outstanding options ordinarily will be adjusted to reflect a merger, consolidation or similar event that becomes effective following the completion of a tender offer or exchange offer.

Under this interpretation, TBW options **will not be adjusted** to reflect the expiration of the Offer. Interpretation .03 indicates an adjustment would be considered **when and if** a subsequent "merger, consolidation, or similar event" following the tender is **actually consummated**. Until such an event occurs, Telemig Celular Participacoes S.A. ("TMB") American Depositary Shares would still exist, trade, and be deliverable in settlement of option exercises.

THE FOREGOING IS BASED ON THE INFORMATION AVAILABLE AT THIS TIME. THE DETERMINATION TO ADJUST, OR NOT ADJUST, AND THE EXTENT OF ANY ADJUSTMENT ARE SUBJECT TO CHANGE AS ADDITIONAL INFORMATION BECOMES AVAILABLE OR IF THERE ARE MATERIAL CHANGES TO THE TERMS OF THIS OFFER.

CATEGORY: CONTRACT ADJUSTMENT  
SUB-CATEGORY: PARTIAL TENDER OFFER

**For questions regarding this memo, call 1-888-OPTIONS or email [options@theocc.com](mailto:options@theocc.com).**