Research Circular #RS12-496

DATE: September 26, 2012
TO: Permit Holders
FROM: Scott Speer

RE: **ProShares UltraShort Basic Materials ("SMN")**
1-for-4 Reverse ETF Split
Ex-Distribution Date: October 5, 2012

ProShares UltraShort Basic Materials ("SMN") has announced a 1-for-4 reverse ETF split, in which each outstanding share of SMN will automatically be converted into **0.25** of a share of "New" SMN. **The ex-date for the reverse ETF split is Friday, October 5, 2012.**

Contract Adjustment

Pursuant to OCC rules (Article VI, Section 11 and 11A), all outstanding SMN option series as of Friday, October 5, 2012, at 8:30 A.M. Chicago time will be adjusted to reflect this 1-for-4 reverse ETF split. All SMN options will be adjusted to require the receipt or delivery of: **25 shares of ProShares UltraShort Basic Materials (New "SMN").** The contract multiplier will remain 100, *i.e.,* 1 point of premium or strike price will equal $100. Strike prices will remain the same. The option symbol will change to **SMN1**. Premiums for the adjusted SMN1 options will continue to be calculated on the basis of a multiplier of 100, i.e., for premium and strike-price extensions, 1.00 will equal $100. [Any FLEX series that may exist will be adjusted in a similar manner to the standardized option.]

The option adjustment will appear in the Daily Position Report of the clearing member firms on the ex-date. After 8:30 A.M. Friday, October 5, 2012, all trades, corrections, and exercises must be submitted to the CBOE and OCC on an adjusted basis.

Adjusted Exercise Prices

On Friday, October 5, 2012, the ex-distribution date, trading in SMN series will be on an adjusted basis. At 8:30 A.M., Chicago time, an opening rotation will be effected with the following adjustments:

EXISTING SERIES 100 Shares					ADJUSTED SERIES* 25 Shares			
SMN	5.00	2012-10-20	C/P	=>	SMN1	5.00	2012-10-20	C/P
SMN	6.00	2012-10-20	C/P	=>	SMN1	6.00	2012-10-20	C/P
SMN	7.00	2012-10-20	C/P	=>	SMN1	7.00	2012-10-20	C/P
SMN	8.00	2012-10-20	C/P	=>	SMN1	8.00	2012-10-20	C/P
SMN	9.00	2012-10-20	C/P	=>	SMN1	9.00	2012-10-20	C/P
SMN	10.00	2012-10-20	C/P	=>	SMN1	10.00	2012-10-20	C/P
SMN	11.00	2012-10-20	C/P	=>	SMN1	11.00	2012-10-20	C/P
SMN	12.00	2012-10-20	C/P	=>	SMN1	12.00	2012-10-20	C/P

EXISTING SERIES 100 Shares					ADJUSTED SERIES* 25 Shares			
SMN	13.00	2012-10-20	C/P	=>	SMN1	13.00	2012-10-20	C/P
SMN	14.00	2012-10-20	C/P	=>	SMN1	14.00	2012-10-20	C/P
SMN	15.00	2012-10-20	C/P	=>	SMN1	15.00	2012-10-20	C/P
SMN	16.00	2012-10-20	C/P	=>	SMN1	16.00	2012-10-20	C/P
SMN	17.00	2012-10-20	C/P	=>	SMN1	17.00	2012-10-20	C/P
SMN	18.00	2012-10-20	C/P	=>	SMN1	18.00	2012-10-20	C/P
SMN	19.00	2012-10-20	C/P	=>	SMN1	19.00	2012-10-20	C/P
SMN	20.00	2012-10-20	C/P	=>	SMN1	20.00	2012-10-20	C/P
SMN	21.00	2012-10-20	C/P	=>	SMN1	21.00	2012-10-20	C/P
SMN	22.00	2012-10-20	C/P	=>	SMN1	22.00	2012-10-20	C/P
SMN	23.00	2012-10-20	C/P	=>	SMN1	23.00	2012-10-20	C/P
SMN	24.00	2012-10-20	C/P	=>	SMN1	24.00	2012-10-20	C/P
SMN	25.00	2012-10-20	C/P	=>	SMN1	25.00	2012-10-20	C/P
SMN	30.00	2012-10-20	C/P	=>	SMN1	30.00	2012-10-20	C/P
SMN	35.00	2012-10-20	C/P	=>	SMN1	35.00	2012-10-20	C/P
SMN	4.00	2012-11-17	C/P	=>	SMN1	4.00	2012-11-17	C/P
SMN	5.00	2012-11-17	C/P	=>	SMN1	5.00	2012-11-17	C/P
SMN	6.00	2012-11-17	C/P	=>	SMN1	6.00	2012-11-17	C/P
SMN	7.00	2012-11-17	C/P	=>	SMN1	7.00	2012-11-17	C/P
SMN	8.00	2012-11-17	C/P	=>	SMN1	8.00	2012-11-17	C/P
SMN	9.00	2012-11-17	C/P	=>	SMN1	9.00	2012-11-17	C/P
SMN	10.00	2012-11-17	C/P	=>	SMN1	10.00	2012-11-17	C/P
SMN	11.00	2012-11-17	C/P	=>	SMN1	11.00	2012-11-17	C/P
SMN	12.00	2012-11-17	C/P	=>	SMN1	12.00	2012-11-17	C/P
SMN	13.00	2012-11-17	C/P	=>	SMN1	13.00	2012-11-17	C/P
SMN	14.00	2012-11-17	C/P	=>	SMN1	14.00	2012-11-17	C/P
SMN	15.00	2012-11-17	C/P	=>	SMN1	15.00	2012-11-17	C/P
SMN	16.00	2012-11-17	C/P	=>	SMN1	16.00	2012-11-17	C/P
SMN	17.00	2012-11-17	C/P	=>	SMN1	17.00	2012-11-17	C/P
SMN	18.00	2012-11-17	C/P	=>	SMN1	18.00	2012-11-17	C/P
SMN	19.00	2012-11-17	C/P	=>	SMN1	19.00	2012-11-17	C/P
SMN	20.00	2012-11-17	C/P	=>	SMN1	20.00	2012-11-17	C/P
SMN	21.00	2012-11-17	C/P	=>	SMN1	21.00	2012-11-17	C/P
SMN	22.00	2012-11-17	C/P	=>	SMN1	22.00	2012-11-17	C/P
SMN	23.00	2012-11-17	C/P	=>	SMN1	23.00	2012-11-17	C/P
SMN	24.00	2012-11-17	C/P	=>	SMN1	24.00	2012-11-17	C/P
SMN	8.00	2013-01-19	C/P	=>	SMN1	8.00	2013-01-19	C/P
SMN	9.00	2013-01-19	C/P	=>	SMN1	9.00	2013-01-19	C/P
SMN	10.00	2013-01-19	C/P	=>	SMN1	10.00	2013-01-19	C/P
SMN	11.00	2013-01-19	C/P	=>	SMN1	11.00	2013-01-19	C/P
SMN	12.00	2013-01-19	C/P	=>	SMN1	12.00	2013-01-19	C/P
SMN	13.00	2013-01-19	C/P	=>	SMN1	13.00	2013-01-19	C/P
SMN	14.00	2013-01-19	C/P	=>	SMN1	14.00	2013-01-19	C/P
SMN	15.00	2013-01-19	C/P	=>	SMN1	15.00	2013-01-19	C/P
SMN	16.00	2013-01-19	C/P	=>	SMN1	16.00	2013-01-19	C/P
SMN	17.00	2013-01-19	C/P	=>	SMN1	17.00	2013-01-19	C/P
SMN	18.00	2013-01-19	C/P	=>	SMN1	18.00	2013-01-19	C/P

EXISTING SERIES 100 Shares					ADJUSTED SERIES* 25 Shares			
SMN	19.00	2013-01-19	C/P	=>	SMN1	19.00	2013-01-19	C/P
SMN	20.00	2013-01-19	C/P	=>	SMN1	20.00	2013-01-19	C/P
SMN	21.00	2013-01-19	C/P	=>	SMN1	21.00	2013-01-19	C/P
SMN	22.00	2013-01-19	C/P	=>	SMN1	22.00	2013-01-19	C/P
SMN	23.00	2013-01-19	C/P	=>	SMN1	23.00	2013-01-19	C/P
SMN	24.00	2013-01-19	C/P	=>	SMN1	24.00	2013-01-19	C/P
SMN	25.00	2013-01-19	C/P	=>	SMN1	25.00	2013-01-19	C/P
SMN	26.00	2013-01-19	C/P	=>	SMN1	26.00	2013-01-19	C/P
SMN	27.00	2013-01-19	C/P	=>	SMN1	27.00	2013-01-19	C/P
SMN	28.00	2013-01-19	C/P	=>	SMN1	28.00	2013-01-19	C/P
SMN	30.00	2013-01-19	C/P	=>	SMN1	30.00	2013-01-19	C/P
SMN	35.00	2013-01-19	C/P	=>	SMN1	35.00	2013-01-19	C/P
SMN	6.00	2013-04-20	C/P	=>	SMN1	6.00	2013-04-20	C/P
SMN	7.00	2013-04-20	C/P	=>	SMN1	7.00	2013-04-20	C/P
SMN	8.00	2013-04-20	C/P	=>	SMN1	8.00	2013-04-20	C/P
SMN	9.00	2013-04-20	C/P	=>	SMN1	9.00	2013-04-20	C/P
SMN	10.00	2013-04-20	C/P	=>	SMN1	10.00	2013-04-20	C/P
SMN	11.00	2013-04-20	C/P	=>	SMN1	11.00	2013-04-20	C/P
SMN	12.00	2013-04-20	C/P	=>	SMN1	12.00	2013-04-20	C/P
SMN	13.00	2013-04-20	C/P	=>	SMN1	13.00	2013-04-20	C/P
SMN	14.00	2013-04-20	C/P	=>	SMN1	14.00	2013-04-20	C/P
SMN	15.00	2013-04-20	C/P	=>	SMN1	15.00	2013-04-20	C/P
SMN	16.00	2013-04-20	C/P	=>	SMN1	16.00	2013-04-20	C/P
SMN	17.00	2013-04-20	C/P	=>	SMN1	17.00	2013-04-20	C/P
SMN	18.00	2013-04-20	C/P	=>	SMN1	18.00	2013-04-20	C/P
SMN	19.00	2013-04-20	C/P	=>	SMN1	19.00	2013-04-20	C/P
SMN	20.00	2013-04-20	C/P	=>	SMN1	20.00	2013-04-20	C/P
SMN	21.00	2013-04-20	C/P	=>	SMN1	21.00	2013-04-20	C/P
SMN	22.00	2013-04-20	C/P	=>	SMN1	22.00	2013-04-20	C/P
SMN	23.00	2013-04-20	C/P	=>	SMN1	23.00	2013-04-20	C/P
SMN	24.00	2013-04-20	C/P	=>	SMN1	24.00	2013-04-20	C/P
SMN	25.00	2013-04-20	C/P	=>	SMN1	25.00	2013-04-20	C/P
SMN	26.00	2013-04-20	C/P	=>	SMN1	26.00	2013-04-20	C/P

*** Any additional SMN series that are added prior to the effective time of the Reverse Split will also be adjusted in the manner described above.**

New Unadjusted Series

To facilitate the maintenance of a fair and orderly market in ProShares UltraShort Basic Materials options, new SMN series with a contract unit of 100 shares will be introduced on Monday, October 8, 2012. The SMN series will be added for October, November, January, and April expirations at exercise prices nearest the money.

GTC Order Conversion

On Thursday, October 4, 2012, immediately after the CBOE close, the system will convert or cancel all resting orders in the SMN order book. If your firm has requested, all booked orders (phone, wire, and electronic) and all ORS orders residing outside the book (booth or crowd routed) will be converted reflecting the adjustments. If your firm has requested, all booked orders and ORS orders residing outside of the book will be canceled. If your firm receives CXL drops, the CXL confirms will print at your booth at 3:15 p.m. ORS CXLs will also be transmitted electronically to your branches.

Immediately after the close, the book staff will return a final written report listing the orders that are converted or canceled to all firms. If converted, this list will also show how the new orders will be adjusted. This report will be available on request anytime during the day prior to the night of the adjustment.

Position and Exercise Limits

The CBOE Department of Market Regulation has determined that: "The position and exercise limits will remain the same."

Questions regarding this memo can be addressed to Options Industry Services at 1-888-OPTIONS (1-888-678-4667). CBOE contract adjustment memos can also be accessed from CBOE.com at the following web address:

http://www.cboe.com/ContractAdjustments