Research Circular #RS12-497

DATE: September 27, 2012
TO: Permit Holders
FROM: Scott Speer

RE: **ProShares UltraShort S&P 500 ("SDS")**
1-for-4 Reverse ETF Split
Ex-Distribution Date: October 5, 2012

ProShares UltraShort S&P 500 ("SDS") has announced a 1-for-4 reverse ETF split, in which each outstanding share of SDS will automatically be converted into **0.25** of a share of "New" SDS. **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 SDS 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 SDS options will be adjusted to require the receipt or delivery of: **25 shares of ProShares UltraShort S&P 500 (New "SDS").** 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 **SDS1**. Premiums for the adjusted SDS1 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 SDS 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**			
SDS	1.00	2012-10-20	C/P	=>	SDS1	1.00	2012-10-20	C/P
SDS	2.00	2012-10-20	C/P	=>	SDS1	2.00	2012-10-20	C/P
SDS	3.00	2012-10-20	C/P	=>	SDS1	3.00	2012-10-20	C/P
SDS	4.00	2012-10-20	C/P	=>	SDS1	4.00	2012-10-20	C/P
SDS	5.00	2012-10-20	C/P	=>	SDS1	5.00	2012-10-20	C/P
SDS	6.00	2012-10-20	C/P	=>	SDS1	6.00	2012-10-20	C/P
SDS	7.00	2012-10-20	C/P	=>	SDS1	7.00	2012-10-20	C/P
SDS	8.00	2012-10-20	C/P	=>	SDS1	8.00	2012-10-20	C/P

EXISTING SERIES 100 Shares					ADJUSTED SERIES* 25 Shares			
SDS	9.00	2012-10-20	C/P	=>	SDS1	9.00	2012-10-20	C/P
SDS	10.00	2012-10-20	C/P	=>	SDS1	10.00	2012-10-20	C/P
SDS	11.00	2012-10-20	C/P	=>	SDS1	11.00	2012-10-20	C/P
SDS	12.00	2012-10-20	C/P	=>	SDS1	12.00	2012-10-20	C/P
SDS	13.00	2012-10-20	C/P	=>	SDS1	13.00	2012-10-20	C/P
SDS	14.00	2012-10-20	C/P	=>	SDS1	14.00	2012-10-20	C/P
SDS	15.00	2012-10-20	C/P	=>	SDS1	15.00	2012-10-20	C/P
SDS	16.00	2012-10-20	C/P	=>	SDS1	16.00	2012-10-20	C/P
SDS	17.00	2012-10-20	C/P	=>	SDS1	17.00	2012-10-20	C/P
SDS	18.00	2012-10-20	C/P	=>	SDS1	18.00	2012-10-20	C/P
SDS	19.00	2012-10-20	C/P	=>	SDS1	19.00	2012-10-20	C/P
SDS	20.00	2012-10-20	C/P	=>	SDS1	20.00	2012-10-20	C/P
SDS	21.00	2012-10-20	C/P	=>	SDS1	21.00	2012-10-20	C/P
SDS	22.00	2012-10-20	C/P	=>	SDS1	22.00	2012-10-20	C/P
SDS	23.00	2012-10-20	C/P	=>	SDS1	23.00	2012-10-20	C/P
SDS	24.00	2012-10-20	C/P	=>	SDS1	24.00	2012-10-20	C/P
SDS	25.00	2012-10-20	C/P	=>	SDS1	25.00	2012-10-20	C/P
SDS	26.00	2012-10-20	C/P	=>	SDS1	26.00	2012-10-20	C/P
SDS	27.00	2012-10-20	C/P	=>	SDS1	27.00	2012-10-20	C/P
SDS	28.00	2012-10-20	C/P	=>	SDS1	28.00	2012-10-20	C/P
SDS	1.00	2012-11-17	C/P	=>	SDS1	1.00	2012-11-17	C/P
SDS	2.00	2012-11-17	C/P	=>	SDS1	2.00	2012-11-17	C/P
SDS	3.00	2012-11-17	C/P	=>	SDS1	3.00	2012-11-17	C/P
SDS	4.00	2012-11-17	C/P	=>	SDS1	4.00	2012-11-17	C/P
SDS	5.00	2012-11-17	C/P	=>	SDS1	5.00	2012-11-17	C/P
SDS	6.00	2012-11-17	C/P	=>	SDS1	6.00	2012-11-17	C/P
SDS	7.00	2012-11-17	C/P	=>	SDS1	7.00	2012-11-17	C/P
SDS	8.00	2012-11-17	C/P	=>	SDS1	8.00	2012-11-17	C/P
SDS	9.00	2012-11-17	C/P	=>	SDS1	9.00	2012-11-17	C/P
SDS	10.00	2012-11-17	C/P	=>	SDS1	10.00	2012-11-17	C/P
SDS	11.00	2012-11-17	C/P	=>	SDS1	11.00	2012-11-17	C/P
SDS	12.00	2012-11-17	C/P	=>	SDS1	12.00	2012-11-17	C/P
SDS	13.00	2012-11-17	C/P	=>	SDS1	13.00	2012-11-17	C/P
SDS	14.00	2012-11-17	C/P	=>	SDS1	14.00	2012-11-17	C/P
SDS	15.00	2012-11-17	C/P	=>	SDS1	15.00	2012-11-17	C/P
SDS	16.00	2012-11-17	C/P	=>	SDS1	16.00	2012-11-17	C/P
SDS	17.00	2012-11-17	C/P	=>	SDS1	17.00	2012-11-17	C/P
SDS	18.00	2012-11-17	C/P	=>	SDS1	18.00	2012-11-17	C/P
SDS	19.00	2012-11-17	C/P	=>	SDS1	19.00	2012-11-17	C/P
SDS	20.00	2012-11-17	C/P	=>	SDS1	20.00	2012-11-17	C/P
SDS	21.00	2012-11-17	C/P	=>	SDS1	21.00	2012-11-17	C/P
SDS	22.00	2012-11-17	C/P	=>	SDS1	22.00	2012-11-17	C/P
SDS	23.00	2012-11-17	C/P	=>	SDS1	23.00	2012-11-17	C/P
SDS	24.00	2012-11-17	C/P	=>	SDS1	24.00	2012-11-17	C/P
SDS	25.00	2012-11-17	C/P	=>	SDS1	25.00	2012-11-17	C/P

EXISTING SERIES 100 Shares					ADJUSTED SERIES* 25 Shares			
SDS	26.00	2012-11-17	C/P	=>	SDS1	26.00	2012-11-17	C/P
SDS	1.00	2012-12-22	C/P	=>	SDS1	1.00	2012-12-22	C/P
SDS	2.00	2012-12-22	C/P	=>	SDS1	2.00	2012-12-22	C/P
SDS	3.00	2012-12-22	C/P	=>	SDS1	3.00	2012-12-22	C/P
SDS	4.00	2012-12-22	C/P	=>	SDS1	4.00	2012-12-22	C/P
SDS	5.00	2012-12-22	C/P	=>	SDS1	5.00	2012-12-22	C/P
SDS	6.00	2012-12-22	C/P	=>	SDS1	6.00	2012-12-22	C/P
SDS	7.00	2012-12-22	C/P	=>	SDS1	7.00	2012-12-22	C/P
SDS	8.00	2012-12-22	C/P	=>	SDS1	8.00	2012-12-22	C/P
SDS	9.00	2012-12-22	C/P	=>	SDS1	9.00	2012-12-22	C/P
SDS	10.00	2012-12-22	C/P	=>	SDS1	10.00	2012-12-22	C/P
SDS	11.00	2012-12-22	C/P	=>	SDS1	11.00	2012-12-22	C/P
SDS	12.00	2012-12-22	C/P	=>	SDS1	12.00	2012-12-22	C/P
SDS	13.00	2012-12-22	C/P	=>	SDS1	13.00	2012-12-22	C/P
SDS	14.00	2012-12-22	C/P	=>	SDS1	14.00	2012-12-22	C/P
SDS	15.00	2012-12-22	C/P	=>	SDS1	15.00	2012-12-22	C/P
SDS	16.00	2012-12-22	C/P	=>	SDS1	16.00	2012-12-22	C/P
SDS	17.00	2012-12-22	C/P	=>	SDS1	17.00	2012-12-22	C/P
SDS	18.00	2012-12-22	C/P	=>	SDS1	18.00	2012-12-22	C/P
SDS	19.00	2012-12-22	C/P	=>	SDS1	19.00	2012-12-22	C/P
SDS	20.00	2012-12-22	C/P	=>	SDS1	20.00	2012-12-22	C/P
SDS	21.00	2012-12-22	C/P	=>	SDS1	21.00	2012-12-22	C/P
SDS	22.00	2012-12-22	C/P	=>	SDS1	22.00	2012-12-22	C/P
SDS	23.00	2012-12-22	C/P	=>	SDS1	23.00	2012-12-22	C/P
SDS	24.00	2012-12-22	C/P	=>	SDS1	24.00	2012-12-22	C/P
SDS	25.00	2012-12-22	C/P	=>	SDS1	25.00	2012-12-22	C/P
SDS	26.00	2012-12-22	C/P	=>	SDS1	26.00	2012-12-22	C/P
SDS	27.00	2012-12-22	C/P	=>	SDS1	27.00	2012-12-22	C/P
SDS	28.00	2012-12-22	C/P	=>	SDS1	28.00	2012-12-22	C/P
SDS	29.00	2012-12-22	C/P	=>	SDS1	29.00	2012-12-22	C/P
SDS	30.00	2012-12-22	C/P	=>	SDS1	30.00	2012-12-22	C/P
SDS	31.00	2012-12-22	C/P	=>	SDS1	31.00	2012-12-22	C/P
SDS	32.00	2012-12-22	C/P	=>	SDS1	32.00	2012-12-22	C/P
SDS	33.00	2012-12-22	C/P	=>	SDS1	33.00	2012-12-22	C/P
SDS	34.00	2012-12-22	C/P	=>	SDS1	34.00	2012-12-22	C/P
SDS	35.00	2012-12-22	C/P	=>	SDS1	35.00	2012-12-22	C/P
SDS	8.00	2013-01-19	C/P	=>	SDS1	8.00	2013-01-19	C/P
SDS	9.00	2013-01-19	C/P	=>	SDS1	9.00	2013-01-19	C/P
SDS	10.00	2013-01-19	C/P	=>	SDS1	10.00	2013-01-19	C/P
SDS	11.00	2013-01-19	C/P	=>	SDS1	11.00	2013-01-19	C/P
SDS	12.00	2013-01-19	C/P	=>	SDS1	12.00	2013-01-19	C/P
SDS	13.00	2013-01-19	C/P	=>	SDS1	13.00	2013-01-19	C/P
SDS	14.00	2013-01-19	C/P	=>	SDS1	14.00	2013-01-19	C/P

EXISTING SERIES 100 Shares					ADJUSTED SERIES* 25 Shares			
SDS	15.00	2013-01-19	C/P	=>	SDS1	15.00	2013-01-19	C/P
SDS	16.00	2013-01-19	C/P	=>	SDS1	16.00	2013-01-19	C/P
SDS	17.00	2013-01-19	C/P	=>	SDS1	17.00	2013-01-19	C/P
SDS	18.00	2013-01-19	C/P	=>	SDS1	18.00	2013-01-19	C/P
SDS	19.00	2013-01-19	C/P	=>	SDS1	19.00	2013-01-19	C/P
SDS	20.00	2013-01-19	C/P	=>	SDS1	20.00	2013-01-19	C/P
SDS	21.00	2013-01-19	C/P	=>	SDS1	21.00	2013-01-19	C/P
SDS	22.00	2013-01-19	C/P	=>	SDS1	22.00	2013-01-19	C/P
SDS	23.00	2013-01-19	C/P	=>	SDS1	23.00	2013-01-19	C/P
SDS	24.00	2013-01-19	C/P	=>	SDS1	24.00	2013-01-19	C/P
SDS	25.00	2013-01-19	C/P	=>	SDS1	25.00	2013-01-19	C/P
SDS	26.00	2013-01-19	C/P	=>	SDS1	26.00	2013-01-19	C/P
SDS	27.00	2013-01-19	C/P	=>	SDS1	27.00	2013-01-19	C/P
SDS	28.00	2013-01-19	C/P	=>	SDS1	28.00	2013-01-19	C/P
SDS	29.00	2013-01-19	C/P	=>	SDS1	29.00	2013-01-19	C/P
SDS	30.00	2013-01-19	C/P	=>	SDS1	30.00	2013-01-19	C/P
SDS	31.00	2013-01-19	C/P	=>	SDS1	31.00	2013-01-19	C/P
SDS	32.00	2013-01-19	C/P	=>	SDS1	32.00	2013-01-19	C/P
SDS	33.00	2013-01-19	C/P	=>	SDS1	33.00	2013-01-19	C/P
SDS	34.00	2013-01-19	C/P	=>	SDS1	34.00	2013-01-19	C/P
SDS	35.00	2013-01-19	C/P	=>	SDS1	35.00	2013-01-19	C/P
SDS	36.00	2013-01-19	C/P	=>	SDS1	36.00	2013-01-19	C/P
SDS	37.00	2013-01-19	C/P	=>	SDS1	37.00	2013-01-19	C/P
SDS	38.00	2013-01-19	C/P	=>	SDS1	38.00	2013-01-19	C/P
SDS	39.00	2013-01-19	C/P	=>	SDS1	39.00	2013-01-19	C/P
SDS	40.00	2013-01-19	C/P	=>	SDS1	40.00	2013-01-19	C/P
SDS	1.00	2013-03-16	C/P	=>	SDS1	1.00	2013-03-16	C/P
SDS	2.00	2013-03-16	C/P	=>	SDS1	2.00	2013-03-16	C/P
SDS	3.00	2013-03-16	C/P	=>	SDS1	3.00	2013-03-16	C/P
SDS	4.00	2013-03-16	C/P	=>	SDS1	4.00	2013-03-16	C/P
SDS	5.00	2013-03-16	C/P	=>	SDS1	5.00	2013-03-16	C/P
SDS	6.00	2013-03-16	C/P	=>	SDS1	6.00	2013-03-16	C/P
SDS	7.00	2013-03-16	C/P	=>	SDS1	7.00	2013-03-16	C/P
SDS	8.00	2013-03-16	C/P	=>	SDS1	8.00	2013-03-16	C/P
SDS	9.00	2013-03-16	C/P	=>	SDS1	9.00	2013-03-16	C/P
SDS	10.00	2013-03-16	C/P	=>	SDS1	10.00	2013-03-16	C/P
SDS	11.00	2013-03-16	C/P	=>	SDS1	11.00	2013-03-16	C/P
SDS	12.00	2013-03-16	C/P	=>	SDS1	12.00	2013-03-16	C/P
SDS	13.00	2013-03-16	C/P	=>	SDS1	13.00	2013-03-16	C/P
SDS	14.00	2013-03-16	C/P	=>	SDS1	14.00	2013-03-16	C/P
SDS	15.00	2013-03-16	C/P	=>	SDS1	15.00	2013-03-16	C/P
SDS	16.00	2013-03-16	C/P	=>	SDS1	16.00	2013-03-16	C/P
SDS	17.00	2013-03-16	C/P	=>	SDS1	17.00	2013-03-16	C/P
SDS	18.00	2013-03-16	C/P	=>	SDS1	18.00	2013-03-16	C/P
SDS	19.00	2013-03-16	C/P	=>	SDS1	19.00	2013-03-16	C/P

EXISTING SERIES 100 Shares					ADJUSTED SERIES* 25 Shares			
SDS	20.00	2013-03-16	C/P	=>	SDS1	20.00	2013-03-16	C/P
SDS	21.00	2013-03-16	C/P	=>	SDS1	21.00	2013-03-16	C/P
SDS	22.00	2013-03-16	C/P	=>	SDS1	22.00	2013-03-16	C/P
SDS	23.00	2013-03-16	C/P	=>	SDS1	23.00	2013-03-16	C/P
SDS	24.00	2013-03-16	C/P	=>	SDS1	24.00	2013-03-16	C/P
SDS	25.00	2013-03-16	C/P	=>	SDS1	25.00	2013-03-16	C/P
SDS	26.00	2013-03-16	C/P	=>	SDS1	26.00	2013-03-16	C/P
SDS	27.00	2013-03-16	C/P	=>	SDS1	27.00	2013-03-16	C/P
SDS	28.00	2013-03-16	C/P	=>	SDS1	28.00	2013-03-16	C/P
SDS	29.00	2013-03-16	C/P	=>	SDS1	29.00	2013-03-16	C/P
SDS	30.00	2013-03-16	C/P	=>	SDS1	30.00	2013-03-16	C/P
2014 LEAPS								
SDS	5.00	2014-01-18	C/P	=>	SDS1	5.00	2014-01-18	C/P
SDS	10.00	2014-01-18	C/P	=>	SDS1	10.00	2014-01-18	C/P
SDS	11.00	2014-01-18	C/P	=>	SDS1	11.00	2014-01-18	C/P
SDS	12.00	2014-01-18	C/P	=>	SDS1	12.00	2014-01-18	C/P
SDS	13.00	2014-01-18	C/P	=>	SDS1	13.00	2014-01-18	C/P
SDS	14.00	2014-01-18	C/P	=>	SDS1	14.00	2014-01-18	C/P
SDS	15.00	2014-01-18	C/P	=>	SDS1	15.00	2014-01-18	C/P
SDS	16.00	2014-01-18	C/P	=>	SDS1	16.00	2014-01-18	C/P
SDS	17.00	2014-01-18	C/P	=>	SDS1	17.00	2014-01-18	C/P
SDS	18.00	2014-01-18	C/P	=>	SDS1	18.00	2014-01-18	C/P
SDS	19.00	2014-01-18	C/P	=>	SDS1	19.00	2014-01-18	C/P
SDS	20.00	2014-01-18	C/P	=>	SDS1	20.00	2014-01-18	C/P
SDS	21.00	2014-01-18	C/P	=>	SDS1	21.00	2014-01-18	C/P
SDS	22.00	2014-01-18	C/P	=>	SDS1	22.00	2014-01-18	C/P
SDS	23.00	2014-01-18	C/P	=>	SDS1	23.00	2014-01-18	C/P
SDS	24.00	2014-01-18	C/P	=>	SDS1	24.00	2014-01-18	C/P
SDS	25.00	2014-01-18	C/P	=>	SDS1	25.00	2014-01-18	C/P
SDS	26.00	2014-01-18	C/P	=>	SDS1	26.00	2014-01-18	C/P
SDS	27.00	2014-01-18	C/P	=>	SDS1	27.00	2014-01-18	C/P
SDS	28.00	2014-01-18	C/P	=>	SDS1	28.00	2014-01-18	C/P
SDS	29.00	2014-01-18	C/P	=>	SDS1	29.00	2014-01-18	C/P
SDS	30.00	2014-01-18	C/P	=>	SDS1	30.00	2014-01-18	C/P
SDS	31.00	2014-01-18	C/P	=>	SDS1	31.00	2014-01-18	C/P
SDS	32.00	2014-01-18	C/P	=>	SDS1	32.00	2014-01-18	C/P
SDS	33.00	2014-01-18	C/P	=>	SDS1	33.00	2014-01-18	C/P
SDS	34.00	2014-01-18	C/P	=>	SDS1	34.00	2014-01-18	C/P
SDS	35.00	2014-01-18	C/P	=>	SDS1	35.00	2014-01-18	C/P

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

<u>New Unadjusted Series</u>

To facilitate the maintenance of a fair and orderly market in ProShares UltraShort S&P 500 options, new SDS series with a contract unit of 100 shares will be introduced on Monday, October 8, 2012. The SDS series will be added for October, November, December, January, and March expirations at exercise prices nearest the money. Also, new SDS LEAP series with a contract unit of 100 shares will be introduced on October 8, 2012, for the January 2014 expiration 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 SDS 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