



## NOTICE TO MEMBERS

No. 2016 – 061

May 27, 2016

### FINAL CONTRACT ADJUSTMENT Horizons BetaPro NYMEX Crude Oil Bull Plus ETF (HOU) and (HOU4) Reverse Unit Split

**THE FOLLOWING INFORMATION IS PREPARED FOR THE CONVENIENCE OF CANADIAN DERIVATIVES CLEARING CORPORATION (CDCC) MEMBERS AND BOURSE DE MONTRÉAL INC. (THE BOURSE) APPROVED PARTICIPANTS. THIS DOCUMENT IS AN UNOFFICIAL SUMMARY OF CERTAIN TERMS OF THE AFOREMENTIONED ADJUSTMENT. CDCC AND THE BOURSE ACCEPT NO RESPONSIBILITY FOR THE ACCURACY OR COMPLETENESS OF THE SUMMARY. CDCC MEMBERS AND BOURSE APPROVED PARTICIPANTS MUST ENSURE THEY HAVE REVIEWED THE DOCUMENTATION PUBLISHED BY THE ISSUERS INVOLVED IN THIS CORPORATE ACTION.**

The Bourse and CDCC wish to inform you that Horizons ETFs Management (Canada) Inc. (“Horizons ETFs”) will consolidate the units of Horizons BetaPro NYMEX Crude Oil Bull Plus ETF (“HOU”). The reverse unit split on the basis of a 1 for 2 ratio will be effective at the opening of markets on May 30, 2016.

#### **CDCC - Adjustment details (HOU):**

Pursuant to Terms of Adjustment provided in Section A-902 of the Rules of CDCC, all HOU options will be adjusted as follows:

- |   |  |
|---|--|
| ➤ <b><u>EFFECTIVE DATE:</u></b>               | <b>May 30, 2016</b>  |
| ➤ <b><u>OPTIONS SYMBOL:</u></b>               | <b>HOU will become HOU5</b>  |
| ➤ <b><u>NUMBER OF CONTRACTS:</u></b>          | <b>Unchanged</b>   |
| ➤ <b><u>NEW DELIVERABLE PER CONTRACT:</u></b> | <b>50 Horizons BetaPro NYMEX Crude Oil Bull Plus ETF</b>                       |
| ➤ <b><u>MULTIPLIER:</u></b>                   | <b>50</b>  |
| ➤ <b><u>POSITION AND EXERCISE LIMITS:</u></b> | <b>Position and exercise limits will remain unchanged at 250,000 contracts</b> |



- **STRIKE PRICES:** Strike Prices will double (See table below)
- **NEW CUSIP:** 440447 31 6

CDCC will not adjust any outstanding escrow receipts.

**The Bourse - adjustment details:**

It is important to note that on the effective date mentioned above, all open orders on this option class **will not be automatically modified** to reflect the reverse split and will therefore have to **be re-entered** into the Montreal Automated System (SAM) by the approved participants.

The existing series of HOU option class will be transferred to the HOU5 option class representing the new deliverable. Actual series that do not have open interest will not be adjusted.

<b>Horizons BetaPro NYMEX Crude Oil Bull Plus ETF</b>		
<b>Symbol</b>	<b>Actual Strike Prices</b>	<b>New Strike Prices</b>
HOU5	\$2.00	\$4.00
HOU5	\$2.50	\$5.00
HOU5	\$3.00	\$6.00
HOU5	\$4.00	\$8.00
HOU5	\$5.00	\$10.00
HOU5	\$6.00	\$12.00
HOU5	\$7.00	\$14.00
HOU5	\$8.00	\$16.00
HOU5	\$9.00	\$18.00

**CDCC - Adjustment details (HOU4):**

Pursuant to Terms of Adjustment provided in Section A-902 of the Rules of CDCC, all HOU4 options will be adjusted as follows:

- **EFFECTIVE DATE:** May 30, 2016
- **OPTIONS SYMBOL:** HOU4 will become HOU6



- **NUMBER OF CONTRACTS:**                      **Unchanged**
- **NEW DELIVERABLE PER CONTRACT:**                      **25 Horizons BetaPro NYMEX Crude Oil Bull Plus ETF**
- **MULTIPLIER:**                                      **25**
- **POSITION AND EXERCISE LIMITS:**                      **Position and exercise limits will remain unchanged at 250,000 contracts**
- **STRIKE PRICES:**                                      **Strike Prices will double (See table below)**
- **NEW CUSIP:**                                      **440447 31 6**

**CDCC will not adjust any outstanding escrow receipts.**

**The Bourse - adjustment details:**

It is important to note that on the effective date mentioned above, all open orders on this option class **will not be automatically modified** to reflect the reverse split and will therefore have to **be re-entered** into the Montreal Automated System (SAM) by the approved participants.

The existing series of HOU4 option class will be transferred to the HOU6 option class representing the new deliverable. Actual series that do not have open interest will not be adjusted.

<b>Horizons BetaPro Nymex Crude Oil Bull Plus ETF</b>		
<b>Symbol</b>	<b>Actual Strike Prices</b>	<b>New Strike Prices</b>
HOU6	\$5.00	\$10.00
HOU6	\$6.00	\$12.00
HOU6	\$8.00	\$16.00
HOU6	\$10.00	\$20.00
HOU6	\$12.00	\$24.00
HOU6	\$14.00	\$28.00
HOU6	\$16.00	\$32.00



### **Numerical Example**

For a member holding a long call strike \$5.00 position and considering that HOU Fund's closing price on May 25 2016 is \$5.27, the intrinsic value of the option prior to the adjustment is:

$$\begin{aligned}\text{Intrinsic Value} &= \$5.27 \times 100 - \$5.00 \times 100 \\ &= \$27.00\end{aligned}$$

After the adjustment, the intrinsic value of the option will be:

$$\begin{aligned}\text{Intrinsic Value} &= \text{New Underlying Price} \times \text{New Deliverable} - \text{New Strike Price} \times \text{New Multiplier} \\ &= \$10.54 \times 50 - \$10 \times 50 \\ &= \$27.00\end{aligned}$$

**PLEASE ENSURE THAT ALL CLIENTS WHO HAVE EITHER LONG OR SHORT POSITIONS IN THIS OPTION CLASS ARE ADVISED OF THIS NOTICE.**

For further information, please contact Louise Leclair, Trading Systems Analyst Market Operations, Bourse de Montréal Inc. at (514) 871-3526. CDCC clearing members may contact the Corporate Operations Department.

Glenn Goucher  
President and Chief Clearing Officer

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