



NOTICE TO MEMBERS

No. 2014 – 134

June 18, 2014

FINAL CONTRACT ADJUSTMENT Horizons BetaPro S&P/TSX Capped Financials Bear Plus ETF (HFD) 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 the Horizons BetaPro S&P/TSX Capped Financials Bear Plus ETF (HFD). The reverse unit split on the basis of a 1 for 4 ratio will be effective at the opening of markets on June 19, 2014.

CDCC - adjustment details:

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

- **EFFECTIVE DATE:** **June 19, 2014**
- **OPTIONS SYMBOL:** **HFD will become HFD1**
- **NUMBER OF CONTRACTS:** **Unchanged**
- **NEW DELIVERABLE PER CONTRACT:** **25 Horizons BetaPro S&P/TSX Capped Financials Bear Plus ETF (HFD)**
- **MULTIPLIER:** **25**
- **POSITION AND EXERCISE LIMITS** **The position and exercise limits will remain unchanged at 25,000 contracts**



- **STRIKE PRICES** : **Strike Prices will quadruple (See table below)**
- **NEW CUSIP** : **440457 11 7**

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 HFD options class will be transferred to the HFD1 options class representing the new deliverable. Actual series that do not have open interest will not be adjusted.

Horizons BetaPro S&P/TSX Capped Financials Bear Plus ETF		
Symbol	Actual Strike Prices	New Strike Prices
HFD1	\$3.00	\$12.00
HFD1	\$4.00	\$16.00
HFD1	\$5.00	\$20.00
HFD1	\$6.00	\$24.00
HFD1	\$7.00	\$28.00

Numerical Example

For a member holding a long put strike \$4.00 position and considering that HFD Fund's closing price on June 18, 2014 is \$3,00, the intrinsic value of the option prior to the adjustment is:

$$\begin{aligned} \text{Intrinsic Value} &= \$4.00 \times 100 - \$3,00 \times 100 \\ &= \$100 \end{aligned}$$

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

$$\begin{aligned} \text{Intrinsic Value} &= \text{New Strike Price} \times \text{New Multiplier} - \text{New Underlying Market Price} \times \text{New Deliverable} \\ &= \$16.00 \times 25 - \$12,00 \times 25 \\ &= \$100 \end{aligned}$$



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**.

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