



EDGA & EDGX STOCK EXCHANGES			
Regulatory Information Circular			
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Subject: **FactorShares 2X: S&P500 Bull/TBond Bear**
 FactorShares 2X: TBond Bull/S&P500 Bear
 FactorShares 2X: S&P500 Bull/USD Bear
 FactorShares 2X: Oil Bull/S&P500 Bear
 FactorShares 2X: Gold Bull/S&P500 Bear

Background Information on the Fund

The investment objective of each Fund is to reflect the spread, or the difference in daily return, on a leveraged basis, between two predetermined market segments. Each Fund represents a relative value or “spread” strategy seeking to track the differences in daily returns between two futures-based Index components, as described below. All Funds except for the FactorShares 2X: TBond Bull/S&P500 Bear are also referred to as “Leveraged Funds”, and FactorShares 2X: TBond Bull/S&P500 Bear is referred to as the “Leveraged Inverse Fund”. Factor Capital Management, LLC, is the Managing Owner of each Fund. Interactive Brokers LLC, is each Fund’s clearing broker and is registered with the Commodity Futures Trading Commission (“CFTC”) as a futures commission merchant and is a member of the National Futures Association in such capacity. State Street Bank and Trust Company, is the Administrator, the Transfer Agent and the Custodian for the Funds. Foreside Fund Services, LLC is the Funds’ Distributor. The Funds are described further in the Registration Statements on Form S-1 in respect of each of the Funds with Registration Numbers 333–164754, 333–164755, 333–164756, 333–164757 and 333–164758.

FactorShares 2X: S&P500 Bull/TBond Bear

The FactorShares 2X: S&P500 Bull/TBond Bear is designed for investors who believe the large-cap U.S. equity market segment will increase in value relative to the long-dated U.S. Treasury market segment, in one day or less. The objective of the S&P500 Bull/TBond Bear Fund is to seek to track approximately +200% of the daily return of the S&P500 Bull/TBond Bear Index. The Fund seeks to track the spread, or the difference in daily returns, between the U.S. equity and long-dated U.S. Treasury market segments primarily by establishing a leveraged long position in the E-mini Standard and Poor’s 500 Stock Price IndexTM Futures, or the Equity Index Futures Contract, and a leveraged short position in the U.S. Treasury Bond Futures, or the Treasury Index Futures Contract.

The Equity Index Futures Contract provides an exposure to the S&P 500® Index. The Equity Index Futures Contract is a futures contract that permits investors to invest in a substitute instrument in place of large-cap U.S. equities and thereby speculate on, or hedge exposure to, large-cap U.S. equities. The Equity Index Futures Contract serves as a proxy for large-cap U.S.

equities because the performance of the Equity Index Futures Contract is dependent upon and reflects the changes in the S&P 500®, which is an index that reflects the performance of each of the underlying 500 large-cap U.S. equities.

FactorShares 2X: TBond Bull/S&P500 Bear

The FactorShares 2X: TBond Bull/S&P500 Bear is designed for investors who believe the long-dated U.S. Treasury market segment will increase in value relative to the large-cap U.S. equity market segment, in one day or less. The investment objective of the TBond Bull/S&P500 Bear Fund is to seek to track approximately –200% of the daily return of the S&P500 Bull/TBond Bear Index. The Fund seeks to track the spread, or the difference in daily returns, between the long-dated U.S. Treasury and U.S. equity market segments primarily by establishing a leveraged long position in the Treasury Index Futures Contract and a leveraged short position in the Equity Index Futures Contract.

The Treasury Index Futures Contract provides an exposure to the long-dated U.S. Treasury market segment, particularly U.S. Treasury Bonds. The Treasury Index Futures Contract is a futures contract that permits investors to invest in a substitute instrument in place of the U.S. Treasury Bond and thereby speculate on, or hedge exposure to, the direction of interest rates. The Treasury Index Futures Contract serves as a proxy for U.S. Treasury Bonds because the performance of the Treasury Index Futures Contract is dependent upon and reflects the changes in the price of the underlying U.S. Treasury Bonds.

FactorShares 2X: S&P500 Bull/USD Bear

The FactorShares 2X: S&P500 Bull/USD Bear is designed for investors who believe the large-cap U.S. equity market segment will increase in value relative to the general indication of the international value of the U.S. dollar, in one day or less. The objective of the S&P500 Bull/USD Bear Fund is to seek to track approximately +200% of the daily return of the S&P500 Bull/USD Bear Index. The Fund seeks to track the spread, or the difference in daily returns, between the U.S. equity and currency market segments primarily by establishing a leveraged long position in the Equity Index Futures Contract, and a leveraged short position in the U.S. Dollar Index® Futures. The Equity Index Futures Contract provides an exposure to the S&P 500® Index.

FactorShares 2X: Oil Bull/S&P500 Bear

The FactorShares 2X: Oil Bull/S&P500 Bear is designed for investors who believe that crude oil will increase in value relative to the large-cap U.S. equity market segment, in one day or less. The objective of the Oil Bull/S&P500 Bear Fund is to seek to track approximately +200% of the daily return of the Oil Bull/S&P500 Bear Index. The Fund seeks to track the spread, or the difference in daily returns, between the oil and U.S. equity market segments primarily by establishing a leveraged long position in the Oil Index Futures Contract, as defined below, and a leveraged short position in the Equity Index Futures Contract.

The Oil Index Futures Contract provides an exposure to the oil market segment with respect to light sweet crude oil. The Oil Index Futures Contract is a futures contract that permits investors to invest in a substitute instrument in place of light sweet crude oil and thereby speculate on, or hedge exposure to, light sweet crude oil. The Oil Index Futures Contract serves as a proxy for light sweet crude oil because the performance of the Oil Index Futures Contract is dependent upon and reflects the changes in the price of light sweet crude oil.

FactorShares 2X: Gold Bull/S&P500 Bear

The FactorShares 2X: Gold Bull/S&P500 Bear is designed for investors who believe that gold will increase in value relative to the large-cap U.S. equity market segment, in one day or less. The objective of the Gold Bull/S&P500 Bear Fund is to seek to track approximately +200% of the daily return of the Gold Bull/S&P500 Bear Index. The Fund seeks to track the spread, or the difference in daily returns, between the gold and U.S. equity market segments primarily by establishing a leveraged long position in the Gold Index Futures Contract, as defined below, and a leveraged short position in the Equity Index Futures Contract.

The Gold Index Futures Contract provides an exposure to gold. The Gold Index Futures Contract is a futures contract that permits investors to invest in a substitute instrument in place of gold and thereby speculate on, or hedge exposure to, gold. The Gold Index Futures Contract serves as a proxy for gold because the performance of the Gold Index Futures Contract is dependent upon and reflects the changes in the price of gold.

Each Fund will have a leverage ratio of approximately 4:1 upon daily rebalancing, which increases the potential for trading profits and losses. The use of leverage increases the potential for both trading profits and losses, depending on the changes in market value of the Long Index Futures Contracts positions, the Short Index Futures Contracts positions (and/or Substitute Futures and Financial Instruments, as applicable), of each Fund as described in the applicable Registration Statement. Holding futures positions with a notional amount in excess of each Fund's NAV constitutes a form of leverage. Because the notional value of each Fund's Index Futures Contracts (and/or Substitute Futures and Financial Instruments, as applicable), will rise or fall throughout each trading day and prior to rebalancing, the leverage ratio could be higher or lower than an approximately 4:1 leverage ratio between the notional value of a Fund's portfolio and a Fund's Equity (estimated NAV) immediately after rebalancing. As the ratio increases, an investor's losses may increase correspondingly.

Each Fund's daily performance will reflect the gain or loss from the spread, or the difference between the applicable Long Index Futures Contracts and Short Index Futures Contracts, any income from a Fund's collateral, and a decrease in the NAV of the Fund due to its fees and expenses.

The Funds are subject to various fees and expenses described in the Registration Statements.

The CFTC has regulatory jurisdiction over the trading of futures contracts traded on U.S. markets.

Leveraged Funds

For a Leveraged Fund, a long position is established in the Long Index Futures Contract seeking to provide a leveraged exposure to the Long Sub-Index. A Leveraged Fund will purchase a sufficient number of Long Index Futures Contracts targeting a long notional exposure equivalent to approximately +200% of a Fund's estimated NAV, or Fund Equity. Additionally, a Leveraged Fund will establish a short position in the Short Index Futures Contracts seeking to provide a leveraged exposure to the Short Sub-Index. Accordingly, a Leveraged Fund will sell a sufficient number of Short Index Futures Contracts targeting a short notional exposure equivalent to approximately -200% of Fund Equity. Therefore, immediately

after establishing each of these positions, the target gross notional exposure of a Leveraged Fund's aggregate Long Index Futures Contracts and Short Index Futures Contracts will equal approximately +400% (i.e., +200% long and +200% short) of Fund Equity.

Leveraged Inverse Fund

For the Leveraged Inverse Fund, a long position is established in the Short Index Futures Contract seeking to provide a leveraged exposure to the Short Sub-Index. The Leveraged Inverse Fund will purchase a sufficient number of Short Index Futures Contracts targeting a long notional exposure equivalent to approximately +200% of Fund Equity. Additionally, the Leveraged Inverse Fund will establish a short position in the Long Index Futures Contracts seeking to provide a leveraged exposure to the Long Sub-Index. Accordingly, the Leveraged Inverse Fund will sell a sufficient number of Long Index Futures Contracts targeting a short notional exposure equivalent to approximately -200% of Fund Equity. Therefore, immediately after establishing each of these positions, the target gross notional exposure of the Leveraged Inverse Fund's aggregate Long Index Futures Contracts and Short Index Futures Contracts will equal approximately +400% (i.e., +200% long and +200% short) of Fund Equity.

The NAV of each Fund is calculated as of the first to settle of the corresponding Index Futures Contracts, provided that no Fund will calculate its NAV after 4:00 p.m. Eastern Time ("E.T.").

A Fund's daily NAV may reflect the closing settlement price and/or the last traded value just before the NAV Calculation Time, as applicable, for each of its Index Futures Contracts. A Fund's daily NAV will reflect the closing settlement price for each of its Index Futures Contracts if an Index Future Contract's closing settlement price is determined at or just before the NAV Calculation Time. If the exchange on which a Fund's Index Futures Contract does not determine the closing settlement price at or just before the NAV Calculation Time, then the last traded value for that Index Futures Contract up until (but excluding) the NAV Calculation Time will be reflected in the NAV.

Availability of Information Regarding the Shares

The current trading price per Share of each Fund (quoted in U.S. dollars) will be published continuously under its ticker symbol as trades occur throughout each trading day on the consolidated tape, Reuters and/or Bloomberg.

The NAV for each Fund will be calculated by the Administrator once a day and will be disseminated daily to all market participants at the same time. The Exchange also will disseminate on a daily basis via the Consolidated Tape Association ("CTA") information with respect to the recent NAV, and Shares outstanding. The Exchange will also make available on its website daily trading volume of each of the Shares. The closing price and settlement prices of the Index Futures Contracts are also readily available from the NYMEX, CME, COMEX and ICE, as applicable, and from automated quotation systems, published or other public sources, or on-line information services such as Bloomberg or Reuters.

The website for the Funds and/or the Exchange will contain the following information: (a) the current NAV per Share daily and the prior business day's NAV; (b) the reported closing price; (c) the Prospectus; and (d) other quantitative information.

The daily settlement prices for the applicable Index Futures Contracts are publicly available on

the website of the NYMEX, CME and COMEX at www.cmegroup.com and the ICE website at www.theice.com. In addition, various data vendors and news publications publish futures prices and data. The Exchange represents that futures quotes and last sale information for the Index Futures Contracts are widely disseminated through a variety of major market data vendors worldwide, including Bloomberg and Reuters. In addition, the complete real-time data for the Index Futures Contracts is available by subscription from Reuters and Bloomberg. NYMEX, CME, COMEX and ICE also provide delayed futures information on current and past trading sessions and market news free of charge on their websites. The applicable specific contract specifications for the futures contracts are also available from such websites, as well as other financial informational sources.

The Funds will provide website disclosure of portfolio holdings daily and will include, as applicable, the names and value (in U.S. dollars) of Index Futures Contracts, Substitute Futures and Financial Instruments and characteristics of these Index Futures Contracts, Substitute Futures and Financial Instruments, as applicable, and Fixed Income Instruments, and the amount of cash held in the portfolio of the Funds.

In addition, in order to provide updated information relating to each Fund for use by investors and market professionals, an IIV per Share of each Fund will be calculated, adjusted four times per minute throughout the NYSE Arca Core Trading Session to reflect the continuous price changes of such Fund's Index Futures Contracts, Substitute Futures and Financial Instruments, as applicable.

The value of a Share of a Fund may be influenced by non-concurrent trading hours between the NYSE Arca and the NYMEX, CME, COMEX and ICE Futures, which are the futures exchanges on which the Index Futures Contracts are traded (collectively, the "Futures Exchanges"). As a result, during periods when the NYSE Arca is open and one or more of the Futures Exchanges is closed, trading spreads and the resulting premium or discount on the Shares may widen and, therefore, increase the difference between the price of the Shares and the NAV of the Shares.

Creation and Redemption of Shares

Each Fund creates and redeems Shares from time-to-time, but only in one or more Baskets. A Basket is a block of 100,000 Shares. Baskets may be created or redeemed only by Authorized Participants, as described in the Registration Statements, except that the initial Baskets will be created by the Initial Purchaser. Except when aggregated in Baskets, the Shares are not redeemable securities. Authorized Participants pay a transaction fee of \$500 in connection with each order to create or redeem one or more Baskets. Authorized Participants may sell the Shares included in the Baskets they purchase from the Funds to other investors. Additional procedures applicable to the creation and redemption of Shares are included in the Registration Statements.

Principal Risks

The Registration Statements include discussion on each Leveraged Fund and the Leveraged Inverse Fund seeks a daily exposure equal to approximately +200% or -200% of the corresponding Index Return (as defined below), respectively. As a consequence, a potential risk of total loss exists if a corresponding Index Return changes approximately 50% or more over a single trading day or less, in a direction adverse to the applicable Fund (i.e., meaning a decline of approximately -50% or more in the value of the Index Return of a Leveraged Fund, or a gain

of approximately +50% or more in the value of the Index Return of the Leveraged Inverse Fund). The risk of total loss exists in a short period of time as a result of significant Index movements. The Funds are subject to leverage risk, short position risk, and price volatility risk. Additional risks on each Fund are set forth in the Prospectus. In addition, as noted in the Prospectus, the Shares may trade at market prices that may differ from their NAV. The NAV of the Shares will fluctuate with changes in the market value of the Fund's holdings. The market prices of the Shares will fluctuate in accordance with changes in NAV as well as the supply and demand for the Shares. See the applicable Registration Statement for a complete discussion of risks.

Exchange Rules Applicable to Trading in the Shares

The Shares are considered equity securities, thus rendering trading in the Shares subject to the Exchange's existing rules governing the trading of equity securities.

Delivery of a Prospectus

Pursuant to federal securities laws, investors purchasing Shares must receive a prospectus prior to or concurrently with the confirmation of a transaction. Investors purchasing Shares directly from the Funds (by delivery of the Deposit Amount) must also receive a prospectus.

Prospectuses may be obtained through the Distributor or on the Fund's website. The Prospectus does not contain all of the information set forth in the registration statement (including the exhibits to the registration statement), parts of which have been omitted in accordance with the rules and regulations of the SEC. For further information about the Fund, please refer to the Fund's registration statement.

Trading Hours

Trading in the shares on EDGA and EDGX Exchanges (the "Exchanges") is on a UTP basis and is subject to the Exchanges equity trading rules. The shares will trade from 8:00 a.m. until 8:00 p.m. Eastern Time. Members trading the shares during the Extended Market Sessions (Pre-opening and Post-closing sessions) are exposed to the risk of the lack of the calculation or dissemination of underlying index value or intraday indicative value ("IIV"). For certain derivative securities products, an updated underlying index value or IIV may not be calculated or publicly disseminated in the Extended Market hours. Since the underlying index value and IIV are not calculated or widely disseminated during Extended Market hours, an investor who is unable to calculate implied values for certain derivative securities products during Extended Market hours may be at a disadvantage to market professionals.

Trading Halts

The Exchanges will halt trading in the Shares in accordance with Exchange Rules 14.1(c)(4). The grounds for a halt under this Rule include a halt by the primary market because it stops trading the Shares and/or a halt because dissemination of the IIV or applicable currency spot price has ceased, or a halt for other regulatory reasons. In addition, the Exchanges will stop trading the Shares if the primary market de-lists the Shares.

Suitability

Trading in the Shares on the Exchanges will be subject to the provisions of EDGA and EDGX Exchange Rules 3.7. Members recommending transactions in the Shares to customers should make a determination that the recommendation is suitable for the customer. In addition, members must possess sufficient information to satisfy the “know your customer” obligation that is embedded in Exchange Rules 3.7.

Members also should review FINRA Notice to Members 03-71 for guidance on trading these products. The Notice reminds members of their obligations to: (1) conduct adequate due diligence to understand the features of the product; (2) perform a reasonable-basis suitability analysis; (3) perform customer-specific suitability analysis in connection with any recommended transactions; (4) provide a balanced disclosure of both the risks and rewards associated with the particular product, especially when selling to retail investors; (5) implement appropriate internal controls; and (6) train registered persons regarding the features, risk and suitability of these products.

Exemptive, Interpretive and No-Action Relief Under Federal Securities Regulations

The Commission’s Division of Market Regulation (now the Division of Trading and Markets) issued letters dated June 21, 2006 (Letter regarding Rydex Specialized Products CurrencyShares Trusts) and January 19, 2006 (Letter regarding DB Commodity Index Tracking Fund) (“No-Action Letters”) granting exemptive or no-action relief from certain rules under the Securities Exchange Act of 1934 (the “1934 Act”) with respect to certain Commodity Based Investment Vehicles (“CBIVs”). The Funds rely on such exemptive or no-action relief. Members are referred to the full text of the No-Action Letters, available at www.sec.gov, for additional information.

Regulation M Exemptions

The June 21 No-Action Letter provides an exemption under paragraph (d) of Rule 101, permitting persons who may be deemed to be participating in a distribution of CBIV Shares to bid for or purchase shares during their participation in such distribution. The No-Action Letter also provides an exemption under paragraph (e) of Rule 102, permitting a CBIV and its affiliated the purchasers to redeem shares in Baskets during the continuous offering of the shares.

The exemptions from Rules 101 and 102 of Regulation M are subject to the condition that such transactions in shares or any related securities are not made for the purpose of creating actual, or apparent, active trading in or raising or otherwise affecting the price of such securities.

Section 11(d) and Rule 11d1-2

In the January 19, 2006 No-Action Letter, the Staff stated that it will not recommend enforcement action to the Commission under Section 11(d)(1) of the Exchange Act if broker-dealers (other than the distributor) that do not create or redeem shares but engage in both proprietary and customer transactions in shares exclusively in the secondary market extend or maintain or arrange for the extension or maintenance of credit on shares in connection with such secondary market transactions.

In addition, the Staff stated that it will not recommend enforcement action to the Commission under Section 11(d)(1) of the Exchange Act if broker-dealers other than the distributor treat

shares, for the purposes of Rule 11d1-2 under the Exchange Act, as “securities issued by a registered unit investment trust as defined in the Investment Company Act of 1940” and thereby extend or maintain or arrange for the extension or maintenance of credit on shares that have been owned by the persons to whom credit is provided for more than 30 days, in reliance on the exemption contained in the rule.

This Regulatory Information Circular is not a statutory Prospectus. Members should consult the Fund’s Registration Statement, SAI, Prospectus and the Fund’s website for relevant information.

Appendix A

Ticker	Fund Name	CUSIP
FSE	FactorShares 2X: S&P500 Bull/TBond Bear	303046106
FSA	FactorShares 2X: TBond Bull/S&P500 Bear	303047104
FSU	FactorShares 2X: S&P500 Bull/USD Bear	303048102
FOL	FactorShares 2X: Oil Bull/S&P500 Bear	30304P104
FSG	FactorShares 2X: Gold Bull/S&P500 Bear	30304T106