



<b>EDGA &amp; EDGX STOCK EXCHANGES</b>			
Regulatory Information Circular			
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**Subject: AdvisorShares Pring Turner Business Cycle ETF**

**Background Information on the Fund**

As more fully explained in the [Registration Statement](#) (Nos. 333-157876 and 811-22110), AdvisorShares Trust (the “Trust”) is a management investment company registered under the Investment Company Act of 1940, as amended (the “1940 Act”). The Trust consists of several exchange-traded funds, one of which is the AdvisorShares Pring Turner Business Cycle ETF (the “Fund”). The shares of the Fund are referred to herein as “Shares.” The Fund is an actively-managed exchanged-traded fund (“ETF”).

AdvisorShares Investment, LLC is the investment advisor (“Advisor”) of the Fund and Partnervest Advisory Services, LLC is the sub-advisor (“Sub-Advisor”) of the Fund. Foreside Fund Services, LLC is the distributor (“Distributor”) of the Fund’s shares. The Bank of New York Mellon Corporation serves as the administrator, custodian, transfer agent and fund accounting agent for the Fund.

<b>Ticker</b>	<b>Fund Name</b>	<b>CUSIP</b>
DBIZ	AdvisorShares Pring Turner Business Cycle	00768Y735

**Description of the Fund**

The Fund seeks long-term total return from capital appreciation and income. Utilizing its proprietary business cycle research, Pring Turner Capital Group (the “Sub-Advisor”) proactively changes the Fund’s asset allocation and sector emphasis in seeking to minimize the Fund’s portfolio risk and to optimize portfolio returns throughout the business cycle. The Sub-Advisor will invest the Fund’s portfolio in securities that provide diversified exposure to the three primary asset classes (*i.e.*, stocks, bonds and commodities) across a wide range of economic sectors.

The Sub-Advisor will utilize its “six-stage” business cycle strategy as the basis for developing a strategic asset allocation and sector emphasis for the Fund’s portfolio. The investment strategy dynamically allocates among stock, bond, commodity and cash segments based on a proprietary model that accounts for the current stage of the economic business cycle.

In managing the Fund, the Sub-Advisor will consider multiple layers of analysis of the three primary asset classes: stocks, bonds and commodities (including inflation sensitive securities such as those in the natural resource sectors). The Sub-Advisor uses a multi-step process to build and dynamically manage the Fund's portfolio to optimize portfolio returns as financial markets sequentially rotate through the typical four to five year business cycle swings. First, the Sub-Advisor will take a broad look at each of the three primary asset classes to determine whether each is in either a secular bull market or a secular bear market.

Next, utilizing its robust historical business cycle research, the current condition of the business cycle is determined. Given the three primary asset classes, bonds, stocks, and commodities, each of which will either be in a cyclical bull or bear market, there are a total of six possible turning points, or "Six Stages" of a business cycle. The Sub-Advisor has developed three models or barometers, one for each asset class, constructed from a combination of trend following, momentum, and inter-asset relationships, in order to identify the current stage of a business cycle. The barometers are designed to identify significant market turning points (cyclical peaks and troughs) for each asset class as early in a new trend as possible.

The Sub-Advisor then determines the broad asset allocation levels for the Fund's portfolio utilizing a stage analysis. Generally, throughout the business cycle stages, the Fund's portfolio will consist of the following allocation changes: equity - approximately 30%-90%; bond - approximately 0%-50%; commodities - approximately 0%-20%; and cash balances - approximately 0%-40%. In seeking to achieve the Fund's investment objective, the Sub-Advisor will make gradual asset allocation shifts and sector emphasis adjustments as the business cycle progresses.

Once the current business cycle stage and asset allocation level is determined, the Sub-Advisor once again utilizes historical performance data to determine which economic sectors outperform or underperform in the specific stage. For instance, in the deflationary part of the business cycle consumer staples and utilities may be appropriate sectors to emphasize, and in the inflationary part of the cycle energy and industrials may be outperformers. Since not every cycle is the same, historical performance data is compared with actual sector behavior in the current cycle. The Sub-Advisor may utilize technical analysis tools including relative strength, trend and chart reading to determine timely sector emphasis (and de-emphasis) candidates.

The Sub-Advisor then utilizes a combination of intermediate trend (two to six month time frame) technical market indicators to further manage risk and enhance the Fund's portfolio returns. The Sub-Advisor uses gradual asset allocation and sector emphasis shifts to better manage risks and generate consistent returns.

The final step of the investment process is the selection of appropriate individual securities and/or ETFs to best take advantage of the business cycle stage and preferred economic sectors. In addition to technical analysis methods like relative strength, trend and charting disciplines, the Sub-Advisor will utilize fundamental analysis to determine quality, value, and income characteristics. The Sub-Advisor will attempt to emphasize holdings in those securities that show positive fundamental attributes and dependable income.

From time to time, the Sub-Advisor may invest a portion of the Fund's portfolio in unleveraged inverse ETFs to stabilize the Fund's portfolio values. An unleveraged inverse ETF is designed to provide a return opposite of an index or other benchmark, typically for a single trading day.

In seeking its objective, the Fund may invest in U.S. and foreign equity securities, including common and preferred stock, American Depositary Receipts ("ADRs"), high quality corporate debt securities (rated BBB or higher), affiliated and unaffiliated ETFs, exchange-traded notes ("ETNs"), and cash and cash equivalents. The Fund may invest in securities of any capitalization range and in any market sector at any time as necessary to seek to achieve the Fund's investment objective.

As described more fully in the Trust's [prospectus](#) ("Prospectus") and statement of additional information ("[SAI](#)"), the Fund will issue and redeem Shares on a continuous at net asset value ("NAV") only with authorized participants ("APs") and only in large blocks of at least 25,000 Shares (each block of Shares called a "Creation Unit") or multiples thereof ("Creation Unit Aggregations") in exchange for the deposit or delivery of a basket of securities. As a practical matter, only broker-dealers, or large institutional investors with creation and redemption agreements (called Authorized Participants) can purchase or redeem these Creation Units. Except when aggregated in Creation Units, the Shares may not be redeemed with the Fund.

Individual Fund shares may only be purchased and sold in secondary market transactions through brokers. The shares of the Fund are listed on the Exchange, and because shares trade at market prices rather than at NAV, shares may trade at a value greater than or less than their NAV. The NAV for the Shares will be calculated after 4:00 p.m. E.T. each trading day. The Fund pays out dividends and distributes its net capital gains, if any, to shareholders at least annually.

The Fund's [registration statement](#) describes the various fees and expenses for the Fund's Shares. For a more complete description of the Fund and its underlying portfolios, visit [www.advisorshares.com](http://www.advisorshares.com).

### **Principal Risks**

Interested persons are referred to the [Prospectus](#) for a description of risks associated with an investment in the Shares. Interested persons are referred to the Prospectus for a description of risks associated with an investment in the Shares. These risks include American Depositary Receipt (ADR) Risk; Commodities Risk; Credit Risk; Early Closing Risk; Equity Risk; Exchange-Traded Vehicle Risk; Exchange-Traded Note Risk; Fixed Income Risk; Foreign Investment Risk; Investment Risk; Liquidity Risk; Management Risk; Market Risk; Tax Risk; and Trading Risk. 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.

## **Exchange Rules Applicable to Trading in the Shares**

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

## **Trading Hours**

Trading in the Shares on 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 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.

## **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 Fund (by delivery of the Deposit Amount) must also receive a prospectus.

The 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 Trust's [registration statement](#).

### **Regulation M Exemptions**

Generally, Rules 101 and 102 of Regulation M prohibit any "distribution participant" and its "affiliated purchasers" from bidding for, purchasing, or attempting to induce any person to bid for or purchase any security which is the subject of a distribution until after the applicable restricted period, except as specifically permitted in Regulation M. The provisions of the Rules apply to underwriters, prospective underwriters, brokers, dealers, and other persons who have agreed to participate or are participating in a distribution of securities.

The Commission issued a No-Action Letter by which persons participating in a distribution of shares of a fund may engage in secondary market transactions in such shares during their participation in such a distribution, despite the requirements of from Rule 101 under Regulation M. In addition, the SEC has permitted persons who may be deemed to be participating in the distribution of shares of a fund (i) to purchase securities for the purpose of purchasing creation unit aggregations of fund shares and (ii) to tender securities for redemption in Creation Unit Aggregations. Further, the Commission has clarified that the tender of fund shares to the Fund for redemption does not constitute a bid for or purchase of any of the Fund's securities during the restricted period of Rule 101. The Commission has issued a No-Action Letter relating to paragraph (e) of Rule 102 under Regulation M which allow the redemption of fund shares in creation unit aggregations during the continuous offering of shares.

### **Customer Confirmations for Creation or Redemption of Fund Shares (SEC Rule 10b-10)**

Broker-dealers who handle purchases or redemptions of Fund shares in Creation Units for customers will be permitted to provide such customers with a statement of the number of Creation Unit Aggregations created or redeemed without providing a statement of the identity, number and price of shares of the individual securities tendered to the Fund for purposes of purchasing creation unit aggregations ("Deposit Securities") or the identity, number and price of shares to be delivered by the Trust to the redeeming holder ("Redemption Securities"). The composition of the securities required to be tendered to the Fund for creation purposes and of the securities to be delivered on redemption will be disseminated each business day and will be applicable to requests for creations or redemption, as the case may be, on that day. This exemptive relief under Rule 10b-10 with respect to creations and redemptions is subject to the following conditions:

1. Confirmations to customers engaging in creations or redemptions must state that

all information required by Rule 10b-10 will be provided upon request;

2. Any such request by a customer for information required by Rule 10b-10 will be filed in a timely manner, in accordance with Rule 10b-10(c);
3. Except for the identity, number and price of shares of the component securities of the Deposit Securities and Redemption Securities, as described above, confirmations to customers must disclose all other information required by Rule 10b-10(a).

### **SEC Rule 14e-5**

The Commission has permitted any person acting as a dealer-manager of a tender offer for a component security of fund (1) to redeem fund shares in creation unit aggregations from the issuer that may include a security subject to such tender offer and (2) to purchase fund shares during such tender offer. In addition, a No-Action has been issued under Rule 14e-5 states that if a broker-dealer acting as a dealer-manager of a tender offer for a security of the Fund purchases or arranges to purchase such securities in the secondary market for the purpose of tendering such securities to purchase one or more creation unit aggregations of shares, it must be made in conformance with the following:

1. such bids or purchases are effected in the ordinary course of business, in connection with a basket of 20 or more securities in which any security that is the subject of a distribution, or any reference security, does not comprise more than 5% of the value of the basket purchased; or
2. purchases are effected as adjustments to such basket in the ordinary course of business as a result of a change in the composition of the underlying index; and
3. such bids or purchases are not effected for the purpose of facilitating such tender offer.

### **Section 11(d)(1); SEC Rules 11d1-1 and 11d1-2**

Section 11(d)(1) of the Securities Exchange Act of 1934 (the “Act”) generally prohibits a person who is both a broker and a dealer from effecting any transaction in which the broker-dealer extends credit to a customer on any security which was part of a new issue in the distribution of which he participated as a member of a selling syndicate or group within thirty days prior to such transaction. The Commission has clarified that Section 11(d)(1) does not apply to broker-dealers that are not authorized participants (and, therefore, do not create creation unit aggregations) that engage in both proprietary and customer transactions in shares of a fund in the secondary market, and for broker-dealer authorized participants that engage in creations of creation unit aggregations. This relief is subject to specific conditions, including the condition that such broker-dealer (whether or not an authorized participant) does not, directly or indirectly, receive from the fund complex any payment, compensation or other economic incentive to promote or sell the shares of a fund to persons outside the fund complex, other than non-cash

compensation permitted under NASD (now FINRA) Rule 2830 (I)(5)(A), (B) or (C). See letter dated November 22, 2005 from Brian A Bussey, Assistant Chief Counsel, SEC Division of Market Regulation, to Barclays Global Investors, N.A., dated November 22, 2005. The Commission has issued a No-Action Letter under Section 11(d)(1) of the Act now states that broker-dealers may treat shares of a fund, for purposes of Rule 11d1-2, as "securities issued by a registered open-end investment company as defined in the Investment Company Act" and thereby extend credit 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.

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

The SEC Division of Trading and Markets has issued revised Staff Legal Bulletin No. 9 (Revised September 10, 2010) ("Staff Bulletin", available at [www.sec.gov](http://www.sec.gov), at Staff Legal Bulletins, SLB 9), in which the Division has granted exceptions from certain provisions of Regulation M (Rules 101(c)(4) and 102(d)(4)), under the Securities Exchange Act of 1934 ("1934 Act") with respect to certain transactions in Shares of actively-managed ETFs. The Fund relies on the exceptions stated in the Staff Bulletin. The Fund also relies on the relief granted in a letter dated June 16, 2011 from Joseph Furey, Acting Co-Chief Counsel, Division of Trading and Markets, to W. John McGuire, Morgan, Lewis & Bockius LLP, regarding Section 11(d)(1) of the 1934 Act and Rules 10b-10, 11d1-2, 15c1-5, and 15c1-6 thereunder.

The Staff Bulletin states, that (1) the Rule 101(c)(4) exception is available to permit persons who may be deemed to be participating in a distribution of actively managed ETF Shares to bid for or purchase such Shares during their participation in a distribution, and (2) the Rule 102(d)(4) exception is available to permit an open-end investment company to redeem actively managed ETF Shares, if the following conditions are met: (i) the Shares are issued by a registered open-end investment company; (ii) the Shares are exchange listed and exchange traded; (iii) the ETF continuously redeems the Shares at net asset value (NAV); (iv) a close alignment between the Shares' secondary market price and the ETF's NAV is expected; (v) on each day the Shares trade, prior to commencement of such trading, the ETF discloses on its website the identities and quantities of the securities and assets held by the ETF which will form the basis of the calculation of the ETF's NAV at the end of such day; (vi) the exchange listing the Shares or other information provider disseminates every 15 seconds throughout the trading day, through the facilities of the Consolidated Tape Association, an amount representing on a per Share basis the sum of the current value of the securities, assets, and cash required to create new Shares (intraday indicative value or IIV); (vii) arbitrageurs are expected to take advantage of price variations between Shares' secondary market price and the ETF's NAV; and (viii) the arbitrage mechanism will be facilitated by the transparency of the ETF's portfolio, the availability of the IIV, the liquidity of the ETF's portfolio securities, the ability to access such securities, and the arbitrageurs' ability to create workable hedges.

In addition, the Staff Bulletin states that the redemption of creation unit sized aggregations of ETF Shares and the receipt of securities in exchange therefore by persons who may be deemed to be participating in a distribution of Shares do not constitute an "attempt to induce any person to bid for or purchase" a covered security during an applicable restricted

period for purposes of Rule 101, but only if the redemptions are not made for the purpose of creating actual, or apparent, active trading in or raising or otherwise affecting the price of Shares or the securities received in exchange for the Shares redeemed.

### **SEC Rule 15c1-5 and 15c1-6**

The SEC has taken a no-action position with respect to Rule 15c1-5 and Rule 15c1-6 as to the required disclosure of control by a broker or dealer with respect to creations and redemptions of Fund Shares and secondary market transactions therein. (See [letter](#) from Catherine McGuire, Chief Counsel, SEC Division of Market Regulation, to Securities Industry Association, Derivative Products Committee, dated November 21, 2005.)

**This Regulatory Information Circular is not a statutory Prospectus. Members should consult the Trust's [Registration Statement](#), [SAI](#), [Prospectus](#) and the Fund's [website](#) for relevant information.**