



## Information Circular 09-129

**Date:** August 4, 2009

**Re: MacroShares Trusts ETFs**

Pursuant to Rule 14.1(c)(2) of the Rules of BATS Exchange, Inc. ("BATS" or the "Exchange"), this Information Circular is being issued to advise you that the following securities have been approved for trading on the Exchange as a UTP Derivative Security pursuant to Chapter XIV of the Exchange's Rules.

<u>Securities (the "Funds")</u>	<u>Symbol</u>
MacroShares Major Metro Housing Up Trust	UMM
MacroShares Major Metro Housing Down Trust	DMM

**Commencement of Trading:** August 5, 2009

**Issuer/Trust:** MacroShares Trusts

**Issuer Website:** [www.macromarkets.com](http://www.macromarkets.com)

**Primary Listing Exchange:** NYSE Arca

**Primary Exchange Circular:** RB-09-95 (June 30, 2009)

**Registration Statement:** Nos. 333-151522 and 333-151523

The purpose of this information circular is to outline various rules and policies that will be applicable to trading in these new products pursuant to the Exchange's unlisted trading privileges, as well as to provide certain characteristics and features of the Shares. For a more complete description of the Issuer, the Shares and the underlying market instruments or indexes, visit the Issuer Website, consult the Prospectus available on the Issuer Website, examine the Issuer Registration Statement or review the most current information bulletin issued by the Primary Listing Exchange. The Issuer Website, the Prospectus, the Issuer Registration Statement and the Primary Exchange Circular are hereafter collectively referred to as the "Issuer Disclosure Materials."

### Background Information on the Fund

The MacroShares Trusts (or "paired trusts") are formed under the laws of the State of New York. The MacroShares Major Metro Housing Up Trust will be referred to as the "Up Trust" or "Up MacroShares" and the MacroShares Major Metro Housing Down Trust will be referred to as the "Down Trust" or "Down MacroShares." The assets of each Trust will include an income distribution agreement and settlement contracts entered into with the other Trust.

The paired trusts will enter into an income distribution agreement under which the trusts make quarterly payments to each other out of the income generated by their treasuries that remains available after each trust has paid its fees and expenses. Under the income distribution agreement, the Up Trust will, on each distribution date, either (1) be required to pay a portion of its available income to the Down Trust or (2) be entitled to receive a portion of the Down Trust's available income, based, in each case, on the level of the Reference Value of the Index during the preceding calculation period. On each distribution payment date, a quarterly distribution of all available income, if any, on deposit in the Up Trust will be made on the Up MacroShares after the Up Trust has made or received a payment under the income distribution agreement.

Or conversely, the Down Trust will, on each distribution date, either (1) be required to pay a portion of its available income to the Up Trust or (2) be entitled to receive a portion of the Up Trust's available income, based, in each case, on the level of the Reference Value of the Index during the preceding calculation period. On each distribution date, a quarterly distribution of all available income, if any, on deposit in the Down Trust will be made on the Down MacroShares after the Down Trust has made or received a payment under the income distribution agreement.

The assets of the Up Trust will consist of:

- U.S. treasury securities and income on those securities, consisting of stated interest on treasury notes and bonds and the discount that is realized when the par amount received on a treasury bill, note or bond at maturity exceeds the purchase price at which the Up Trust acquired that treasury security;
- treasury repurchase agreements and income on those agreements consisting of the difference between the purchase price and the repurchase price for the treasuries borrowed under those agreements;
- the Up Trust's rights under the income distribution agreement and the settlement contracts;
- the Up Trust's rights under the licensing agreement with MacroMarkets LLC to use the patented MacroShares structure;
- the Up Trust's rights under the licensing agreement with MacroMarkets LLC to use and reference the S&P/Case-Shiller Composite-10 Home Price Index;
- the Up Trust's rights under its trust agreement to rely on the services provided by the administrative agent, the marketing agent and the trustee;
- a securities account created under the Up Trust agreement into which all of the treasuries will be deposited for the benefit of the holders of the Up MacroShares;
- a distribution account created under the Up Trust agreement into which all income realized on the treasuries and all amounts received under the income distribution agreement and the settlement contracts will be deposited and then used, first, to make a deposit to the fee payment account, second, to make payments to the Down Trust under the income distribution agreement and the settlement contracts, if applicable, and, third, to make quarterly and final distributions to the holders of the Up MacroShares;
- a fee payment account created under the Up Trust agreement into which funds will be deposited on each distribution date for the purpose of paying the fees and expenses of the Up Trust; and
- a netting account created under the Up Trust agreement to which the trustee will credit (1) Up MacroShares being redeemed in paired optional redemptions and net such shares against any shares being created in paired issuances on the same date, and (2) cash delivered by authorized participants in connection with paired issuances and net such cash against the final distributions to be made in connection with paired optional redemptions being effected on the same date.

The treasuries purchased on behalf of the Up Trust on each distribution date or in connection with each paired issuance of Up MacroShares may consist of bills, notes and bonds of varying maturities and repurchase agreements of varying terms that are fully collateralized by treasuries and entered into with counterparties that meet specified capital requirements or are deemed creditworthy by the administrative agent. Each treasury and treasury repurchase agreement must mature or terminate prior to the next scheduled distribution date. The term "treasuries" includes both treasuries and treasury repurchase

agreements on treasuries. On each distribution date, except for the final scheduled termination date or an early termination date, the administrative agent will direct the trustee to reinvest the proceeds of the maturity of the paired trusts' treasuries in new treasuries. The administrative agent will also direct the trustee to invest in treasuries all funds delivered to it in connection with each issuance of paired shares. The obligations of the paired trusts to each other under the income distribution agreement and the settlement contracts will be secured by the treasuries and any cash on deposit in each of those trusts.

The assets of the Down Trust will consist of:

- U.S. treasury securities and income on those securities, consisting of stated interest on treasury notes and bonds and the discount that is realized when the par amount received on a treasury bill, note or bond at maturity exceeds the purchase price at which the Down Trust acquired that treasury security;
- treasury repurchase agreements and income on those agreements consisting of the difference between the purchase price and the repurchase price for the treasuries borrowed under those agreements;
- the Down Trust's rights under the income distribution agreement and the settlement contracts;
- the Down Trust's rights under the licensing agreement with MacroMarkets LLC to use the patented MacroShares structure;
- the Down Trust's rights under the licensing agreement with MacroMarkets LLC to use and reference the S&P/Case-Shiller Composite-10 Home Price Index;
- the Down Trust's rights under its trust agreement to rely on the services provided by the administrative agent, the marketing agent and the trustee;
- a securities account created under the Down Trust agreement into which all of the treasuries will be deposited for the benefit of the holders of the Down MacroShares;
- a distribution account created under the Down Trust agreement into which all income realized on the treasuries and all amounts received under the income distribution agreement and the settlement contracts will be deposited and then used, first, to make a deposit to the fee payment account, second, to make payments to the Up Trust under the income distribution agreement and the settlement contracts, if applicable, and, third, to make quarterly and final distributions to the holders of the Down MacroShares;
- a fee payment account created under the Down Trust agreement into which funds will be deposited on each distribution date for the purpose of paying the fees and expenses of the Down Trust; and
- a netting account created under the Down Trust agreement to which the trustee will credit (1) Down MacroShares being redeemed in paired optional redemptions and net such shares against any shares being created in paired issuances on the same date, and (2) cash delivered by authorized participants in connection with paired issuances and net such cash against the final distributions to be made in connection with paired optional redemptions being effected on the same date.

The treasuries purchased on behalf of the Down Trust on each distribution date or in connection with each paired issuance of Down MacroShares may consist of bills, notes and bonds of varying maturities and repurchase agreements of varying terms that are fully collateralized by treasuries and entered into with counterparties that meet specified capital requirements or are deemed creditworthy by the administrative agent. Each treasury and treasury repurchase agreement must mature or terminate prior to

the next scheduled distribution date. On each distribution date, except for the final scheduled termination date or an early termination date, the administrative agent will direct the trustee to reinvest the proceeds of the maturity of the paired trusts' treasuries in new treasuries. The administrative agent will also direct the trustee to invest in treasuries all funds delivered to it in connection with each issuance of paired shares. The obligations of the paired trusts to each other under the income distribution agreement and the settlement contracts will be secured by the treasuries and any cash on deposit in each of those trusts.

The amount of each payment required to be made by the paired trusts under the income distribution agreement is based on the available income of each trust and on the daily level of the Reference Value of the Index during the preceding calculation period. The starting level for the Reference Value of the Index is 162.17, which was the Reference Value of the Index that was published on February 24, 2009. The "Reference Value of the Index" on any date of determination refers to the value of the S&P/Case-Shiller Composite-10 Home Price Index, as calculated and published by Standard & Poor's, or "S&P," on the last index publication day that preceded that date of determination. If the date of determination is itself an index publication day, then the Reference Value of the Index will be the value calculated and published on that day. The S&P/Case-Shiller Composite-10 Home Price Index is maintained and governed by the S&P/Case-Shiller Index Committee, whose members are drawn from S&P, Fiserv Fulfillment Services, Inc. and leading industry experts. Robert J. Shiller, a principal and member of the Board of Managers of MacroMarkets LLC, is one of the members of the S&P/Case-Shiller Index Committee.

An increase in the Reference Value of the Index will result in a proportionate increase in the underlying value of the Up Trust, and a decrease in the Reference Value of the Index will result in a proportionate decrease in the underlying value of the Up Trust. Specifically, so long as certain conditions described below prevail, a fluctuation in the Reference Value of the Index of 2.1624 index points will result in a \$1 change in the per share underlying value of each Up MacroShare. The underlying value formula described below and the requirement that Up MacroShares can only be issued and redeemed in paired optional redemptions and paired issuances and only in the form of MacroShares Units composed of an equal number of Up MacroShares and Down MacroShares, is intended to ensure that the proportional relationship between fluctuations in the Reference Value of the Index and fluctuations in underlying value is maintained for so long as the Up MacroShares are outstanding. However, this 2.1624:1 relationship between changes in the Reference Value of the Index and the per share underlying value of an Up MacroShare will hold only so long as the amount of cash and treasuries in the Up Trust (not taking into account treasury income) is equal to the aggregate par amount of all outstanding Up MacroShares. If this is no longer the case because the fees and expenses of the Up Trust exceed its treasury income during one or more calculation periods, a specified change in the Reference Value of the Index will still result in the same percentage change in per share underlying value, but not the same dollar amount, because each Up MacroShare will represent, in effect, a smaller investment in housing. For example, a 5% increase in the Reference Value of the Index will always result in a 15% increase in the per share underlying value of the Up MacroShares (after applying the leverage factor). However, once the assets of the Up Trust (not taking into account treasury income) are no longer equal to the aggregate par amount of the outstanding Up MacroShares, a 2.1624 index point fluctuation in the Reference Value of the Index will result in a change in the per share underlying value of an Up MacroShare that is equal to some value that is less than \$1.

The per share underlying value of the Up MacroShares will only reflect the performance of the S&P/Case-Shiller Composite-10 Home Price Index within the range from 108.11 to 216.23, because the underlying value of the Up Trust cannot exceed an amount equal to the sum of its own assets and the assets on deposit in the Down Trust. As the Reference Value of the Index approaches 108.11, the underlying value of the Up Trust will approach zero. If the Reference Value of the Index is equal to exactly its starting level of 162.17, the underlying value of the Up Trust will be equal to the assets it holds on deposit. If the Reference Value of the Index reaches 216.23, the Up Trust will attain its maximum value and cannot increase further, even if the Reference Value of the Index continues to rise.

An increase in the Reference Value of the Index will result in a proportionate decrease in the underlying value of the Down Trust, and a decrease in the Reference Value of the Index will result in a proportionate increase in the underlying value of the Down Trust. Specifically so long as certain conditions described

below prevail, a fluctuation in the Reference Value of the Index of 2.1624 index points will result in a \$1 change in the per share underlying value of each Down MacroShare. The underlying value formula described below and the requirement that the Down MacroShares can only be issued and redeemed in paired optional redemptions and paired issuances and only in the form of MacroShares Units composed of an equal number of Up MacroShares and Down MacroShares, is intended to ensure that the proportional relationship between fluctuations in the Reference Value of the Index and fluctuations in underlying value is maintained for so long as the Down MacroShares are outstanding. However, this 2.1624:1 relationship between changes in the Reference Value of the Index and the per share underlying value of a Down MacroShare will hold only so long as the amount of cash and treasuries in the Down Trust (not taking into account treasury income) is equal to the aggregate par amount of all outstanding Down MacroShares. If this is no longer the case because the fees and expenses of the Down Trust exceed its treasury income during one or more calculation periods, a specified change in the Reference Value of the Index will still result in the same percentage change in per share underlying value, but not the same dollar amount, because each Down MacroShare will represent, in effect, a smaller investment in housing. For example, a 5% increase in the Reference Value of the Index will always result in a 15% increase in the per share underlying value of the Down MacroShares (after applying the leverage factor). However, once the assets of the Down Trust (not taking into account treasury income) are no longer equal to the aggregate par amount of the outstanding Down MacroShares, a 2.1624 index point fluctuation in the Reference Value of the Index will result in a change in the per share underlying value of a Down MacroShare that is equal to some value that is less than \$1.

The per share underlying value of the Down MacroShares will only reflect the performance of the S&P/Case-Shiller Composite-10 Home Price Index within the range from 108.11 to 216.23 because the underlying value of the Down Trust cannot exceed an amount equal to the sum of its own assets and the assets on deposit in the Up Trust. As the Reference Value of the Index approaches 216.23, the underlying value of the Down Trust will approach zero. If the Reference Value of the Index is equal to exactly its starting level of 162.17, the underlying value of the Down Trust will be equal to exactly the assets it holds on deposit. If the Reference Value of the Index reaches 108.11, the Down Trust will be equal to all the assets it holds on deposit plus all of the assets in the Up Trust and, accordingly, it will have attained its maximum value and cannot increase further, even if the Reference Value of the Index continues to decline.

For more information regarding each Fund's investment strategy, please read the prospectus for the Funds.

The trustee will calculate the Underlying Value of both the Up Trust and the Down Trust and the Per Share Underlying Value of one Up MacroShare and one Down MacroShare for each calendar day. At the close of each business day, the trustee will perform these calculations (1) for that business day or, (2) if that business day is followed by one or more intervening non-business days, for the last calendar day preceding the next business day, and it will provide the calculations to the administrative agent for posting on the website maintained by the administrative agent at [www.macromarkets.com](http://www.macromarkets.com) not later than one hour prior to the commencement of trading on NYSE Arca on the next business day that follows the day of calculation. The administrative agent will also calculate and post on its website, not later than one hour prior to commencement of trading on NYSE Arca on each business day, the premium or discount of the midpoint of the bid/offer price spread for one Up MacroShare and one Down MacroShare at the close of the preceding trading day over or to the proportionate underlying value of one Up MacroShare and one Down MacroShare on that day.

The trustee will base its calculations for each business day on the Reference Value of the Index for that business day which will be communicated to it by the administrative agent. The trustee will also calculate and provide to the administrative agent, within the time period agreed upon by the trustee and the administrative agent, the amount of income allocable to each Down and Up Trust for each calendar day, the amount of Available Income in each of the Paired Trusts for each calculation period and the Quarterly Distribution and Final Distribution to be made by each of the Paired Trusts on each Distribution Date. All calculations made by the trustee will be conclusive and binding on the holders of the Paired Shares,

absent manifest error. No other entity will be responsible for confirming the administrative agent's communication of the Reference Value of the Index or the trustee's calculation of Underlying Value.

The listing exchange will calculate and disseminate to the consolidated tape an indicative per share value for the MacroShares every 15 seconds.

On any price determination day prior to the final scheduled termination date, or an early termination date, an authorized participant may effect a "paired issuance" by directing the MacroShares Trust to issue additional shares in a minimum number of Down MacroShares and Up MacroShares constituting at least one MacroShares Unit. A MacroShares Unit consists of a minimum of 10,000 Down MacroShares and 10,000 Up MacroShares. The paired shares will be issued by each of the trusts at the per share underlying value of the shares on the date on which an order is made by an authorized participant.

Please see the registration statement for more information regarding the offering and purchase of the Up and Down MacroShares.

Shares are held in book-entry form, which means that no Share certificates are issued. The Depository Trust Company or its nominee is the record owner of all outstanding Shares of the Funds and is recognized as the owner of all Shares for all purposes.

The registration statement for the Funds describes the various fees and expenses for the Funds' Shares. For a more complete description of the Funds and the underlying indexes, visit the Issuer Website.

### **Principal Risks**

Interested persons are referred to the prospectus for a description of risks associated with an investment in the Shares. These risks include the risk that a Fund's return may not match the return of its index for a number of reasons including the incursion by a Fund of operating expenses and costs not applicable to its index. In addition, as noted in the prospectus, the Shares may trade at market prices that 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 on the Exchange.

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

The Securities and Exchange Commission (the "SEC") has issued letters granting exemptive, interpretive and no-action relief from certain provisions of rules under the Securities Exchange Act of 1934 for exchange-traded securities listed and traded on a registered national securities exchange that meet certain criteria.

**AS WHAT FOLLOWS IS ONLY A SUMMARY OF THE RELIEF OUTLINED IN THE NO-ACTION LETTERS REFERENCED ABOVE, THE EXCHANGE ADVISES INTERESTED PARTIES TO CONSULT THE NO-ACTION LETTERS FOR MORE COMPLETE INFORMATION REGARDING THE MATTERS COVERED THEREIN AND THE APPLICABILITY OF THE RELIEF GRANTED IN RESPECT OF TRADING IN SECURITIES. INTERESTED PARTIES SHOULD ALSO CONSULT THEIR PROFESSIONAL ADVISORS.**

### **Regulation M Exemptions**

Generally, the Fund is exempted from Rule 101 pursuant to paragraph (c)(4) of Rule 101, permitting persons who may be deemed to be participating in a distribution of the Shares to bid for or purchase Shares during their participation in such distribution. The Fund is exempted under Rule 102(d)(4), permitting a Fund to redeem Shares during the continuous offering of Shares.

### **Rule 10b-17 (Untimely Announcement of Record Dates)**

The SEC has granted an exemption from the requirements of Rule 10b-17 that will cover transactions in the Shares.

### **Section 11(d)(1); Rule 11d1-2 (Customer Margin)**

The SEC has taken a no-action position under Section 11(d)(1) that will permit broker-dealers that do not create Shares but engage in both proprietary and customer transactions in such Shares exclusively in the secondary market to extend or maintain or arrange for the extension or maintenance of credit on the Shares, in connection with such secondary market transactions. For broker-dealers that engage in the creation of Shares, the SEC has also taken a no-action position under Rule 11d1-2 that will cover the extension or maintenance or the arrangement for the extension or maintenance of credit on the Shares that have been owned by the persons to whom credit is provided for more than 30 days.

### **SEC Rule 15c1-5 and 15c1-6 (Disclosure of Control and interest in Distributions)**

The SEC has taken a no-action position under Rule 15c1-5 that will permit a broker-dealer to execute transactions in Shares without disclosing any control relationship with an issuer of a component security. In addition, the SEC has taken a no-action position under Rule 15c1-6 that will permit a broker dealer to execute transactions in the Shares without disclosing its participation or interest in a primary or secondary distribution of a component security.

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

Trading in the Shares on BATS is subject to BATS equity trading rules.

### **Trading Hours**

The value of the Index underlying the Shares will be disseminated to data vendors every 15 seconds during Regular Trading Hours.

The Shares will trade on BATS between 8:00 a.m. and 5:00 p.m. ET. Please note that trading in the Shares during the Exchange's Pre-Opening Session or After Hours Trading Session may result in additional trading risks which include: (1) that the current underlying indicative value may not be updated during the Session; (2) the indicative value may not be updated; (3) lower liquidity may impact pricing; (4) higher volatility may impact pricing; (5) wider spreads may occur; and (6) because the indicative value is not calculated or widely disseminated during the Sessions, an investor who is unable to calculate an implied value for the Shares may be at a disadvantage to market professionals.

### **Delivery of a Prospectus**

BATS Members should be mindful of applicable prospectus delivery requirements under the federal securities laws with respect to transactions in the Fund. Prospectuses may be obtained through the Fund's website. The prospectus for a Fund does not contain all of the information set forth in the Fund's 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 its Registration Statement.

In the event that the Fund relies upon an order by the SEC exempting the Shares from certain prospectus delivery requirements under Section 24(d) of the Investment Company Act of 1940 and in the future make available a written product description, BATS Rule 14.1(c)(3) requires that BATS Members provide to all purchasers of Shares a written description of the terms and characteristics of such securities, in a form prepared by the Issuer of the Fund, no later than the time a confirmation of the first transaction in the Shares is delivered to such purchaser. In addition, BATS Members shall include such a written description with any sales material relating to the Shares that is provided to customers or the public. Any

other written materials provided by a BATS member to customers or the public making specific reference to the Shares as an investment vehicle must include a statement in substantially the following form: “A circular describing the terms and characteristics of [*the UTP Derivative Securities*] has been prepared by the [*open-ended management investment company name*] and is available from your broker. It is recommended that you obtain and review such circular before purchasing [*the UTP Derivative Securities*].”

A BATS member carrying an omnibus account for a non-member broker-dealer is required to inform such non-member that execution of an order to purchase Shares for such omnibus account will be deemed to constitute agreement by the non-member to make such written description available to its customers on the same terms as are directly applicable to BATS member under this rule.

Upon request of a customer, BATS Members also shall provide a copy of the Prospectus.

### **Suitability**

Trading in the securities on BATS will be subject to the provisions of Exchange Rule 3.7. Members recommending transactions in the securities to customers should make a determination that the recommendation is suitable for the customer.

### **Trading Halts**

BATS will halt trading in the Shares of a security in accordance with BATS Rule 14.1(c)(4). The grounds for a halt under BATS Rule 14.1(c)(4) include a halt by the primary market because the intraday indicative value of the security and/or the value of its underlying index are not being disseminated as required, or a halt for other regulatory reasons. In addition, BATS will stop trading the Shares of a security if the primary market de-lists the security.

**This Information Circular is not a statutory prospectus. BATS Members should consult the prospectus for a security and the security’s website for relevant information.**

Please contact Eric Swanson, 212.378.8523, [eswanson@batstrading.com](mailto:eswanson@batstrading.com), with any inquiries regarding this Information Circular.