



BZX Information Circular 11-020
BYX Information Circular 11-020

Date: February 25, 2011

Re: FactorShares ETFs

Pursuant to Rule 14.1(c)(2) of the Rules of BATS Exchange, Inc. and BATS Y-Exchange, Inc. (each referred to hereafter as “BATS” or the “Exchange”), this Information Circular is being issued to advise you that the following security has been approved for trading on the Exchange as a UTP Derivative Security pursuant to Chapter XIV of the Exchange’s Rules.

<u>Securities (the “Fund”)</u>	<u>Symbol</u>
FactorShares: 2X: Oil Bull/S&P 500 Bear Fund	FOL
FactorShares: 2X: TBond Bull/S&P 500 Bear Fund	FSA
FactorShares: 2X: S&P 500 Bull/TBond Bear Fund	FSE
FactorShares 2X: Gold Bull/S&P 500 Bear Fund	FSG
FactorShares 2X: S&P 500 Bull/USD Bear Fund	FSU

Commencement of Trading on the Exchange: February 28, 2011

Issuer/Trust: FactorShares

Issuer Website: www.factorsharesetfs.com

Primary Listing Exchange: NYSE Arca

Registration Statement: Nos. 333-164754, 333-164755, 333-164756, 333-164757 and 333-164758.

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

Each of the Funds was formed as a Delaware statutory trust on January 26, 2010. Each Fund will issue common units of beneficial interest, or Shares, which represent units of fractional undivided beneficial interest in and ownership of such Fund. The term of each Fund is perpetual (unless terminated earlier in certain circumstances). Factor Capital Management, LLC, a Delaware limited liability company, is the Managing Owner of each Fund. The Managing Owner was formed on November 2, 2009. The Managing Owner will serve as the commodity pool operator of each Fund. The Managing Owner has been registered with the Commodity Futures Trading Commission, or the CFTC, as a commodity pool operator and has been a member of the National Futures Association, or the NFA, in such capacity since December 17, 2009. The Managing Owner and its trading principals have no experience operating

commodity pools and managing futures trading accounts. As a registered commodity pool operator with respect to each Fund, the Managing Owner must comply with various regulatory requirements under the Commodity Exchange Act and the rules and regulations of the CFTC and the NFA, including investor protection requirements, antifraud prohibitions, disclosure requirements, and reporting and recordkeeping requirements. The Managing Owner also will be subject to periodic inspections and audits by the CFTC and NFA. Each Fund will pay the Managing Owner a Management Fee, monthly in arrears, in an amount equal to 0.75% per annum of the daily net asset value of such Fund. The Management Fee will be paid in consideration of the Managing Owner's futures advisory services.

Before making an investment decision, investors should understand that each Fund seeks investment results for a single day only, not for longer periods. This means that the return of a Fund for a period longer than a single trading day will be the result of each day's returns compounded over the period, which will very likely differ from approximately twice (either +200% or -200%) the return of such Fund's corresponding Index for that period. Due to a number of reasons as described in the prospectus for the Funds, including, but not limited to, mathematical compounding, daily rebalancing, the differences between the NAV Calculation Time and the Index Calculation Time, leverage and volatility, each Fund will not track its corresponding Index for a period longer than a single trading day and may experience tracking error intra-day. In periods of higher market volatility, the volatility of an Index may be at least as important to a Fund's return over any period as the changes in the levels of the corresponding Index. Each Fund is different from most exchange-traded funds in that each Fund seeks leveraged or inverse leveraged returns and only on a daily basis. Each Fund also is riskier than similarly benchmarked exchange-traded funds that do not use leverage or inverse leverage. Accordingly, the Funds may not be suitable for all investors and should be used only by knowledgeable investors who understand the potential consequences of seeking daily leveraged or daily inverse leveraged investment results. Shareholders should actively monitor their investments.

The 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. By simultaneously buying and selling two benchmark Index Futures Contracts (or, as necessary, substantively equivalent combinations of Substitute Futures and Financial Instruments), each Leveraged Fund and the Leveraged Inverse Fund targets a daily return equivalent to approximately +200% and -200%, respectively, of the spread, or the difference in daily return, between a long futures contract and a short futures contract (before fees, expenses and interest income). The term "Substitute Futures" refers to futures contracts other than the specific Index Futures Contracts that underlie the applicable Index that the Managing Owner expects will tend to exhibit trading prices or returns that generally correlate with an Index Futures Contract. The term "Financial Instruments" refers to forward agreements and swaps that the Managing Owner expects will tend to exhibit trading prices or returns that generally correlate with an Index Futures Contract.

By attempting to profit from potential price spreads, or daily differentials between the two specific benchmark Index Futures Contracts, combined with a possible diversification benefit, a relative value or "spread" strategy may be more beneficial to investors than an outright and concentrated investment, long or short, in a single market segment.

A Fund's Index consists of two sub-indexes, or individually, a Sub-Index, collectively, the Sub-Indexes. A long Sub-Index, or Long Sub-Index, reflects a passive exposure to a certain near-month long Index Futures Contract, or Long Index Futures Contract. A short Sub-Index, or Short Sub-Index, reflects a passive exposure to a certain near-month short Index Futures Contract, or Short Index Futures Contract. Each Index is designed to reflect +100% of the spread, or the difference in daily return, positive or negative, between the Long Sub-Index and the Short Sub-Index, plus the return on a risk free component. The risk free component of an Index reflects the returns generated by holding a 3-month United States Treasury bill.

Each Index is rebalanced daily as of the Index Calculation Time in order to continue to reflect the spread, or the difference in the daily return, between two specific market segments. By rebalancing each Index on

a daily basis as of the Index Calculation Time, each Index will then be comprised of equal notional amounts (i.e. +100% and -100%, respectively) of both of its Long Index Futures Contracts and Short Index Futures Contracts in accordance with its daily objectives. Daily rebalancing of each Index will lead to different results than would otherwise occur if an Index, and in turn, its corresponding Fund, were to be rebalanced less frequently or more frequently than daily.

Each Fund seeks to track its corresponding Index on a leveraged and daily basis by creating a portfolio of Long Index Futures Contracts and Short Index Futures Contracts (which may include Substitute Futures and/or Financial Instruments). Each Fund seeks to rebalance daily its holdings around the NAV Calculation Time, which occurs upon the first to settle of its Long Index Futures Contracts or Short Index Futures Contracts. However, each Fund will only rebalance on business days when NYSE Arca and the futures exchanges on which both the Long Index Futures Contracts and the Short Index Futures Contracts are open.

The Managing Owner determines the type, quantity and combination of Index Futures Contracts (or Substitute Futures and/or Financial Instruments), the Managing Owner believes may produce daily returns consistent with the applicable Fund's daily and leveraged objective.

Each Sub-Index, which is comprised of a certain Index Futures Contract, includes provisions for the replacement (also referred to as "rolling") of its Index Futures Contract as it approaches its expiration date. "Rolling" is a procedure which involves closing out the Index Futures Contract that will soon expire and establishing a position in a new Index Futures Contract with a later expiration date pursuant to the rules of each Sub-Index. In turn, each Fund will seek to roll its Index Futures Contracts in a manner consistent with its Sub-Index's provisions for the replacement of an Index Futures Contract that is approaching maturity.

The Funds employ leverage synthetically by entering into derivatives with an aggregate notional value, or "exposure," that is greater than the Fund's net asset value. This has an effect equivalent to investing in stocks or bonds with borrowed money, which is called "leveraging" an investment. To invest with borrowed money is to achieve the right to a return on a capital base in excess of the investor's equity capital investment - the investor is entitled to the return on the total amount of the investment, which is the aggregate amount of the equity capital invested plus the amount of the borrowed capital invested.

The Funds achieve the right to a return on a capital base in excess of their equity capital by entering into derivatives (e.g., futures contracts, and if necessary, Financial Instruments) with an aggregate notional value, or "exposure," in excess of the Funds' net asset value. The capital base is comprised of "notional" dollars, not cash, but the effect is the same. The notional value of a futures contract that references a physical commodity, such as West Texas Intermediate Crude Oil, is the contract size (measured in fixed units of the corresponding commodity) multiplied by the market price for future delivery of the commodity. So if a contract for December delivery of 1,000 barrels of West Texas Intermediate Crude Oil has a market price of \$75, the notional value of the contract is \$75,000 (1,000 contract size x \$75 market price). For a financial futures contract such as an E-mini Standard & Poor's 500 Stock Price Index™ Futures, the contract size is a number of fixed dollars, or \$50 for the E-mini Standard & Poor's 500 Stock Price Index™ Futures contract. So if the market price for December expiration of the E-mini Standard & Poor's 500 Stock Price Index™ Futures is \$1,100, the notional value of the contract is \$55,000 (e.g. \$50 contract size x \$1,100 market price). It is referred to as a "notional" value because it does not exist physically; it exists only hypothetically as the subject of an agreement between the parties to the contract.

The use of leverage increases the potential for both trading profits and losses, depending on the changes in market value of a Fund's Index Futures Contracts positions (or Substitute Futures and/or Financial Instruments). Holding futures positions with a notional amount in excess of each Fund's net asset value constitutes a form of leverage.

Because the notional value of each Fund's Index Futures Contracts (or Substitute Futures and/or Financial Instruments), 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 Fund Equity immediately after rebalancing. As the ratio increases, your losses may increase correspondingly.

For example, in the absence of tracking error, your investment in a Leveraged Fund with a Fund multiple of +200% assumes an approximately 4:1 leverage ratio, upon rebalancing and excluding the return on United States Treasuries and other high credit quality short-term fixed income securities, since it will be reduced by an amount equal to -4% daily when both of the following occur on the same trading day:

- the Long Sub-Index decreases -1% and
- the Short Sub-Index increases +1%.

Similarly, in the absence of tracking error, your investment in the Leveraged Inverse Fund with a Fund multiple of -200% assumes an approximately 4:1 leverage ratio, upon rebalancing and excluding the return on United States Treasuries and other high credit quality short-term fixed income securities, since it will be reduced by an amount equal to -4% daily when both of the following occur on the same trading day:

- the Long Sub-Index increases +1% and
- the Short Sub-Index decreases -1%.

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 value of the Shares of each Fund relates directly to the value of its portfolio, less the liabilities (including estimated accrued but unpaid expenses) of such Fund.

For periods longer than a single trading day, no Fund attempts to and should not be expected to, provide returns that are equal to the Fund multiple (i.e. +200% with respect to the Leveraged Funds, or -200% with respect to the Leveraged Inverse Fund, as applicable), times the return of the Index, or Index Return. For periods longer than a single trading day, and before accounting for mathematical compounding, daily rebalancing, the differences between the NAV Calculation Time and the Index Calculation Time, leverage, volatility, fees, fund expenses and income of the applicable Fund, it is unlikely that a Fund's multi-day returns will equal the Fund multiple times the Index Return of its corresponding Index.

For periods longer than a single trading day, investors should not attempt to calculate the anticipated or actual multi-day return of a Fund by simply multiplying the Fund multiple by the Index Return of the corresponding Index because such a result is an insufficient methodology and does not account for the mathematical effects arising from the interaction of leverage (in the amount of the Fund multiple), daily rebalancing, the differences between the NAV Calculation Time and the Index Calculation Time, fees, expenses, and interest income experienced by each Fund, or Fund Compounding. The Funds do not seek to achieve their stated investment objectives over a period of time longer than a single trading day because merely multiplying the Fund multiple by the Index Return does not account for Fund Compounding, and therefore, by definition, prevents the Funds from tracking the product of the Fund multiple by the Index Return for a period longer than a single trading day.

The Shares of each Fund are intended for sophisticated investors desiring a cost-effective and convenient way to invest daily in a leveraged relative value, or spread, Fund. Each Fund is designed to capture relative market movements, or spreads, through opposing long/short positions in Index Futures

Contracts (which may include Substitute Futures and/or Financial Instruments), which serve as benchmarks for each market segment.

The FactorShares 2X: S&P500 Bull/TBond Bear, or the S&P500 Bull/TBond Bear Fund, 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 Index 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 FactorShares 2X: TBond Bull/S&P500 Bear, or the TBond Bull/S&P500 Bear Fund, 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 FactorShares 2X: S&P500 Bull/USD Bear, or the S&P500 Bull/USD Bear Fund, 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, or the Currency Index Futures Contract.

The FactorShares 2X: Oil Bull/S&P500 Bear, or the Oil Bull/S&P500 Bear Fund, 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.

The FactorShares 2X: Gold Bull/S&P500 Bear, or the Gold Bull/S&P500 Bear Fund, 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.

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

The Funds create and redeem Shares from time-to-time, but only in one or more Baskets. A Basket is a block of 100,000 Shares of a Fund. Baskets may be created or redeemed only by Authorized Participants, except that the initial Baskets will be created by the Initial Purchaser. Baskets are created and redeemed continuously as of noon, Eastern Time, on the business day immediately following the date on which a valid order to create or redeem a Basket is accepted by a Fund. Shares of each Fund will be sold at the net asset value of 100,000 Shares as of the NAV Calculation Time (as defined below), on the date that a valid order to create or redeem a Basket is accepted by a Fund. For purposes of processing both purchase and redemption orders, a "business day" means any day other than a day when banks in New York City are required or permitted to be closed. 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.

The net asset value, or NAV, in respect of a Fund, means the total assets of the applicable Fund including, but not limited to, all cash and cash equivalents or other debt securities less total liabilities of such Fund, each determined on the basis of generally accepted accounting principles in the United States, consistently applied under the accrual method of accounting.

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). For example, the futures exchanges on which the E-mini Standard and Poor's 500 Stock Price Index™ Futures (Long Index Futures Contracts) and the U.S. Treasury Bond Futures (Short Index Futures Contracts) of the FactorShares 2X: S&P500 Bull/TBond Bear fund settle at 4:15 p.m. (Eastern Time) and 3:00 p.m. (Eastern Time), respectively. Therefore, as detailed in the table below, the FactorShares 2X: S&P500 Bull/TBond Bear fund will calculate its NAV, or NAV Calculation Time, as of 3:00 p.m. (Eastern Time).

Each Fund will make distributions at the discretion of the Managing Owner. To the extent that a Fund's actual and projected interest income from its holdings of 3-month U.S. Treasury bills and other high credit quality short-term fixed income securities exceeds the actual and projected fees and expenses of such Fund, the Managing Owner expects periodically to make distributions of the amount of such excess. The Funds currently do not expect to make distributions with respect to capital gains. Depending on the applicable Fund's performance for the taxable year and your own tax situation for such year, your income tax liability for the taxable year for your allocable share of such Fund's net ordinary income or loss and capital gain or loss may exceed any distributions you receive with respect to such year.

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.

Please see the Fund's prospectus for more information regarding the Fund and its investment objective.

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 discussion in the prospectus for the Funds of the principal risks of an investment in the Funds. These include tracking error risk (factors causing a Fund's performance to not match the performance of its underlying index), market trading risk (for example, trading halts, trading above or below net asset value), investment style risk, sector risk, investment approach risk, non-

diversification risk, issuer-specific risk, management risk, commodities risk, leverage risk, and derivatives risk.

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 and After Hours Trading Sessions may result in additional trading risks which include: (1) that the current underlying indicative value may not be updated during the Pre-Opening and After Hours Trading Sessions, (2) lower liquidity in the Pre-Opening and After Hours Trading Sessions may impact pricing, (3) higher volatility in the Pre-Opening and After Hours Trading Sessions may impact pricing, (4) wider spreads may occur in the Pre-Opening and After Hours Trading Sessions, and (5) because the indicative value is not calculated or widely disseminated during the Pre-Opening or After Hours Trading Sessions, an investor who is unable to calculate an implied value for the Shares in those sessions may be at a disadvantage to market professionals.

Dissemination of Data

The Consolidated Tape Association will disseminate real time trade and quote information for the Shares to Tape B.

Name	Listing Market	Trading Symbol	IOPV Symbol	NAV Symbol
FactorShares 2X: Oil Bull/S&P500 Bear Fund	NYSE Arca	FOL	FOL.IV	FOL.NV
FactorShares 2X: TBond Bull/S&P500 Bear Fund	NYSE Arca	FSA	FSA.IV	FSA.NV
FactorShares 2X: S&P500 Bull/TBond Bear Fund	NYSE Arca	FSE	FSE.IV	FSE.NV
FactorShares 2X: Gold Bull/S&P500 Bear Fund	NYSE Arca	FSG	FSG.IV	FSG.NV
FactorShares 2X: S&P500 Bull/USD Bear Fund	NYSE Arca	FSU	FSU.IV	FSU.NV

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 Funds' website. The prospectus for the Fund does not contain all of the information set forth in the Funds' 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.

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, 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 SEC has granted an exemption from Rule 101 under Regulation M to permit persons participating in a distribution of shares of the above-mentioned Fund to engage in secondary market transactions in such shares during their participation in such a distribution. In addition, the SEC has granted relief under Regulation M to permit persons who may be deemed to be participating in the distribution of Shares of the above-mentioned 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 SEC 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 SEC has also granted an exemption pursuant to paragraph (e) of Rule 102 under Regulation M to allow the redemption of Fund Shares in Creation Unit Aggregations during the continuous offering of Shares.

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

Broker-dealers who handle purchases or redemptions of Fund Shares in Creation Unit size 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 for the Fund 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 redemption 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); and
- 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).

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.

Rule 14e-5

An exemption from Rule 14e-5 has been granted to permit any person acting as a dealer-manager of a tender offer for a component security of the 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 position has been taken under Rule 14e-5 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, if 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 purchase; 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.

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.

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 Membership Services at 913.815.7002 with any inquiries regarding this Information Circular.