



Information Circular: FocusShares Trust

To: Head Traders, Technical Contacts, Compliance Officers, Heads of ETF Trading, Structured Products Traders

From: William Slattery, Associate Vice President, NASDAQ Listing Qualifications Department

DATE: November 30, 2007

Exchange-Traded Fund	Symbol	CUSIP #
FocusShares ISE Homebuilders Index Fund	SAW	34416W106
FocusShares ISE SInDex Fund	PUF	34416W205
FocusShares ISE-CCM Homeland Security Index Fund	MYP	34416W304
FocusShares ISE-Revere Wal-Mart Supplier Index Fund	WSI	34416W403

Background Information on the Funds

The FocusShares 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 (each, a "Fund" and collectively, the "Funds"). This circular refers only to the four Funds listed above. The shares of the Funds are referred to herein as "Shares." FocusShares, LLC (the "Adviser") serves as the investment adviser for the Funds.

SAW, using an "indexing" investment approach, seeks investment results that correspond generally to the price and yield (before the fees and expenses) of an index called the ISE Homebuilders Index (the "Home Index"). The Home Index is a "float-adjusted" capitalization index which includes stocks of residential construction companies and prefabricated house manufacturers that meet specific criteria developed by ISE. As of August 14, 2007, the Home Index was comprised of 23 component securities with market capitalizations greater than \$25 million that have a daily average traded volume of at least \$355,000 over the past three months. The total market capitalization of the Home Index as of August 14, 2007 was in excess of \$36.8 billion. The Home Index may contain a smaller or greater number of component securities from time to time. The criteria for inclusion in the Home Index are discussed in the Funds' Statement of Additional Information ("SAI").

SAW will normally invest at least 90% of its total assets in stocks of companies primarily engaged in the business of residential construction and prefabricated house manufacturing. This 90% investment policy is non-fundamental and requires 60 days' prior written notice to shareholders before it can be changed. The Fund is non-diversified and may invest in small- and mid-capitalization companies.

PUF, using an "indexing" investment approach, seeks investment results that correspond generally to the price and yield (before fees and expenses) of an index called the ISE SINdex (the "SINdex"). The SINdex is an equal weighted "float-adjusted" index which includes stocks of owners and operators of casinos and gaming facilities, producers of beer and malt liquors, distillers, vintners and producers of other alcoholic beverages and manufacturers of cigarettes and other tobacco products. As of August 20, 2007, the SINdex was comprised of 30 component securities with market capitalizations greater than \$537.8 million that have daily average traded volume of at least \$9.0 million over the past three months. The total market capitalization of the SINdex as of August 20, 2007 was in excess of \$500.5 billion. The SINdex has been designed to include a maximum of 30 securities and may contain less than 30 from time to time. The criteria for inclusion in the SINdex are discussed in the Funds' SAI.

PUF will normally invest at least 90% of its total assets in stocks of owners and operators of casinos and gaming facilities, producers of beer and malt liquors, distillers, vintners and producers of other alcoholic beverages and manufacturers of cigarettes and other tobacco products. This 90% investment policy is non-fundamental and requires 60 days' prior written notice to shareholders before it can be changed. The Fund is non-diversified and may invest in small- and mid-capitalization companies.

MYP, using an "indexing" investment approach, seeks investment results that correspond generally to the price and yield (before fees and expenses) of an index called the ISE-CCM Homeland Security Index (the "Security Index"). The Security Index is a "float-adjusted" capitalization index which includes the stocks of companies engaged in contractual work with the U.S. Department of Homeland Security or law enforcement agencies, or providing products or services for the following efforts: intelligence and warning; border and transportation security; domestic counterterrorism; protection of critical infrastructure; defense against catastrophic threats; and emergency preparedness and response. As of August 14, 2007, the Security Index was comprised of 30 component securities with market capitalizations greater than \$99.3 million that have daily average traded volume of at least \$299,000 over the past three months. The total market capitalization of the Security Index as of August 14, 2007 was in excess of \$81.6 billion. The Security Index was jointly developed by ISE and Cronus Capital Markets, Inc. Cronus Capital Markets, Inc., an independent and privately owned capital market research and consulting firm, provides specific research and support for the Index. The Security Index has been designed to include 30 stocks at all times. The criteria for inclusion in the Security Index are discussed in the Funds' SAI.

MYP will normally invest at least 90% of its total assets in stocks of companies primarily engaged in the business of contractual work with the Department of Homeland Security or law enforcement agencies, or providing products or services for the following efforts: intelligence and warning; border and transportation security; domestic counterterrorism; protection of critical infrastructure; defense against catastrophic threats; and emergency preparedness and response. This 90% investment policy is non-fundamental and requires 60 days' prior written notice to

shareholders before it can be changed. The Fund is non-diversified and may invest in small- and mid-capitalization companies.

WSI, using an "indexing" investment approach, seeks investment results that correspond generally to the price and yield (before fees and expenses) of an index called the ISE-Revere Wal-Mart Supplier Index (the "Wal-Mart Index"). The Wal-Mart Index is a "float-adjusted" capitalization index that tracks the performance of companies that derive a substantial portion of revenue from Wal-Mart Stores, Inc. The Wal-Mart Index is designed to exploit a unique situation where the world's largest retailer has spawned a sub-industry of dependent companies, including many that are common household names. The goal of the Wal-Mart Index is to be the benchmark of that sub-industry. As of August 14, 2007, the Wal-Mart Index was comprised of 30 component securities with market capitalizations greater than \$69.8 million that have daily average traded volume of at least \$803,000 over the past three months. The total market capitalization was in excess of \$103.6 billion. The Wal-Mart Index has been designed to include a maximum of 30 securities and may contain less than 30 from time to time. The criteria for inclusion in the Wal-Mart Index are discussed in the Funds' SAI.

WSI will normally invest at least 90% of its total assets in stocks of companies that derive a substantial portion of revenue from Wal-Mart Stores, Inc. This 90% investment policy is non-fundamental and requires 60 days' prior written notice to shareholders before it can be changed. The Fund is non-diversified and may invest in small- and mid-capitalization companies.

Each Fund generally will invest in all of the securities comprising its underlying index in proportion to their weightings in the index. However, under various circumstances, it may not be possible or practicable to purchase all of those securities in those weightings. In those circumstances, the Fund may purchase a sample of securities in the underlying index as a whole. There may also be instances in which the Adviser may choose to overweight another security in the underlying index, purchase securities not in the underlying index which the Adviser believes are appropriate to substitute for certain securities in the underlying index or utilize various combinations of other available investment techniques, in seeking to track the underlying index. The Fund may sell securities that are represented in the underlying index in anticipation of their removal from the index or purchase securities not represented in the underlying index in anticipation of their addition to the index.

As described more fully in the Trust's prospectus and SAI, the Funds issue and redeem Shares at net asset value ("NAV") only in large blocks of 50,000 Shares (each block of Shares called a "Creation Unit") or multiples thereof. 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 Funds.

Net investment income and net capital gains are typically distributed to shareholders at least annually.

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.

Each Fund's NAV is determined as of the close of trading (normally 4:00 p.m., Eastern Time or "ET") on each day the New York Stock Exchange is open for business. NAV is calculated by taking the market price of each Fund's total assets, including interest or dividends accrued but not yet collected, less all liabilities, and dividing such amount by the total number of Shares outstanding. The result, which is rounded to the nearest cent, is the NAV per Share.

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 Funds' website at www.focusshares.com.

Purchases and Redemptions in Creation Unit Size

NASDAQ members are hereby informed that procedures for purchases and redemptions of Shares in Creation Unit Size are described in the Trust's prospectus and SAI, and that Shares are not individually redeemable but are redeemable only in Creation Unit Size aggregations or multiples thereof.

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, concentration risk, absence of a prior market risk and small and medium-sized company risk.

Exchange Rules Applicable to Trading in the Shares

Trading in the Shares on NASDAQ is on a UTP basis and is subject to [NASDAQ equity trading rules](#).

Trading Hours

The values of each index underlying the Shares are disseminated to data vendors every 15 seconds. The Shares will trade on NASDAQ between 7:00 a.m. and 8:00 p.m. ET, unless otherwise indicated.

Suitability

Trading in the Shares on NASDAQ will be subject to the provisions of [NASDAQ Rule 2310](#). 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 the NASDAQ Conduct Rules.

Members also should review [NASD 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.

Trading Halts

NASDAQ will halt trading in the Shares of a Fund in accordance with [NASDAQ Rule 4120](#). The grounds for a halt under NASDAQ Rule 4120 include a halt by the primary market because the intraday indicative value of the Fund and/or the value of its underlying index are not being disseminated as required, or a halt for other regulatory reasons. In addition, NASDAQ will also stop trading the Shares of a Fund if the primary market de-lists the Fund.

Delivery of a Prospectus

NASDAQ members should be mindful of applicable prospectus delivery requirements under the federal securities laws with respect to transactions in the Funds.

Prospectuses may be obtained through the [Funds' website](#). The prospectus for the Funds 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 Securities and Exchange Commission ("SEC"). For further information about the Funds, please refer to the registration statement.

In the event that the Funds rely upon an order by the SEC exempting the Shares from certain prospectus delivery requirements under Section 24(d) of the 1940 Act and in the future make available a written product description, [NASDAQ Rule 4420\(j\)\(2\)](#) requires that NASDAQ members provide to all purchasers of Shares a written description of the terms and characteristics of such securities, in a form prepared by the Trust for the Funds, no later than the time a confirmation of the first transaction in the Shares is delivered to such purchaser. In addition, NASDAQ 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 NASDAQ 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 Shares of the Fund has been prepared by the Trust and is available from your broker. It is recommended that you obtain and review such circular before purchasing Shares of the Fund. In addition, upon request you may obtain from your broker a prospectus for Shares of the Fund."

A NASDAQ 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 NASDAQ member under this rule.

Upon request of a customer, NASDAQ members also shall provide a copy of the prospectus.

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

The SEC has issued exemptive, interpretive or no-action relief from certain provisions of rules under the Securities Exchange Act of 1934 (the "Act") regarding trading in the above mentioned exchange-traded Funds.

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 Funds 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 Funds (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 Funds for redemption does not constitute a bid for or purchase of any of the Funds' 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.

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 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 a 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 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

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 a 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 a 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 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 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 SEC 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 the 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 Rule 2830(l)(5)(A), (B) or (C). (See [letter](#) from Catherine McGuire, Chief Counsel, SEC Division of Market Regulation, to Securities Industry Association, Derivative Products Committee, dated November 21, 2005.) The SEC also has taken a no-action position under Section 11(d)(1) of the Act 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.

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 Information Circular is not a statutory prospectus. NASDAQ members should consult the Funds' prospectus and/or the [Funds' website](#) for relevant information.

Inquiries regarding this Information Circular should be directed to:

- [Will Slattery](#), NASDAQ Listing Qualifications, at 301.978.8088
- [NASDAQ Market Sales](#) at 800.846.0477