Information Circular: FactorShares

To:	Head Traders, Technical Contacts, Compliance Officers, Heads of ETF Trading, Structured Products Traders
From:	NASDAQ / BX / PHLX Listing Qualifications Department
Date:	February 24, 2011

Exchange-Traded Fund	Symbol	CUSIP #
FactorShares 2X: Gold Bull/S&P500 Bear Fund	FSG	30304T106
FactorShares 2X: Oil Bull/S&P500 Bear Fund	FOL	30304P104
FactorShares 2X: TBond Bull/S&P500 Bear Fund	FSA	303047104
FactorShares 2X: S&P 500 Bull/TBond Bear Fund	FSE	303046106
FactorShares 2X: S&P 500 Bull/USD Bear Fund	FSU	303048102

Background Information on the Funds

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.

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.factorsharesetfs.com.

Purchases and Redemptions in Creation Unit Size

NASDAQ members, BX members and PHLX members and member organizations are hereby informed that procedures for purchases and redemptions of Shares in Creation Unit Size are described in the Trust's prospectus and Statement of Additional Information 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, commodities risk, leverage risk, and derivatives 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 of the Shares on BX is on a UTP basis and is subject to BX equity trading rules. Trading of the Shares on PHLX's PSX system is on a UTP basis and is subject to PHLX 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. The Shares will trade on BX between 8:00 a.m. and 7:00 p.m. ET. The Shares will trade on PSX between 9:00 a.m. and 5:00 p.m. ET. For trading during each market's pre-market and post-market sessions, market participants should note that additional risks may exist with respect to trading the Funds during these sessions, when the underlying index's values, intraday indicative value, or similar value may not be disseminated or calculated.

Dissemination of Fund Data

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

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

Suitability

Trading in the Shares on NASDAQ will be subject to the provisions of NASDAQ Rule 2310. Trading in the Shares on BX will be subject to the provisions of BX Equity Rule 2310. Shares trading on PSX will be subject to the provisions of PHLX Rule 763. Members and member organizations 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 both the NASDAQ Conduct Rules and the BX Conduct Rules.

NASDAQ members, BX members and PHLX members and member organizations should also 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. BX will halt trading in the Shares of a Fund in accordance with BX Equity Rule 4120. PHLX will halt trading in the Shares of a Fund in accordance with PHLX Rule 3100. The grounds for a halt under these rules include a halt by the primary market because the intraday indicative value of the Fund, the value of its underlying index, or a similar value are not being disseminated as required, or a halt for other regulatory reasons. In addition, NASDAQ, BX and PHLX will also stop trading the Shares of a Fund if the primary market delists the Fund.

Delivery of a Prospectus

NASDAQ members, BX members and PHLX members and member organizations 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 Rules 5705 and 5740, BX Equity Rules 4420 and 4421, and PHLX Rule 803 require that members and member organizations, respectively, 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, members and member organizations 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 members or member organizations 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."

Any NASDAQ, BX or PHLX member or member organization 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 members, BX members and PHLX members or member organizations under this rule.

Upon request of a customer, NASDAQ members, BX members and PHLX members or member organizations 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, BX members and PHLX members and member organizations should consult the Funds' prospectus and/or the Funds' website for relevant information.

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