



Information Circular: MacroShares Trusts

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

From: BX Listing Qualifications Department

DATE: January 15, 2009

Exchange-Traded Fund	Symbol	CUSIP #
MacroShares \$100 Oil Up Shares	UOY	55610W105
MacroShares \$100 Oil Down Shares	DOY	55610T102

Background Information on the Funds

The MacroShares Trusts (or "paired trusts") are formed under the laws of the State of New York. The MacroShares \$100 Oil Up Shares will be referred to as the "Up Trust" or "Up MacroShares" and the MacroShares \$100 Oil Down Shares will be referred to as the "Down Trust" or "Down MacroShares." The assets of each Trust will include an income distribution agreement and settlement contracts entered into with the other Trust. Under the income distribution agreement the Up Trust will, on each distribution date, either (1) be required to pay a portion of its available income to the Down Trust or (2) be entitled to receive a portion of the Down Trust's available income, based, in each case, on the level of the Applicable Reference Price of Crude Oil during the preceding calculation period. On each distribution date, a quarterly distribution of all available income, if any, on deposit in the Up Trust will be made on the Up MacroShares after the Up Trust has made or received a payment under the income distribution agreement. Or conversely, the Down Trust will, on each distribution date, either (1) be required to pay a portion of its available income to the Up Trust or (2) be entitled to receive a portion of the Up Trust's available income, based, in each case, on the level of the Applicable Reference Price of Crude Oil during the preceding calculation period. On each distribution date, a quarterly distribution of all available income, if any, on deposit in the Down Trust will be made on the Down MacroShares after the Down Trust has made or received a payment under the income distribution agreement.

The assets of the Up Trust will consist of:

- U.S. treasury securities and what we refer to as "income" on those securities, consisting of stated interest on treasury notes and bonds and the discount that is realized when the par amount received on a treasury bill, note or bond at maturity exceeds the purchase price at which the Up Trust acquired that treasury security;

- treasury repurchase agreements and what we refer to as “income” on those agreements consisting of the difference between the purchase price and the repurchase price for the treasuries borrowed under those agreements;
- the Up Trust’s rights under the income distribution agreement;
- the Up Trust’s rights under the settlement contracts;
- the Up Trust’s rights under the licensing agreement with MacroMarkets LLC to use the patented MacroShares structure;
- the Up Trust’s rights under the NYMEX sublicensing agreement entered into with MacroMarkets LLC pursuant to which the trust is permitted to use the settlement prices of a light sweet crude oil futures contract of the designated maturity and the NYMEX name;
- the Up Trust’s rights under its trust agreement to rely on the services provided by the administrative agent, the marketing agents and the trustee;
- a securities account created under the Up Trust agreement into which all of the treasuries will be deposited for the benefit of the holders of the Up MacroShares;
- a distribution account created under the Up Trust agreement into which all income realized on the treasuries and all amounts received under the income distribution agreement and the settlement contracts will be deposited and then used, first, to make a deposit to the fee payment account, second, to make payments to the Down Trust under the income distribution agreement and the settlement contracts, if applicable, and, third, to make quarterly and final distributions to the holders of the Up MacroShares; a fee payment
- account created under the Up Trust agreement into which funds will be deposited on each distribution date for the purpose of paying the fees and expenses of the Up Trust; and
- a netting account created under the Up Trust agreement to which the trustee will credit (1) Up MacroShares being redeemed in paired optional redemptions and net such shares against any shares being created in paired issuances on the same date, and (2) cash delivered by authorized participants in connection with paired issuances and net such cash against the final distributions to be made in connection with paired optional redemptions being effected on the same date.

The treasuries purchased on behalf of the Up Trust on each distribution date or in connection with each paired issuance of Up MacroShares may consist of bills, notes and bonds of varying maturities and repurchase agreements of varying terms that are fully collateralized by treasuries and entered into with counterparties that meet specified capital requirements or are deemed creditworthy by the administrative agent. Each treasury and treasury repurchase agreement must mature or terminate prior to the next scheduled distribution date. When we refer to “treasuries” in this prospectus, the term includes both treasuries and treasury repurchase agreements on treasuries. On each distribution date, except for the final scheduled termination date or an early termination date, the administrative agent will direct the trustee to

reinvest the proceeds of the maturity of the paired trusts' treasuries in new treasuries. The administrative agent will also direct the trustee to invest in treasuries all funds delivered to it in connection with each issuance of paired shares. The obligations of the paired trusts to each other under the income distribution agreement and the settlement contracts will be secured by the treasuries and any cash on deposit in each of those trusts.

The assets of the Down Trust will consist of:

- U.S. treasury securities and what we refer to as "income" on those securities, consisting of stated interest on treasury notes and bonds and the discount that is realized when the par amount received on a treasury bill, note or bond at maturity exceeds the purchase price at which the Down Trust acquired that treasury security;
- treasury repurchase agreements and what we refer to as "income" on those agreements consisting of the difference between the purchase price and the repurchase price for the treasuries borrowed under those agreements;
- the Down Trust's rights under the income distribution agreement;
- the Down Trust's rights under the settlement contracts;
- the Down Trust's rights under the licensing agreement with MacroMarkets LLC to use the patented MacroShares structure;
- the Down Trust's rights under the NYMEX sublicensing agreement entered into with MacroMarkets LLC pursuant to which the trust is permitted to use the settlement prices of a light sweet crude oil futures contract of the designated maturity and the NYMEX name;
- the Down Trust's rights under its trust agreement to rely on the services provided by the administrative agent, the marketing agent and the trustee;
- a securities account created under the Down Trust agreement into which all of the treasuries will be deposited for the benefit of the holders of the Down MacroShares;
- a distribution account created under the Down Trust agreement into which all income realized on the treasuries and all amounts received under the income distribution agreement and the settlement contracts will be deposited and then used, first, to make a deposit to the fee payment account, second, to make payments to the Up Trust under the income distribution agreement and the settlement contracts, if applicable, and, third, to make quarterly and final distributions to the holders of the Down MacroShares;
- a fee payment account created under the Down Trust agreement into which funds will be deposited on each distribution date for the purpose of paying the fees and expenses of the Down Trust; and
- a netting account created under the Down Trust agreement to which the trustee will credit (1) Down MacroShares being redeemed in paired optional redemptions and net such shares against any shares being created in paired

issuances on the same date, and (2) cash delivered by authorized participants in connection with paired issuances and net such cash against the final distributions to be made in connection with paired optional redemptions being effected on the same date.

The treasuries purchased on behalf of the Down Trust on each distribution date or in connection with each paired issuance of Down MacroShares may consist of bills, notes and bonds of varying maturities and repurchase agreements of varying terms that are fully collateralized by treasuries and entered into with counterparties that meet specified capital requirements or are deemed creditworthy by the administrative agent. Each treasury and treasury repurchase agreement must mature or terminate prior to the next scheduled distribution date. When we refer to "treasuries" in this prospectus, the term includes both treasuries and treasury repurchase agreements on treasuries. On each distribution date, except for the final scheduled termination date or an early termination date, the administrative agent will direct the trustee to reinvest the proceeds of the maturity of the paired trusts' treasuries in new treasuries. The administrative agent will also direct the trustee to invest in treasuries all funds delivered to it in connection with each issuance of paired shares. The obligations of the paired trusts to each other under the income distribution agreement and the settlement contracts will be secured by the treasuries and any cash on deposit in each of those trusts.

With respect to the Up Trust, if the level of the Applicable Reference Price of Crude Oil on any price determination day exceeds its starting level on the closing date (the date on which the Trust entered into the income distribution agreement), the underlying value of the Up Trust will increase to include all assets plus a portion of the assets of the paired Down Trust.

Conversely, if the level of the Applicable Reference Price of Crude Oil on any price determination day falls below its starting level, the Up Trust's underlying value will decrease because a portion of its assets will be included in the underlying value of the paired Down Trust. The underlying value of the Up Trust on each price determination day represents the aggregate amount of the assets in the paired trusts to which the Up Trust would be entitled if the settlement contracts were settled on that day.

With respect to the Down Trust, if the level of the Applicable Reference Price of Crude Oil on any price determination day exceeds its starting level on the closing date (the date on which the Trust entered into the income distribution agreement), the underlying value of the Down Trust will decrease because a portion of its assets will be included in the underlying value of the paired Up Trust.

Conversely, if the level of the Applicable Reference Price of Crude Oil on any price determination day falls below its starting level, the Up Trust's underlying value will increase to include all assets plus a portion of the assets of the paired Down Trust. The underlying value of the Down Trust on each price determination day represents the aggregate amount of the assets in the paired trusts to which the Down Trust would be entitled if the settlement contracts were settled on that day.

For more information regarding the MacroShares investment strategy, please read the prospectus for the Funds.

On each price determination day, State Street Bank and Trust Company, the trustee for the Up Trust and the Down Trust, will calculate the underlying value of the paired trusts and the per share underlying value of one Up MacroShare and one Down MacroShare, based on the Applicable Reference Price of Crude Oil established and reported by NYMEX. These values will be made publicly available online at www.macromarkets.com.

The listing exchange, NYSE Arca, will calculate and disseminate to the consolidated tape an indicative per share value for the MacroShares every 15 seconds, following each transmission from NYMEX of the current price of the light sweet crude oil futures contract of the designated maturity.

On any price determination day prior to the final scheduled termination date, or an early termination date, an authorized participant may effect a "paired issuance" by directing the MacroShares Trust to issue additional shares in a minimum number of Down MacroShares and Up MacroShares constituting at least one MacroShares Unit. A MacroShares Unit consists of a minimum of 50,000 Down MacroShares and 50,000 Up MacroShares. The paired shares will be issued by each of the trusts at the per share underlying value of the shares on the date on which an order is made by an authorized participant.

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

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

Investors should note that the Securities and Exchange Commission has no jurisdiction over the trading of oil futures.

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.macromarkets.com.

Purchases and Redemptions in Creation Unit Size

BX 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, derivatives risk, illiquid securities risk and oil futures risk.

Exchange Rules Applicable to Trading in the Shares

Trading in the Shares on BX is on a UTP basis and is subject to BX 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 BX between 8:00 a.m. and 7:00 p.m. ET. For trading during BX'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 may not be disseminated.

Suitability

Trading in the Shares on BX will be subject to the provisions of BX 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 BX 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

BX will halt trading in the Shares of a Fund in accordance with BX Rule 4120. The grounds for a halt under BX 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, BX will also stop trading the Shares of a Fund if the primary market de-lists the Fund.

Delivery of a Prospectus

BX 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, BX Rule 4420(j)(2) requires that BX 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, BX 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 BX 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 BX 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 BX member under this rule.

Upon request of a customer, BX 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. BX 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](#), BX Listing Qualifications, at 301.978.8088
- [BX Market Sales](#) at 800.846.0477