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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
Form 19b-4

File No.* SR - 2014 - * 10
Amendment No. (req. for Amendments *)

Filing by NYSE Arca

Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

Initial * ☑ Amendment * ☐ Withdrawal ☐

Section 19(b)(2) * ☑ Section 19(b)(3)(A) * ☐ Section 19(b)(3)(B) * ☐

Pilot ☐

Extension of Time Period for Commission Action * ☐

Date Expires *

Rule
19b-4(f)(1) 19b-4(f)(4)
19b-4(f)(2) 19b-4(f)(5)
19b-4(f)(3) 19b-4(f)(6)

Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010

Section 806(e)(1) * ☐ Section 806(e)(2) * ☐

Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934

Section 3C(b)(2) * ☐

Exhibit 2 Sent As Paper Document

Exhibit 3 Sent As Paper Document

Description

Provide a brief description of the action (limit 250 characters, required when Initial is checked *).

Proposal to adopt a new NYSE Arca Equities Rule 8.900 to permit it to list and trade Managed Portfolio Shares, which are shares of actively managed exchange-traded funds for which the portfolio is disclosed quarterly.

Contact Information

Provide the name, telephone number, and e-mail address of the person on the staff of the self-regulatory organization prepared to respond to questions and comments on the action.

First Name * Michael Last Name * Cavalier

Title * Chief Counsel

E-mail * mcavalier@nyx.com

Telephone * (212) 656-2474 Fax (212) 656-2223

Signature

Pursuant to the requirements of the Securities Exchange Act of 1934,

has duly caused this filing to be signed on its behalf by the undersigned thereunto duly authorized.

Date 02/07/2014

By Sudhir Bhattacharyya

(Name *)

(Title *)

Vice President

NOTE: Clicking the button at right will digitally sign and lock this form. A digital signature is as legally binding as a physical signature, and once signed, this form cannot be changed.

Sudhir Bhattacharyya,

Required fields are shown with yellow backgrounds and asterisks.

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

For complete Form 19b-4 instructions please refer to the EFFS website.

Form 19b-4 Information * Add Remove View	The self-regulatory organization must provide all required information, presented in a clear and comprehensible manner, to enable the public to provide meaningful comment on the proposal and for the Commission to determine whether the proposal is consistent with the Act and applicable rules and regulations under the Act.
Exhibit 1 - Notice of Proposed Rule Change * Add Remove View	The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO] -xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)
Exhibit 1A- Notice of Proposed Rule Change, Security-Based Swap Submission, or Advance Notice by Clearing Agencies * Add Remove View	The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO] -xx-xx). A material failure to comply with these guidelines will result in the proposed rule change, security-based swap submission, or advance notice being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)
Exhibit 2 - Notices, Written Comments, Transcripts, Other Communications Add Remove View Exhibit Sent As Paper Document ☐	Copies of notices, written comments, transcripts, other communications. If such documents cannot be filed electronically in accordance with Instruction F, they shall be filed in accordance with Instruction G.
Exhibit 3 - Form, Report, or Questionnaire Add Remove View Exhibit Sent As Paper Document ☐	Copies of any form, report, or questionnaire that the self-regulatory organization proposes to use to help implement or operate the proposed rule change, or that is referred to by the proposed rule change.
Exhibit 4 - Marked Copies Add Remove View	The full text shall be marked, in any convenient manner, to indicate additions to and deletions from the immediately preceding filing. The purpose of Exhibit 4 is to permit the staff to identify immediately the changes made from the text of the rule with which it has been working.
Exhibit 5 - Proposed Rule Text Add Remove View	The self-regulatory organization may choose to attach as Exhibit 5 proposed changes to rule text in place of providing it in Item I and which may otherwise be more easily readable if provided separately from Form 19b-4. Exhibit 5 shall be considered part of the proposed rule change.
Partial Amendment Add Remove View	If the self-regulatory organization is amending only part of the text of a lengthy proposed rule change, it may, with the Commission's permission, file only those portions of the text of the proposed rule change in which changes are being made if the filing (i.e. partial amendment) is clearly understandable on its face. Such partial amendment shall be clearly identified and marked to show deletions and additions.

1. Text of the Proposed Rule Change

(a) Pursuant to the provisions of Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")[1] and Rule 19b-4 thereunder,[2] NYSE Arca, Inc. (the "Exchange" or "Corporation"), through its wholly owned subsidiary NYSE Arca Equities, Inc. ("NYSE Arca Equities"), proposes to adopt a new NYSE Arca Equities Rule 8.900 to permit it to list and trade Managed Portfolio Shares, which are shares of actively managed exchange-traded funds ("ETFs") for which the portfolio is disclosed quarterly. In addition, the Exchange proposes to list and trade shares of the following under proposed NYSE Arca Equities Rule 8.900: ActiveShares℠ Large-Cap Fund; ActiveShares℠ Mid-Cap Fund; and ActiveShares℠ Multi-Cap Fund.

A notice of the proposed rule change for publication in the Federal Register is attached hereto as Exhibit 1.

(b) The Exchange does not believe that the proposed rule change will have any direct effect, or any significant indirect effect, on any other Exchange rule in effect at the time of this filing.

(c) Not applicable.

2. Procedures of the Self-Regulatory Organization

The proposed rule change is being submitted to the Securities and Exchange Commission (the "Commission") by Exchange staff pursuant to authority delegated to it by the NYSE Arca Board of Directors and the NYSE Arca Equities Board of Directors.

The person on the Exchange staff prepared to respond to questions and comments on the proposed rule change is:

Michael Cavalier
Chief Counsel
NYSE Regulation, Inc.
(212) 656-2474

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1 15 U.S.C. 78s(b)(1).

2 17 CFR 240.19b-4.

3. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

(a) Purpose

The Exchange proposes to add new NYSE Arca Equities Rule 8.900 for the purpose of permitting the listing and trading, or trading pursuant to unlisted trading privileges ("UTP"), of Managed Portfolio Shares, which are securities issued by an actively managed open-end investment management company.[3] The Exchange also proposes to amend NYSE Arca Equities Rule 7.34 (Trading Sessions) to reference securities described in proposed NYSE Arca Equities Rule 8.900 in Rule 7.34(a)(4)(A) relating to trading halts for trading pursuant to UTP during the Exchange's Opening Session.

In addition to the above-mentioned proposed rule changes, the Exchange proposes to list and trade shares ("Shares") of the following under proposed NYSE Arca Equities Rule 8.900: ActiveShares℠ Large-Cap Fund; ActiveShares℠ Mid-Cap Fund; and ActiveShares℠ Multi-Cap Fund (each a "Fund" and, collectively, the "Funds").

Proposed Listing Rules

Proposed Rule 8.900 (a) provides that the Corporation will consider for trading, whether by listing or pursuant to UTP, Managed Portfolio Shares that meet the criteria of Rule 8.900.

Proposed Rule 8.900 (b) provides that Rule 8.900 is applicable only to Managed Portfolio Shares and that, except to the extent inconsistent with Rule 8.900, or unless the context otherwise requires, the rules and procedures of the Corporation's Board of Directors shall be applicable to the trading on the Corporation of such securities. Proposed Rule 8.900 (b) provides further that Managed Portfolio Shares are included within the definition of "security" or "securities" as such terms are used in the Rules of the Corporation.

Proposed Definitions. Proposed Rule 8.900(c)(1) defines the term "Managed Portfolio Share" as a security that (a) is issued by a registered investment

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3 A Managed Portfolio Share is a security that represents an interest in an investment company registered under the Investment Company Act of 1940 (15 U.S.C. 80a-1) ("1940 Act") organized as an open-end investment company or similar entity that invests in a portfolio of securities selected by its investment adviser consistent with its investment objectives and policies. In contrast, an open-end investment company that issues Investment Company Units, listed and traded on the Exchange under NYSE Arca Equities Rule 5.2(j)(3) ("Index ETFs"), seeks to provide investment results that correspond generally to the price and yield performance of a specific foreign or domestic stock index, fixed income securities index or combination thereof.

company ("Investment Company") organized as an open-end management investment company or similar entity, that invests in a portfolio of securities selected by the Investment Company's investment adviser consistent with the Investment Company's investment objectives and policies; (b) is issued in any size amount for a cash amount equal to the next determined net asset value ("NAV"); (c) may be redeemed for cash by any Retail Investor (as defined below) in any size less than a Redemption Unit (as defined below) for a cash amount equal to the next determined NAV; and (d) when aggregated in a number of shares equal to a Redemption Unit or multiples thereof, may be redeemed at a holder's request, which holder will be paid though a blind trust established for its benefit a portfolio of securities and/or cash with a value equal to the next determined NAV.

Proposed Rule 8.900(c)(2) defines the term "Retail Investor" as (i) a natural person; (ii) a trust established exclusively for the benefit a natural person or a group of related family members; or (iii) a tax deferred retirement plan where investments are selected by a natural person purchasing for its own account.

Proposed Rule 8.900(c)(3) defines the term "Portfolio Indicative Value" as the estimated indicative value of an Managed Portfolio Share based on all of the issuer's holdings as of the close of business on the prior business day.

Proposed Rule 8.900(c)(4) defines the term "Redemption Unit" as a specified number of Managed Portfolio Shares used for determining whether a Retail Investor may redeem for cash.

Proposed Rule 8.900(c)(5) defines the term Reporting Authority" in respect of a particular series of Managed Portfolio Shares as a reporting service designated by the issuer and acceptable to the Corporation or by the exchange that lists a particular series of Managed Portfolio Shares (if the Corporation is trading such series pursuant to UTP) as the official source for calculating and reporting information relating to such series, including, but not limited to, the Portfolio Indicative Value, NAV, or other information relating to the issuance, redemption or trading of Managed Portfolio Shares. A series of Managed Portfolio Shares may have more than one Reporting Authority, each having different functions.

Proposed Rule 8.900 (d) sets forth initial and continued listing criteria applicable to Managed Portfolio Shares. Proposed Rule 8.900(d)(1) provides that, for each series of Managed Portfolio Shares, the Corporation will establish a minimum number of Managed Portfolio Shares required to be outstanding at the time of commencement of trading on the Corporation. In addition, the Corporation will obtain a representation from the issuer of each series of Managed Portfolio Shares that the NAV per share for the series will be calculated daily and that the NAV will be made available to all market participants at the same time.[4]

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4 NYSE Arca Equities Rule 7.34(a)(5) ("Trading Halts of Derivative Securities Products Listed on the NYSE Arca Marketplace)" provides that, with respect to

Proposed Rule 8.900(d)(2) provides that each series of Managed Portfolio Shares will be listed and traded subject to application of the following continued listing criteria. Proposed Rule 8.900(d)(2)(A) provides that the Portfolio Indicative Value for Managed Portfolio Shares will be widely disseminated by one or more major market data vendors at least every 15 seconds during Core Trading Session.

Proposed Rule 8.900(d)(2)(B) provides that the Corporation will consider the suspension of trading in or removal from listing of a series of Managed Portfolio Shares under any of the following circumstances: (i) if, following the initial twelve-month period after commencement of trading on the Exchange of a series of Managed Portfolio Shares, there are fewer than 50 beneficial holders of the series of Managed Portfolio Shares for 30 or more consecutive trading days; (ii) if the value of the Portfolio Indicative Value is no longer calculated or made available to all market participants at the same time; (iii) if the Investment Company issuing the Managed Portfolio Shares has failed to file any filings required by the Commission or if the Corporation is aware that the Investment Company is not in compliance with the conditions of any exemptive order or no-action relief granted by the Commission to the Investment Company with respect to the series of Managed Portfolio Shares; or (iv) if such other event shall occur or condition exists which, in the opinion of the Corporation, makes further dealings on the Corporation inadvisable.

Proposed Rule 8.900(d)(2)(C) provides that, if the Portfolio Indicative Value of a series of Managed Portfolio Shares is not being disseminated as required, the Corporation may halt trading during the day in which the interruption to the dissemination of the Portfolio Indicative Value occurs. If the interruption to the dissemination of the Portfolio Indicative Value persists past the trading day in which it occurred, the Corporation will halt trading no later than the beginning of the trading day following the interruption. If a series of Managed Portfolio Shares is trading on the Corporation pursuant to UTP, the Corporation will halt trading in that series as specified in Rule 7.34(a). In addition, if the Exchange becomes aware that the NAV with respect to a series of Managed Portfolio Shares is not disseminated to all market participants at the same time, it will halt trading in such series until such time as the NAV is available to all market participants.

Proposed Rule 8.900(d)(2)(D) provides that, upon termination of an Investment Company, the Corporation requires that Managed Portfolio Shares issued in connection with such entity be removed from Corporation listing.

Derivative Securities Products listed on the NYSE Arca Marketplace for which a net asset value is disseminated, if the Exchange becomes aware that the a net asset value is not being disseminated to all market participants at the same time, it will halt trading in the affected Derivative Securities Product on the NYSE Arca Marketplace until such time as the a net asset value is available to all market participants.

Proposed Rule 8.900(d)(2)(E) provides that voting rights shall be as set forth in the applicable Investment Company prospectus. Proposed Rule 8.600(e) relates to limitation of Corporation liability.

Proposed Rule 8.900(e), which relates to limitation of corporation liability, provides that neither the Corporation, the Reporting Authority, nor any agent of the Corporation shall have any liability for damages, claims, losses or expenses caused by any errors, omissions, or delays in calculating or disseminating any current portfolio value; the current value of the portfolio of securities required to be deposited to the open-end management investment company in connection with issuance of Managed Portfolio Shares; the amount of any dividend equivalent payment or cash distribution to holders of Managed Portfolio Shares; NAV; or other information relating to the purchase, redemption, or trading of Managed Portfolio Shares, resulting from any negligent act or omission by the Corporation, the Reporting Authority or any agent of the Corporation, or any act, condition, or cause beyond the reasonable control of the Corporation, its agent, or the Reporting Authority, including, but not limited to, an act of God; fire; flood; extraordinary weather conditions; war; insurrection; riot; strike; accident; action of government; communications or power failure; equipment or software malfunction; or any error, omission, or delay in the reports of transactions in one or more underlying securities.

Proposed Commentary .01 to NYSE Arca Equities Rule 8.900 provides that the Corporation will file separate proposals under Section 19(b) of the Act before the listing and trading of Managed Portfolio Shares. Proposed Commentary .02 to NYSE Arca Equities Rule 8.900 provides that transactions in Managed Portfolio Shares will occur during the trading hours specified in NYSE Arca Equities Rule 7.34(a).

Proposed Commentary .03 to NYSE Arca Equities Rule 8.900 provides that the Exchange will implement written surveillance procedures for Managed Portfolio Shares.

Proposed Commentary .04 to NYSE Arca Equities Rule 8.900 provides that Authorized Participants (as described further below) redeeming Managed Portfolio Shares will sign an agreement with the applicable fund requiring the establishment of a blind trust for the benefit of such Authorized Participant that will receive all consideration from the issuer in a redemption, which blind trust will be bound not to disclose the consideration received in a redemption except as required by law and will liquidate any securities received in a redemption in accordance with standing instructions for the Authorized Participant.

Proposed Commentary .05 to NYSE Arca Equities Rule 8.900 provides that, if the investment adviser to the Investment Company issuing Managed Portfolio Shares is affiliated with a broker-dealer, such investment adviser shall erect a "fire wall" between the investment adviser and the broker-dealer with respect to access to information concerning the composition and/or changes to such Investment

Company portfolio. Personnel who make decisions on the Investment Company's portfolio composition must be subject to procedures designed to prevent the use and dissemination of material nonpublic information regarding the applicable Investment Company portfolio.

Other Rules

The Exchange proposes to amend NYSE Arca Equities Rule 7.34(a)(4) to include Managed Portfolio Shares under "Derivative Securities Products" for purposes of Rule 7.34(a)(4) relating to trading halts for trading pursuant to UTP of Derivative Securities Products on the Exchange.[5]

Key Features of Managed Portfolio Shares

While funds issuing Managed Portfolio Shares will be actively-managed and, to that extent, will be similar to Managed Fund Shares, Managed Portfolio Shares differ from Managed Fund Shares in the following important respects. First, in contrast to Managed Fund Shares, which are actively-managed funds listed and traded under NYSE Arca Equities Rule 8.600[6] and for which a "Disclosed Portfolio" is required to be disseminated at least once daily,[7] the portfolio for an issue of Managed Portfolio Shares will be disclosed quarterly in accordance with

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5 The Exchange will propose applicable NYSE Arca Equities listing fees for Managed Portfolio Shares in the NYSE Arca Equities Schedule of Fees and Charges via a separate proposed rule change.

6 The Commission has previously approved listing and trading on the Exchange of a number of issues of Managed Fund Shares under Rule 8.600. See, e.g., Securities Exchange Act Release Nos. 57801 (May 8, 2008), 73 FR 27878 (May 14, 2008) (SR-NYSEArca-2008-31) (order approving Exchange listing and trading of twelve actively-managed funds of the WisdomTree Trust); 60460 (August 7, 2009), 74 FR 41468 (August 17, 2009) (SR-NYSEArca-2009-55) (order approving listing of Dent Tactical ETF); 63076 (October 12, 2010), 75 FR 63874 (October 18, 2010) (SR-NYSEArca-2010-79) (order approving Exchange listing and trading of Cambria Global Tactical ETF); 63802 (January 31, 2011), 76 FR 6503 (February 4, 2011) (SR-NYSEArca-2010-118) (order approving Exchange listing and trading of the SiM Dynamic Allocation Diversified Income ETF and SiM Dynamic Allocation Growth Income ETF).

7 NYSE Arca Equities Rule 8.600(c)(2) defines the term "Disclosed Portfolio" as the identities and quantities of the securities and other assets held by the Investment Company that will form the basis for the Investment Company's calculation of net asset value at the end of the business day. NYSE Arca Equities Rule 8.600(d)(2)(B)(i) requires that the Disclosed Portfolio will be disseminated at least once daily and will be made available to all market participants at the same time.

normal disclosure requirements otherwise applicable to open-end investment companies registered under the 1940 Act.[8] Second, in connection with the redemption of shares in Redemption Unit size, the delivery of any portfolio securities in kind will generally be effected through a blind trust for the benefit of the redeeming Authorized Participant and the blind trust will liquidate the portfolio securities without disclosing the identity of such securities to the Authorized Participant. Third, as with traditional open-end investment companies, retail investors will be able to redeem shares for cash directly from a fund on any day and in any size less than a Redemption Unit at the fund's NAV, as described in more detail below. Fourth, investors will be able to purchase shares for cash directly from a fund in any amount on any day a fund determines its NAV, as described in more detail below. Investors may choose to purchase shares directly from a fund if they want to assure that they will not purchase shares at a premium.

For each series of Managed Portfolio Shares, an estimated value, defined in the proposed rules as the "Portfolio Indicative Value," ("PIV") that reflects an estimated intraday value of a fund's portfolio will be disseminated. The PIV will be based upon all of a fund's holdings as of the close of the prior business day and will be widely disseminated by one or more major market data vendors at least every 15 seconds during the Exchange's Core Trading Session (normally, 9:30 a.m. to 4:00 p.m., Eastern Time). The dissemination of the PIV will allow investors to determine the estimated intra-day value of the underlying portfolio of a series of Managed Portfolio Shares on a daily basis and will provide a close estimate of that value throughout the trading day. The PIV should not be viewed as a "real-time" update of the NAV per share of each fund because the PIV may not be calculated in the same manner as the NAV, which will be computed once a day, generally at the end of the business day. Unlike the PIV, which will be based on consolidated last sale information, the NAV per share will be based on the closing price on the primary market for each portfolio security. If there is no closing price for a particular portfolio security, such as when it the subject of a trading halt, a fund will use fair value pricing. That fair value pricing will be carried over to the next day's PIV until the first trade in that stock is reported.

The Exchange, after consulting with various Lead Market Makers that trade ETFs on the Exchange, believes that market makers will be able to make efficient and liquid markets priced near the PIV as long as an accurate PIV is disseminated every 15 seconds and market makers have knowledge of a fund's means of

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[8] A mutual fund is required to file with the Commission its complete portfolio schedules for the second and fourth fiscal quarters on Form N-SAR under the 1940 Act, and is required to file its complete portfolio schedules for the first and third fiscal quarters on Form N-Q under the 1940 Act, within 60 days of the end of the quarter. Form N-Q requires funds to file the same schedules of investments that are required in annual and semi-annual reports to shareholders. These forms are available to the public on the Commission's website at www.sec.gov.

achieving its investment objective, even without daily disclosure of a fund's underlying portfolio. The Exchange believes that market makers will employ risk-management techniques such as "statistical arbitrage", which is currently used throughout the financial services industry, to make efficient markets in exchange-traded products.[9] This ability should permit market makers to make efficient markets in an issue of Managed Portfolio Shares without knowledge of a fund's underlying portfolio.

The Exchange understands that traders use statistical analysis to derive correlations between different sets of instruments to identify opportunities to buy or sell one set of instruments when it is mispriced relative to the others. For Managed Portfolio Shares, market makers will initially use the knowledge of a fund's means of achieving its investment objective, as described in the applicable fund registration statement, to construct a hedging proxy for a fund to manage a market maker's quoting risk in connection with trading fund shares. Market makers will then conduct statistical arbitrage between their hedging proxy (for example, the Russell 1000 Index) and shares of a fund, buying and selling one against the other over the course of the trading day, They will evaluate how their proxy performed in comparison to the price of a fund's shares, and use that analysis as well as knowledge of risk metrics, such as volatility and turnover, to enhance their proxy calculation to make it a more efficient hedge.

Market makers have indicated to the Exchange that, after the first few days of trading, there will be sufficient data to run a statistical analysis which will lead to spreads being tightened substantially around the PIV. This is similar to certain other existing exchange traded products (for example, ETFs that invest in foreign securities that do not trade during U. S. trading hours), in which spreads may be generally wider in the early days of trading and then narrow as market makers gain more confidence in their real-time hedges.

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9 Statistical arbitrage enables a trader to construct an accurate proxy for another instrument, allowing it to hedge the other instrument or buy or sell the instrument when it is cheap or expensive in relation to the proxy. Statistical analysis permits traders to discover correlations based purely on trading data without regard to other fundamental drivers. These correlations are a function of differentials, over time, between one instrument or group of instruments and one or more other instruments. Once the nature of these price deviations have been quantified, a universe of securities is searched in an effort to, in the case of a hedging strategy, minimize the differential. Once a suitable hedging proxy has been identified, a trader can minimize portfolio risk by executing the hedging basket. The trader then can monitor the performance of this hedge throughout the trade period making correction where warranted

Description of the Funds and the Trust

The Shares of each Fund will be issued by Precidian ETFs Trust ("Trust"), a statutory trust organized under the laws of the State of Delaware and registered with the Commission as an open-end management investment company.[10] The investment adviser to the Trust will be Precidian Funds LLC (the "Adviser"). JPMorgan Chase Bank, N.A. (the "Transfer Agent", "Administrator", or "Custodian") will serve as the Funds' transfer agent, administrator and custodian. Foreside Fund Services, LLC ("Distributor") will serve as the distributor of the Shares.

As noted above, proposed Commentary .05 to Rule 8.900 provides that, if the investment adviser to the investment company issuing Managed Portfolio Shares is affiliated with a broker-dealer, such investment adviser shall erect a "fire wall" between the investment adviser and the broker-dealer with respect to access to information concerning the composition and/or changes to such investment company portfolio.[11] In addition, proposed Commentary .05 further requires that

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10 The Trust will be registered under the 1940 Act. On January 22, 2014, the Trust filed a registration statement on Form N-1A under the Securities Act of 1933 (the "1933 Act") (15 U.S.C. 77a), and under the 1940 Act relating to the Funds (File Nos. 333-171987 and 811-22524) (the "Registration Statement"). The Trust filed an Application for an Order under Section 6(c) of the 1940 Act for exemptions from various provisions of the 1940 Act and rules thereunder (File No. 812-14116), dated July 18, 2013 ("Exemptive Application"). The Shares will not be listed on the Exchange until an order ("Exemptive Order") under the 1940 Act has been issued by the Commission with respect to the Exemptive Application. Investments made by the Funds will comply with the conditions set forth in the Exemptive Order. The description of the operation of the Trust and the Funds herein is based, in part, on the Registration Statement and the Exemptive Application.

11 An investment adviser to an open-end fund is required to be registered under the Investment Advisers Act of 1940 (the "Advisers Act"). As a result, the Adviser and its related personnel will be subject to the provisions of Rule 204A-1 under the Advisers Act relating to codes of ethics. This Rule requires investment advisers to adopt a code of ethics that reflects the fiduciary nature of the relationship to clients as well as compliance with other applicable securities laws. Accordingly, procedures designed to prevent the communication and misuse of non-public information by an investment adviser must be consistent with Rule 204A-1 under the Advisers Act. In addition, Rule 206(4)-7 under the Advisers Act makes it unlawful for an investment adviser to provide investment advice to clients unless such investment adviser has (i) adopted and implemented written policies and procedures reasonably designed to prevent violations, by the investment adviser and its supervised persons, of the Advisers Act and the Commission rules adopted thereunder; (ii) implemented, at a minimum, an annual

personnel who make decisions on the open-end fund's portfolio composition must be subject to procedures designed to prevent the use and dissemination of material nonpublic information regarding the open-end fund's portfolio. Proposed Commentary .05 to Rule 8.900 is similar to Commentary .03(a)(i) and (iii) to NYSE Arca Equities Rule 5.2(j)(3); however, Commentary .05 in connection with the establishment of a "fire wall" between the investment adviser and the broker-dealer reflects the applicable open-end fund's portfolio, not an underlying benchmark index, as is the case with index-based funds. The Adviser is not registered as a broker-dealer or affiliated with a broker-dealer.

In the event (a) the Adviser or any sub-adviser becomes registered as a broker-dealer or becomes newly affiliated with a broker-dealer, or (b) any new adviser or sub-adviser is a registered broker-dealer, or becomes affiliated with a broker-dealer, it will implement a fire wall with respect to its relevant personnel or its broker-dealer affiliate regarding access to information concerning the composition and/or changes to the portfolio, and will be subject to procedures designed to prevent the use and dissemination of material non-public information regarding such portfolio.

The portfolio for each Fund will consist primarily of stocks in the Russell 3000 Index and shares issued by other exchange-traded funds ("ETFs") that invest primarily in shares of issuers in the Russell 3000 Index (which consists of stocks included in the Russell 1000 Index and the Russell 2000 Index).[12] All exchange-listed equity securities in which the Funds will invest will be listed and traded on U.S. national securities exchanges.

<u>Description of the Funds</u>

The ActiveShares[SM] Large Cap Fund

According to the Registration Statement, the Fund's investment objective will be long-term capital appreciation. The Fund will seek to achieve its objective by

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review regarding the adequacy of the policies and procedures established pursuant to subparagraph (i) above and the effectiveness of their implementation; and (iii) designated an individual (who is a supervised person) responsible for administering the policies and procedures adopted under subparagraph (i) above.

12 For purposes of this filing, ETFs include Investment Company Units (as described in NYSE Arca Equities Rule 5.2(j)(3)); Portfolio Depositary Receipts (as described in NYSE Arca Equities Rule 8.100); and Managed Fund Shares (as described in NYSE Arca Equities Rule 8.600). All ETFs will be listed and traded on a U.S. national securities exchange. The Funds will invest in the securities of ETFs registered under the 1940 Act consistent with the requirements of Section 12(d)(1) of the 1940 Act, or any rule, regulation or order of the Commission or interpretation thereof.

taking long and possibly short positions in equity securities or groups of equities that the Fund's portfolio managers believe will provide long term capital appreciation. The Fund normally will invest at least 80% of its net assets (plus borrowings for investment purposes) in stocks included in the Russell 1000 Index and ETFs that primarily invest in stocks in the Russell 1000 Index.

The Fund will target an overall net equity market exposure of between 70% to 130%. However, at times the portfolio managers may reduce market exposure to less than 70%.

The Fund will purchase securities that the portfolio managers believe are undervalued and sell short securities that the portfolio managers believe are overvalued. Under normal market conditions,[13] the Fund's net long equity market exposure will not exceed 130% and its net short equity market exposure will not exceed 30%; however, the portfolio managers may at times exceed these percentages. The Fund may hold a substantial portion of its total assets in cash or cash equivalents when it holds significant short positions.[14]

The Fund may use ETFs to manage the Fund's overall equity market and sector exposures. In particular, the portfolio managers may take long and short positions in ETFs to increase/decrease equity market/sector exposures in place of using individual equity securities. The ETFs in which the Fund will invest are registered investment companies that seek to track the performance of an underlying index. These underlying indexes include not only broad-based market indexes but more specific indexes as well, including those relating to particular sectors, markets, regions or industries.

The Fund will use a variety of proprietary and non-propriety analytical methodologies including "bottom-up" fundamental analysis, macro-economic data, technical analysis, and quantitative analysis to determine the ratio of long to short positions. It also will use these tools to determine whether a particular stock or group of stocks is under-valued or over-valued and, therefore, whether to

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[13] The terms "normally" and "under normal market conditions" include, but are not limited to, the absence of extreme volatility or trading halts in the equity markets or the financial markets generally; operational issues causing dissemination of inaccurate market information; or force majeure type events such as systems failure, natural or man-made disaster, act of God, armed conflict, act of terrorism, riot or labor disruption or any similar intervening circumstance.

[14] According to the Registration Statement, with respect to each of the Funds, selling securities short will allow a Fund to more fully exploit insights into securities that a Fund's portfolio managers expect to underperform. Short sales generally involve the sale of a security that a Fund does not own in hopes of purchasing the same security at a later date at a lower price. To make delivery to the buyer, a Fund may borrow the security. If so, a Fund is obligated to return the security to the lender, which is accomplished by a later purchase of the security by a Fund.

purchase or sell those securities. In reviewing companies, the Fund will apply the characteristics identified above on a case-by-case basis as the order of importance varies depending on the type of business or industry and the company being reviewed.

The ActiveShares[SM] Mid-Cap Fund

According to the Registration Statement, the Fund's investment objective will be long-term capital appreciation. The Fund will seek to achieve its objective by taking long and possibly short positions in equity securities or groups of equities that the portfolio managers believe will provide long term capital appreciation. The Fund will normally invest at least 80% of its net assets (plus borrowings for investment purposes) in stocks that are included in the Russell 2000 Index and ETFs that primarily invest in stocks in the Russell 2000 Index.

The Fund will target an overall net equity market exposure of between 70% to 130%. However, at times the Fund's portfolio managers may reduce market exposure to less than 70%.

The Fund will purchase securities that the portfolio managers believe are undervalued and sell short securities that the portfolio managers believe are overvalued. Under normal market conditions, the Fund's net long equity market exposure will not exceed 130% and its net short equity market exposure will not exceed 30%; however, the portfolio managers may at times exceed these percentages. The Fund may hold a substantial portion of its total assets in cash or cash equivalents when it holds significant short positions.

The Fund may use ETFs to manage the Fund's overall equity market and sector exposures. In particular, the portfolio managers may take long and short positions in ETFs to increase/decrease equity market/sector exposures in place of using individual equity securities. The ETFs in which the Fund will invest are registered investment companies that seek to track the performance of an underlying index. These underlying indexes include not only broad-based market indexes but more specific indexes as well, including those relating to particular sectors, markets, regions or industries.

The Fund will use a variety of proprietary and non-propriety analytical methodologies including "bottom-up" fundamental analysis, macro-economic data, technical analysis, and quantitative analysis to determine the ratio of long to short positions. It also will use these tools to determine whether a particular stock or group of stocks is under-valued or over-valued and, therefore, whether to purchase or sell those securities. In reviewing companies, the Fund will apply the characteristics identified above on a case-by-case basis as the order of importance varies depending on the type of business or industry and the company being reviewed.

The ActiveShares^{SM} Multi-Cap Fund

According to the Registration Statement, the Fund's investment objective will be long-term capital appreciation. The Fund will seek to achieve its objective by taking long and possibly short positions in equity securities or groups of equities that the Fund's portfolio managers believe will provide long term capital appreciation. The Fund will invest primarily in securities included in the Russell 3000 Index and ETFs that primarily invest in stocks in the Russell 3000 Index.

The Fund will target an overall net equity market exposure of between 70% to 130%. However, at times the Fund's portfolio managers may reduce market exposure to less than 70%.

The Fund will purchase securities that the Fund's portfolio managers believe are undervalued and sell short securities that the portfolio managers believe are overvalued. Under normal market conditions, the Fund's net long equity market exposure will not exceed 130% and its net short equity market exposure will not exceed 30%; however, the Fund's portfolio managers may at times exceed these percentages. The Fund may hold a substantial portion of its total assets in cash or cash equivalents when it holds significant short positions.

The Fund may use ETFs to manage the Fund's overall equity market and sector exposures. In particular, the Fund's portfolio managers may take long and short positions in ETFs to increase/decrease equity market/sector exposures in place of using individual equity securities. The ETFs in which the Fund will invest will be registered investment companies that seek to track the performance of an underlying index. These underlying indexes include not only broad-based market indexes but more specific indexes as well, including those relating to particular sectors, markets, regions or industries.

The Fund will use a variety of proprietary and non-propriety analytical methodologies including "bottom-up" fundamental analysis, macro-economic data, technical analysis, and quantitative analysis to determine the ratio of long to short positions. It also will use these tools to determine whether a particular stock or group of stocks is under-valued or over-valued and therefore whether to purchase or sell those securities. In reviewing companies, the Fund will apply the characteristics identified above on a case-by-case basis as the order of importance varies depending on the type of business or industry and the company being reviewed.

Other Investments

While each Fund, under normal market conditions, will invest primarily in stocks included in the Russell 3000 Index and ETFs, as described above, each Fund may invest its remaining assets in other securities and financial instruments, as described below.

According to the Registration Statement, each Fund may enter into repurchase agreements. A repurchase agreement is an instrument under which the purchaser (i.e., a Fund) acquires the security and the seller agrees, at the time of the sale, to repurchase the security at a mutually agreed upon time and price, thereby determining the yield during the purchaser's holding period. Repurchase agreements may be construed to be collateralized loans by the purchaser to the seller secured by the securities transferred to the purchaser.

Each Fund may enter into reverse repurchase agreements, which involve the sale of securities with an agreement to repurchase the securities at an agreed-upon price, date and interest payment and have the characteristics of borrowing. Generally the effect of such transactions is that the Fund can recover all or most of the cash invested in the portfolio securities involved during the term of the reverse repurchase agreement, while in many cases the Fund is able to keep some of the interest income associated with those securities.

Each Fund may invest a portion of its assets in high-quality money market instruments on an ongoing basis rather than in other investments, when it would be more efficient or less expensive for the Fund to do so, or as cover for other financial instruments held by a Fund, for liquidity purposes, or to earn interest. Money market instruments in which a Fund may invest include: (1) short-term obligations issued by the U.S. government; (2) negotiable certificates of deposit ("CDs"), fixed time deposits and bankers' acceptances of U.S. and foreign banks and similar institutions; (3) commercial paper rated at the date of purchase "Prime-1" by Moody's Investors Service, Inc. or "A-1+" or "A-1" by Standard & Poor's Ratings Group, Inc., a division of The McGraw-Hill Companies, Inc., or, if unrated, of comparable quality as determined by the Adviser;[15] and (4) money market mutual funds.

Each Fund may invest in the securities of other investment companies (including money market funds) to the extent allowed by law.

<u>Investment Restrictions</u>

A Fund may not, with respect to 75% of its total assets, purchase securities of any issuer (except securities issued or guaranteed by the U.S. government, its agencies or instrumentalities or shares of investment companies) if, as a result, more than

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15 In determining whether a security is of "comparable quality," the Adviser will consider, for example, whether the issuer of the security has issued other rated securities; whether the obligations under the security are guaranteed by another entity and the rating of such guarantor (if any); whether and (if applicable) how the security is collateralized; other forms of credit enhancement (if any); the security's maturity date; liquidity features (if any); relevant cash flow(s); valuation features; other structural analysis; macroeconomic analysis; and sector or industry analysis.

5% of its total assets would be invested in the securities of such issuer; or (ii) acquire more than 10% of the outstanding voting securities of any one issuer (and for purposes of this policy, the issuer of the underlying security will be deemed to be the issuer of any respective depositary receipt.)[16]

A Fund may not invest 25% or more of its total assets in the securities of one or more issuers conducting their principal business activities in the same industry or group of industries. This limitation does not apply to investments in securities issued or guaranteed by the U.S. government, its agencies or instrumentalities, or shares of investment companies. A Fund will not invest 25% or more of its total assets in any investment company that so concentrates.[17]

Each Fund may invest up to an aggregate amount of 15% of its net assets in illiquid assets (calculated at the time of investment),[18] consistent with Commission guidance. Each Fund will monitor its portfolio liquidity on an ongoing basis to determine whether, in light of current circumstances, an adequate level of liquidity is being maintained, and will consider taking appropriate steps in order to maintain adequate liquidity if, through a change in values, net assets, or other circumstances, more than 15% of a Fund's net assets are invested in illiquid assets. Illiquid assets include securities subject to contractual or other restrictions on resale and other instruments that lack readily available markets as determined in accordance with Commission staff guidance.[19]

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16 The diversification standard is set forth in Section 5(b)(1) of the 1940 Act.

17 See Form N-1A, Item 9. The Commission has taken the position that a fund is concentrated if it invests more than 25% of the value of its total assets in any one industry. See, e.g., Investment Company Act Release No. 9011 (October 30, 1975), 40 FR 54241 (November 21, 1975).

18 In reaching liquidity decisions, the Adviser may consider the following factors: the frequency of trades and quotes for the security; the number of dealers wishing to purchase or sell the security and the number of other potential purchasers; dealer undertakings to make a market in the security; and the nature of the security and the nature of the marketplace in which it trades (e.g., the time needed to dispose of the security, the method of soliciting offers and the mechanics of transfer).

19 The Commission has stated that long-standing Commission guidelines have required open-end funds to hold no more than 15% of their net assets in illiquid securities and other illiquid assets. See Investment Company Act Release No. 28193 (March 11, 2008), 73 FR 14618 (March 18, 2008), footnote 34. See also, Investment Company Act Release No. 5847 (October 21, 1969), 35 FR 19989 (December 31, 1970) (Statement Regarding "Restricted Securities"); Investment Company Act Release No. 18612 (March 12, 1992), 57 FR 9828 (March 20, 1992) (Revisions of Guidelines to Form N-1A). A fund's portfolio security is

According to the Registration Statement, each Fund will seek to qualify for treatment as a Regulated Investment Company ("RIC") under the Internal Revenue Code.[20]

The Shares of each Fund will conform to the initial and continued listing criteria under proposed Rule 8.900. The Funds will not invest in options, futures, forwards or swaps.

Each Fund's investments will be consistent with its investment objective and will not be used to enhance leverage. While a Fund may invest in inverse ETFs, a Fund will not invest in leveraged (e.g., 2X, -2X, 3X or -3X) ETFs.

The Funds will not invest in non-U.S. equity securities.

Creations and Redemptions

Placement of Purchase Orders

Each Fund will issue Shares through the Distributor on a continuous basis at NAV. The Exchange represents that the issuance of Shares will operate in a manner substantially similar to that of other ETFs and, in particular, certain fixed-income ETFs that issue shares solely for settlement in cash. However, Shares may be issued in any amount rather than only in a specified block size.

Each Fund will issue Shares only at the NAV per Share next determined after an order in proper form is received. The Trust will sell and redeem Shares on each such day and will not suspend the right of redemption or postpone the date of payment or satisfaction upon redemption for more than seven days, other than as provided by Section 22(d) of the 1940 Act (each such day, a "Business Day").

Shares may be purchased from a Fund by any Depository Trust Company ("DTC") Participant for its own account or for the account of a customer. Purchase orders will not be limited to any specified size but may be in any whole share amount. Since Shares will be paid for in cash, settlement will be through the normal continuous net settlement process. The Distributor will furnish acknowledgements to those placing such orders that the orders have been accepted, but the Distributor may reject any order which is not submitted in proper form, as described in a Fund's prospectus or Statement of Additional

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illiquid if it cannot be disposed of in the ordinary course of business within seven days at approximately the value ascribed to it by the fund. See Investment Company Act Release No. 14983 (March 12, 1986), 51 FR 9773 (March 21, 1986) (adopting amendments to Rule 2a-7 under the 1940 Act); Investment Company Act Release No. 17452 (April 23, 1990), 55 FR 17933 (April 30, 1990) (adopting Rule 144A under the Securities Act of 1933).

[20] 26 U.S.C. 851.

Information (“SAI”). Purchases of Shares will be settled in cash for an amount equal to the applicable NAV per Share purchased plus applicable transaction fees, as discussed below.

The NAV of each Fund is expected to be determined once each Business Day at a time determined by the Trust’s Board of Directors (“Board”), currently anticipated to be as of the close of the regular trading session on the New York Stock Exchange (“NYSE”) (ordinarily 4:00 p.m. Eastern time) (the “Valuation Time”). Each Fund will establish a cut-off time (“Order Cut-Off Time”) for purchase orders in proper form. To initiate a purchase of Shares, a DTC participant must submit to the Distributor an irrevocable order to purchase such Shares after the most recent prior Valuation Time but not later than the Order Cut-Off Time. The Order Cut-Off Time for a Fund may be its Valuation Time, or may be prior to the Valuation Time if the Board determines that an earlier Order Cut-Off Time for purchase of Shares is necessary and is in the best interests of Fund shareholders. It is anticipated that the Funds may adopt Order Cut-Off Times prior to their Valuation Time in order to make arrangements for any securities borrowing transactions consistent with a Fund’s investment strategy that may be necessary in light of creation of Shares and in a manner consistent with orderly portfolio management. An early Order Cut-Off Time will allow the Adviser to net creations and redemptions and facilitate borrowing securities in an efficient manner.

Transaction Fees

The Trust may impose purchase or redemption transaction fees (“Transaction Fees”) in connection with the purchase or redemption of Shares from the Funds. The exact amounts of any such Transaction Fees will be determined by the Adviser but will not exceed 2%. The purpose of the Transaction Fees is to protect the continuing shareholders against possible dilutive transactional expenses, including operational processing and brokerage costs, associated with establishing and liquidating portfolio positions, including short positions, in connection with the purchase and redemption of Shares. The Adviser believes that imposing Transaction Fees will best respond to market needs and help to defray certain costs that would otherwise be borne by the Trust, such as custodian transaction fees and various other Fund overhead costs and fund accounting costs.

From time to time and for such periods as the Adviser in its sole discretion may determine, the Transaction Fees for the purchase or redemption of Shares may be increased, decreased or otherwise modified. Such Transaction Fees will be limited to amounts that will have been determined by the Adviser to be appropriate and will take into account transaction and operational processing costs associated with the recent purchases and sales of the equity securities held by the Trust. In all cases, such Transaction Fees will be limited in accordance with then-existing requirements of the Commission applicable to management investment companies offering redeemable securities.

Purchases of Shares — Secondary Market

Only DTC Participants and their customers will be able to acquire Shares at NAV directly from a Fund through the Distributor. The entire required cash payment must be transferred in the manner set forth in a Fund's SAI by the specified time on the third DTC settlement day following the day it is transmitted (the "Transmittal Date"). These investors and others will also be able to purchase Shares in secondary market transactions at prevailing market prices. Each Fund will reserve the right to reject any purchase order at any time.

Redemption

Beneficial Owners may sell their Shares in the secondary market. Alternatively, investors that own enough Shares to constitute a Redemption Unit (currently, 50,000 Shares) or multiples thereof may redeem those Shares through the Distributor, which will act as the Trust's agent for redemption. The size of a Redemption Unit will be subject to change. Redemption orders for Redemption Units or multiples thereof must be placed by or through an Authorized Participant. A Beneficial Owner that is an individual, a trust exclusively for the benefit of an individual or group of related family members or a tax deferred retirement plan directed by an individual would be treated as a "Retail Owner". Any entity other than a trust or retirement plan exclusively for the benefit of individuals would be treated as an institutional investor. Retail Investors that wish to redeem Shares in less than Redemption Unit size may redeem those Shares directly from the Fund as described below under "Retail Redemption Facility."

Authorized Participant Redemption

The Shares may be redeemed to a Fund in Redemption Unit size or multiples thereof as described below. Redemption orders of Redemption Units must be placed by or through an Authorized Participant ("AP Redemption Order"). Each Fund will establish an Order Cut-Off Time for redemption orders of Redemption Units in proper form. Redemption Units of the Fund will be redeemable at their NAV per Share next determined after receipt of a request for redemption by the Trust in the manner specified below before the Order Cut-Off Time. To initiate an AP Redemption Order, an Authorized Participant must submit to the Distributor an irrevocable order to redeem such Redemption Unit after the most recent prior Valuation Time but not later than the Order Cut-Off Time. The Order Cut-Off Time for a Fund may be its Valuation Time, or may be prior to the Valuation Time if the Board determines that an earlier Order Cut-Off Time for redemption of Redemption Units is necessary and is in the best interests of Fund shareholders. An earlier Order Cut-Off Time is primarily necessary because of the redemption process for the Funds. It is contemplated that Authorized Participants will instruct the trustee of its blind trust to liquidate redemption securities in market on close orders on the date of redemption so that Authorized Participants can realize redemption proceeds as close to the Fund's NAV on the redemption date as possible. In order to allow the Adviser sufficient time to identify the redemption securities, transfer the redemption basket of portfolio securities to the blind trusts and permit the trustee adequate time to process liquidation transactions in accordance with the Authorized Participant's instructions, it will likely be necessary to employ an Order Cut-Off Time prior to that time to allow such actions to take place. It is anticipated that all Funds will adopt Order Cut-Off Times for redemptions prior to their Valuation Time in order to facilitate the timely identification and notice to the trustee of the blind trusts (as described below) of securities to be redeemed in-kind.

Consistent with the provisions of Section 22(e) of the 1940 Act and Rule 22e-2 thereunder, the right to redeem will not be suspended, nor payment upon redemption delayed, except for: (1) any period during which the NYSE is closed other than customary weekend and holiday closings, (2) any period during which trading on the NYSE is restricted, (3) any period during which an emergency exists as a result of which disposal by a Fund of securities owned by it is not reasonably practicable or it is not reasonably practicable for a Fund to determine its NAV, and (4) for such other periods as the Commission may by order permit for the protection of shareholders.

Redemptions other than Retail Redemptions will occur primarily in-kind, although redemption payments may also be made partly or wholly in cash.[21] The Participant Agreement signed by each Authorized Participant will require establishment of a blind trust to receive distributions of securities in-kind upon redemption.[22] Each Authorized Participant will be required to appoint the Custodian as trustee of its blind trust in order to facilitate orderly processing of redemptions. While the Fund will generally distribute securities in-kind, the Adviser may determine from time to time that it is not in the Fund's best interests to distribute securities in-kind, but rather to sell securities and/or distribute cash. For example, the Adviser may distribute cash to facilitate orderly portfolio management in connection with rebalancing or transitioning a portfolio in line with its investment objective, or if there is substantially more creation than redemption activity during the period immediately preceding a redemption request, or as necessary or appropriate in accordance with applicable laws and

21 It is anticipated that any portion of a Fund's NAV attributable to appreciated short positions will be paid in cash, as securities sold short are not susceptible to in-kind settlement. The value of other positions not susceptible to in-kind settlement may also be paid in cash.

22 The terms of each blind trust will be set forth as an exhibit to the applicable Participant Agreement, which will be signed by each Authorized Participant. The terms of the blind trust will provide that the trust be formed under either New York or Massachusetts State law; the Custodian will act as trustee of the blind trusts; and the trustee will be paid by the Authorized Participant a fee negotiated by the Adviser on behalf of Authorized Participants.

regulations. In this manner, the Fund can use in-kind redemptions to reduce the unrealized capital gains that may, at times, exist in a Fund by distributing low cost lots of each security that a Fund needs to dispose of to maintain its desired portfolio exposures. Shareholders of a Fund would benefit from the in-kind redemptions through the reduction of the unrealized capital gains in a Fund that would otherwise have to be realized and, eventually, distributed to shareholders.

The redemption basket will consist of the same securities for all Authorized Participants on any given day subject to the Adviser's ability to make minor adjustments to address odd lots, fractional shares, tradeable sizes or other situations.

After receipt of an AP Redemption Order, the Custodian will typically deliver securities to the blind trust (which securities are determined by the Adviser) with a value approximately equal to the value of the Shares[23] tendered for redemption at the Cut-Off time. The Custodian will make delivery of the securities by appropriate entries on its books and records transferring ownership of the securities to the blind trust, subject to delivery of the Shares redeemed. The trustee of the blind trust will in turn liquidate, hedge or otherwise manage the securities based on instructions from the Authorized Participant.[24] If the trustee is instructed to sell all securities received at the close on the redemption date, the trustee will pay the liquidation proceeds net of expenses plus or minus any cash balancing amount to the Authorized Participant through DTC.[25] The redemption

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23 If the NAV of the Shares redeemed differs from the value of the securities delivered to the applicable blind trust, the Fund or the blind trust will pay a cash balancing amount to compensate for the difference between the value of the securities delivered and the NAV.

24 Because an Authorized Participant would not know the holdings of its blind trust, it is anticipated that such instructions would be generic standing instructions to the trustee. Although an Authorized Participant could, in its sole discretion, provide different standing instructions, it is expected that, in order to realize proceeds from a redemption at a value as close as possible to the redemption's NAV, all Authorized Participants will likely instruct the trustee of the blind trust to sell all securities received in kind as redemption proceeds at the close of the market on the date of redemption. For this reason, an Order Cut-Off Time for redemptions will be necessary so that the Adviser is able to identify securities to be redeemed in-kind to the Custodian prior to the close of the market on the redemption date.

25 Under applicable provisions of the Internal Revenue Code, the Authorized Participant is expected to be deemed a "substantial owner" of the blind trust because it receives distributions from the blind trust. As a result, all income, gain or loss realized by the blind trust will be directly attributed to the Authorized Participant. In a redemption, the Authorized Participant will have a basis in the distributed securities equal to the fair market value at the time of the distribution

securities that the blind trust receives may mirror the portfolio holdings of a Fund pro rata or, if the Adviser determines to reduce one or more portfolio exposures through an in-kind distribution, may constitute only a portion of the holdings that would not be proportionate to the overall portfolio holdings of a Fund. To the extent a Fund distributes portfolio securities through an in-kind distribution to more than one blind trust for the benefit of that trust's Authorized Participant, each Fund expects to distribute a pro rata portion of the portfolio securities selected for distribution to each redeeming Authorized Participant.

The Adviser would be free to select redemption securities that do not represent an exact slice of a Fund's portfolio on any given day, so long as each Authorized Participant redeeming on a given day receives the same set of redemption securities on such day. Authorized Participants will advise the Fund of any securities they are restricted from receiving. If the Authorized Participant would receive a security that it is restricted from receiving, the Fund will deliver cash equal to the value of that security.

The Adviser might choose to select redemption securities that do not represent an exact slice of a Fund's portfolio in order to effectively implement changes to a Fund's portfolio composition, take advantage of tax strategies or address corporate actions. The Adviser represents that this freedom will benefit Beneficial Owners because the Adviser can use redemption events to liquidate unwanted positions without incurring brokerage charges or taxable gains. To address odd lots, fractional shares, tradeable sizes or other situations where dividing securities is not practical or possible, the Adviser may make minor adjustments to the pro rata portion of portfolio securities selected for distribution to each redeeming Authorized Participant on such Business Day.

The Trust will accept an AP Redemption Order in proper form. An AP Redemption Order is subject to acceptance by the Trust and must be preceded or accompanied by an irrevocable commitment to deliver the requisite number of Shares. At the time of settlement, an Authorized Participant will initiate a delivery of the Shares versus subsequent payment against the proceeds, if any, of the sale of portfolio securities distributed to the applicable blind trust plus or minus any cash balancing amounts, and less the expenses of liquidation. The Trust, on behalf of a Fund, will maintain a security interest in the assets of a blind trust and, under applicable documentation, will be entitled to such assets in the event an Authorized Participant fails to make timely delivery of redeemed Shares.

<u>Retail Redemption Facility</u>

Retail Investors may submit orders to redeem Shares at NAV directly with a Fund as described below ("Retail Redemption Facility"). Retail Investors will be able to place orders to redeem Shares in less than Redemption Unit size by instructing

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and any gain or loss realized on the sale of those Shares will be taxable income to the Authorized Participant.

their broker to submit an order to redeem Shares directly from the Fund ("Retail Redemption Order"). The Retail Redemption Order will be submitted to the "Redemption Agent" by the Retail Investor's broker if the broker is a DTC Participant or by its clearing firm if it is not a DTC Participant. Redemption proceeds in connection with any Retail Redemption Order will be distributed in cash. Retail Investors may decide to redeem their Shares for cash if they want to make sure they receive the NAV and do not want to risk selling their Shares in the secondary market at a discount. Investors that are not Retail Investors can only redeem with the Fund in Redemption Unit size or larger.

On each Business Day, a Fund will process all Retail Redemption Orders received at the NAV of the Fund next calculated following submission of the Retail Redemption Order in proper form. The date the Retail Redemption Order is received in proper form will be the redemption date with respect to those Shares (the "Redemption Date"). Each Fund will establish a cut-off time for Retail Redemption Orders in proper form, which may be earlier than the time of calculation of the NAV in order to facilitate the timely submission of such orders to the Redemption Agent for processing the order at NAV on each applicable Redemption Date. All instructions from Retail Investors to their broker to submit a Retail Redemption Order in proper form will be processed by the Redemption Agent and submitted through DTC as long as it is received prior to the cut-off time, resulting in an aggregated redemption order received by the Transfer Agent from DTC on that Business Day. Any redemption instructions submitted by a DTC Participant on behalf of Retail Investors and received in proper form by the Transfer Agent/Redemption Agent shall be irrevocable. Only Retail Redemption Orders for an amount of Shares smaller than a Redemption Unit will be considered in proper form.

The date of payment upon redemption will not exceed seven days after the Redemption Date, other than as provided by Section 22(d) of the 1940 Act. The cash proceeds from any Retail Redemption Order received are generally expected to be delivered through DTC to the applicable DTC Participant's account at DTC. The DTC Participant will in turn deposit the proceeds in the Beneficial Owner's account or the account of the financial institution carrying the account of the Beneficial Owner.

Net Asset Value

The NAV per Share of a Fund will be computed by dividing the value of the net assets of a Fund (i.e., the value of its total assets less total liabilities) by the total number of Shares of a Fund outstanding, rounded to the nearest cent. Expenses and fees, including, without limitation, the management, administration and distribution fees, will be accrued daily and taken into account for purposes of determining NAV. Interest and investment income on the Trust's assets accrue daily and will be included in the Fund's total assets. The NAV per Share for a Fund will be calculated by the Administrator and determined as of the close of the regular trading session on the New York Stock Exchange ("NYSE") (ordinarily 4:00 p.m., E.T.) on each day that the NYSE is open. The NAV that is published will be rounded to the nearest cent; however, for purposes of determining the price of Shares in creations and redemption, the NAV will be calculated to five decimal places. The Shares of the Funds will not be priced on days on which the NYSE is closed for trading.

Shares of exchange-listed equity securities will be valued at market value, which will generally be determined using the last reported official closing or last trading price on the exchange or market on which the securities are primarily traded at the time of valuation. Repurchase and reverse repurchase agreements will be valued based on price quotations or other equivalent indications of value provided by a third-party pricing service. Money market instruments (as described above) will be valued based on price quotations or other equivalent indications of value provided by a third-party pricing service.

When last sale prices and market quotations are not readily available, are deemed unreliable or do not reflect material events occurring between the close of local markets and the time of valuation, investments will be valued using fair value pricing as determined in good faith by the Adviser under procedures established by and under the general supervision and responsibility of the Trust's Board of Trustees. Investments that may be valued using fair value pricing include, but are not limited to: (1) securities that are not actively traded; (2) securities of an issuer that becomes bankrupt or enters into a restructuring; and (3) securities whose trading has been halted or suspended.

The frequency with which each Fund's investments will be valued using fair value pricing will primarily be a function of the types of securities and other assets in which the respective Fund will invest pursuant to its investment objective, strategies and limitations. If the Funds invest in open-end management investment companies registered under the 1940 Act (other than ETFs), they may rely on the NAVs of those companies to value the shares they hold of them. Those companies may also use fair value pricing under some circumstances.

Valuing the Funds' investments using fair value pricing involves the consideration of a number of subjective factors and thus the prices for those investments may differ from current market valuations. Accordingly, fair value pricing could result in a difference between the prices used to calculate NAV and the prices used to determine a Fund's Portfolio Indicative Value ("PIV"), as described below, which could result in the market prices for Shares deviating from NAV.

Availability of Information

The Funds' website (www.precidianfunds.com), which will be publicly available prior to the public offering of Shares, will include a form of the prospectus for each Fund that may be downloaded. The Funds' website will include additional quantitative information updated on a daily basis, including, for each Fund, (1) daily trading volume, the prior Business Day's reported closing price, NAV and mid-point of the bid/ask spread at the time of calculation of such NAV (the "Bid/Ask Price"),[26] and a calculation of the premium and discount of the Bid/Ask Price against the NAV, and (2) data in chart format displaying the frequency distribution of discounts and premiums of the daily Bid/Ask Price against the NAV, within appropriate ranges, for each of the four previous calendar quarters.

As noted above, a mutual fund is required to file with the Commission its complete portfolio schedules for the second and fourth fiscal quarters on Form N-SAR under the 1940 Act, and is required to file its complete portfolio schedules for the first and third fiscal quarters on Form N-Q under the 1940 Act, within 60 days of the end of the quarter. Form N-Q requires funds to file the same schedules of investments that are required in annual and semi-annual reports to shareholders. The Trust's SAI and each Fund's shareholder reports will be available free upon request from the Trust. These documents and forms may be viewed on-screen or downloaded from the Commission's website at www.sec.gov.

Information regarding market price and trading volume of the Shares will be continually available on a real-time basis throughout the day on brokers' computer screens and other electronic services. Information regarding the previous day's closing price and trading volume information for the Shares will be published daily in the financial section of newspapers. Updated price information for the securities included in the Russell 1000, Russell 2000 and Russell 3000 Indexes, and for other U.S. exchange-listed equity securities is available through major market data vendors or securities exchanges trading such securities. Information relating to Russell 1000, Russell 2000 and Russell 3000 Index components is available at www.russell.com. The intraday, closing and settlement prices of money market instruments (as described above), repurchase agreements and reverse repurchase agreements will be readily available from published or other public sources, or major market data vendors such as Bloomberg and Thomson Reuters. The NAV of any investment company security investment will be readily available on the website of the relevant investment company and from major market data vendors. Quotation and last sale information for the Shares will be available via the Consolidated Tape Association ("CTA") high-speed line. In addition, the Portfolio Indicative Value ("PIV"), as defined in NYSE Arca Equities Rule 8.900 (c)(3) and as described further below, will be widely disseminated by one or more major market data vendors at least every 15 seconds during the Exchange's Core Trading Session.

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26 The Bid/Ask Price of a Fund will be determined using the mid-point of the highest bid and the lowest offer on the Exchange as of the time of calculation of a Fund's NAV. The records relating to Bid/Ask Prices will be retained by each Fund and its service providers.

Dissemination of the Portfolio Indicative Value

The PIV, which is approximate value of each Fund's investments on a per Share basis, will be disseminated every 15 seconds during the Exchange's Core Trading Session. The PIV should not be viewed as a "real-time" update of NAV because the PIV may not be calculated in the same manner as NAV, which is computed once per day.

An independent third party calculator will calculate the PIV for each Fund during the Exchange's Core Trading Session by dividing the "Estimated Fund Value" (as described below) as of the time of the calculation by the total number of outstanding Shares of that Fund. "Estimated Fund Value" is the sum of the estimated amount of cash held in a Fund's portfolio, the estimated amount of accrued interest owed to a Fund and the estimated value of the securities held in the Fund's portfolio, minus the estimated amount of a Fund's liabilities.

The Funds will provide the independent third party calculator with information to calculate the PIV, but the Funds will not be involved in the actual calculation of the PIV.[27]

Additional information regarding the Trust and the Shares, including investment strategies, risks, creation and redemption procedures, fees, portfolio holdings disclosure policies, distributions and taxes will be included in the Registration Statement. All terms relating to the Funds that are referred to, but not defined in, this proposed rule change are defined in the Registration Statement.

Trading Halts

With respect to trading halts, the Exchange may consider all relevant factors in exercising its discretion to halt or suspend trading in the Shares of the Funds.[28] Trading in Shares of the Funds will be halted if the circuit breaker parameters in NYSE Arca Equities Rule 7.12 have been reached. Trading also may be halted because of market conditions or for reasons that, in the view of the Exchange, make trading in the Shares inadvisable. These may include: (1) if the PIV applicable to a Fund's Shares is not being disseminated as required; (2) the extent to which trading is not occurring in the securities and/or the financial instruments comprising the holdings of a Fund; or (3) whether other unusual conditions or circumstances detrimental to the maintenance of a fair and orderly market are present. Trading in the Shares will be subject to NYSE Arca Equities Rule

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27 Currently, it is the Exchange's understanding that several major market data vendors display and/or make widely available PIVs published on CTA or other data feeds. Dissemination of the PIV will allow investors to determine the value of the underlying portfolio of a Fund throughout the trading day.

28 See NYSE Arca Equities Rule 7.12.

8.900(d)(2)(C), which sets forth circumstances under which Shares of the Funds may be halted.

Trading Rules

The Exchange deems the Shares to be equity securities, thus rendering trading in the Shares subject to the Exchange's existing rules governing the trading of equity securities. Shares will trade on the NYSE Arca Marketplace from 4 a.m. to 8 p.m., E.T. in accordance with NYSE Arca Equities Rule 7.34 (Opening, Core, and Late Trading Sessions). The Exchange has appropriate rules to facilitate transactions in the Shares during all trading sessions. As provided in NYSE Arca Equities Rule 7.6, Commentary .03, the minimum price variation ("MPV") for quoting and entry of orders in equity securities traded on the NYSE Arca Marketplace is $0.01, with the exception of securities that are priced less than $1.00 for which the MPV for order entry is $0.0001.

The Shares will conform to the initial and continued listing criteria under NYSE Arca Equities Rule 8.900. The Exchange represents that, for initial and/or continued listing, each Fund will be in compliance with Rule 10A-3 under the Act,[29] as provided by NYSE Arca Equities Rule 5.3. A minimum of 100,000 Shares of each Fund will be outstanding at the commencement of trading on the Exchange. The Exchange will obtain a representation from the issuer of the Shares of each Fund that the NAV per Share of each Fund will be calculated daily and will be made available to all market participants at the same time.

Surveillance

The Exchange represents that trading in the Shares will be subject to the existing trading surveillances, administered by the Financial Industry Regulatory Authority ("FINRA") on behalf of the Exchange, which are designed to detect violations of Exchange rules and applicable federal securities laws.[30] The Exchange represents that these procedures are adequate to properly monitor Exchange trading of the Shares in all trading sessions and to deter and detect violations of Exchange rules and federal securities laws applicable to trading on the Exchange.

The surveillances referred to above generally focus on detecting securities trading outside their normal patterns, which could be indicative of manipulative or other violative activity. When such situations are detected, surveillance analysis

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[29] See 17 CFR 240.10A-3.

[30] FINRA surveils trading on the Exchange pursuant to a regulatory services agreement. The Exchange is responsible for FINRA's performance under this regulatory services agreement.

follows and investigations are opened, where appropriate, to review the behavior of all relevant parties for all relevant trading violations.

FINRA, on behalf of the Exchange, will communicate as needed regarding trading in the Shares, underlying stocks and ETFs with other markets and other entities that are members of the Intermarket Surveillance Group ("ISG"), and FINRA, on behalf of the Exchange, may obtain trading information regarding trading such securities from such markets and other entities. In addition, the Exchange may obtain information regarding trading in the Shares, underlying stocks and ETFs from markets and other entities that are members of ISG or with which the Exchange has in place a comprehensive surveillance sharing agreement.[31]

The Funds' Adviser will make available to FINRA and the Exchange the portfolio holdings of each Fund in order to facilitate the performance of the surveillances referred to above.

In addition, the Exchange also has a general policy prohibiting the distribution of material, non-public information by its employees.

Information Bulletin

Prior to the commencement of trading, the Exchange will inform its Equity Trading Permit ("ETP") Holders in an Information Bulletin ("Bulletin") of the special characteristics and risks associated with trading the Shares. Specifically, the Bulletin will discuss the following: (1) the procedures for purchases and redemptions of Shares and the differing rights of Retail Investors and others to redeem shares; (2) NYSE Arca Equities Rule 9.2(a), which imposes a duty of due diligence on its ETP Holders to learn the essential facts relating to every customer prior to trading the Shares; (3) the risks involved in trading the Shares during the Opening and Late Trading Sessions when an updated PIV will not be calculated or publicly disseminated; (4) how information regarding the PIV is disseminated; (5) the requirement that ETP Holders deliver a prospectus to investors purchasing newly issued Shares prior to or concurrently with the confirmation of a transaction; and (6) trading information.

In addition, the Bulletin will reference that the Funds are subject to various fees and expenses described in the Registration Statement. The Bulletin will discuss any exemptive, no-action, and interpretive relief granted by the Commission from any rules under the Act. The Bulletin will also disclose that the NAV for the Shares will be calculated after 4:00 p.m., E.T. each trading day.

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[31] For a list of the current members of ISG, see www.isgportal.org.

(b) Statutory Basis

The Exchange believes that the proposed rule change is consistent with Section 6(b) of the Act,[32] in general, and furthers the objectives of Section 6(b)(5) of the Act,[33] in particular, in that it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest.

The Exchange believes that proposed Rule 8.900 is designed to prevent fraudulent and manipulative acts and practices in that the proposed rules relating to listing and trading of Managed Portfolio Shares provide specific initial and continued listing criteria required to be met by such securities. Proposed Rule 8.900(d) sets forth initial and continued listing criteria applicable to Managed Portfolio Shares. Proposed Rule 8.900(d)(1) provides that, for each series of Managed Portfolio Shares, the Corporation will establish a minimum number of Managed Portfolio Shares required to be outstanding at the time of commencement of trading. In addition, the Corporation will obtain a representation from the issuer of each series of Managed Portfolio Shares that the NAV per share for the series will be calculated daily and that the NAV will be made available to all market participants at the same time. Proposed Rule 8.900(d)(2) provides that each series of Managed Portfolio Shares will be listed and traded subject to application of the specified continued listing criteria, as described above. Proposed Rule 8.900(d)(2)(A) provides that the PIV for Managed Portfolio Shares will be widely disseminated by one or more major market data vendors at least every 15 seconds during the Exchange's Core Trading Session. Proposed Rule 8.900(d)(2)(C) provides that, if the PIV of a series of Managed Portfolio Shares is not being disseminated as required, the Corporation may halt trading during the day in which the interruption to the dissemination of the PIV occurs. If the interruption to the dissemination of the PIV persists past the trading day in which it occurred, the Corporation will halt trading no later than the beginning of the trading day following the interruption. If a series of Managed Portfolio Shares is trading on the Corporation pursuant to UTP, the Corporation will halt trading in that series as specified in Rule 7.34(a). In addition, if the Exchange becomes aware that the NAV with respect to a series of Managed Portfolio Shares is not disseminated to all market participants at the same time, it will halt trading in such securities until such time as the NAV is available to all market participants. Proposed Commentary .05 to NYSE Arca Equities Rule 8.900 provides that, if the investment adviser to the Investment Company issuing Managed Portfolio Shares is affiliated with a broker-dealer, such investment adviser shall erect a "fire wall"

32 15 U.S.C. 78f(b).

33 15 U.S.C. 78f(b)(5).

between the investment adviser and the broker-dealer with respect to access to information concerning the composition and/or changes to such Investment Company portfolio. Personnel who make decisions on the Investment Company's portfolio composition must be subject to procedures designed to prevent the use and dissemination of material nonpublic information regarding the applicable Investment Company portfolio.

With respect to the proposed listing and trading of Shares of the Funds, the Exchange believes that the proposed rule change is designed to prevent fraudulent and manipulative acts and practices in that the Shares will be listed and traded on the Exchange pursuant to the initial and continued listing criteria in NYSE Arca Equities Rule 8.900. Price information for the exchange-listed equity securities held by the Funds will be available through major market data vendors or securities exchanges listing and trading such securities. All exchange-listed equity securities held by the Funds will be listed on national securities exchanges. The listing and trading of such securities is subject to rules of the exchanges on which they are listed and traded, as approved by the Commission. The Funds will primarily hold securities in the Russell 3000 Index or ETFs that invest primarily in the Russell 3000 Index. Further, the Funds will not invest in options, futures or swaps. A Fund's investments will be consistent with its respective investment objective and will not be used to enhance leverage. The Funds will not invest in non-U.S. issues. FINRA, on behalf of the Exchange, will communicate as needed regarding trading in the Shares and underlying stocks and ETFs with other markets and other entities that are members of the ISG, and FINRA, on behalf of the Exchange, may obtain trading information regarding trading such securities from such markets and other entities. In addition, the Exchange may obtain information regarding trading in the Shares, underlying stocks and ETFs from markets and other entities that are members of ISG or with which the Exchange has in place a comprehensive surveillance sharing agreement.

The Exchange, after consulting with various Lead Market Makers that trade ETFs on the Exchange, believes that market makers will be able to make efficient and liquid markets priced near the PIV as long as an accurate PIV is disseminated every 15 seconds and market makers have knowledge of a fund's means of achieving its investment objective, even without daily disclosure of a fund's underlying portfolio. The Exchange believes that market makers will employ risk-management techniques such as "statistical arbitrage", which is currently used throughout the financial services industry, to make efficient markets in exchange traded products.[34] This ability should permit market makers to make efficient markets in Fund Shares without knowledge of a fund's underlying portfolio.

The Exchange understands that traders use statistical analysis to derive correlations between different sets of instruments to identify opportunities to buy or sell one set of instruments when it is mispriced relative to the others. For

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[34] See note 9, supra.

Managed Portfolio Shares, market makers will initially use the knowledge of a fund's means of achieving its investment objective, as described in the applicable fund registration statement, to construct a hedging proxy for a fund to manage a market maker's quoting risk in connection with trading fund shares. Market makers will then conduct statistical arbitrage between their hedging proxy (for example, the Russell 1000 Index) and shares of a fund, buying and selling one against the other over the course of the trading day. Eventually, at the end of each day, they will evaluate how their proxy performed in comparison to the price of a fund's shares, and use that analysis as well as knowledge of risk metrics, such as volatility and turnover, to enhance their proxy calculation to make it a more efficient hedge.

Market makers have indicated to the Exchange that, after the first few days of trading, there will be sufficient data to run a statistical analysis which will lead to spreads being tightened substantially around PIV. This is similar to certain other existing exchange traded products (for example, ETFs that invest in foreign securities that do not trade during U. S. trading hours), in which spreads may be generally wider in the early days of trading and then narrow as market makers gain more confidence in their real-time hedges.

The Lead Market Makers also indicated that, as with some other new exchange-traded products, spreads may be generally wider in the early days of trading and would tend to narrow as market makers gain more confidence in the accuracy of their hedges and their ability to adjust these hedges in real-time relative to the published PIV and gain an understanding of the applicable market risk metrics such as volatility and turnover, and as natural buyers and sellers enter the market. Other relevant factors cited by Lead Market Makers were that a fund's investment objectives are clearly disclosed in the applicable prospectus, the existence of quarterly portfolio disclosure, and the ability to create shares in any size.

The Commission's concept release regarding "Actively Managed Exchange-Traded Funds" highlighted several issues that could impact the Commission's willingness to authorize the operation of an actively-managed ETF, including whether effective arbitrage of the ETF shares exists.[35] The Concept Release identifies the transparency of a fund's portfolio and the liquidity of the securities in a fund's portfolio as central to effective arbitrage. However, certain existing ETFs with portfolios of foreign securities have shown their ability to trade efficiently in the secondary market at approximately their NAV even though they do not provide opportunities for riskless arbitrage transactions during much of the

35 See Investment Company Act Release No. 25258 (November 8, 2001) (the "Concept Release").

trading day.[36] Such ETFs have been shown to have pricing characteristics very similar to ETFs that can be arbitraged in this manner. For example, index-based ETFs containing securities that trade during different trading hours than the ETF, such as ETFs that hold Asian stocks, have demonstrated efficient pricing characteristics notwithstanding the inability of market professionals to engage in “riskless arbitrage” with respect to the underlying portfolio for most, or even all, of the U.S. trading day when Asian markets are closed. Pricing for shares of such ETFs is efficient because market professionals are still able to hedge their positions with offsetting, correlated positions in derivative instruments during the entire trading day.

The real-time dissemination of a fund’s PIV, together with the right of Authorized Participants to create and redeem each day at the NAV, will be sufficient for market participants to value and trade shares in a manner that will not lead to significant deviations between the shares’ Bid/Ask Price and NAV. In addition, with respect to Shares of the Funds, the Retail Redemption Facility will permit retail shareholders holding amounts smaller than a Redemption Unit to redeem at NAV on any day the Exchange is open in the event there is any negative variance between the NAV of a Fund’s Shares and the secondary market price of Shares at the Valuation Time.

The pricing efficiency with respect to trading a series of Managed Portfolio Shares will not generally rest on the ability of market participants to arbitrage between the shares and a fund’s portfolio, but rather on the ability of market participants to assess a fund’s underlying value accurately enough throughout the trading day in order to hedge positions in shares effectively. Professional traders will buy shares that they perceive to be trading at a price less than that which will be available at a subsequent time, and sell shares they perceive to be trading at a price higher than that which will be available at a subsequent time. It is expected that, as part of their normal day-to-day trading activity, market makers assigned to shares by the Exchange, off-exchange market makers, firms that specialize in electronic trading, hedge funds and other professionals specializing in short-term, non-fundamental trading strategies will assume the risk of being “long” or “short” shares through such trading and will hedge such risk wholly or partly by

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36 The Adviser represents that the mechanics of arbitrage and hedging differ. Prior Rule 10a-1 and Regulation T under the Act both describe arbitrage as either buying and selling the same security in two different markets or buying and selling two different securities, one of which is convertible into the other. This is also known as a “riskless arbitrage” transaction in that the transaction is risk free since it generally consists of buying an asset at one price and simultaneously selling that same asset at a higher price, thereby generating a profit on the difference. Hedging, on the other hand, involves managing risk by purchasing or selling a security or instrument that will track or offset the value of another security or instrument. Arbitrage and hedging are both used to manage risk; however, they involve different trading strategies.

simultaneously taking positions in correlated assets[37] or by netting the exposure against other, offsetting trading positions – much as such firms do with existing ETFs and other equities. Disclosure of a fund's investment objective and principal investment strategies in its prospectus and SAI, along with the dissemination of the PIV every 15 seconds, should permit professional investors to engage easily in this type of hedging activity.[38]

With respect to trading of Shares of the Funds, the ability of market participants to buy and sell Shares at prices near the PIV is dependent upon their assessment that the PIV is a reliable, indicative real-time value for a Fund's underlying holdings. Market participants are expected to accept the PIV as a reliable, indicative real-time value because (1) the PIV will be calculated and disseminated

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37 Price correlation trading is used throughout the financial industry. It is used to discover both trading opportunities to be exploited, such as currency pairs and statistical arbitrage, as well as for risk mitigation such as dispersion trading and beta hedging. These correlations are a function of differentials, over time, between one or multiple securities pricing. Once the nature of these price deviations have been quantified, a universe of securities is searched in an effort to, in the case of a hedging strategy, minimize the differential. Once a suitable hedging basket has been identified, a trader can minimize portfolio risk by executing the hedging basket. The trader then can monitor the performance of this hedge throughout the trade period, making corrections where warranted.

38 With respect to trading in Shares of the Funds, market participants manage risk in a variety of ways. It is expected that market participants will be able to determine how to trade Shares at levels approximating the PIV without taking undue risk by gaining experience with how various market factors (e.g., general market movements, sensitivity of the PIV to intraday movements in interest rates or commodity prices, etc.) affect PIV, and by finding hedges for their long or short positions in Shares using instruments correlated with such factors. The Adviser expects that market participants will initially determine the PIV's correlation to a major large capitalization equity benchmark with active derivative contracts, such as the Russell 1000 Index, and the degree of sensitivity of the PIV to changes in that benchmark. For example, using hypothetical numbers for illustrative purposes, market participants should be able to determine quickly that price movements in the Russell 1000 Index predict movements in a Fund's PIV 95% of the time (an acceptably high correlation) but that the PIV generally moves approximately half as much as the Russell 1000 Index with each price movement. This information is sufficient for market participants to construct a reasonable hedge – buy or sell an amount of futures, swaps or ETFs that track the Russell 1000 equal to half the opposite exposure taken with respect to Shares. Market participants will also continuously compare the intraday performance of their hedge to a Fund's PIV. If the intraday performance of the hedge is correlated with the PIV to the expected degree, market participants will feel comfortable they are appropriately hedged and can rely on the PIV as appropriately indicative of a Fund's performance.

based on a Fund's actual portfolio holdings (rather than a proxy portfolio), (2) the securities in which the Funds plan to invest are generally highly liquid and actively traded and therefore generally have accurate real time pricing available, and (3) market participants will have a daily opportunity to evaluate whether the PIV at or near the close of trading is indeed predictive of the actual NAV. Because there is less risk of variability between the current PIV and the NAV nearer to the Valuation Time, it is expected that the bid/ask spread for Shares will initially tend to be less as the market approaches the close and market participants have a very high degree of certainty that they can trade at a level that reflects the current value of a Fund's holdings. It is also expected, however, that market participants will quickly be able to determine, after gaining experience with how various market factors (e.g., general market movements, sensitivity or correlations of the PIV to intraday movements in interest rates or commodity prices, other benchmarks, etc.) affect PIV, how best to hedge long or short positions taken in Shares in a manner that will permit them to provide a Bid/Ask Price for Shares that is near to the PIV throughout the day. The ability of market participants to accurately hedge their positions should serve to minimize any divergence between the secondary market price of the Shares and the PIV, as well as create liquidity in the Shares.

The real-time dissemination of a Fund's PIV, together with the ability of Authorized Participants to create and redeem each day at the NAV, will be crucial for market participants to value and trade Shares in a manner that will not lead to significant deviations between the Shares' Bid/Ask Price and NAV.[39] In addition, the Retail Redemption Facility will permit retail shareholders holding amounts smaller than a Redemption Unit to redeem at NAV on any day the Exchange is open in the event there is any negative variance between NAV of a Fund's Shares and the secondary market price of Shares at the Valuation Time.

In a typical index-based ETF, it is necessary for Authorized Participants to know what securities must be delivered in a creation or will be received in a redemption. For Managed Portfolio Shares, however, Authorized Participants do not need to know the securities comprising the portfolio of a Fund since creations are for cash and redemptions are handled through the blind trust mechanism. The use of cash for creations, and in-kind redemption through a blind trust, will preserve the integrity of the active investment strategy and eliminate the potential for "free riding", while still providing investors with the advantages of the ETF structure.

The proposed rule change is designed to promote just and equitable principles of trade and to protect investors and the public interest in that the Exchange will obtain a representation from the issuer of an issue of Managed Portfolio Shares that the NAV per share of a fund will be calculated daily and that the NAV and

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39 The statements in the Statutory Basis section of this filing relating to pricing efficiency, arbitrage, and activities of market participants, including market makers and Authorized Participants, are based on representations by the Adviser and review by the Exchange.

will be made available to all market participants at the same time. Investors can also obtain a fund's SAI, shareholder reports, and its Form N-CSR and Form N-SAR. A fund's SAI and shareholder reports will be available free upon request from the the applicable fund, and those documents and the Form N-CSR and Form N-SAR may be viewed on-screen or downloaded from the Commission's website. In addition, with respect to the Funds, a large amount of information will be publicly available regarding the Funds and the Shares, thereby promoting market transparency. Quotation and last sale information for the Shares will be available via the CTA high-speed line. Information regarding the intra-day value of the Shares of the Fund, which is the PIV as defined in proposed NYSE Arca Equities Rule 8.900 (c)(3), will be widely disseminated every 15 seconds throughout the Exchange's Core Trading Session by one or more major market data vendors. The website for the Funds will include a form of the prospectus for the Funds that may be downloaded, and additional data relating to NAV and other applicable quantitative information, updated on a daily basis. Moreover, prior to the commencement of trading, the Exchange will inform its ETP Holders in an Information Bulletin of the special characteristics and risks associated with trading the Shares. Trading in Shares of a Fund will be halted if the circuit breaker parameters in NYSE Arca Equities Rule 7.12 have been reached or because of market conditions or for reasons that, in the view of the Exchange, make trading in the Shares inadvisable. Trading in the Shares will be subject to NYSE Arca Equities Rule 8.900(d)(2)(C), which sets forth circumstances under which Shares of the Funds may be halted. In addition, as noted above, investors will have ready access to the PIV, and quotation and last sale information for the Shares. The Shares will conform to the initial and continued listing criteria under proposed Rule 8.900. The Funds will not invest in options, futures, forwards or swaps. Each Fund's investments will be consistent with its investment objective and will not be used to enhance leverage. While a Fund may invest in inverse ETFs, a Fund will not invest in leveraged (e.g., 2X, -2X, 3X or -3X) ETFs. The Funds will not invest in non-U.S. equity securities.

The proposed rule change is designed to perfect the mechanism of a free and open market and, in general, to protect investors and the public interest in that it will facilitate the listing and trading of an additional type of actively-managed exchange-traded product that will enhance competition among market participants, to the benefit of investors and the marketplace. As noted above, the Exchange has in place surveillance procedures relating to trading in the Shares and may obtain information via ISG from other exchanges that are members of ISG or with which the Exchange has entered into a comprehensive surveillance sharing agreement. In addition, as noted above, investors will have ready access to information regarding the PIV and quotation and last sale information for the Shares.

4. Self-Regulatory Organization's Statement on Burden on Competition

The Exchange does not believe that the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The Exchange believes the proposed rule change would permit listing and trading of another type of actively-managed ETF that has characteristics different from existing actively-managed and index ETFs, and would introduce additional competition among various ETF products to the benefit of investors.

5. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

The Exchange has neither solicited nor received written comments on the proposed rule change.

6. Extension of Time Period for Commission Action

The Exchange does not consent at this time to an extension of any time period for Commission action.

7. Basis for Summary Effectiveness Pursuant to Section 19(b)(3) or for Accelerated Effectiveness Pursuant to Section 19(b)(2)

Not applicable.

8. Proposed Rule Change Based on Rules of Another Self-Regulatory Organization or of the Commission

The proposed rule change is not based on the rules of another self-regulatory organization or of the Commission.

9. Security-Based Swap Submissions Filed Pursuant to Section 3C of the Act

Not applicable.

10. Advance Notices Filed Pursuant to Section 806(e) of the Payment, Clearing and Settlement Supervision Act

Not applicable.

11. Exhibits

Exhibit 1 – Form of Notice of Proposed Rule Change for Federal Register

Exhibit 5—Text of Proposed Rule Change

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-   ; File No. SR-NYSEARCA-2014-10)

[Date]

Self-Regulatory Organizations; NYSE Arca, Inc.; Notice of Filing of Proposed Rule Change Proposing to Adopt NYSE Arca Equities Rule 8.900 to Permit Listing and Trading of Managed Portfolio Shares

Pursuant to Section 19(b)(1)[1] of the Securities Exchange Act of 1934 (the "Act")[2] and Rule 19b-4 thereunder,[3] notice is hereby given that, on February 7, 2014, NYSE Arca, Inc. (the "Exchange" or "NYSE Arca") filed with the Securities and Exchange Commission (the "Commission") the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the self-regulatory organization. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

The Exchange proposes to adopt new NYSE Arca Equities Rule 8.900 to permit it to list and trade Managed Portfolio Shares, which are shares of actively managed exchange-traded funds ("ETFs") for which the portfolio is disclosed quarterly. In addition, the Exchange proposes to list and trade shares of the following under proposed NYSE Arca Equities Rule 8.900: ActiveShares^{SM} Large-Cap Fund; ActiveShares^{SM} Mid-Cap Fund; and ActiveShares^{SM} Multi-Cap Fund.

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1 15 U.S.C.78s(b)(1).

2 15 U.S.C. 78a.

3 17 CFR 240.19b-4.

The text of the proposed rule change is available on the Exchange's website at www.nyse.com, at the principal office of the Exchange, and at the Commission's Public Reference Room.

II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the self-regulatory organization included statements concerning the purpose of, and basis for, the proposed rule change and discussed any comments it received on the proposed rule change. The text of those statements may be examined at the places specified in Item IV below. The Exchange has prepared summaries, set forth in sections A, B, and C below, of the most significant parts of such statements.

A. Self-Regulatory Organization's Statement of the Purpose of, and the Statutory Basis for, the Proposed Rule Change

1. Purpose

The Exchange proposes to add new NYSE Arca Equities Rule 8.900 for the purpose of permitting the listing and trading, or trading pursuant to unlisted trading privileges ("UTP"), of Managed Portfolio Shares, which are securities issued by an actively managed open-end investment management company.[4] The Exchange also proposes to amend NYSE Arca Equities Rule 7.34 (Trading Sessions) to reference

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4 A Managed Portfolio Share is a security that represents an interest in an investment company registered under the Investment Company Act of 1940 (15 U.S.C. 80a-1) ("1940 Act") organized as an open-end investment company or similar entity that invests in a portfolio of securities selected by its investment adviser consistent with its investment objectives and policies. In contrast, an open-end investment company that issues Investment Company Units, listed and traded on the Exchange under NYSE Arca Equities Rule 5.2(j)(3) ("Index ETFs"), seeks to provide investment results that correspond generally to the price and yield performance of a specific foreign or domestic stock index, fixed income securities index or combination thereof.

securities described in proposed NYSE Arca Equities Rule 8.900 in Rule 7.34(a)(4)(A) relating to trading halts for trading pursuant to UTP during the Exchange’s Opening Session.

In addition to the above-mentioned proposed rule changes, the Exchange proposes to list and trade shares (“Shares”) of the following under proposed NYSE Arca Equities Rule 8.900: ActiveShares℠ Large-Cap Fund; ActiveShares℠ Mid-Cap Fund; and ActiveShares℠ Multi-Cap Fund (each a “Fund” and, collectively, the “Funds”).

<u>Proposed Listing Rules</u>

Proposed Rule 8.900 (a) provides that the Corporation will consider for trading, whether by listing or pursuant to UTP, Managed Portfolio Shares that meet the criteria of Rule 8.900.

Proposed Rule 8.900 (b) provides that Rule 8.900 is applicable only to Managed Portfolio Shares and that, except to the extent inconsistent with Rule 8.900, or unless the context otherwise requires, the rules and procedures of the Corporation’s Board of Directors shall be applicable to the trading on the Corporation of such securities. Proposed Rule 8.900 (b) provides further that Managed Portfolio Shares are included within the definition of "security" or "securities" as such terms are used in the Rules of the Corporation.

Proposed Definitions. Proposed Rule 8.900(c)(1) defines the term “Managed Portfolio Share” as a security that (a) is issued by a registered investment company ("Investment Company") organized as an open-end management investment company or similar entity, that invests in a portfolio of securities selected by the Investment Company's investment adviser consistent with the Investment Company's investment objectives and policies; (b) is issued in any size amount for a cash amount equal to the next determined net asset value ("NAV"); (c) may be redeemed for cash by any Retail Investor (as defined below) in any size less than a Redemption Unit (as defined below) for a cash amount equal to the next determined NAV; and (d) when aggregated in a number of shares equal to a Redemption Unit or multiples thereof, may be redeemed at a holder's request, which holder will be paid though a blind trust established for its benefit a portfolio of securities and/or cash with a value equal to the next determined NAV.

Proposed Rule 8.900(c)(2) defines the term "Retail Investor" as (i) a natural person; (ii) a trust established exclusively for the benefit a natural person or a group of related family members; or (iii) a tax deferred retirement plan where investments are selected by a natural person purchasing for its own account.

Proposed Rule 8.900(c)(3) defines the term "Portfolio Indicative Value" as the estimated indicative value of an Managed Portfolio Share based on all of the issuer's holdings as of the close of business on the prior business day.

Proposed Rule 8.900(c)(4) defines the term "Redemption Unit" as a specified number of Managed Portfolio Shares used for determining whether a Retail Investor may redeem for cash.

Proposed Rule 8.900(c)(5) defines the term Reporting Authority" in respect of a particular series of Managed Portfolio Shares as a reporting service designated by the issuer and acceptable to the Corporation or by the exchange that lists a particular series of Managed Portfolio Shares (if the Corporation is trading such series pursuant to UTP) as the official source for calculating and reporting information relating to such series, including, but not limited to, the Portfolio Indicative Value, NAV, or other information relating to the issuance, redemption or trading of Managed Portfolio Shares. A series of Managed Portfolio Shares may have more than one Reporting Authority, each having different functions.

Proposed Rule 8.900 (d) sets forth initial and continued listing criteria applicable to Managed Portfolio Shares. Proposed Rule 8.900(d)(1) provides that, for each series of Managed Portfolio Shares, the Corporation will establish a minimum number of Managed Portfolio Shares required to be outstanding at the time of commencement of trading on the Corporation. In addition, the Corporation will obtain a representation from the issuer of each series of Managed Portfolio Shares that the NAV per share for the series will be calculated daily and that the NAV will be made available to all market participants at the same time.[5]

Proposed Rule 8.900(d)(2) provides that each series of Managed Portfolio Shares will be listed and traded subject to application of the following continued listing criteria. Proposed Rule 8.900(d)(2)(A) provides that the Portfolio Indicative Value for Managed Portfolio Shares will be widely disseminated by one or more major market data vendors at least every 15 seconds during Core Trading Session.

Proposed Rule 8.900(d)(2)(B) provides that the Corporation will consider the suspension of trading in or removal from listing of a series of Managed Portfolio Shares under any of the following circumstances: (i) if, following the initial twelve-month period

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5 NYSE Arca Equities Rule 7.34(a)(5) ("Trading Halts of Derivative Securities Products Listed on the NYSE Arca Marketplace)" provides that, with respect to Derivative Securities Products listed on the NYSE Arca Marketplace for which a net asset value is disseminated, if the Exchange becomes aware that the a net asset value is not being disseminated to all market participants at the same time, it will halt trading in the affected Derivative Securities Product on the NYSE Arca Marketplace until such time as the a net asset value is available to all market participants.

after commencement of trading on the Exchange of a series of Managed Portfolio Shares, there are fewer than 50 beneficial holders of the series of Managed Portfolio Shares for 30 or more consecutive trading days; (ii) if the value of the Portfolio Indicative Value is no longer calculated or made available to all market participants at the same time; (iii) if the Investment Company issuing the Managed Portfolio Shares has failed to file any filings required by the Commission or if the Corporation is aware that the Investment Company is not in compliance with the conditions of any exemptive order or no-action relief granted by the Commission to the Investment Company with respect to the series of Managed Portfolio Shares; or (iv) if such other event shall occur or condition exists which, in the opinion of the Corporation, makes further dealings on the Corporation inadvisable.

Proposed Rule 8.900(d)(2)(C) provides that, if the Portfolio Indicative Value of a series of Managed Portfolio Shares is not being disseminated as required, the Corporation may halt trading during the day in which the interruption to the dissemination of the Portfolio Indicative Value occurs. If the interruption to the dissemination of the Portfolio Indicative Value persists past the trading day in which it occurred, the Corporation will halt trading no later than the beginning of the trading day following the interruption. If a series of Managed Portfolio Shares is trading on the Corporation pursuant to UTP, the Corporation will halt trading in that series as specified in Rule 7.34(a). In addition, if the Exchange becomes aware that the NAV with respect to a series of Managed Portfolio Shares is not disseminated to all market participants at the same time, it will halt trading in such series until such time as the NAV is available to all market participants.

Proposed Rule 8.900(d)(2)(D) provides that, upon termination of an Investment Company, the Corporation requires that Managed Portfolio Shares issued in connection with such entity be removed from Corporation listing.

Proposed Rule 8.900(d)(2)(E) provides that voting rights shall be as set forth in the applicable Investment Company prospectus. Proposed Rule 8.600(e) relates to limitation of Corporation liability.

Proposed Rule 8.900(e), which relates to limitation of corporation liability, provides that neither the Corporation, the Reporting Authority, nor any agent of the Corporation shall have any liability for damages, claims, losses or expenses caused by any errors, omissions, or delays in calculating or disseminating any current portfolio value; the current value of the portfolio of securities required to be deposited to the open-end management investment company in connection with issuance of Managed Portfolio Shares; the amount of any dividend equivalent payment or cash distribution to holders of Managed Portfolio Shares; NAV; or other information relating to the purchase, redemption, or trading of Managed Portfolio Shares, resulting from any negligent act or omission by the Corporation, the Reporting Authority or any agent of the Corporation, or any act, condition, or cause beyond the reasonable control of the Corporation, its agent, or the Reporting Authority, including, but not limited to, an act of God; fire; flood; extraordinary weather conditions; war; insurrection; riot; strike; accident; action of government; communications or power failure; equipment or software malfunction; or any error, omission, or delay in the reports of transactions in one or more underlying securities.

Proposed Commentary .01 to NYSE Arca Equities Rule 8.900 provides that the Corporation will file separate proposals under Section 19(b) of the Act before the listing and trading of Managed Portfolio Shares. Proposed Commentary .02 to NYSE Arca Equities Rule 8.900 provides that transactions in Managed Portfolio Shares will occur during the trading hours specified in NYSE Arca Equities Rule 7.34(a).

Proposed Commentary .03 to NYSE Arca Equities Rule 8.900 provides that the Exchange will implement written surveillance procedures for Managed Portfolio Shares.

Proposed Commentary .04 to NYSE Arca Equities Rule 8.900 provides that Authorized Participants (as described further below) redeeming Managed Portfolio Shares will sign an agreement with the applicable fund requiring the establishment of a blind trust for the benefit of such Authorized Participant that will receive all consideration from the issuer in a redemption, which blind trust will be bound not to disclose the consideration received in a redemption except as required by law and will liquidate any securities received in a redemption in accordance with standing instructions for the Authorized Participant.

Proposed Commentary .05 to NYSE Arca Equities Rule 8.900 provides that, if the investment adviser to the Investment Company issuing Managed Portfolio Shares is affiliated with a broker-dealer, such investment adviser shall erect a "fire wall" between the investment adviser and the broker-dealer with respect to access to information concerning the composition and/or changes to such Investment Company portfolio. Personnel who make decisions on the Investment Company's portfolio composition must be subject to procedures designed to prevent the use and dissemination of material nonpublic information regarding the applicable Investment Company portfolio.

Other Rules

The Exchange proposes to amend NYSE Arca Equities Rule 7.34(a)(4) to include Managed Portfolio Shares under "Derivative Securities Products" for purposes of Rule 7.34(a)(4) relating to trading halts for trading pursuant to UTP of Derivative Securities Products on the Exchange.[6]

Key Features of Managed Portfolio Shares

While funds issuing Managed Portfolio Shares will be actively-managed and, to that extent, will be similar to Managed Fund Shares, Managed Portfolio Shares differ from Managed Fund Shares in the following important respects. First, in contrast to Managed Fund Shares, which are actively-managed funds listed and traded under NYSE Arca Equities Rule 8.600[7] and for which a "Disclosed Portfolio" is required to be disseminated at least once daily,[8] the portfolio for an issue of Managed Portfolio Shares

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[6] The Exchange will propose applicable NYSE Arca Equities listing fees for Managed Portfolio Shares in the NYSE Arca Equities Schedule of Fees and Charges via a separate proposed rule change.

[7] The Commission has previously approved listing and trading on the Exchange of a number of issues of Managed Fund Shares under Rule 8.600. See, e.g., Securities Exchange Act Release Nos. 57801 (May 8, 2008), 73 FR 27878 (May 14, 2008) (SR-NYSEArca-2008-31) (order approving Exchange listing and trading of twelve actively-managed funds of the WisdomTree Trust); 60460 (August 7, 2009), 74 FR 41468 (August 17, 2009) (SR-NYSEArca-2009-55) (order approving listing of Dent Tactical ETF); 63076 (October 12, 2010), 75 FR 63874 (October 18, 2010) (SR-NYSEArca-2010-79) (order approving Exchange listing and trading of Cambria Global Tactical ETF); 63802 (January 31, 2011), 76 FR 6503 (February 4, 2011) (SR-NYSEArca-2010-118) (order approving Exchange listing and trading of the SiM Dynamic Allocation Diversified Income ETF and SiM Dynamic Allocation Growth Income ETF).

[8] NYSE Arca Equities Rule 8.600(c)(2) defines the term "Disclosed Portfolio" as the identities and quantities of the securities and other assets held by the Investment Company that will form the basis for the Investment Company's calculation of net asset value at the end of the business day. NYSE Arca Equities Rule 8.600(d)(2)(B)(i) requires that the Disclosed Portfolio will be disseminated

will be disclosed quarterly in accordance with normal disclosure requirements otherwise applicable to open-end investment companies registered under the 1940 Act.[9] Second, in connection with the redemption of shares in Redemption Unit size, the delivery of any portfolio securities in kind will generally be effected through a blind trust for the benefit of the redeeming Authorized Participant and the blind trust will liquidate the portfolio securities without disclosing the identity of such securities to the Authorized Participant. Third, as with traditional open-end investment companies, retail investors will be able to redeem shares for cash directly from a fund on any day and in any size less than a Redemption Unit at the fund's NAV, as described in more detail below. Fourth, investors will be able to purchase shares for cash directly from a fund in any amount on any day a fund determines its NAV, as described in more detail below. Investors may choose to purchase shares directly from a fund if they want to assure that they will not purchase shares at a premium.

For each series of Managed Portfolio Shares, an estimated value, defined in the proposed rules as the "Portfolio Indicative Value," ("PIV") that reflects an estimated intraday value of a fund's portfolio will be disseminated. The PIV will be based upon all of a fund's holdings as of the close of the prior business day and will be widely

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at least once daily and will be made available to all market participants at the same time.

9 A mutual fund is required to file with the Commission its complete portfolio schedules for the second and fourth fiscal quarters on Form N-SAR under the 1940 Act, and is required to file its complete portfolio schedules for the first and third fiscal quarters on Form N-Q under the 1940 Act, within 60 days of the end of the quarter. Form N-Q requires funds to file the same schedules of investments that are required in annual and semi-annual reports to shareholders. These forms are available to the public on the Commission's website at www.sec.gov.

disseminated by one or more major market data vendors at least every 15 seconds during the Exchange's Core Trading Session (normally, 9:30 a.m. to 4:00 p.m., Eastern Time). The dissemination of the PIV will allow investors to determine the estimated intra-day value of the underlying portfolio of a series of Managed Portfolio Shares on a daily basis and will provide a close estimate of that value throughout the trading day. The PIV should not be viewed as a "real-time" update of the NAV per share of each fund because the PIV may not be calculated in the same manner as the NAV, which will be computed once a day, generally at the end of the business day. Unlike the PIV, which will be based on consolidated last sale information, the NAV per share will be based on the closing price on the primary market for each portfolio security. If there is no closing price for a particular portfolio security, such as when it the subject of a trading halt, a fund will use fair value pricing. That fair value pricing will be carried over to the next day's PIV until the first trade in that stock is reported.

The Exchange, after consulting with various Lead Market Makers that trade ETFs on the Exchange, believes that market makers will be able to make efficient and liquid markets priced near the PIV as long as an accurate PIV is disseminated every 15 seconds and market makers have knowledge of a fund's means of achieving its investment objective, even without daily disclosure of a fund's underlying portfolio. The Exchange believes that market makers will employ risk-management techniques such as "statistical arbitrage", which is currently used throughout the financial services industry, to make efficient markets in exchange-traded products.[10] This ability should permit market

[10] Statistical arbitrage enables a trader to construct an accurate proxy for another instrument, allowing it to hedge the other instrument or buy or sell the instrument when it is cheap or expensive in relation to the proxy. Statistical analysis permits

makers to make efficient markets in an issue of Managed Portfolio Shares without knowledge of a fund's underlying portfolio.

The Exchange understands that traders use statistical analysis to derive correlations between different sets of instruments to identify opportunities to buy or sell one set of instruments when it is mispriced relative to the others. For Managed Portfolio Shares, market makers will initially use the knowledge of a fund's means of achieving its investment objective, as described in the applicable fund registration statement, to construct a hedging proxy for a fund to manage a market maker's quoting risk in connection with trading fund shares. Market makers will then conduct statistical arbitrage between their hedging proxy (for example, the Russell 1000 Index) and shares of a fund, buying and selling one against the other over the course of the trading day, They will evaluate how their proxy performed in comparison to the price of a fund's shares, and use that analysis as well as knowledge of risk metrics, such as volatility and turnover, to enhance their proxy calculation to make it a more efficient hedge.

Market makers have indicated to the Exchange that, after the first few days of trading, there will be sufficient data to run a statistical analysis which will lead to spreads being tightened substantially around the PIV. This is similar to certain other existing exchange traded products (for example, ETFs that invest in foreign securities that do not

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traders to discover correlations based purely on trading data without regard to other fundamental drivers. These correlations are a function of differentials, over time, between one instrument or group of instruments and one or more other instruments. Once the nature of these price deviations have been quantified, a universe of securities is searched in an effort to, in the case of a hedging strategy, minimize the differential. Once a suitable hedging proxy has been identified, a trader can minimize portfolio risk by executing the hedging basket. The trader then can monitor the performance of this hedge throughout the trade period making correction where warranted.

trade during U. S. trading hours), in which spreads may be generally wider in the early days of trading and then narrow as market makers gain more confidence in their real-time hedges.

Description of the Funds and the Trust

The Shares of each Fund will be issued by Precidian ETFs Trust ("Trust"), a statutory trust organized under the laws of the State of Delaware and registered with the Commission as an open-end management investment company.[11] The investment adviser to the Trust will be Precidian Funds LLC (the "Adviser"). JPMorgan Chase Bank, N.A. (the "Transfer Agent", "Administrator", or "Custodian") will serve as the Funds' transfer agent, administrator and custodian. Foreside Fund Services, LLC ("Distributor") will serve as the distributor of the Shares.

As noted above, proposed Commentary .05 to Rule 8.900 provides that, if the investment adviser to the investment company issuing Managed Portfolio Shares is affiliated with a broker-dealer, such investment adviser shall erect a "fire wall" between the investment adviser and the broker-dealer with respect to access to information

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11 The Trust will be registered under the 1940 Act. On January 22, 2014, the Trust filed a registration statement on Form N-1A under the Securities Act of 1933 (the "1933 Act") (15 U.S.C. 77a), and under the 1940 Act relating to the Funds (File Nos. 333-171987 and 811-22524) (the "Registration Statement"). The Trust filed an Application for an Order under Section 6(c) of the 1940 Act for exemptions from various provisions of the 1940 Act and rules thereunder (File No. 812-14116), dated July 18, 2013 ("Exemptive Application"). The Shares will not be listed on the Exchange until an order ("Exemptive Order") under the 1940 Act has been issued by the Commission with respect to the Exemptive Application. Investments made by the Funds will comply with the conditions set forth in the Exemptive Order. The description of the operation of the Trust and the Funds herein is based, in part, on the Registration Statement and the Exemptive Application.

concerning the composition and/or changes to such investment company portfolio.[12] In addition, proposed Commentary .05 further requires that personnel who make decisions on the open-end fund's portfolio composition must be subject to procedures designed to prevent the use and dissemination of material nonpublic information regarding the open-end fund's portfolio. Proposed Commentary .05 to Rule 8.900 is similar to Commentary .03(a)(i) and (iii) to NYSE Arca Equities Rule 5.2(j)(3); however, Commentary .05 in connection with the establishment of a "fire wall" between the investment adviser and the broker-dealer reflects the applicable open-end fund's portfolio, not an underlying benchmark index, as is the case with index-based funds. The Adviser is not registered as a broker-dealer or affiliated with a broker-dealer.

In the event (a) the Adviser or any sub-adviser becomes registered as a broker-dealer or becomes newly affiliated with a broker-dealer, or (b) any new adviser or sub-adviser is a registered broker-dealer, or becomes affiliated with a broker-dealer, it will implement a fire wall with respect to its relevant personnel or its broker-dealer affiliate

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[12] An investment adviser to an open-end fund is required to be registered under the Investment Advisers Act of 1940 (the "Advisers Act"). As a result, the Adviser and its related personnel will be subject to the provisions of Rule 204A-1 under the Advisers Act relating to codes of ethics. This Rule requires investment advisers to adopt a code of ethics that reflects the fiduciary nature of the relationship to clients as well as compliance with other applicable securities laws. Accordingly, procedures designed to prevent the communication and misuse of non-public information by an investment adviser must be consistent with Rule 204A-1 under the Advisers Act. In addition, Rule 206(4)-7 under the Advisers Act makes it unlawful for an investment adviser to provide investment advice to clients unless such investment adviser has (i) adopted and implemented written policies and procedures reasonably designed to prevent violations, by the investment adviser and its supervised persons, of the Advisers Act and the Commission rules adopted thereunder; (ii) implemented, at a minimum, an annual review regarding the adequacy of the policies and procedures established pursuant to subparagraph (i) above and the effectiveness of their implementation; and (iii) designated an individual (who is a supervised person) responsible for administering the policies and procedures adopted under subparagraph (i) above.

regarding access to information concerning the composition and/or changes to the portfolio, and will be subject to procedures designed to prevent the use and dissemination of material non-public information regarding such portfolio.

The portfolio for each Fund will consist primarily of stocks in the Russell 3000 Index and shares issued by other exchange-traded funds ("ETFs") that invest primarily in shares of issuers in the Russell 3000 Index (which consists of stocks included in the Russell 1000 Index and the Russell 2000 Index).[13] All exchange-listed equity securities in which the Funds will invest will be listed and traded on U.S. national securities exchanges.

<u>Description of the Funds</u>

The ActiveShares[SM] Large Cap Fund

According to the Registration Statement, the Fund's investment objective will be long-term capital appreciation. The Fund will seek to achieve its objective by taking long and possibly short positions in equity securities or groups of equities that the Fund's portfolio managers believe will provide long term capital appreciation. The Fund normally will invest at least 80% of its net assets (plus borrowings for investment purposes) in stocks included in the Russell 1000 Index and ETFs that primarily invest in stocks in the Russell 1000 Index.

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13 For purposes of this filing, ETFs include Investment Company Units (as described in NYSE Arca Equities Rule 5.2(j)(3)); Portfolio Depositary Receipts (as described in NYSE Arca Equities Rule 8.100); and Managed Fund Shares (as described in NYSE Arca Equities Rule 8.600). All ETFs will be listed and traded on a U.S. national securities exchange. The Funds will invest in the securities of ETFs registered under the 1940 Act consistent with the requirements of Section 12(d)(1) of the 1940 Act, or any rule, regulation or order of the Commission or interpretation thereof.

The Fund will target an overall net equity market exposure of between 70% to 130%. However, at times the portfolio managers may reduce market exposure to less than 70%.

The Fund will purchase securities that the portfolio managers believe are undervalued and sell short securities that the portfolio managers believe are overvalued. Under normal market conditions,[14] the Fund's net long equity market exposure will not exceed 130% and its net short equity market exposure will not exceed 30%; however, the portfolio managers may at times exceed these percentages. The Fund may hold a substantial portion of its total assets in cash or cash equivalents when it holds significant short positions.[15]

The Fund may use ETFs to manage the Fund's overall equity market and sector exposures. In particular, the portfolio managers may take long and short positions in ETFs to increase/decrease equity market/sector exposures in place of using individual equity securities. The ETFs in which the Fund will invest are registered investment companies that seek to track the performance of an underlying index. These underlying

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[14] The terms "normally" and "under normal market conditions" include, but are not limited to, the absence of extreme volatility or trading halts in the equity markets or the financial markets generally; operational issues causing dissemination of inaccurate market information; or force majeure type events such as systems failure, natural or man-made disaster, act of God, armed conflict, act of terrorism, riot or labor disruption or any similar intervening circumstance.

[15] According to the Registration Statement, with respect to each of the Funds, selling securities short will allow a Fund to more fully exploit insights into securities that a Fund's portfolio managers expect to underperform. Short sales generally involve the sale of a security that a Fund does not own in hopes of purchasing the same security at a later date at a lower price. To make delivery to the buyer, a Fund may borrow the security. If so, a Fund is obligated to return the security to the lender, which is accomplished by a later purchase of the security by a Fund.

indexes include not only broad-based market indexes but more specific indexes as well, including those relating to particular sectors, markets, regions or industries.

The Fund will use a variety of proprietary and non-propriety analytical methodologies including "bottom-up" fundamental analysis, macro-economic data, technical analysis, and quantitative analysis to determine the ratio of long to short positions. It also will use these tools to determine whether a particular stock or group of stocks is under-valued or over-valued and, therefore, whether to purchase or sell those securities. In reviewing companies, the Fund will apply the characteristics identified above on a case-by-case basis as the order of importance varies depending on the type of business or industry and the company being reviewed.

The ActiveShares[SM] Mid-Cap Fund

According to the Registration Statement, the Fund's investment objective will be long-term capital appreciation. The Fund will seek to achieve its objective by taking long and possibly short positions in equity securities or groups of equities that the portfolio managers believe will provide long term capital appreciation. The Fund will normally invest at least 80% of its net assets (plus borrowings for investment purposes) in stocks that are included in the Russell 2000 Index and ETFs that primarily invest in stocks in the Russell 2000 Index.

The Fund will target an overall net equity market exposure of between 70% to 130%. However, at times the Fund's portfolio managers may reduce market exposure to less than 70%.

The Fund will purchase securities that the portfolio managers believe are undervalued and sell short securities that the portfolio managers believe are overvalued.

Under normal market conditions, the Fund's net long equity market exposure will not exceed 130% and its net short equity market exposure will not exceed 30%; however, the portfolio managers may at times exceed these percentages. The Fund may hold a substantial portion of its total assets in cash or cash equivalents when it holds significant short positions.

The Fund may use ETFs to manage the Fund's overall equity market and sector exposures. In particular, the portfolio managers may take long and short positions in ETFs to increase/decrease equity market/sector exposures in place of using individual equity securities. The ETFs in which the Fund will invest are registered investment companies that seek to track the performance of an underlying index. These underlying indexes include not only broad-based market indexes but more specific indexes as well, including those relating to particular sectors, markets, regions or industries.

The Fund will use a variety of proprietary and non-propriety analytical methodologies including "bottom-up" fundamental analysis, macro-economic data, technical analysis, and quantitative analysis to determine the ratio of long to short positions. It also will use these tools to determine whether a particular stock or group of stocks is under-valued or over-valued and, therefore, whether to purchase or sell those securities. In reviewing companies, the Fund will apply the characteristics identified above on a case-by-case basis as the order of importance varies depending on the type of business or industry and the company being reviewed.

The ActiveShares^{SM} Multi-Cap Fund

According to the Registration Statement, the Fund's investment objective will be long-term capital appreciation. The Fund will seek to achieve its objective by taking long and possibly short positions in equity securities or groups of equities that the Fund's portfolio managers believe will provide long term capital appreciation. The Fund will invest primarily in securities included in the Russell 3000 Index and ETFs that primarily invest in stocks in the Russell 3000 Index.

The Fund will target an overall net equity market exposure of between 70% to 130%. However, at times the Fund's portfolio managers may reduce market exposure to less than 70%.

The Fund will purchase securities that the Fund's portfolio managers believe are undervalued and sell short securities that the portfolio managers believe are overvalued. Under normal market conditions, the Fund's net long equity market exposure will not exceed 130% and its net short equity market exposure will not exceed 30%; however, the Fund's portfolio managers may at times exceed these percentages. The Fund may hold a substantial portion of its total assets in cash or cash equivalents when it holds significant short positions.

The Fund may use ETFs to manage the Fund's overall equity market and sector exposures. In particular, the Fund's portfolio managers may take long and short positions in ETFs to increase/decrease equity market/sector exposures in place of using individual equity securities. The ETFs in which the Fund will invest will be registered investment companies that seek to track the performance of an underlying index. These underlying indexes include not only broad-based market indexes but more specific indexes as well, including those relating to particular sectors, markets, regions or industries.

The Fund will use a variety of proprietary and non-propriety analytical methodologies including "bottom-up" fundamental analysis, macro-economic data, technical analysis, and quantitative analysis to determine the ratio of long to short positions. It also will use these tools to determine whether a particular stock or group of stocks is under-valued or over-valued and therefore whether to purchase or sell those securities. In reviewing companies, the Fund will apply the characteristics identified above on a case-by-case basis as the order of importance varies depending on the type of business or industry and the company being reviewed.

Other Investments

While each Fund, under normal market conditions, will invest primarily in stocks included in the Russell 3000 Index and ETFs, as described above, each Fund may invest its remaining assets in other securities and financial instruments, as described below.

According to the Registration Statement, each Fund may enter into repurchase agreements. A repurchase agreement is an instrument under which the purchaser (i.e., a Fund) acquires the security and the seller agrees, at the time of the sale, to repurchase the security at a mutually agreed upon time and price, thereby determining the yield during the purchaser’s holding period. Repurchase agreements may be construed to be collateralized loans by the purchaser to the seller secured by the securities transferred to the purchaser.

Each Fund may enter into reverse repurchase agreements, which involve the sale of securities with an agreement to repurchase the securities at an agreed-upon price, date and interest payment and have the characteristics of borrowing. Generally the effect of such transactions is that the Fund can recover all or most of the cash invested in the portfolio securities involved during the term of the reverse repurchase agreement, while in many cases the Fund is able to keep some of the interest income associated with those securities.

Each Fund may invest a portion of its assets in high-quality money market instruments on an ongoing basis rather than in other investments, when it would be more efficient or less expensive for the Fund to do so, or as cover for other financial instruments held by a Fund, for liquidity purposes, or to earn interest. Money market instruments in which a Fund may invest include: (1) short-term obligations issued by the U.S. government; (2) negotiable certificates of deposit ("CDs"), fixed time deposits and bankers' acceptances of U.S. and foreign banks and similar institutions; (3) commercial paper rated at the date of purchase "Prime-1" by Moody's Investors Service, Inc. or "A-1+" or "A-1" by Standard & Poor's Ratings Group, Inc., a division of The McGraw-Hill Companies, Inc., or, if unrated, of comparable quality as determined by the Adviser;[16] and (4) money market mutual funds.

Each Fund may invest in the securities of other investment companies (including money market funds) to the extent allowed by law.

Investment Restrictions

A Fund may not, with respect to 75% of its total assets, purchase securities of any issuer (except securities issued or guaranteed by the U.S. government, its agencies or instrumentalities or shares of investment companies) if, as a result, more than 5% of its total assets would be invested in the securities of such issuer; or (ii) acquire more than

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16 In determining whether a security is of "comparable quality," the Adviser will consider, for example, whether the issuer of the security has issued other rated securities; whether the obligations under the security are guaranteed by another entity and the rating of such guarantor (if any); whether and (if applicable) how the security is collateralized; other forms of credit enhancement (if any); the security's maturity date; liquidity features (if any); relevant cash flow(s); valuation features; other structural analysis; macroeconomic analysis; and sector or industry analysis.

10% of the outstanding voting securities of any one issuer (and for purposes of this policy, the issuer of the underlying security will be deemed to be the issuer of any respective depositary receipt.)[17]

A Fund may not invest 25% or more of its total assets in the securities of one or more issuers conducting their principal business activities in the same industry or group of industries. This limitation does not apply to investments in securities issued or guaranteed by the U.S. government, its agencies or instrumentalities, or shares of investment companies. A Fund will not invest 25% or more of its total assets in any investment company that so concentrates.[18]

Each Fund may invest up to an aggregate amount of 15% of its net assets in illiquid assets (calculated at the time of investment),[19] consistent with Commission guidance. Each Fund will monitor its portfolio liquidity on an ongoing basis to determine whether, in light of current circumstances, an adequate level of liquidity is being maintained, and will consider taking appropriate steps in order to maintain adequate liquidity if, through a change in values, net assets, or other circumstances, more than 15%

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17 The diversification standard is set forth in Section 5(b)(1) of the 1940 Act.

18 See Form N-1A, Item 9. The Commission has taken the position that a fund is concentrated if it invests more than 25% of the value of its total assets in any one industry. See, e.g., Investment Company Act Release No. 9011 (October 30, 1975), 40 FR 54241 (November 21, 1975).

19 In reaching liquidity decisions, the Adviser may consider the following factors: the frequency of trades and quotes for the security; the number of dealers wishing to purchase or sell the security and the number of other potential purchasers; dealer undertakings to make a market in the security; and the nature of the security and the nature of the marketplace in which it trades (e.g., the time needed to dispose of the security, the method of soliciting offers and the mechanics of transfer).

of a Fund’s net assets are invested in illiquid assets. Illiquid assets include securities subject to contractual or other restrictions on resale and other instruments that lack readily available markets as determined in accordance with Commission staff guidance.[20]

According to the Registration Statement, each Fund will seek to qualify for treatment as a Regulated Investment Company (“RIC”) under the Internal Revenue Code.[21]

The Shares of each Fund will conform to the initial and continued listing criteria under proposed Rule 8.900. The Funds will not invest in options, futures, forwards or swaps.

Each Fund’s investments will be consistent with its investment objective and will not be used to enhance leverage. While a Fund may invest in inverse ETFs, a Fund will not invest in leveraged (e.g., 2X, -2X, 3X or -3X) ETFs. The Funds will not invest in non-U.S. equity securities.

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20 The Commission has stated that long-standing Commission guidelines have required open-end funds to hold no more than 15% of their net assets in illiquid securities and other illiquid assets. See Investment Company Act Release No. 28193 (March 11, 2008), 73 FR 14618 (March 18, 2008), footnote 34. See also, Investment Company Act Release No. 5847 (October 21, 1969), 35 FR 19989 (December 31, 1970) (Statement Regarding “Restricted Securities”); Investment Company Act Release No. 18612 (March 12, 1992), 57 FR 9828 (March 20, 1992) (Revisions of Guidelines to Form N-1A). A fund's portfolio security is illiquid if it cannot be disposed of in the ordinary course of business within seven days at approximately the value ascribed to it by the fund. See Investment Company Act Release No. 14983 (March 12, 1986), 51 FR 9773 (March 21, 1986) (adopting amendments to Rule 2a-7 under the 1940 Act); Investment Company Act Release No. 17452 (April 23, 1990), 55 FR 17933 (April 30, 1990) (adopting Rule 144A under the Securities Act of 1933).

21 26 U.S.C. 851.

Creations and Redemptions

Placement of Purchase Orders

Each Fund will issue Shares through the Distributor on a continuous basis at NAV. The Exchange represents that the issuance of Shares will operate in a manner substantially similar to that of other ETFs and, in particular, certain fixed-income ETFs that issue shares solely for settlement in cash. However, Shares may be issued in any amount rather than only in a specified block size.

Each Fund will issue Shares only at the NAV per Share next determined after an order in proper form is received. The Trust will sell and redeem Shares on each such day and will not suspend the right of redemption or postpone the date of payment or satisfaction upon redemption for more than seven days, other than as provided by Section 22(d) of the 1940 Act (each such day, a "Business Day").

Shares may be purchased from a Fund by any Depository Trust Company ("DTC") Participant for its own account or for the account of a customer. Purchase orders will not be limited to any specified size but may be in any whole share amount. Since Shares will be paid for in cash, settlement will be through the normal continuous net settlement process. The Distributor will furnish acknowledgements to those placing such orders that the orders have been accepted, but the Distributor may reject any order which is not submitted in proper form, as described in a Fund's prospectus or Statement of Additional Information ("SAI"). Purchases of Shares will be settled in cash for an amount equal to the applicable NAV per Share purchased plus applicable transaction fees, as discussed below.

The NAV of each Fund is expected to be determined once each Business Day at a time determined by the Trust's Board of Directors ("Board"), currently anticipated to be as of the close of the regular trading session on the New York Stock Exchange ("NYSE") (ordinarily 4:00 p.m. Eastern time) (the "Valuation Time"). Each Fund will establish a cut-off time ("Order Cut-Off Time") for purchase orders in proper form. To initiate a purchase of Shares, a DTC participant must submit to the Distributor an irrevocable order to purchase such Shares after the most recent prior Valuation Time but not later than the Order Cut-Off Time. The Order Cut-Off Time for a Fund may be its Valuation Time, or may be prior to the Valuation Time if the Board determines that an earlier Order Cut-Off Time for purchase of Shares is necessary and is in the best interests of Fund shareholders. It is anticipated that the Funds may adopt Order Cut-Off Times prior to their Valuation Time in order to make arrangements for any securities borrowing transactions consistent with a Fund's investment strategy that may be necessary in light of creation of Shares and in a manner consistent with orderly portfolio management. An early Order Cut-Off Time will allow the Adviser to net creations and redemptions and facilitate borrowing securities in an efficient manner.

Transaction Fees

The Trust may impose purchase or redemption transaction fees ("Transaction Fees") in connection with the purchase or redemption of Shares from the Funds. The exact amounts of any such Transaction Fees will be determined by the Adviser but will not exceed 2%. The purpose of the Transaction Fees is to protect the continuing shareholders against possible dilutive transactional expenses, including operational processing and brokerage costs, associated with establishing and liquidating portfolio positions, including short positions, in connection with the purchase and redemption of

Shares. The Adviser believes that imposing Transaction Fees will best respond to market needs and help to defray certain costs that would otherwise be borne by the Trust, such as custodian transaction fees and various other Fund overhead costs and fund accounting costs.

From time to time and for such periods as the Adviser in its sole discretion may determine, the Transaction Fees for the purchase or redemption of Shares may be increased, decreased or otherwise modified. Such Transaction Fees will be limited to amounts that will have been determined by the Adviser to be appropriate and will take into account transaction and operational processing costs associated with the recent purchases and sales of the equity securities held by the Trust. In all cases, such Transaction Fees will be limited in accordance with then-existing requirements of the Commission applicable to management investment companies offering redeemable securities.

Purchases of Shares — Secondary Market

Only DTC Participants and their customers will be able to acquire Shares at NAV directly from a Fund through the Distributor. The entire required cash payment must be transferred in the manner set forth in a Fund's SAI by the specified time on the third DTC settlement day following the day it is transmitted (the "Transmittal Date"). These investors and others will also be able to purchase Shares in secondary market transactions at prevailing market prices. Each Fund will reserve the right to reject any purchase order at any time.

Redemption

Beneficial Owners may sell their Shares in the secondary market. Alternatively, investors that own enough Shares to constitute a Redemption Unit (currently, 50,000

Shares) or multiples thereof may redeem those Shares through the Distributor, which will act as the Trust's agent for redemption. The size of a Redemption Unit will be subject to change. Redemption orders for Redemption Units or multiples thereof must be placed by or through an Authorized Participant. A Beneficial Owner that is an individual, a trust exclusively for the benefit of an individual or group of related family members or a tax deferred retirement plan directed by an individual would be treated as a "Retail Owner". Any entity other than a trust or retirement plan exclusively for the benefit of individuals would be treated as an institutional investor. Retail Investors that wish to redeem Shares in less than Redemption Unit size may redeem those Shares directly from the Fund as described below under "Retail Redemption Facility."

Authorized Participant Redemption

The Shares may be redeemed to a Fund in Redemption Unit size or multiples thereof as described below. Redemption orders of Redemption Units must be placed by or through an Authorized Participant ("AP Redemption Order"). Each Fund will establish an Order Cut-Off Time for redemption orders of Redemption Units in proper form. Redemption Units of the Fund will be redeemable at their NAV per Share next determined after receipt of a request for redemption by the Trust in the manner specified below before the Order Cut-Off Time. To initiate an AP Redemption Order, an Authorized Participant must submit to the Distributor an irrevocable order to redeem such Redemption Unit after the most recent prior Valuation Time but not later than the Order Cut-Off Time. The Order Cut-Off Time for a Fund may be its Valuation Time, or may be prior to the Valuation Time if the Board determines that an earlier Order Cut-Off Time for redemption of Redemption Units is necessary and is in the best interests of Fund shareholders. An earlier Order Cut-Off Time is primarily necessary because of the redemption process for the Funds. It is contemplated that Authorized Participants will instruct the trustee of its blind trust to liquidate redemption securities in market on close orders on the date of redemption so that Authorized Participants can realize redemption proceeds as close to the Fund's NAV on the redemption date as possible. In order to allow the Adviser sufficient time to identify the redemption securities, transfer the redemption basket of portfolio securities to the blind trusts and permit the trustee adequate time to process liquidation transactions in accordance with the Authorized Participant's instructions, it will likely be necessary to employ an Order Cut-Off Time prior to that time to allow such actions to take place. It is anticipated that all Funds will adopt Order Cut-Off Times for redemptions prior to their Valuation Time in order to facilitate the timely identification and notice to the trustee of the blind trusts (as described below) of securities to be redeemed in-kind.

Consistent with the provisions of Section 22(e) of the 1940 Act and Rule 22e-2 thereunder, the right to redeem will not be suspended, nor payment upon redemption delayed, except for: (1) any period during which the NYSE is closed other than customary weekend and holiday closings, (2) any period during which trading on the NYSE is restricted, (3) any period during which an emergency exists as a result of which disposal by a Fund of securities owned by it is not reasonably practicable or it is not reasonably practicable for a Fund to determine its NAV, and (4) for such other periods as the Commission may by order permit for the protection of shareholders.

Redemptions other than Retail Redemptions will occur primarily in-kind, although redemption payments may also be made partly or wholly in cash.[22] The

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[22] It is anticipated that any portion of a Fund's NAV attributable to appreciated short

Participant Agreement signed by each Authorized Participant will require establishment of a blind trust to receive distributions of securities in-kind upon redemption.[23] Each Authorized Participant will be required to appoint the Custodian as trustee of its blind trust in order to facilitate orderly processing of redemptions. While the Fund will generally distribute securities in-kind, the Adviser may determine from time to time that it is not in the Fund's best interests to distribute securities in-kind, but rather to sell securities and/or distribute cash. For example, the Adviser may distribute cash to facilitate orderly portfolio management in connection with rebalancing or transitioning a portfolio in line with its investment objective, or if there is substantially more creation than redemption activity during the period immediately preceding a redemption request, or as necessary or appropriate in accordance with applicable laws and regulations. In this manner, the Fund can use in-kind redemptions to reduce the unrealized capital gains that may, at times, exist in a Fund by distributing low cost lots of each security that a Fund needs to dispose of to maintain its desired portfolio exposures. Shareholders of a Fund would benefit from the in-kind redemptions through the reduction of the unrealized capital gains in a Fund that would otherwise have to be realized and, eventually, distributed to shareholders.

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positions will be paid in cash, as securities sold short are not susceptible to in-kind settlement. The value of other positions not susceptible to in-kind settlement may also be paid in cash.

23 The terms of each blind trust will be set forth as an exhibit to the applicable Participant Agreement, which will be signed by each Authorized Participant. The terms of the blind trust will provide that the trust be formed under either New York or Massachusetts State law; the Custodian will act as trustee of the blind trusts; and the trustee will be paid by the Authorized Participant a fee negotiated by the Adviser on behalf of Authorized Participants.

The redemption basket will consist of the same securities for all Authorized Participants on any given day subject to the Adviser's ability to make minor adjustments to address odd lots, fractional shares, tradeable sizes or other situations.

After receipt of an AP Redemption Order, the Custodian will typically deliver securities to the blind trust (which securities are determined by the Adviser) with a value approximately equal to the value of the Shares[24] tendered for redemption at the Cut-Off time. The Custodian will make delivery of the securities by appropriate entries on its books and records transferring ownership of the securities to the blind trust, subject to delivery of the Shares redeemed. The trustee of the blind trust will in turn liquidate, hedge or otherwise manage the securities based on instructions from the Authorized Participant.[25] If the trustee is instructed to sell all securities received at the close on the redemption date, the trustee will pay the liquidation proceeds net of expenses plus or minus any cash balancing amount to the Authorized Participant through DTC.[26] The

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[24] If the NAV of the Shares redeemed differs from the value of the securities delivered to the applicable blind trust, the Fund or the blind trust will pay a cash balancing amount to compensate for the difference between the value of the securities delivered and the NAV.

[25] Because an Authorized Participant would not know the holdings of its blind trust, it is anticipated that such instructions would be generic standing instructions to the trustee. Although an Authorized Participant could, in its sole discretion, provide different standing instructions, it is expected that, in order to realize proceeds from a redemption at a value as close as possible to the redemption's NAV, all Authorized Participants will likely instruct the trustee of the blind trust to sell all securities received in kind as redemption proceeds at the close of the market on the date of redemption. For this reason, an Order Cut-Off Time for redemptions will be necessary so that the Adviser is able to identify securities to be redeemed in-kind to the Custodian prior to the close of the market on the redemption date.

[26] Under applicable provisions of the Internal Revenue Code, the Authorized Participant is expected to be deemed a "substantial owner" of the blind trust

redemption securities that the blind trust receives may mirror the portfolio holdings of a Fund pro rata or, if the Adviser determines to reduce one or more portfolio exposures through an in-kind distribution, may constitute only a portion of the holdings that would not be proportionate to the overall portfolio holdings of a Fund. To the extent a Fund distributes portfolio securities through an in-kind distribution to more than one blind trust for the benefit of that trust's Authorized Participant, each Fund expects to distribute a pro rata portion of the portfolio securities selected for distribution to each redeeming Authorized Participant.

The Adviser would be free to select redemption securities that do not represent an exact slice of a Fund's portfolio on any given day, so long as each Authorized Participant redeeming on a given day receives the same set of redemption securities on such day. Authorized Participants will advise the Fund of any securities they are restricted from receiving. If the Authorized Participant would receive a security that it is restricted from receiving, the Fund will deliver cash equal to the value of that security.

The Adviser might choose to select redemption securities that do not represent an exact slice of a Fund's portfolio in order to effectively implement changes to a Fund's portfolio composition, take advantage of tax strategies or address corporate actions. The Adviser represents that this freedom will benefit Beneficial Owners because the Adviser can use redemption events to liquidate unwanted positions without incurring brokerage charges or taxable gains. To address odd lots, fractional shares, tradeable sizes or other

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because it receives distributions from the blind trust. As a result, all income, gain or loss realized by the blind trust will be directly attributed to the Authorized Participant. In a redemption, the Authorized Participant will have a basis in the distributed securities equal to the fair market value at the time of the distribution and any gain or loss realized on the sale of those Shares will be taxable income to the Authorized Participant.

situations where dividing securities is not practical or possible, the Adviser may make minor adjustments to the pro rata portion of portfolio securities selected for distribution to each redeeming Authorized Participant on such Business Day.

The Trust will accept an AP Redemption Order in proper form. An AP Redemption Order is subject to acceptance by the Trust and must be preceded or accompanied by an irrevocable commitment to deliver the requisite number of Shares. At the time of settlement, an Authorized Participant will initiate a delivery of the Shares versus subsequent payment against the proceeds, if any, of the sale of portfolio securities distributed to the applicable blind trust plus or minus any cash balancing amounts, and less the expenses of liquidation. The Trust, on behalf of a Fund, will maintain a security interest in the assets of a blind trust and, under applicable documentation, will be entitled to such assets in the event an Authorized Participant fails to make timely delivery of redeemed Shares.

Retail Redemption Facility

Retail Investors may submit orders to redeem Shares at NAV directly with a Fund as described below (“Retail Redemption Facility”). Retail Investors will be able to place orders to redeem Shares in less than Redemption Unit size by instructing their broker to submit an order to redeem Shares directly from the Fund (“Retail Redemption Order”). The Retail Redemption Order will be submitted to the “Redemption Agent” by the Retail Investor’s broker if the broker is a DTC Participant or by its clearing firm if it is not a DTC Participant. Redemption proceeds in connection with any Retail Redemption Order will be distributed in cash. Retail Investors may decide to redeem their Shares for cash if they want to make sure they receive the NAV and do not want to risk selling their Shares in the secondary market at a discount. Investors that are not Retail Investors can only redeem with the Fund in Redemption Unit size or larger.

On each Business Day, a Fund will process all Retail Redemption Orders received at the NAV of the Fund next calculated following submission of the Retail Redemption Order in proper form. The date the Retail Redemption Order is received in proper form will be the redemption date with respect to those Shares (the “Redemption Date”). Each Fund will establish a cut-off time for Retail Redemption Orders in proper form, which may be earlier than the time of calculation of the NAV in order to facilitate the timely submission of such orders to the Redemption Agent for processing the order at NAV on each applicable Redemption Date. All instructions from Retail Investors to their broker to submit a Retail Redemption Order in proper form will be processed by the Redemption Agent and submitted through DTC as long as it is received prior to the cut-off time, resulting in an aggregated redemption order received by the Transfer Agent from DTC on that Business Day. Any redemption instructions submitted by a DTC Participant on behalf of Retail Investors and received in proper form by the Transfer Agent/Redemption Agent shall be irrevocable. Only Retail Redemption Orders for an amount of Shares smaller than a Redemption Unit will be considered in proper form.

The date of payment upon redemption will not exceed seven days after the Redemption Date, other than as provided by Section 22(d) of the 1940 Act. The cash proceeds from any Retail Redemption Order received are generally expected to be delivered through DTC to the applicable DTC Participant’s account at DTC. The DTC Participant will in turn deposit the proceeds in the Beneficial Owner’s account or the account of the financial institution carrying the account of the Beneficial Owner.

Net Asset Value

The NAV per Share of a Fund will be computed by dividing the value of the net assets of a Fund (i.e., the value of its total assets less total liabilities) by the total number of Shares of a Fund outstanding, rounded to the nearest cent. Expenses and fees, including, without limitation, the management, administration and distribution fees, will be accrued daily and taken into account for purposes of determining NAV. Interest and investment income on the Trust's assets accrue daily and will be included in the Fund's total assets. The NAV per Share for a Fund will be calculated by the Administrator and determined as of the close of the regular trading session on the New York Stock Exchange ("NYSE") (ordinarily 4:00 p.m., E.T.) on each day that the NYSE is open. The NAV that is published will be rounded to the nearest cent; however, for purposes of determining the price of Shares in creations and redemption, the NAV will be calculated to five decimal places. The Shares of the Funds will not be priced on days on which the NYSE is closed for trading.

Shares of exchange-listed equity securities will be valued at market value, which will generally be determined using the last reported official closing or last trading price on the exchange or market on which the securities are primarily traded at the time of valuation. Repurchase and reverse repurchase agreements will be valued based on price quotations or other equivalent indications of value provided by a third-party pricing service. Money market instruments (as described above) will be valued based on price quotations or other equivalent indications of value provided by a third-party pricing service.

When last sale prices and market quotations are not readily available, are deemed unreliable or do not reflect material events occurring between the close of local markets and the time of valuation, investments will be valued using fair value pricing as determined in good faith by the Adviser under procedures established by and under the general supervision and responsibility of the Trust's Board of Trustees. Investments that may be valued using fair value pricing include, but are not limited to: (1) securities that are not actively traded; (2) securities of an issuer that becomes bankrupt or enters into a restructuring; and (3) securities whose trading has been halted or suspended.

The frequency with which each Fund's investments will be valued using fair value pricing will primarily be a function of the types of securities and other assets in which the respective Fund will invest pursuant to its investment objective, strategies and limitations. If the Funds invest in open-end management investment companies registered under the 1940 Act (other than ETFs), they may rely on the NAVs of those companies to value the shares they hold of them. Those companies may also use fair value pricing under some circumstances.

Valuing the Funds' investments using fair value pricing involves the consideration of a number of subjective factors and thus the prices for those investments may differ from current market valuations. Accordingly, fair value pricing could result in a difference between the prices used to calculate NAV and the prices used to determine a Fund's Portfolio Indicative Value ("PIV"), as described below, which could result in the market prices for Shares deviating from NAV.

<u>Availability of Information</u>

The Funds' website (www.precidianfunds.com), which will be publicly available prior to the public offering of Shares, will include a form of the prospectus for each Fund that may be downloaded. The Funds' website will include additional quantitative information updated on a daily basis, including, for each Fund, (1) daily trading volume, the prior Business Day's reported closing price, NAV and mid-point of the bid/ask spread at the time of calculation of such NAV (the "Bid/Ask Price"),[27] and a calculation of the premium and discount of the Bid/Ask Price against the NAV, and (2) data in chart format displaying the frequency distribution of discounts and premiums of the daily Bid/Ask Price against the NAV, within appropriate ranges, for each of the four previous calendar quarters.

As noted above, a mutual fund is required to file with the Commission its complete portfolio schedules for the second and fourth fiscal quarters on Form N-SAR under the 1940 Act, and is required to file its complete portfolio schedules for the first and third fiscal quarters on Form N-Q under the 1940 Act, within 60 days of the end of the quarter. Form N-Q requires funds to file the same schedules of investments that are required in annual and semi-annual reports to shareholders. The Trust's SAI and each Fund's shareholder reports will be available free upon request from the Trust. These documents and forms may be viewed on-screen or downloaded from the Commission's website at www.sec.gov.

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27 The Bid/Ask Price of a Fund will be determined using the mid-point of the highest bid and the lowest offer on the Exchange as of the time of calculation of a Fund's NAV. The records relating to Bid/Ask Prices will be retained by each Fund and its service providers.

Information regarding market price and trading volume of the Shares will be continually available on a real-time basis throughout the day on brokers' computer screens and other electronic services. Information regarding the previous day's closing price and trading volume information for the Shares will be published daily in the financial section of newspapers. Updated price information for the securities included in the Russell 1000, Russell 2000 and Russell 3000 Indexes, and for other U.S. exchange-listed equity securities is available through major market data vendors or securities exchanges trading such securities. Information relating to Russell 1000, Russell 2000 and Russell 3000 Index components is available at www.russell.com. The intraday, closing and settlement prices of money market instruments (as described above), repurchase agreements and reverse repurchase agreements will be readily available from published or other public sources, or major market data vendors such as Bloomberg and Thomson Reuters. The NAV of any investment company security investment will be readily available on the website of the relevant investment company and from major market data vendors. Quotation and last sale information for the Shares will be available via the Consolidated Tape Association ("CTA") high-speed line. In addition, the Portfolio Indicative Value ("PIV"), as defined in NYSE Arca Equities Rule 8.900 (c)(3) and as described further below, will be widely disseminated by one or more major market data vendors at least every 15 seconds during the Exchange's Core Trading Session.

Dissemination of the Portfolio Indicative Value

The PIV, which is approximate value of each Fund's investments on a per Share basis, will be disseminated every 15 seconds during the Exchange's Core Trading

Session. The PIV should not be viewed as a "real-time" update of NAV because the PIV may not be calculated in the same manner as NAV, which is computed once per day.

An independent third party calculator will calculate the PIV for each Fund during the Exchange's Core Trading Session by dividing the "Estimated Fund Value" (as described below) as of the time of the calculation by the total number of outstanding Shares of that Fund. "Estimated Fund Value" is the sum of the estimated amount of cash held in a Fund's portfolio, the estimated amount of accrued interest owed to a Fund and the estimated value of the securities held in the Fund's portfolio, minus the estimated amount of a Fund's liabilities.

The Funds will provide the independent third party calculator with information to calculate the PIV, but the Funds will not be involved in the actual calculation of the PIV.[28]

Additional information regarding the Trust and the Shares, including investment strategies, risks, creation and redemption procedures, fees, portfolio holdings disclosure policies, distributions and taxes will be included in the Registration Statement. All terms relating to the Funds that are referred to, but not defined in, this proposed rule change are defined in the Registration Statement.

Trading Halts

With respect to trading halts, the Exchange may consider all relevant factors in exercising its discretion to halt or suspend trading in the Shares of the Funds.[29] Trading in

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[28] Currently, it is the Exchange's understanding that several major market data vendors display and/or make widely available PIVs published on CTA or other data feeds. Dissemination of the PIV will allow investors to determine the value of the underlying portfolio of a Fund throughout the trading day.

Shares of the Funds will be halted if the circuit breaker parameters in NYSE Arca Equities Rule 7.12 have been reached. Trading also may be halted because of market conditions or for reasons that, in the view of the Exchange, make trading in the Shares inadvisable. These may include: (1) if the PIV applicable to a Fund's Shares is not being disseminated as required; (2) the extent to which trading is not occurring in the securities and/or the financial instruments comprising the holdings of a Fund; or (3) whether other unusual conditions or circumstances detrimental to the maintenance of a fair and orderly market are present. Trading in the Shares will be subject to NYSE Arca Equities Rule 8.900(d)(2)(C), which sets forth circumstances under which Shares of the Funds may be halted.

Trading Rules

The Exchange deems the Shares to be equity securities, thus rendering trading in the Shares subject to the Exchange's existing rules governing the trading of equity securities. Shares will trade on the NYSE Arca Marketplace from 4 a.m. to 8 p.m., E.T. in accordance with NYSE Arca Equities Rule 7.34 (Opening, Core, and Late Trading Sessions). The Exchange has appropriate rules to facilitate transactions in the Shares during all trading sessions. As provided in NYSE Arca Equities Rule 7.6, Commentary .03, the minimum price variation ("MPV") for quoting and entry of orders in equity securities traded on the NYSE Arca Marketplace is $0.01, with the exception of securities that are priced less than $1.00 for which the MPV for order entry is $0.0001.

The Shares will conform to the initial and continued listing criteria under NYSE Arca Equities Rule 8.900. The Exchange represents that, for initial and/or continued

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[29] See NYSE Arca Equities Rule 7.12.

listing, each Fund will be in compliance with Rule 10A-3 under the Act,[30] as provided by NYSE Arca Equities Rule 5.3. A minimum of 100,000 Shares of each Fund will be outstanding at the commencement of trading on the Exchange. The Exchange will obtain a representation from the issuer of the Shares of each Fund that the NAV per Share of each Fund will be calculated daily and will be made available to all market participants at the same time.

Surveillance

The Exchange represents that trading in the Shares will be subject to the existing trading surveillances, administered by the Financial Industry Regulatory Authority ("FINRA") on behalf of the Exchange, which are designed to detect violations of Exchange rules and applicable federal securities laws.[31] The Exchange represents that these procedures are adequate to properly monitor Exchange trading of the Shares in all trading sessions and to deter and detect violations of Exchange rules and federal securities laws applicable to trading on the Exchange.

The surveillances referred to above generally focus on detecting securities trading outside their normal patterns, which could be indicative of manipulative or other violative activity. When such situations are detected, surveillance analysis follows and investigations are opened, where appropriate, to review the behavior of all relevant parties for all relevant trading violations.

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30 See 17 CFR 240.10A-3.

31 FINRA surveils trading on the Exchange pursuant to a regulatory services agreement. The Exchange is responsible for FINRA's performance under this regulatory services agreement.

FINRA, on behalf of the Exchange, will communicate as needed regarding trading in the Shares, underlying stocks and ETFs with other markets and other entities that are members of the Intermarket Surveillance Group ("ISG"), and FINRA, on behalf of the Exchange, may obtain trading information regarding trading such securities from such markets and other entities. In addition, the Exchange may obtain information regarding trading in the Shares, underlying stocks and ETFs from markets and other entities that are members of ISG or with which the Exchange has in place a comprehensive surveillance sharing agreement.[32]

The Funds' Adviser will make available to FINRA and the Exchange the portfolio holdings of each Fund in order to facilitate the performance of the surveillances referred to above.

In addition, the Exchange also has a general policy prohibiting the distribution of material, non-public information by its employees.

Information Bulletin

Prior to the commencement of trading, the Exchange will inform its Equity Trading Permit ("ETP") Holders in an Information Bulletin ("Bulletin") of the special characteristics and risks associated with trading the Shares. Specifically, the Bulletin will discuss the following: (1) the procedures for purchases and redemptions of Shares and the differing rights of Retail Investors and others to redeem shares; (2) NYSE Arca Equities Rule 9.2(a), which imposes a duty of due diligence on its ETP Holders to learn the essential facts relating to every customer prior to trading the Shares; (3) the risks involved in trading the Shares during the Opening and Late Trading Sessions when an

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[32] For a list of the current members of ISG, see www.isgportal.org.

updated PIV will not be calculated or publicly disseminated; (4) how information regarding the PIV is disseminated; (5) the requirement that ETP Holders deliver a prospectus to investors purchasing newly issued Shares prior to or concurrently with the confirmation of a transaction; and (6) trading information.

In addition, the Bulletin will reference that the Funds are subject to various fees and expenses described in the Registration Statement. The Bulletin will discuss any exemptive, no-action, and interpretive relief granted by the Commission from any rules under the Act. The Bulletin will also disclose that the NAV for the Shares will be calculated after 4:00 p.m., E.T. each trading day.

2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with Section 6(b) of the Act,[33] in general, and furthers the objectives of Section 6(b)(5) of the Act,[34] in particular, in that it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest.

The Exchange believes that proposed Rule 8.900 is designed to prevent fraudulent and manipulative acts and practices in that the proposed rules relating to listing and trading of Managed Portfolio Shares provide specific initial and continued listing criteria required to be met by such securities. Proposed Rule 8.900(d) sets forth initial and continued listing criteria applicable to Managed Portfolio Shares. Proposed Rule

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33 15 U.S.C. 78f(b).

34 15 U.S.C. 78f(b)(5).

8.900(d)(1) provides that, for each series of Managed Portfolio Shares, the Corporation will establish a minimum number of Managed Portfolio Shares required to be outstanding at the time of commencement of trading. In addition, the Corporation will obtain a representation from the issuer of each series of Managed Portfolio Shares that the NAV per share for the series will be calculated daily and that the NAV will be made available to all market participants at the same time. Proposed Rule 8.900(d)(2) provides that each series of Managed Portfolio Shares will be listed and traded subject to application of the specified continued listing criteria, as described above. Proposed Rule 8.900(d)(2)(A) provides that the PIV for Managed Portfolio Shares will be widely disseminated by one or more major market data vendors at least every 15 seconds during the Exchange's Core Trading Session. Proposed Rule 8.900(d)(2)(C) provides that, if the PIV of a series of Managed Portfolio Shares is not being disseminated as required, the Corporation may halt trading during the day in which the interruption to the dissemination of the PIV occurs. If the interruption to the dissemination of the PIV persists past the trading day in which it occurred, the Corporation will halt trading no later than the beginning of the trading day following the interruption. If a series of Managed Portfolio Shares is trading on the Corporation pursuant to UTP, the Corporation will halt trading in that series as specified in Rule 7.34(a). In addition, if the Exchange becomes aware that the NAV with respect to a series of Managed Portfolio Shares is not disseminated to all market participants at the same time, it will halt trading in such securities until such time as the NAV is available to all market participants. Proposed Commentary .05 to NYSE Arca Equities Rule 8.900 provides that, if the investment adviser to the Investment Company issuing Managed Portfolio Shares is affiliated with a broker-dealer, such investment adviser shall erect a "fire wall" between the investment adviser and the broker-dealer with respect to access to information concerning the composition and/or changes to such Investment Company portfolio. Personnel who make decisions on the Investment Company's portfolio composition must be subject to procedures designed to prevent the use and dissemination of material nonpublic information regarding the applicable Investment Company portfolio.

With respect to the proposed listing and trading of Shares of the Funds, the Exchange believes that the proposed rule change is designed to prevent fraudulent and manipulative acts and practices in that the Shares will be listed and traded on the Exchange pursuant to the initial and continued listing criteria in NYSE Arca Equities Rule 8.900. Price information for the exchange-listed equity securities held by the Funds will be available through major market data vendors or securities exchanges listing and trading such securities. All exchange-listed equity securities held by the Funds will be listed on national securities exchanges. The listing and trading of such securities is subject to rules of the exchanges on which they are listed and traded, as approved by the Commission. The Funds will primarily hold securities in the Russell 3000 Index or ETFs that invest primarily in the Russell 3000 Index. Further, the Funds will not invest in options, futures or swaps. A Fund’s investments will be consistent with its respective investment objective and will not be used to enhance leverage. The Funds will not invest in non-U.S. issues. FINRA, on behalf of the Exchange, will communicate as needed regarding trading in the Shares and underlying stocks and ETFs with other markets and other entities that are members of the ISG, and FINRA, on behalf of the Exchange, may obtain trading information regarding trading such securities from such markets and other entities. In addition, the Exchange may obtain information regarding trading in the Shares, underlying stocks and ETFs from markets and other entities that are members of ISG or with which the Exchange has in place a comprehensive surveillance sharing agreement.

The Exchange, after consulting with various Lead Market Makers that trade ETFs on the Exchange, believes that market makers will be able to make efficient and liquid markets priced near the PIV as long as an accurate PIV is disseminated every 15 seconds and market makers have knowledge of a fund's means of achieving its investment objective, even without daily disclosure of a fund's underlying portfolio. The Exchange believes that market makers will employ risk-management techniques such as "statistical arbitrage", which is currently used throughout the financial services industry, to make efficient markets in exchange traded products.[35] This ability should permit market makers to make efficient markets in Fund Shares without knowledge of a fund's underlying portfolio.

The Exchange understands that traders use statistical analysis to derive correlations between different sets of instruments to identify opportunities to buy or sell one set of instruments when it is mispriced relative to the others. For Managed Portfolio Shares, market makers will initially use the knowledge of a fund's means of achieving its investment objective, as described in the applicable fund registration statement, to construct a hedging proxy for a fund to manage a market maker's quoting risk in connection with trading fund shares. Market makers will then conduct statistical arbitrage between their hedging proxy (for example, the Russell 1000 Index) and shares of a fund,

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35 See note 10, supra.

buying and selling one against the other over the course of the trading day. Eventually, at the end of each day, they will evaluate how their proxy performed in comparison to the price of a fund’s shares, and use that analysis as well as knowledge of risk metrics, such as volatility and turnover, to enhance their proxy calculation to make it a more efficient hedge.

Market makers have indicated to the Exchange that, after the first few days of trading, there will be sufficient data to run a statistical analysis which will lead to spreads being tightened substantially around PIV. This is similar to certain other existing exchange traded products (for example, ETFs that invest in foreign securities that do not trade during U. S. trading hours), in which spreads may be generally wider in the early days of trading and then narrow as market makers gain more confidence in their real-time hedges.

The Lead Market Makers also indicated that, as with some other new exchange-traded products, spreads may be generally wider in the early days of trading and would tend to narrow as market makers gain more confidence in the accuracy of their hedges and their ability to adjust these hedges in real-time relative to the published PIV and gain an understanding of the applicable market risk metrics such as volatility and turnover, and as natural buyers and sellers enter the market. Other relevant factors cited by Lead Market Makers were that a fund’s investment objectives are clearly disclosed in the applicable prospectus, the existence of quarterly portfolio disclosure, and the ability to create shares in any size.

The Commission’s concept release regarding “Actively Managed Exchange-Traded Funds” highlighted several issues that could impact the Commission’s willingness to authorize the operation of an actively-managed ETF, including whether effective arbitrage of the ETF shares exists.[36] The Concept Release identifies the transparency of a fund's portfolio and the liquidity of the securities in a fund's portfolio as central to effective arbitrage. However, certain existing ETFs with portfolios of foreign securities have shown their ability to trade efficiently in the secondary market at approximately their NAV even though they do not provide opportunities for riskless arbitrage transactions during much of the trading day.[37] Such ETFs have been shown to have pricing characteristics very similar to ETFs that can be arbitraged in this manner. For example, index-based ETFs containing securities that trade during different trading hours than the ETF, such as ETFs that hold Asian stocks, have demonstrated efficient pricing characteristics notwithstanding the inability of market professionals to engage in "riskless arbitrage" with respect to the underlying portfolio for most, or even all, of the U.S. trading day when Asian markets are closed. Pricing for shares of such ETFs is efficient because market professionals are still able to hedge their positions with offsetting, correlated positions in derivative instruments during the entire trading day.

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36 See Investment Company Act Release No. 25258 (November 8, 2001) (the "Concept Release").

37 The Adviser represents that the mechanics of arbitrage and hedging differ. Prior Rule 10a-1 and Regulation T under the Act both describe arbitrage as either buying and selling the same security in two different markets or buying and selling two different securities, one of which is convertible into the other. This is also known as a "riskless arbitrage" transaction in that the transaction is risk free since it generally consists of buying an asset at one price and simultaneously selling that same asset at a higher price, thereby generating a profit on the difference. Hedging, on the other hand, involves managing risk by purchasing or selling a security or instrument that will track or offset the value of another security or instrument. Arbitrage and hedging are both used to manage risk; however, they involve different trading strategies.

The real-time dissemination of a fund's PIV, together with the right of Authorized Participants to create and redeem each day at the NAV, will be sufficient for market participants to value and trade shares in a manner that will not lead to significant deviations between the shares' Bid/Ask Price and NAV. In addition, with respect to Shares of the Funds, the Retail Redemption Facility will permit retail shareholders holding amounts smaller than a Redemption Unit to redeem at NAV on any day the Exchange is open in the event there is any negative variance between the NAV of a Fund's Shares and the secondary market price of Shares at the Valuation Time.

The pricing efficiency with respect to trading a series of Managed Portfolio Shares will not generally rest on the ability of market participants to arbitrage between the shares and a fund's portfolio, but rather on the ability of market participants to assess a fund's underlying value accurately enough throughout the trading day in order to hedge positions in shares effectively. Professional traders will buy shares that they perceive to be trading at a price less than that which will be available at a subsequent time, and sell shares they perceive to be trading at a price higher than that which will be available at a subsequent time. It is expected that, as part of their normal day-to-day trading activity, market makers assigned to shares by the Exchange, off-exchange market makers, firms that specialize in electronic trading, hedge funds and other professionals specializing in short-term, non-fundamental trading strategies will assume the risk of being "long" or "short" shares through such trading and will hedge such risk wholly or partly by simultaneously taking positions in correlated assets[38] or by netting the exposure against

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38 Price correlation trading is used throughout the financial industry. It is used to discover both trading opportunities to be exploited, such as currency pairs and statistical arbitrage, as well as for risk mitigation such as dispersion trading and

other, offsetting trading positions – much as such firms do with existing ETFs and other equities. Disclosure of a fund's investment objective and principal investment strategies in its prospectus and SAI, along with the dissemination of the PIV every 15 seconds, should permit professional investors to engage easily in this type of hedging activity.[39]

With respect to trading of Shares of the Funds, the ability of market participants to buy and sell Shares at prices near the PIV is dependent upon their assessment that the PIV is a reliable, indicative real-time value for a Fund's underlying holdings. Market

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beta hedging. These correlations are a function of differentials, over time, between one or multiple securities pricing. Once the nature of these price deviations have been quantified, a universe of securities is searched in an effort to, in the case of a hedging strategy, minimize the differential. Once a suitable hedging basket has been identified, a trader can minimize portfolio risk by executing the hedging basket. The trader then can monitor the performance of this hedge throughout the trade period, making corrections where warranted.

39 With respect to trading in Shares of the Funds, market participants manage risk in a variety of ways. It is expected that market participants will be able to determine how to trade Shares at levels approximating the PIV without taking undue risk by gaining experience with how various market factors (e.g., general market movements, sensitivity of the PIV to intraday movements in interest rates or commodity prices, etc.) affect PIV, and by finding hedges for their long or short positions in Shares using instruments correlated with such factors. The Adviser expects that market participants will initially determine the PIV's correlation to a major large capitalization equity benchmark with active derivative contracts, such as the Russell 1000 Index, and the degree of sensitivity of the PIV to changes in that benchmark. For example, using hypothetical numbers for illustrative purposes, market participants should be able to determine quickly that price movements in the Russell 1000 Index predict movements in a Fund's PIV 95% of the time (an acceptably high correlation) but that the PIV generally moves approximately half as much as the Russell 1000 Index with each price movement. This information is sufficient for market participants to construct a reasonable hedge – buy or sell an amount of futures, swaps or ETFs that track the Russell 1000 equal to half the opposite exposure taken with respect to Shares. Market participants will also continuously compare the intraday performance of their hedge to a Fund's PIV. If the intraday performance of the hedge is correlated with the PIV to the expected degree, market participants will feel comfortable they are appropriately hedged and can rely on the PIV as appropriately indicative of a Fund's performance.

participants are expected to accept the PIV as a reliable, indicative real-time value because (1) the PIV will be calculated and disseminated based on a Fund's actual portfolio holdings (rather than a proxy portfolio), (2) the securities in which the Funds plan to invest are generally highly liquid and actively traded and therefore generally have accurate real time pricing available, and (3) market participants will have a daily opportunity to evaluate whether the PIV at or near the close of trading is indeed predictive of the actual NAV. Because there is less risk of variability between the current PIV and the NAV nearer to the Valuation Time, it is expected that the bid/ask spread for Shares will initially tend to be less as the market approaches the close and market participants have a very high degree of certainty that they can trade at a level that reflects the current value of a Fund's holdings. It is also expected, however, that market participants will quickly be able to determine, after gaining experience with how various market factors (e.g., general market movements, sensitivity or correlations of the PIV to intraday movements in interest rates or commodity prices, other benchmarks, etc.) affect PIV, how best to hedge long or short positions taken in Shares in a manner that will permit them to provide a Bid/Ask Price for Shares that is near to the PIV throughout the day. The ability of market participants to accurately hedge their positions should serve to minimize any divergence between the secondary market price of the Shares and the PIV, as well as create liquidity in the Shares.

The real-time dissemination of a Fund's PIV, together with the ability of Authorized Participants to create and redeem each day at the NAV, will be crucial for market participants to value and trade Shares in a manner that will not lead to significant deviations between the Shares' Bid/Ask Price and NAV.[40] In addition, the Retail Redemption Facility will permit retail shareholders holding amounts smaller than a Redemption Unit to redeem at NAV on any day the Exchange is open in the event there is any negative variance between NAV of a Fund's Shares and the secondary market price of Shares at the Valuation Time.

In a typical index-based ETF, it is necessary for Authorized Participants to know what securities must be delivered in a creation or will be received in a redemption. For Managed Portfolio Shares, however, Authorized Participants do not need to know the securities comprising the portfolio of a Fund since creations are for cash and redemptions are handled through the blind trust mechanism. The use of cash for creations, and in-kind redemption through a blind trust, will preserve the integrity of the active investment strategy and eliminate the potential for "free riding", while still providing investors with the advantages of the ETF structure.

The proposed rule change is designed to promote just and equitable principles of trade and to protect investors and the public interest in that the Exchange will obtain a representation from the issuer of an issue of Managed Portfolio Shares that the NAV per share of a fund will be calculated daily and that the NAV and will be made available to all market participants at the same time. Investors can also obtain a fund's SAI, shareholder reports, and its Form N-CSR and Form N-SAR. A fund's SAI and shareholder reports will be available free upon request from the the applicable fund, and those documents and the Form N-CSR and Form N-SAR may be viewed on-screen or

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[40] The statements in the Statutory Basis section of this filing relating to pricing efficiency, arbitrage, and activities of market participants, including market makers and Authorized Participants, are based on representations by the Adviser and review by the Exchange.

downloaded from the Commission's website. In addition, with respect to the Funds, a large amount of information will be publicly available regarding the Funds and the Shares, thereby promoting market transparency. Quotation and last sale information for the Shares will be available via the CTA high-speed line. Information regarding the intra-day value of the Shares of the Fund, which is the PIV as defined in proposed NYSE Arca Equities Rule 8.900 (c)(3), will be widely disseminated every 15 seconds throughout the Exchange's Core Trading Session by one or more major market data vendors. The website for the Funds will include a form of the prospectus for the Funds that may be downloaded, and additional data relating to NAV and other applicable quantitative information, updated on a daily basis. Moreover, prior to the commencement of trading, the Exchange will inform its ETP Holders in an Information Bulletin of the special characteristics and risks associated with trading the Shares. Trading in Shares of a Fund will be halted if the circuit breaker parameters in NYSE Arca Equities Rule 7.12 have been reached or because of market conditions or for reasons that, in the view of the Exchange, make trading in the Shares inadvisable. Trading in the Shares will be subject to NYSE Arca Equities Rule 8.900(d)(2)(C), which sets forth circumstances under which Shares of the Funds may be halted. In addition, as noted above, investors will have ready access to the PIV, and quotation and last sale information for the Shares. The Shares will conform to the initial and continued listing criteria under proposed Rule 8.900. The Funds will not invest in options, futures, forwards or swaps. Each Fund's investments will be consistent with its investment objective and will not be used to enhance leverage. While a Fund may invest in inverse

ETFs, a Fund will not invest in leveraged (e.g., 2X, -2X, 3X or -3X) ETFs. The Funds will not invest in non-U.S. equity securities.

The proposed rule change is designed to perfect the mechanism of a free and open market and, in general, to protect investors and the public interest in that it will facilitate the listing and trading of an additional type of actively-managed exchange-traded product that will enhance competition among market participants, to the benefit of investors and the marketplace. As noted above, the Exchange has in place surveillance procedures relating to trading in the Shares and may obtain information via ISG from other exchanges that are members of ISG or with which the Exchange has entered into a comprehensive surveillance sharing agreement. In addition, as noted above, investors will have ready access to information regarding the PIV and quotation and last sale information for the Shares.

B. Self-Regulatory Organization's Statement on Burden on Competition

The Exchange does not believe that the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The Exchange believes the proposed rule change would permit listing and trading of another type of actively-managed ETF that has characteristics different from existing actively-managed and index ETFs, and would introduce additional competition among various ETF products to the benefit of investors.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

No written comments were solicited or received with respect to the proposed rule change.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission

Action

Within 45 days of the date of publication of this notice in the Federal Register or within such longer period (i) as the Commission may designate up to 90 days of such date if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the self-regulatory organization consents, the Commission will:

(A) by order approve or disapprove the proposed rule change, or

(B) institute proceedings to determine whether the proposed rule change should be disapproved.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic comments:

- Use the Commission's Internet comment form (http://www.sec.gov/rules/sro.shtml); or
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-NYSEARCA-2014-10 on the subject line.

Paper comments:

- Send paper comments in triplicate to Elizabeth M. Murphy, Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-NYSEARCA-2014-10. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet website (http://www.sec.gov/rules/sro.shtml). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Section, 100 F Street, NE, Washington, DC 20549-1090. Copies of the filing will also be available for inspection and copying at the NYSE's principal office and on its Internet website at www.nyse.com. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-NYSEARCA-2014-10 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.[41]

Kevin M. O'Neill
Deputy Secretary

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[41] 17 CFR 200.30-3(a)(12).

Exhibit 5

Test of the Proposed Rule Change[1]

Rules of NYSE Arca Equities, Inc.

Rule 7

Equities Trading

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Rule 7.34. Trading Sessions

(a) Sessions. The NYSE Arca Marketplace shall have three trading sessions each day the Corporation is open for business unless otherwise determined by the Corporation:

(1) – (3) No Change.

(4) Trading Halts for Trading Pursuant to Unlisted Trading Privileges of Derivative Securities Products on the NYSE Arca Marketplace.

(A) Opening Session. If a security described in NYSE Arca Equities Rules 5.1(b)(13), 5.1(b)(18), 5.2(j)(3), 8.100, 8.200, 8.201, 8.202, 8.203, 8.204, 8.300, 8.400, 8.500, 8.600, [and] 8.700, and 8.900 (for purposes of this Rule 7.34, a "Derivative Securities Product") begins trading on the NYSE Arca Marketplace in the Opening Session and subsequently a temporary interruption occurs in the calculation or wide dissemination of the Intraday Indicative Value ("IIV") or the value of the underlying index, as applicable, to such Derivative Securities Product, by a major market data vendor, NYSE Arca may continue to trade the Derivative Securities Product for the remainder of the Opening Session.

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1 Underlining indicates new text; [brackets] indicate deletions.

Rule 8

Trading of Certain Equity Derivatives

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Rule 8.900. Managed Portfolio Shares

(a) The Corporation will consider for trading, whether by listing or pursuant to unlisted trading privileges, Managed Portfolio Shares that meet the criteria of this Rule.

(b) Applicability. This Rule is applicable only to Managed Portfolio Shares. Except to the extent inconsistent with this Rule, or unless the context otherwise requires, the rules and procedures of the Board of Directors shall be applicable to the trading on the Corporation of such securities. Managed Portfolio Shares are included within the definition of "security" or "securities" as such terms are used in the Rules of the Corporation.

(c) Definitions. The following terms as used in the Rules shall, unless the context otherwise requires, have the meanings herein specified:

(1) Managed Portfolio Share. The term "Managed Portfolio Share" means a security that (a) is issued by a registered investment company ("Investment Company") organized as an open-end management investment company or similar entity, that invests in a portfolio of securities selected by the Investment Company's investment adviser consistent with the Investment Company's investment objectives and policies; (b) is issued in any size amount for a cash amount equal to the next determined net asset value; (c) may be redeemed for cash by any Retail Investor in any size less than a Redemption Unit for a cash amount equal to the next determined net asset value; and (d) when aggregated in a number of shares equal to a Redemption Unit, or multiples thereof, may be redeemed at a holder's request, which holder will be paid though a blind trust established for its benefit a portfolio of securities and/or cash with a value equal to the next determined net asset value.

(2) Retail Investor. The term "Retail Investor" means (i) a natural person; (ii) a trust established for the benefit of a natural person or a group of related family members; or (iii) a tax deferred retirement plan where investments are selected by a natural person purchasing for its own account.

(3) Portfolio Indicative Value. The term "Portfolio Indicative Value" is the estimated indicative value of an Managed Portfolio Share based on all of the issuer's holdings as of the close of business on the prior business day.

(4) Redemption Unit. The term "Redemption Unit" means a specified number of Managed Portfolio Shares used for determining whether a Retail Investor may

redeem for cash.

(5) Reporting Authority. The term "Reporting Authority" in respect of a particular series of Managed Portfolio Shares means a reporting service designated by the issuer and acceptable to the Corporation or by the exchange that lists a particular series of Managed Portfolio Shares (if the Corporation is trading such series pursuant to unlisted trading privileges) as the official source for calculating and reporting information relating to such series, including, but not limited to, the Portfolio Indicative Value, net asset value, or other information relating to the issuance, redemption or trading of Managed Portfolio Shares. A series of Managed Portfolio Shares may have more than one Reporting Authority, each having different functions.

(d) Initial and Continued Listing -- Managed Portfolio Shares will be listed and traded on the Corporation subject to application of the following criteria:

(1) Initial Listing -- Each series of Managed Portfolio Shares will be listed and traded on the Corporation subject to application of the following initial listing criteria:

(A) For each series, the Corporation will establish a minimum number of Managed Portfolio Shares required to be outstanding at the time of commencement of trading on the Corporation.

(B) The Corporation will obtain a representation from the issuer of each series of Managed Portfolio Shares that the net asset value per share for the series will be calculated daily and that the net asset value will be made available to all market participants at the same time.

(2) Continued Listing -- Each series of Managed Portfolio Shares will be listed and traded on the Corporation subject to application of the following continued listing criteria:

(A) Portfolio Indicative Value. The Portfolio Indicative Value for Managed Portfolio Shares will be widely disseminated by one or more major market data vendors at least every 15 seconds during the Core Trading Session.

(B) Suspension of trading or removal. The Corporation will consider the suspension of trading in or removal from listing of a series of Managed Portfolio Shares under any of the following circumstances:

(i) if, following the initial twelve-month period after commencement of trading on the Exchange of a series of Managed Portfolio Shares, there are fewer than 50 beneficial holders of the series of Managed Portfolio Shares for 30 or more consecutive trading days;

(ii) if the value of the Portfolio Indicative Value is no longer calculated or made available to all market participants at the same time;

(iii) if the Investment Company issuing the Managed Portfolio Shares has failed to file any filings required by the Securities and Exchange Commission or if the Corporation is aware that the Investment Company is not in compliance with the conditions of any exemptive order or no-action relief granted by the Securities and Exchange Commission to the Investment Company with respect to the series of Managed Portfolio Shares; or

(iv) if such other event shall occur or condition exists which, in the opinion of the Corporation, makes further dealings on the Corporation inadvisable.

(C) Trading Halt. If the Portfolio Indicative Value of a series of Managed Portfolio Shares is not being disseminated as required, the Corporation may halt trading during the day in which the interruption to the dissemination of the Portfolio Indicative Value occurs. If the interruption to the dissemination of the Portfolio Indicative Value persists past the trading day in which it occurred, the Corporation will halt trading no later than the beginning of the trading day following the interruption. If a series of Managed Portfolio Shares is trading on the Corporation pursuant to unlisted trading privileges, the Corporation will halt trading in that series as specified in Rule 7.34(a). In addition, if the Exchange becomes aware that the net asset value with respect to a series of Managed Portfolio Shares is not disseminated to all market participants at the same time, it will halt trading in such series until such time as the net asset value is available to all market participants.

(D) Termination. Upon termination of an Investment Company, the Corporation requires that Managed Portfolio Shares issued in connection with such entity be removed from Corporation listing.

(E) Voting. Voting rights shall be as set forth in the applicable Investment Company prospectus.

(e) Limitation of Corporation Liability. Neither the Corporation, the Reporting Authority, nor any agent of the Corporation shall have any liability for damages, claims, losses or expenses caused by any errors, omissions, or delays in calculating or disseminating any current portfolio value; the current value of the portfolio of securities required to be deposited to the open-end management investment company in connection with issuance of Managed Portfolio Shares; the amount of any dividend equivalent payment or cash distribution to holders of Managed Portfolio Shares; net asset value; or other information relating to the purchase, redemption, or trading of Managed Portfolio Shares, resulting from any negligent act or omission by the Corporation, the Reporting Authority or any agent of the Corporation, or any act, condition, or cause beyond the reasonable control of the Corporation, its agent, or the Reporting Authority, including, but not limited to, an act of God; fire; flood; extraordinary weather conditions; war; insurrection; riot; strike; accident; action of government; communications or power failure; equipment or software malfunction; or any error, omission, or delay in the reports of transactions in one or more underlying securities.

Commentary:

.01 The Corporation will file separate proposals under Section 19(b) of the Securities Exchange Act of 1934 before the listing and trading of Managed Portfolio Shares.

.02 Transactions in Managed Portfolio Shares will occur during the trading hours specified in NYSE Arca Equities Rule 7.34(a).

.03 Surveillance Procedures. The Exchange will implement written surveillance procedures for Managed Portfolio Shares.

.04 Creation and Redemption. Authorized Participants redeeming Managed Portfolio Shares will sign an agreement with the Fund requiring the establishment of a blind trust for the benefit of such Authorized Participant that will receive all consideration from the issuer in a redemption, which blind trust will be bound not to disclose the consideration received in a redemption except as required by law and will liquidate any securities received in a redemption in accordance with standing instructions for the Authorized Participant.

.05 If the investment adviser to the Investment Company issuing Managed Portfolio Shares is affiliated with a broker-dealer, such investment adviser shall erect a "fire wall" between the investment adviser and the broker-dealer with respect to access to information concerning the composition and/or changes to such Investment Company portfolio. Personnel who make decisions on the Investment Company's portfolio composition must be subject to procedures designed to prevent the use and dissemination of material nonpublic information regarding the applicable Investment Company portfolio.

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