



STOCK EXCHANGE			
Regulatory Information Circular			
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**Subject: AirShares™ EU Carbon Allowances Fund**

**Background Information on the Funds**

As more fully explained in the Registration Statement) (No. 333-145448) of the AirShares EU Carbon Allowances Fund (“AirShares” or the “Fund”), the Fund is a commodity pool that will issue units of beneficial interest, or Shares. Each Share will represent a unit of fractional undivided beneficial interest in and ownership of AirShares™ EU Carbon Allowances Fund. XShares Advisors LLC, a Delaware limited liability company, will serve as Sponsor of the Fund. The Sponsor was formed on March 15, 2006. The Sponsor will serve as the commodity pool operator of the Fund.

The investment objective of the Fund is to provide investors with investment results which correspond generally, before payment of the Fund's expenses and liabilities, to the performance of a basket of several years of exchange-traded futures contracts for EUAs, each expiring in December. A EUA is an entitlement to emit one metric tonne, or ton, of carbon dioxide equivalent that is transferable under the EU ETS. The EU ETS is a "cap and trade" emissions trading program established by the European Union in furtherance of the joint commitment of its member states under the Kyoto Protocol to reduce their greenhouse gas emissions. The Kyoto Protocol, which was adopted pursuant to the United Nations Framework Convention on Climate Change, seeks to achieve the stabilization of greenhouse gas concentrations in the atmosphere at a level that would prevent adverse effects on the world's climate system resulting from human activities. The developed countries that have ratified and are parties to the Kyoto Protocol have committed to adopt national policies and measures intended to return greenhouse gases generally to their 1990 levels. Each such party must meet its commitment over the 5-year period commencing January 1, 2008 and ending December 31, 2012, which we refer to as the Kyoto first commitment period.

The Fund's portfolio of futures contracts will initially consist of long positions in ICE Futures ECX Carbon Financial Instrument Futures Contracts, each expiring in December, which we refer to as ECX CFI Futures Contracts. ECX CFI Futures Contracts have been developed by the European Climate Exchange and are listed and admitted to trading on the London-based ICE Platform operated by ICE Futures. These contracts are standardized contractual instruments for futures on deliverable EUAs issued under the EU ETS. Each contract provides for delivery of 1,000 EUAs on a specified date at a specified price. The Fund will hold an unleveraged long position in a portfolio of ECX CFI Futures Contracts.

Environmental Capital Management, LLC will serve as the Fund's commodity trading advisor, or CTA, with primary responsibility for trading the Fund's futures contracts and overseeing its foreign currency hedging activities. Environmental Capital Management, LLC registered with the CFTC as a commodity trading advisor. Newedge USA, LLC serves as the Fund's clearing broker, or Commodity Broker, to execute and clear the Fund's futures transactions and provide other brokerage-related services. Brown Brothers Harriman & Co. serves as the administrator and custodian of the Fund. ALPS Distributors, Inc. serves as the Distributor of the Fund.

The Fund will create and redeem Shares from time to time, but only in one or more Baskets. A Basket is a block of 100,000 Shares. Baskets may be created or redeemed only by Authorized Participants. Except when aggregated in Baskets, the Shares are not redeemable securities. Authorized Participants pay a non-refundable \$1,000 per Basket transaction fee, which shall be paid to an account, maintained by the Custodian and shall be provided in same day or immediately available funds no later than 10:00 a.m. on the first Business Day following the date on which each purchase or redemption order is accepted. Authorized Participants may sell the Shares included in the Baskets they purchase from the Fund to other investors.

Net asset value, or NAV, of the Fund means the total assets of the Fund including, but not limited to, all cash and cash equivalents (which will consist of high credit quality fixed income securities) less total expenses and liabilities of the Fund, each determined on the basis of generally accepted accounting principles in the United States, consistently applied under the accrual method of accounting.

The NAV per Share for the fund will be determined as of the close of trading (normally, 4:00 p.m. Eastern Standard Time ("ET")) on each day that the New York Stock Exchange is open for business (a "Business Day"). The NAV per Share is the NAV of the Fund divided by the number of outstanding Shares. The NAV of the Fund will be calculated using the closing prices of the futures contracts in the Fund's portfolio on the relevant exchange (initially ICE Futures), and will reflect the prevailing euro to U.S. dollar spot conversion rate at that time to convert such prices to US dollars. The NAV of the Fund and the NAV per share will be available to shareholders through data services such as Bloomberg. Information concerning the prior day's NAV of the Fund and the prior day's NAV per Share will also be available on the Fund's website (<http://www.xsharesadvisors.com/airshares>), calculated as of the closing of the principal exchange on which the Fund's futures contracts are traded (initially ICE Futures) each day that such exchange is open for trading.

The Trusts registration statement describes the various fees and expenses for the Fund's Shares. For a more complete description of the Fund and the underlying index, visit [www.xshareadvisors.com](http://www.xshareadvisors.com).

### **Purchases and Redemptions in Creation Unit Size**

Equity Electronic Access Members ("Equity EAMs") are hereby informed that procedures for purchases and redemptions of Shares in Creation Units are described in the Trust's Prospectus and Statement of Additional Information and that Shares are not individually redeemable but are redeemable only in Creation Unit aggregations or multiples thereof.

## **Investment Risks**

Equity EAMs are referred to the Trust's Registration Statement for a description of risks associated with an investment in the Shares of a Fund, which include but are not limited to:

- If the member states of the European Union fail to adhere to their obligations under the Kyoto Protocol or the EU ETS, the value of the Shares may be adversely affected;
- In making an investment decision regarding the Shares, you cannot forecast the investment performance of EUAs during the second phase (2008-2012) based on the investment performance of EUAs during the first phase (2005-2007);
- The market for EUAs may be volatile and illiquid, which may adversely affect the value of the Shares;
- The value of the Shares could be adversely affected if the Fund includes in its portfolio EUA futures contracts expiring in December of any year after 2012;
- The value of the Fund's positions in EUA futures contracts expiring in December may diverge from the value of all EUA futures contracts expiring in any calendar year;
- The failure of the national registries of European Union countries to become and to remain linked with the International Transaction Log could adversely affect the liquidity of EUAs, which could in turn adversely affect the value of the Shares;
- The futures contracts to be owned by the Fund have no intrinsic value;
- The Fund's NAV may not always correspond to the market price of the Shares, with the result that Baskets may be created or redeemed at a value that differs from the market price of the Shares;
- Although the Shares are intended to provide investment results that relate directly to the value of its long positions in EUA futures contracts expiring in December, the value of the Shares may diverge from the value of such long positions for various reasons;
- The NAV calculation of the Fund may be overstated or understated if a settlement price is not available;
- The Fund is not actively managed and will not seek to obtain a profit or ameliorate losses caused by changes in the price of the portfolio contracts;
- The lack of an active trading market for the Shares may result in losses on your investment at the time of disposition of your Shares;
- The Fund will invest in a single commodity and so may be subject to greater volatility than a more diversified commodity pool; and
- The trading activities of the Fund will subject holders of Shares to currency risk.

## **Other Information**

There is no regulated source of last sale information regarding physical commodities. The Securities and Exchange Commission has no jurisdiction over the trading of EUA futures contracts and that the Financial Services Authority in the United Kingdom has regulatory jurisdiction over the trading of EUA futures contracts and related options.

## **Exchange Rules Applicable to Trading in the Shares**

The Shares are considered equity securities, thus rendering trading in the Shares subject to the Exchange's existing rules governing the trading of equity securities.

## **Trading Hours**

Trading in the shares on ISE is on a UTP basis and is subject to ISE equity trading rules. The shares will trade from 8:00 a.m. until 5:00 p.m. Eastern Time. Equity EAMs trading the shares during the Extended Market Sessions are exposed to the risk of the lack of the calculation or dissemination of underlying index value or intraday indicative value ("IIV"). For certain derivative securities products, an updated underlying index value or IIV may not be calculated or publicly disseminated in the Extended Market hours. Since the underlying index value and IIV are not calculated or widely disseminated during Extended Market hours, an investor who is unable to calculate implied values for certain derivative securities products during Extended Market hours may be at a disadvantage to market professionals.

## **Trading Halts**

ISE will halt trading in the Shares of a Trust in accordance with ISE Rule 2101(a)(2)(iii). The grounds for a halt under this Rule include a halt by the primary market because it stops trading the Shares and/or a halt because dissemination of the IIV or applicable currency spot price has ceased, or a halt for other regulatory reasons. In addition, ISE will stop trading the Shares of a Trust if the primary market de-lists the Shares.

## **Delivery of a Prospectus**

Pursuant to federal securities laws, investors purchasing Shares must receive a prospectus prior to or concurrently with the confirmation of a transaction. Investors purchasing Shares directly from the Fund (by delivery of the Deposit Amount) must also receive a prospectus.

Prospectuses may be obtained through the Distributor or on the Fund's website. The Prospectus does not contain all of the information set forth in the registration statement (including the exhibits to the registration statement), parts of which have been omitted in accordance with the rules and regulations of the SEC. For further information about the Fund, please refer to the Trust's registration statement.

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

The SEC's Division of Trading and Markets issued a letter dated November 10, 2008 from Josephine J. Tao, Esq., Assistant Director, Division of Trading and Markets, to Robert W. Murray, Baker Botts LLP (the "No-Action Letter"), granting exemptive and no action relief from certain provisions of and rules under the Securities Exchange Act of 1934, as amended (the "1934 Act"), regarding trading in securities similar to the Shares.

## **Rules 101 and 102 of Regulation M**

Under the No-Action Letter, the Fund is exempted under paragraph (d) of Rule 101, permitting persons who may be deemed to be participating in a distribution of the Shares to bid for or purchase Shares during their participation in such distribution. The Fund is also exempted under paragraph (d) of Rule 101 to permit the Index Sponsor, to publish research during the applicable restricted period on the Fund's website. The No-Action Letter also exempted the Fund under paragraph (e) of Rule 102, permitting the Fund and

its affiliated purchasers to redeem Shares in Baskets during the continuous offering of Shares.

**This Regulatory Information Circular is not a statutory Prospectus. Equity EAMs should consult the Trust's Registration Statement, SAI, Prospectus and the Fund's website for relevant information.**

## Appendix A

<b>Ticker</b>	<b>Fund Name</b>
ASO	AirShares EU Carbon Allowances Fund