Making Markets Better®

September 17, 2014

Secretary
Securities and Exchange Commission
100 F Street, N.E.
Washington, DC 20549-1090

Re: File No. SR-BATS-2014-026, Amendment No. 3

To Whom It May Concern:

On September 12, 2014, BATS Exchange, Inc. (the "Exchange") filed with the Securities and Exchange Commission (the "SEC" or "Commission") Amendment No. 3 to SR-BATS-026 which replaced in its entirety Amendment No. 2, originally submitted on August 26, 2014, which replaced in its entirety Amendment No. 1, originally submitted on August 15, 2014, which replaced in its entirety the proposal as originally submitted on July 3, 2014. The Exchange submitted the proposed change in order to list and trade shares of certain funds of the Alpha Architect ETF Trust (the "Funds") under BATS Rule 14.11(i), entitled Managed Fund Shares, and Amendment No. 3 in particular was submitted in order to clarify certain points about the Funds. In order to provide notice for public review of this Amendment No. 3, in addition to posting on the Exchange's public website the Exchange is filing this comment letter with the Commission.

Sincerely,

Anders Franzon
VP, Associate General Counsel

OMB APPROVAL
OMB Number: 3235-0045 Estimated average burden hours per response............38

Required fields are shown with yellow backgrounds and asterisks.

Page 1 of * 90

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

File No.* SR - 2014 - * 026
Amendment No. (req. for Amendments *) 3

Filing by BATS Exchange

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 *).

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 * Anders Last Name * Franzon

Title * VP, Associate General Counsel

E-mail * afranzon@bats.com

Telephone * (913) 815-7154 Fax (913) 815-7119

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 09/12/2014

By Anders Franzon

(Name *)

(Title *) VP, Associate General Counsel

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.

Persona Not Validated - 1393947650974,

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

Pursuant to the provisions of Section 19(b)(1) of the Securities Exchange Act of 1934 (the "Act"),[1] and Rule 19b-4 thereunder,[2] BATS Exchange, Inc. (the "Exchange" or "BATS") is filing with the Securities and Exchange Commission ("Commission") a proposed rule change to list and trade shares of certain funds (the "Fund" when discussed individually or, collectively, the "Funds") of the Alpha Architect ETF Trust (the "Trust") under BATS Rule 14.11(i) ("Managed Fund Shares"). The shares of each Fund and the shares of the Funds collectively, as applicable, are referred to herein as the "Shares."

(a) Not applicable.

(b) Not applicable.

(c) Not applicable.

2. Procedures of the Self-Regulatory Organization

The proposed rule change was approved by senior management of the Exchange pursuant to authority delegated by the Board of Directors of the Exchange on February 11, 2014. Exchange staff will advise the Board of Directors of the Exchange of any action taken pursuant to delegated authority. No other action is necessary for the filing of the rule change.

The persons on the Exchange staff prepared to respond to questions and comments on the proposed rule change are:

Eric Swanson
EVP, General Counsel
(913) 815-7000

Anders Franzon
VP, Associate General Counsel
(913) 815-7154

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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

This Amendment No. 3 to SR-BATS-2014-026 amends and replaces in its entirety Amendment No. 2, originally submitted on August 26, 2014, which replaced in its entirety Amendment No. 1, originally submitted on August 15, 2014, which replaced in its entirety the proposal as originally submitted on July 3, 2014. Amendment No. 3 clarifies certain points about the Funds.

The Exchange proposes to list and trade the Shares under BATS Rule 14.11(i), which governs the listing and trading of Managed Fund Shares on the Exchange.[3] The Funds will be actively managed funds. The Exchange proposes to list and trade Shares of the following Funds: (i) ValueShares U.S. Quantitative Value ETF; (ii) ValueShares International Quantitative Value ETF; (iii) MomentumShares U.S. Quantitative Momentum ETF; and (iv) MomentumShares International Quantitative Momentum ETF. The Shares will be offered by the Trust, which was established as a Delaware statutory trust on October 11, 2013. The Trust is registered with the Commission as an open-end investment company and has filed a registration statement on behalf of the Funds on Form N-1A ("Registration Statement") with the Commission.[4]

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[3] The Commission approved BATS Rule 14.11(i) in Securities Exchange Act Release No. 65225 (August 30, 2011), 76 FR 55148 (September 6, 2011) (SR-BATS-2011-018).

[4] See Registration Statement on Form N-1A for the Trust, dated April 25, 2014 (File Nos. 333-195493 and 811-22961). The descriptions of the Fund and the Shares contained herein are based, in part, on information in the Registration Statement. The Commission has issued an order granting certain exemptive relief to the Trust under the Investment Company Act of 1940 (15 U.S.C. 80a-1) ("1940

Description of the Shares and the Funds

Empowered Funds, LLC is the investment adviser ("Adviser") to the Funds.[5] U.S. Bancorp Fund Services, LLC is the administrator and transfer agent ("Administrator," and "Transfer Agent," respectively) for the Trust. U.S. Bank National Association is the Custodian ("Custodian") for the Trust. Quasar Distributors, LLC ("Distributor") serves as the distributor for the Trust.

BATS Rule 14.11(i)(7) provides that, if the investment adviser to the investment company issuing Managed Fund 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.[6] In addition, Rule 14.11(i)(7) further

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Act") (the "Exemptive Order"). See Investment Company Act Release No. 31018 (April 16, 2014) (File No. 812-14245).

5 The Adviser is an indirect subsidiary of Empirical Finance, LLC d/b/a Empiritrage, LLC.

6 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 are 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 violation, 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.

requires that 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. Rule 14.11(i)(7) is similar to BATS Rule 14.11(b)(5)(A)(i), however, Rule 14.11(i)(7) 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 a registered broker-dealer and is not affiliated with any broker-dealers. In the event that (a) the Adviser becomes registered as a broker-dealer or 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 such broker-dealer affiliate, as applicable, 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.

<u>ValueShares U.S. Quantitative Value ETF</u>

According to the Registration Statement, the Fund will seek to provide long-term capital appreciation. The Fund will invest, under normal circumstances,[7] at least 80% of its net assets, plus any borrowings for investment purposes, in securities of U.S.

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[7] The term "under normal circumstances" includes, but is not limited to, the absence of adverse market, economic, political, or other conditions, including extreme volatility or trading halts in 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.

companies,[8] as described below. To achieve its objective, the Fund will invest, under normal circumstances, in U.S. equity securities that the Adviser believes, based on quantitative analysis, are undervalued at the time of purchase and have the potential for capital appreciation. A security is undervalued when it trades at a price below the price at which the Adviser believes it would trade if the market reflected all factors relating to the issuer's worth. In choosing investments that are undervalued, the Adviser focuses on companies that it believes show indications of quality and financial strength but have security prices that are low relative to current operating earnings and/or are currently viewed unfavorably by equity research analysts.

The Fund will invest in the exchange-listed common stock of U.S. companies. The Fund may invest in securities of companies in any industry and of any market capitalization. Although the Fund generally expects to invest in companies with larger market capitalizations, the Fund may invest in small- and mid-capitalization companies. The Fund is an actively managed exchanged-traded fund ("ETF") and thus does not seek to replicate the performance of a specific index. Rather, the Adviser has discretion on a daily basis to actively manage the Fund's portfolio in accordance with the Fund's investment objective.

The Adviser utilizes a quantitative model to identify which securities the Fund might purchase and sell as well as opportune times for purchases and sales. While the

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8 For purposes of the Fund's investments, securities of U.S. companies include the securities of any company organized outside of the United States: (a) that is included in the S&P 500® Index; (b) that has its headquarters or principal location of operations in the United States; (c) whose primary listing is on a securities exchange or market in the United States; or (d) that derives a majority of its revenues in the United States.

Fund will invest in approximately fifty U.S. equity securities as determined by its quantitative value factors, the quantity of holdings in the Fund will be based on a number of factors, including the asset size of the Fund and the number of companies that satisfy the Adviser's quantitative measurements at any one time. The Fund's portfolio will be rebalanced to the Adviser's internal target allocations, developed pursuant to the Adviser's strategy described above, at least semi-annually.

In the absence of normal circumstances, the Fund may temporarily depart from its normal investment process, provided that such departure is, in the opinion of the Adviser, consistent with the Fund's investment objective and in the best interest of the Fund. For example, the Fund may invest up to 100% of its assets in a temporary defensive manner by holding all or a substantial portion of its assets in cash, cash equivalents, or other quality short-term investment in response to adverse market, economic, or political or other conditions. Such temporary defensive investments generally may include short-term U.S. government securities, commercial paper, bank obligations, repurchase agreements, money market fund shares, and other money market instruments.

The Fund will be classified as a "non-diversified" investment company under the 1940 Act. A non-diversified fund is a fund that is not limited by the 1940 Act with regard to the percentage of its assets that may be invested in the securities of a single issuer.[9] The Fund will not, however, concentrate its investments in a particular industry or group of industries, as that term is used in the 1940 Act.[10] Securities of the U.S.

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

10 See Form N-1A, Item 9. The Commission has taken the position that a fund is concentrated if it invests in more than 25% of the value of its total assets in any

government (including its agencies and instrumentalities), tax-free securities of state or municipal governments and their political subdivisions (and repurchase agreements collateralized by government securities) and securities of other investment companies, whether registered or excluded from registration under Section 3(c) of the 1940 Act, are not considered to be issued by members of any industry.

The Fund intends to qualify each year as a regulated investment company (a "RIC") under Subchapter M of the Internal Revenue Code of 1986, as amended.[11] The Fund will invest its assets, and otherwise conduct its operations, in a manner that is intended to satisfy the qualifying income, diversification and distribution requirements necessary to establish and maintain RIC qualification under Subchapter M.

Other Portfolio Holdings

The Fund may make secured loans of its portfolio securities; however, securities loans will not be made if, as a result, the aggregate amount of all outstanding securities loans by the Fund exceeds 33 1/3% of its total assets (including the market value of collateral received). To the extent the Fund engages in securities lending, securities loans will be made to broker-dealers that the Adviser believes to be of relatively high credit standing pursuant to agreements requiring that the loans continuously be collateralized by cash, liquid securities, or shares of other investment companies with a value at least equal to the market value of the loaned securities.

The Fund may invest in exchange-listed preferred stocks. Preferred stocks include convertible and non-convertible preferred and preference stocks that are senior to

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one industry. See, *e.g.*, Investment Company Act Release No. 9011 (October 30, 1975), 40 FR 54241 (November 21, 1975).

[11] 26 U.S.C. 851.

common stock. Preferred stocks are equity securities that are senior to common stock with respect to the right to receive dividends and a fixed share of the proceeds resulting from the issuer's liquidation. Some preferred stocks also entitle their holders to receive additional liquidation proceeds on the same basis as holders of the issuer's common stock, and thus represent an ownership interest in the issuer.

The Fund may enter into repurchase agreements with banks and broker-dealers. A repurchase agreement is an agreement under which securities are acquired by the Fund from a securities dealer or bank subject to resale at an agreed upon price on a later date. The acquiring Fund bears a risk of loss in the event that the other party to a repurchase agreement defaults on its obligations and the Fund is delayed or prevented from exercising its rights to dispose of the collateral securities.

The Fund may invest in debt securities by purchasing the following: obligations of the U.S. government, its agencies and instrumentalities, corporate debt securities, master-demand notes, bank certificates of deposit, time deposits, bankers' acceptances, commercial paper and other notes, and inflation-indexed securities. Any such debt securities held by the fund will be investment grade.

The Fund may invest in the securities of other investment companies (including money market funds and ETFs) to the extent permitted under the 1940 Act, Commission rules thereunder and exemptions thereto. Under the 1940 Act, the Fund's investment in investment companies is limited to, subject to certain exceptions: (i) 3% of the total outstanding voting stock of any one investment company, (ii) 5% of the Fund's total assets with respect to any one investment company and (iii) 10% of the Fund's total assets of investment companies in the aggregate.

The Fund will not invest in options, futures or swaps. The Fund's investments will be consistent with its respective investment objective and will not be used to enhance leverage.

Investment Restrictions

The Fund may hold up to an aggregate amount of 15% of its net assets in illiquid assets (calculated at the time of investment), including Rule 144A securities deemed illiquid by the Adviser[12] under the 1940 Act.[13] The 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

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12 In reaching liquidity decisions, the Adviser may consider factors including: 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; the nature of the security and the nature of the marketplace trades (*e.g.*, the time needed to dispose of the security, the method of soliciting offers, and the mechanics of transfer); any legal or contractual restrictions on the ability to transfer the security or asset; significant developments involving the issuer or counterparty specifically (*e.g.*, default, bankruptcy, etc.) or the securities markets generally; and settlement practices, registration procedures, limitations on currency conversion or repatriation, and transfer limitations (for foreign securities or other assets).

13 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).

circumstances, more than 15% of the Fund's net assets are held 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.

ValueShares International Quantitative Value ETF

According to the Registration Statement, the Fund will seek to provide long-term capital appreciation. To achieve its objective, the Fund will invest, under normal circumstances - generally greater than 80%, but at least 65% of its net assets, plus any borrowings for investment purposes - in equity securities of international companies[14] that the Adviser believes, based on quantitative analysis, are undervalued at the time of purchase and have the potential for capital appreciation. A security is undervalued when it trades at a price below the price at which the Adviser believes it would trade if the market reflected all factors relating to the issuer's worth. In choosing investments that are undervalued, the Adviser focuses on companies that it believes show indications of quality and financial strength but have security prices that are low relative to current operating earnings and/or are currently viewed unfavorably by equity research analysts.

The Fund will invest in the exchange-listed common stock of international companies and depositary receipts. The Fund may invest in securities of companies in any industry and of any market capitalization. The Fund may invest in foreign securities

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14 For purposes of the Fund's investments, securities of international companies include the securities of any company (a) that is organized outside of the United States; (b) that is included in the MSCI EAFE Index; (c) that has its headquarters or principal location of operations in a country outside of the United States; (d) whose primary listing is on a securities exchange or market outside of the United States; or (e) that derives a majority of its revenues outside of the United States.

through depositary receipts by purchasing the following: American Depositary Receipts ("ADRs"), Global Depositary Receipts ("GDRs"), and European Depositary Receipts ("EDRs") (collectively, "Depositary Receipts").[15] Although the Fund generally expects to invest in companies with larger market capitalizations, the Fund may invest in small- and mid-capitalization companies. With respect to its investments in exchange-listed common stocks and Depositary Receipts of non-U.S. issuers, the Fund will invest at least 90% of its assets invested in such securities in exchange-listed common stocks and Depositary Receipts that trade in markets that are members of the Intermarket Surveillance Group ("ISG") or are parties to a comprehensive surveillance sharing agreement with the Exchange.[16]

The Fund is an actively managed ETF and thus does not seek to replicate the performance of a specific index. Rather, the Adviser has discretion on a daily basis to actively manage the Fund's portfolio in accordance with the Fund's investment objective.

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15 Depositary Receipts are receipts, typically issued by a bank or trust issuer, which evidence ownership of underlying securities issued by a non-U.S. issuer. For ADRs, the depository is typically a U.S. financial institution and the underlying securities are issued by a non-U.S. issuer. For other forms of Depositary Receipts, the depository may be a non-U.S. or a U.S. entity, and the underlying securities may be issued by a non-U.S. or a U.S. issuer. Depositary Receipts are not necessarily denominated in the same currency as their underlying securities. Generally, ADRs, issued in registered form, are designed for use in the U.S. securities markets, and EDRs, issued in bearer form, are designed for use in European securities markets. In general, ADRs must be sponsored, but the Fund may invest in unsponsored ADRs under certain limited circumstances. It is expected that not more than 10% of the net assets of the Fund will be invested in unsponsored ADRs. GDRs are tradable both in the United States and in Europe and are designed for use throughout the world.

16 For a list of the current members and affiliate members of ISG, see www.isgportal.com. The Exchange notes that not all components of the Disclosed Portfolio for the Funds may trade on markets that are members of ISG or with which the Exchange has in place a comprehensive surveillance sharing agreement.

The Adviser utilizes a quantitative model to identify which securities the Fund might purchase and sell as well as opportune times for purchases and sales. While the Fund will invest in approximately fifty international equity securities as determined by its quantitative value factors, the quantity of holdings in the Fund will be based on a number of factors, including the asset size of the Fund and the number of companies that satisfy the Adviser's quantitative measurements at any one time. The Fund's portfolio will be rebalanced to the Adviser's internal target allocations, developed pursuant to the Adviser's strategy described above, at least annually.

In the absence of normal circumstances, the Fund may temporarily depart from its normal investment process, provided that such departure is, in the opinion of Adviser, consistent with the Fund's investment objective and in the best interest of the Fund. For example, the Fund may invest up to 100% of its assets in a temporary defensive manner by holding all or a substantial portion of its assets in cash, cash equivalents, or other quality short-term investment in response to adverse market, economic, or political or other conditions. Such temporary defensive investments generally may include short-term U.S. government securities, commercial paper, bank obligations, repurchase agreements, money market fund shares, and other money market instruments.

The Fund will be classified as a "non-diversified" investment company under the 1940 Act. A non-diversified fund is a fund that is not limited by the 1940 Act with regard to the percentage of its assets that may be invested in the securities of a single issuer.[17] The Fund will not, however, concentrate its investments in a particular industry

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

or group of industries, as that term is used in the 1940 Act.[18] Securities of the U.S. government (including its agencies and instrumentalities), tax-free securities of state or municipal governments and their political subdivisions (and repurchase agreements collateralized by government securities) and securities of other investment companies, whether registered or excluded from registration under Section 3(c) of the 1940 Act, are not considered to be issued by members of any industry.

The Fund intends to qualify each year as RIC under Subchapter M of the Internal Revenue Code of 1986, as amended.[19] The Fund will invest its assets, and otherwise conduct its operations, in a manner that is intended to satisfy the qualifying income, diversification and distribution requirements necessary to establish and maintain RIC qualification under Subchapter M.

<u>Other Portfolio Holdings</u>

The Fund may make secured loans of its portfolio securities; however, securities loans will not be made if, as a result, the aggregate amount of all outstanding securities loans by the Fund exceeds 33 1/3% of its total assets (including the market value of collateral received). To the extent the Fund engages in securities lending, securities loans will be made to broker-dealers that the Adviser believes to be of relatively high credit standing pursuant to agreements requiring that the loans continuously be collateralized by cash, liquid securities, or shares of other investment companies with a value at least equal to the market value of the loaned securities.

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[18] <u>See</u> supra note 10.

[19] <u>See</u> supra note 11.

The Fund may invest in exchange-listed preferred stocks. Preferred stocks include convertible and non-convertible preferred and preference stocks that are senior to common stock. Preferred stocks are equity securities that are senior to common stock with respect to the right to receive dividends and a fixed share of the proceeds resulting from the issuer's liquidation. Some preferred stocks also entitle their holders to receive additional liquidation proceeds on the same basis as holders of the issuer's common stock, and thus represent an ownership interest in the issuer.

The Fund may enter into repurchase agreements with banks and broker-dealers. A repurchase agreement is an agreement under which securities are acquired by the Fund from a securities dealer or bank subject to resale at an agreed upon price on a later date. The acquiring Fund bears a risk of loss in the event that the other party to a repurchase agreement defaults on its obligations and the Fund is delayed or prevented from exercising its rights to dispose of the collateral securities.

The Fund may invest in debt securities by purchasing the following: obligations of the U.S. government, its agencies and instrumentalities, corporate debt securities, master-demand notes, bank certificates of deposit, time deposits, bankers' acceptances, commercial paper and other notes, and inflation-indexed securities. Any such debt securities held by the fund will be investment grade.

The Fund may invest in the securities of other investment companies (including money market funds and ETFs) to the extent permitted under the 1940 Act, Commission rules thereunder and exemptions thereto. Under the 1940 Act, the Fund's investment in investment companies is limited to, subject to certain exceptions: (i) 3% of the total outstanding voting stock of any one investment company, (ii) 5% of the Fund's total assets with respect to any one investment company and (iii) 10% of the Fund's total assets of investment companies in the aggregate.

The Fund will not invest in options, futures or swaps. The Fund's investments will be consistent with its respective investment objective and will not be used to enhance leverage.

Investment Restrictions

The Fund may hold up to an aggregate amount of 15% of its net assets in illiquid assets (calculated at the time of investment), including Rule 144A securities deemed illiquid by the Adviser[20] under the 1940 Act.[21] The 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 the Fund's net assets are held 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.

MomentumShares U.S. Quantitative Momentum ETF

According to the Registration Statement, the Fund (together with the ValueShares U.S. Quantitative Value ETF, the "U.S. Funds") will seek to provide long-term capital appreciation. The Fund will invest, under normal circumstances, at least 80% of its net

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[20] See supra note 12.

[21] See supra note 13.

assets, plus any borrowings for investment purposes, in securities of U.S. companies,[22] as described below. To achieve its objective, the Fund will invest, under normal circumstances, in U.S. equity securities that the Adviser believes, based on quantitative analysis, have positive momentum. A “momentum” style of investing emphasizes investing in securities that have had higher recent total return performance compared to other securities.

The Fund will invest in the exchange-listed common stock of U.S. companies. The Fund may invest in securities of companies in any industry and of any market capitalization. Although the Fund generally expects to invest in companies with larger market capitalizations, the Fund may invest in small- and mid-capitalization companies.

The Adviser utilizes a quantitative model to identify which securities the Fund might purchase and sell as well as opportune times for purchases and sales. While the Fund will invest in approximately fifty U.S. equity securities as determined by its quantitative value factors, the quantity of holdings in the Fund will be based on a number of factors, including the asset size of the Fund and the number of companies that satisfy the Adviser’s quantitative measurements at any one time. The Fund’s portfolio will be rebalanced to the Adviser’s internal target allocations, developed pursuant to the Adviser’s strategy described above, at least semi-annually.

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22 For purposes of the Fund’s investments, securities of U.S. companies include the securities of any company organized outside of the United States: (a) that is included in the S&P 500® Index; (b) that has its headquarters or principal location of operations in the United States; (c) whose primary listing is on a securities exchange or market in the United States; or (d) that derives a majority of its revenues in the United States.

The Fund is an actively managed ETF and thus does not seek to replicate the performance of a specific index. Rather, the Adviser has discretion on a daily basis to actively manage the Fund's portfolio in accordance with the Fund's investment objective.

In the absence of normal circumstances, the Fund may temporarily depart from its normal investment process, provided that such departure is, in the opinion of the Adviser, consistent with the Fund's investment objective and in the best interest of the Fund. For example, the Fund may invest up to 100% of its assets in a temporary defensive manner by holding all or a substantial portion of its assets in cash, cash equivalents, or other quality short-term investment in response to adverse market, economic, or political or other conditions. Such temporary defensive investments generally may include short-term U.S. government securities, commercial paper, bank obligations, repurchase agreements, money market fund shares, and other money market instruments.

The Fund will be classified as a "non-diversified" investment company under the 1940 Act. A non-diversified fund is a fund that is not limited by the 1940 Act with regard to the percentage of its assets that may be invested in the securities of a single issuer.[23] The Fund will not, however, concentrate its investments in a particular industry or group of industries, as that term is used in the 1940 Act.[24] Securities of the U.S. government (including its agencies and instrumentalities), tax-free securities of state or municipal governments and their political subdivisions (and repurchase agreements collateralized by government securities) and securities of other investment companies,

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

24 See supra note 10.

whether registered or excluded from registration under Section 3(c) of the 1940 Act, are not considered to be issued by members of any industry.

The Fund intends to qualify each year as a RIC under Subchapter M of the Internal Revenue Code of 1986, as amended.[25] The Fund will invest its assets, and otherwise conduct its operations, in a manner that is intended to satisfy the qualifying income, diversification and distribution requirements necessary to establish and maintain RIC qualification under Subchapter M.

Other Portfolio Holdings

The Fund may make secured loans of its portfolio securities; however, securities loans will not be made if, as a result, the aggregate amount of all outstanding securities loans by the Fund exceeds 33 1/3% of its total assets (including the market value of collateral received). To the extent the Fund engages in securities lending, securities loans will be made to broker-dealers that the Adviser believes to be of relatively high credit standing pursuant to agreements requiring that the loans continuously be collateralized by cash, liquid securities, or shares of other investment companies with a value at least equal to the market value of the loaned securities.

The Fund may invest in exchange-listed preferred stocks. Preferred stocks include convertible and non-convertible preferred and preference stocks that are senior to common stock. Preferred stocks are equity securities that are senior to common stock with respect to the right to receive dividends and a fixed share of the proceeds resulting from the issuer's liquidation. Some preferred stocks also entitle their holders to receive

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[25] See supra note 11.

additional liquidation proceeds on the same basis as holders of the issuer's common stock, and thus represent an ownership interest in the issuer.

The Fund may enter into repurchase agreements with banks and broker-dealers. A repurchase agreement is an agreement under which securities are acquired by the Fund from a securities dealer or bank subject to resale at an agreed upon price on a later date. The acquiring Fund bears a risk of loss in the event that the other party to a repurchase agreement defaults on its obligations and the Fund is delayed or prevented from exercising its rights to dispose of the collateral securities.

The Fund may invest in debt securities by purchasing the following: obligations of the U.S. government, its agencies and instrumentalities, corporate debt securities, master-demand notes, bank certificates of deposit, time deposits, bankers' acceptances, commercial paper and other notes, and inflation-indexed securities. Any such debt securities shall be investment grade.

The Fund may invest in the securities of other investment companies (including money market funds and ETFs) to the extent permitted under the 1940 Act, Commission rules thereunder and exemptions thereto. Under the 1940 Act, the Fund's investment in investment companies is limited to, subject to certain exceptions: (i) 3% of the total outstanding voting stock of any one investment company, (ii) 5% of the Fund's total assets with respect to any one investment company and (iii) 10% of the Fund's total assets of investment companies in the aggregate.

The Fund will not invest in options, futures or swaps. The Fund's investments will be consistent with its respective investment objective and will not be used to enhance leverage.

Investment Restrictions

The Fund may hold up to an aggregate amount of 15% of its net assets in illiquid assets (calculated at the time of investment), including Rule 144A securities deemed illiquid by the Adviser[26] under the 1940 Act.[27] The 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 the Fund's net assets are held 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.

MomentumShares International Quantitative Momentum ETF

According to the Registration Statement, the Fund (together with the ValueShares International Quantitative Value ETF, the "International Funds") will seek to provide long-term capital appreciation. To achieve its objective, the Fund will invest, under normal circumstances - generally greater than 80%, but at least 65% of its net assets, plus any borrowings for investment purposes - in equity securities of international companies[28] that the Adviser believes, based on quantitative analysis, have positive

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[26] See supra note 12.

[27] See supra note 13.

[28] For purposes of the Fund's investments, securities of international companies include the securities of any company (a) that is organized outside of the United States; (b) that is included in the MSCI EAFE Index; (c) that has its headquarters or principal location of operations in a country outside of the United States; (d) whose primary listing is on a securities exchange or market outside of the United States; or (e) that derives a majority of its revenues outside of the United States.

momentum. A "momentum" style of investing emphasizes investing in securities that have had higher recent total return performance compared to other securities.

The Fund will invest in the exchange-listed common stock of international companies and Depositary Receipts. The Fund may invest in securities of companies in any industry and of any market capitalization. The Fund may invest in foreign securities through Depositary Receipts by purchasing the following: ADRs, GDRs, and EDRs.[29] Although the Fund generally expects to invest in companies with larger market capitalizations, the Fund may invest in small- and mid-capitalization companies. With respect to its investments in exchange-listed common stocks and Depositary Receipts of non-U.S. issuers, the Fund will invest at least 90% of its assets invested in such securities in exchange-listed common stocks and Depositary Receipts that trade in markets that are members of the ISG or are parties to a comprehensive surveillance sharing agreement with the Exchange.

29 Depositary Receipts are receipts, typically issued by a bank or trust issuer, which evidence ownership of underlying securities issued by a non-U.S. issuer. For ADRs, the depository is typically a U.S. financial institution and the underlying securities are issued by a non-U.S. issuer. For other forms of Depositary Receipts, the depository may be a non-U.S. or a U.S. entity, and the underlying securities may be issued by a non-U.S. or a U.S. issuer. Depositary Receipts are not necessarily denominated in the same currency as their underlying securities. Generally, ADRs, issued in registered form, are designed for use in the U.S. securities markets, and EDRs, issued in bearer form, are designed for use in European securities markets. In general, ADRs must be sponsored, but the Fund may invest in unsponsored ADRs under certain limited circumstances. It is expected that not more than 10% of the net assets of the Fund will be invested in unsponsored ADRs. GDRs are tradable both in the United States and in Europe and are designed for use throughout the world.

The Fund is an actively managed ETF and thus does not seek to replicate the performance of a specific index. Rather, the Adviser has discretion on a daily basis to actively manage the Fund's portfolio in accordance with the Fund's investment objective.

The Adviser utilizes a quantitative model to identify which securities the Fund might purchase and sell as well as opportune times for purchases and sales. While the Fund will invest in approximately fifty international equity securities as determined by its quantitative value factors, the quantity of holdings in the Fund will be based on a number of factors, including the asset size of the Fund and the number of companies that satisfy the Adviser's quantitative measurements at any one time. The Fund's portfolio will be rebalanced to the Adviser's internal target allocations, developed pursuant to the Adviser's strategy described above, at least annually.

In the absence of normal circumstances, the Fund may temporarily depart from its normal investment process, provided that such departure is, in the opinion of the Adviser, consistent with the Fund's investment objective and in the best interest of the Fund. For example, the Fund may invest up to 100% of its assets in a temporary defensive manner by holding all or a substantial portion of its assets in cash, cash equivalents, or other quality short-term investment in response to adverse market, economic, or political or other conditions. Such temporary defensive investments generally may include short-term U.S. government securities, commercial paper, bank obligations, repurchase agreements, money market fund shares, and other money market instruments.

The Fund will be classified as a "non-diversified" investment company under the 1940 Act. A non-diversified fund is a fund that is not limited by the 1940 Act with regard to the percentage of its assets that may be invested in the securities of a single issuer.[30] The Fund will not, however, concentrate its investments in a particular industry or group of industries, as that term is used in the 1940 Act.[31] Securities of the U.S. government (including its agencies and instrumentalities), tax-free securities of state or municipal governments and their political subdivisions (and repurchase agreements collateralized by government securities) and securities of other investment companies, whether registered or excluded from registration under Section 3(c) of the 1940 Act, are not considered to be issued by members of any industry.

The Fund intends to qualify each year as a RIC under Subchapter M of the Internal Revenue Code of 1986, as amended.[32] The Fund will invest its assets, and otherwise conduct its operations, in a manner that is intended to satisfy the qualifying income, diversification and distribution requirements necessary to establish and maintain RIC qualification under Subchapter M.

Other Portfolio Holdings

The Fund may make secured loans of its portfolio securities; however, securities loans will not be made if, as a result, the aggregate amount of all outstanding securities loans by the Fund exceeds 33 1/3% of its total assets (including the market value of collateral received). To the extent the Fund engages in securities lending, securities loans will be made to broker-dealers that the Adviser believes to be of relatively high credit standing pursuant to agreements requiring that the loans continuously be collateralized by

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

31 See supra note 10.

32 See supra note 11.

cash, liquid securities, or shares of other investment companies with a value at least equal to the market value of the loaned securities.

The Fund may invest in exchange-listed preferred stocks. Preferred stocks include convertible and non-convertible preferred and preference stocks that are senior to common stock. Preferred stocks are equity securities that are senior to common stock with respect to the right to receive dividends and a fixed share of the proceeds resulting from the issuer's liquidation. Some preferred stocks also entitle their holders to receive additional liquidation proceeds on the same basis as holders of the issuer's common stock, and thus represent an ownership interest in the issuer.

The Fund may enter into repurchase agreements with banks and broker-dealers. A repurchase agreement is an agreement under which securities are acquired by the Fund from a securities dealer or bank subject to resale at an agreed upon price on a later date. The acquiring Fund bears a risk of loss in the event that the other party to a repurchase agreement defaults on its obligations and the Fund is delayed or prevented from exercising its rights to dispose of the collateral securities.

The Fund may invest in debt securities by purchasing the following: obligations of the U.S. government, its agencies and instrumentalities, corporate debt securities, master-demand notes, bank certificates of deposit, time deposits, bankers' acceptances, commercial paper and other notes, and inflation-indexed securities. Any such debt securities shall be investment grade.

The Fund may invest in the securities of other investment companies (including money market funds and ETFs) to the extent permitted under the 1940 Act, Commission rules thereunder and exemptions thereto. Under the 1940 Act, the Fund's investment in investment companies is limited to, subject to certain exceptions: (i) 3% of the total outstanding voting stock of any one investment company, (ii) 5% of the Fund's total assets with respect to any one investment company and (iii) 10% of the Fund's total assets of investment companies in the aggregate.

The Fund will not invest in options, futures or swaps. The Fund's investments will be consistent with its respective investment objective and will not be used to enhance leverage.

Investment Restrictions

The Fund may hold up to an aggregate amount of 15% of its net assets in illiquid assets (calculated at the time of investment), including Rule 144A securities deemed illiquid by the Adviser[33] under the 1940 Act.[34] The 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 the Fund's net assets are held 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.

Net Asset Value

According to the Registration Statement, the net asset value ("NAV") of each Fund will be calculated each business day as of the close of regular trading on the New

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33 See supra note 12.

34 See supra note 13.

York Stock Exchange ("NYSE"), generally 4:00 p.m. Eastern Time (the "NAV Calculation Time"), on each day that the NYSE is open for trading, based on prices at the NAV Calculation Time. NAV per Share is calculated by dividing the Fund's net assets by the number of Fund Shares outstanding. Each Fund's net assets are valued primarily on the basis of market quotations.

Each Fund calculates its NAV per Share by taking the current market value of its total assets, subtracting any liabilities, and dividing that amount by the total number of Shares owned by shareholders. If an equity security is listed on a national exchange, the security is valued at the closing price or, if the closing price is not readily available, the mean of the closing bid and ask prices. Equity securities not listed on an exchange or national securities market are valued at the last reported sale price. Equity securities in which there was no last reported sale price will be valued at the most recent bid price.

If a market price is not readily available or is deemed not to reflect market value, a Fund will determine the price of the security held by the Fund based on a determination of the security's fair value pursuant to policies and procedures approved by the Board of Trustees of the Trust. In addition, a Fund may use fair valuation to price securities that trade on a foreign exchange, if any, when a significant event has occurred after the foreign exchange closes but before the time at which the Fund's NAV is calculated. Foreign exchanges typically close before the time at which Fund Share prices are calculated, and may be closed altogether on some days when a Fund is open. Such significant events affecting a foreign security, in the event a Fund holds foreign securities, may include, but are not limited to: corporate actions, earnings announcements, litigation or other events impacting a single issuer; governmental action that affects securities in one sector or country; natural disasters or armed conflicts affecting a country or region; or significant domestic or foreign market fluctuations. If a Fund holds foreign securities, it would use various criteria, including an evaluation of U.S. market moves after the close of foreign markets, in determining whether a foreign security's market price is readily available and reflective of market value and, if not, the fair value of the security.

To the extent a Fund has holdings of foreign or other securities that may trade infrequently, fair valuation may be used more frequently than for other funds. Fair valuation may have the effect of reducing stale pricing arbitrage opportunities presented by the pricing of Fund Shares. However, when a Fund uses fair valuation to price securities, it may value those securities higher or lower than another fund would have priced the security. Also, the use of fair valuation may cause the Shares' NAV performance to diverge from the Shares' market price and from the performance of various benchmarks used to compare a Fund's performance because benchmarks generally do not use fair valuation techniques. Because of the judgment involved in fair valuation decisions, there can be no assurance that the value ascribed to a particular security is accurate.

Repurchase agreements are generally valued at par. Pricing services will be used to determine the value of a fixed income investment. In certain circumstances, short-term instruments may be valued on the basis of amortized cost.

The Shares

According to the Registration Statement, the Fund will issue and redeem Shares on a continuous basis at NAV in aggregations of 50,000 Shares ("Creation Units").

The consideration for a Creation Unit of a Fund will be the "Fund Deposit," which will consist of the basket of securities to be deposited to purchase Creation Units of the Fund (the "In-Kind Creation Basket"). The Fund Deposit will consist of the In-Kind Creation Basket and an amount of cash consisting of a "Balancing Amount" (as described below) and a transaction fee calculated in connection with creations (together with the Balancing Amount, the "Cash Component"), or a Cash Component that includes an all cash payment ("Cash Value").

In addition to the In-Kind Creation Basket, a purchaser will typically pay to the Fund a "Balancing Amount" reflecting the difference, if any, between the NAV of a Creation Unit and the market value of the securities in the In-Kind Creation Basket. If the NAV per Creation Unit exceeds the market value of the securities in the In-Kind Creation Basket, the purchaser will pay the Balancing Amount to the Fund. By contrast, if the NAV per Creation Unit is less than the market value of the securities in the In-Kind Creation Basket, the Fund will pay the Balancing Amount to the purchaser. The Balancing Amount ensures that the consideration paid by an investor for a Creation Unit is exactly equal to the value of the Creation Unit.

A portfolio composition file, to be sent via the National Securities Clearing Corporation ("NSCC"), will be made available on each business day, prior to the opening of business on the Exchange (currently 9:30 a.m., Eastern time), and will include a list of the names and the required number of shares of each security in the In-Kind Creation Basket to be included in the current Fund Deposit for the Fund (based on information about the Fund's portfolio at the end of the previous business day). In addition, on each business day, the estimated Cash Component or Cash Value, effective through and including the previous business day, will be made available through NSCC.

The In-Kind Creation Basket is applicable for purchases of Creation Units of the Fund until such time as the next-announced In-Kind Creation Basket is made available. The Fund reserves the right to accept a nonconforming (*i.e.*, custom) Fund Deposit.[35] In addition, the composition of the In-Kind Creation Basket may change as, among other things, corporate actions and investment decisions by the Adviser are implemented for the Fund's portfolio.

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[35] As stated in the Exemptive Application, the Fund may, in certain circumstances, allow cash creations or partial cash creations but not redemptions (or vice versa) if: (a) there is a Balancing Amount; (b) the Fund announces before the open of trading that all purchases, all redemptions or all purchases and redemptions on that day will be made entirely in cash; (c) upon receiving a purchase or redemption order from an Authorized Participant the Fund determines to require the purchase or redemption to be made entirely in cash because, among other things, it would benefit the Fund and its investors; (d) the Fund requires all Authorized Participants purchasing or redeeming Shares on that day to deposit or receive (as applicable) cash in lieu of some or all of the In-Kind Creation Basket or In-Kind Redemption Basket, respectively, solely because (i) certain instruments therein are not eligible for transfer through either the NSCC Process or DTC Process (as described in the Exemptive Application) or (ii) such instruments are not eligible for trading due to local (foreign) trading or transfer restrictions or the like; or (e) the Fund permits an Authorized Participant to deposit or receive (as applicable) cash in lieu of some or all of the In-Kind Creation Basket or In-Kind Redemption Basket, respectively, solely because (i) certain instruments therein are, in the case of the purchase of a Creation Unit, not available in sufficient quantity, (ii) such instruments are not eligible for trading by an Authorized Participant or the investor on whose behalf the Authorized Participant is acting, or (iii) an investor would be subject to unfavorable income tax treatment based on receipt of redemption proceeds in kind. According to the Registration Statement, an additional variable charge for cash or partial cash creations, and cash or partial cash redemptions, may also be imposed to compensate the Fund for the costs associated with buying the applicable securities.

All purchase orders must be placed by or through an “Authorized Participant.” An Authorized Participant must be either a broker-dealer or other participant in the Continuous Net Settlement System (“Clearing Process”) of the NSCC or a participant in The Depository Trust Company (“DTC”) with access to the DTC system, and must execute an agreement with the Distributor that governs transactions in the Fund’s Creation Units. In-kind portions of purchase orders will be processed through the Clearing Process when it is available.

Fund Shares may be redeemed only in Creation Units at their NAV next determined after receipt of a redemption request in proper form by the Fund through the Distributor and only on a business day. The redemption proceeds for a Creation Unit will consist of the basket of securities a shareholder will receive upon redemption of a Creation unit (the “In-Kind Redemption Basket”) and an amount of cash consisting of a Balancing Amount and a transaction fee (the “Cash Redemption Amount”), or, in certain circumstances, the Cash Value, in all instances equal to the value of a Creation Unit. In addition, investors may incur brokerage and other costs in connection with assembling a Creation Unit. A portfolio composition file, to be sent via the NSCC, will be made available on each business day, prior to the opening of business on the Exchange (currently 9:30 a.m., Eastern time), and will include a list of the names and the number of shares of each security in the In-Kind Redemption Basket. In addition, on each business day, the estimated Cash Component or Cash Value, effective through and including the previous business day, will be made available through NSCC.

The redemption proceeds for a Creation Unit generally consist of the In-Kind Redemption Basket and a Cash Redemption Amount (“Fund Redemption”), which consists of a Balancing Amount and a Transaction Fee. In lieu of the In- Kind Redemption Basket and Balancing Amount, Creation Units may be redeemed consisting solely of cash in an amount equal to the Cash Value. In such instances, information about the Cash Value of a Creation Unit also will be published. The Fund reserves the right to accept a nonconforming (*i.e.*, custom) Fund Redemption.[36]

The right of redemption may be suspended or the date of payment postponed: (i) for any period during which the NYSE is closed (other than customary weekend and holiday closings); (ii) for any period during which trading on the NYSE is suspended or restricted; (iii) for any period during which an emergency exists as a result of which disposal of the Shares or determination of the Fund's NAV is not reasonably practicable; or (iv) in such other circumstances as permitted by the Commission.

For an order involving a Creation Unit to be effectuated at the Fund's NAV on a particular day, it must be received by the Distributor by or before the deadline for such order ("Order Cut-Off Time"). The Order Cut-Off Time for creation and redemption orders for the Fund is generally expected to be 4:00 p.m. Eastern time for In-Kind Creation and Redemption Baskets, and earlier in the day for Cash Value transactions. On days when the Exchange or the bond markets close earlier than normal, the Fund may require orders to create or to redeem Creation Units be placed earlier in the day. In-Kind Creation and Redemption Baskets are expected to be accepted until the close of regular trading on the Exchange on each business day, which is usually 4:00 p.m. Eastern time. A

[36] See supra note 35.

standard redemption transaction fee will be imposed to offset transfer and other transaction costs that may be incurred by the Fund.

Additional information regarding the Shares and the Funds, including investment strategies, risks, creation and redemption procedures, fees and expenses, portfolio holdings disclosure policies, distributions, taxes and reports to be distributed to beneficial owners of the Shares can be found in the Registration Statement, on the website for the ValueShares U.S. Quantitative Value ETF and ValueShares International Quantitative Value ETF at www.valueshares.com or on the website for the MomentumShares U.S. Quantitative Momentum ETF and MomentumShares International Quantitative Momentum ETF at www.momentumshares.com, as applicable.

Availability of Information

The Funds' websites, which will be publicly available prior to the public offering of Shares, will include a form of the prospectus for each applicable Fund that may be downloaded. The websites will include additional quantitative information updated on a daily basis, including, for each applicable Fund: (1) the prior business day's NAV and the market closing price or mid-point of the bid/ask spread at the time of calculation of such NAV (the "Bid/Ask Price"),[37] and a calculation of the premium or discount of the market closing price or Bid/Ask Price against the NAV; and (2) a table showing the number of days the Market Price (as defined by the Commission in Form N-1A)[38] of the Fund

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

38 The Commission has defined "Market Price" in Form N-1A as the "last reported sale price at which Exchange-Traded Fund shares trade on the principal U.S.

Shares was greater than the Fund's NAV and the number of days it was less than the Fund's NAV (*i.e.*, premium or discount) for the most recently completed calendar year, and the most recently completed calendar quarters since that year (or of the life of the Fund, if shorter). Daily trading volume information will be available in the financial section of newspapers, through subscription services such as Bloomberg, Thomson Reuters, and International Data Corporation, which can be accessed by authorized participants and other investors, as well as through other electronic services, including major public websites. On each business day, before commencement of trading in Shares during Regular Trading Hours on the Exchange, the Fund will disclose on its website the identities and quantities of the portfolio of securities and other assets (the "Disclosed Portfolio") held by the Fund that will form the basis for the Fund's calculation of NAV at the end of the business day.[39] The Disclosed Portfolio will include, as applicable, the names, quantity, percentage weighting and market value of securities and other assets held by the Fund and the characteristics of such assets. The website and information will be publicly available at no charge.

In addition, for each Fund, an estimated value, defined in BATS Rule 14.11(i)(3)(C) as the "Intraday Indicative Value," that reflects an estimated intraday

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market on which the Fund's Shares are traded during a regular trading session or, if it more accurately reflects the current market value of the Fund's Shares at the time the Fund uses to calculate its net asset value, a price within the range of the highest bid and lowest offer on the principal U.S. market on which the Fund's Shares are traded during a regular trading session."

39 Under accounting procedures to be followed by each Fund, trades made on the prior business day ("T") will be booked and reflected in NAV on the current business day ("T+1"). Accordingly, each Fund will be able to disclose at the beginning of the business day the portfolio that will form the basis for the NAV calculation at the end of the business day.

value of the Fund's portfolio, will be disseminated. Moreover, the Intraday Indicative Value will be based upon the current value for the components of the Disclosed Portfolio and will be updated and widely disseminated by one or more major market data vendors at least every 15 seconds during the Exchange's Regular Trading Hours.[40] In addition, the quotations of certain of each Fund's holdings may not be updated during U.S. trading hours if such holdings do not trade in the United States or if updated prices cannot be ascertained.

The dissemination of the Intraday Indicative Value, together with the Disclosed Portfolio, will allow investors to determine the value of the underlying portfolio of each Fund on a daily basis and provide a close estimate of that value throughout the trading day.

Intraday, executable price quotations on U.S. and non-U.S. securities as well as other assets are available from major broker-dealer firms and for exchange-traded assets, including exchange-listed common stock, Depositary Receipts, and investment companies, such intraday information is available directly from the applicable listing exchange. All such intraday price information is available through subscription services, such as Bloomberg, Thomson Reuters and International Data Corporation, which can be accessed by authorized participants and other investors. Pricing information for securities not listed on an exchange or national securities market and repurchase agreements will be available from major broker-dealer firms and/or subscription services, such as Bloomberg, Thomson Reuters and International Data Corporation.

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[40] Currently, it is the Exchange's understanding that several major market data vendors display and/or make widely available Intraday Indicative Values published via the Consolidated Tape Association ("CTA") or other data feeds.

Information regarding market price and volume of the Shares will be continually available on a real-time basis throughout the day on brokers' computer screens and other electronic services. The previous day's closing price and trading volume information for the Shares will be published daily in the financial section of newspapers. Quotation and last sale information for the Shares will be available on the facilities of the CTA.

Initial and Continued Listing

The Shares will be subject to BATS Rule 14.11(i), which sets forth the initial and continued listing criteria applicable to Managed Fund Shares. The Exchange represents that, for initial and/or continued listing, each Fund must be in compliance with Rule 10A-3 under the Act.[41] A minimum of 100,000 Shares will be outstanding at the commencement of trading on the Exchange. The Exchange will obtain a representation from the issuer of the Shares that the NAV per Share will be calculated daily and that the NAV and the Disclosed Portfolio will be made available to all market participants at the same time.

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 a Fund. The Exchange will halt trading in the Shares under the conditions specified in BATS Rule 11.18. Trading 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) the extent to which trading is not occurring in the securities and/or the financial instruments composing the Disclosed Portfolio of a Fund; or (2) whether other unusual conditions or

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41 See 17 CFR 240.10A-3.

circumstances detrimental to the maintenance of a fair and orderly market are present. Trading in the Shares also will be subject to Rule 14.11(i)(4)(B)(iv), which sets forth circumstances under which Shares of a Fund 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. BATS will allow trading in the Shares from 8:00 a.m. until 5:00 p.m. Eastern Time. The Exchange has appropriate rules to facilitate transactions in the Shares during all trading sessions. As provided in BATS Rule 11.11(a), the minimum price variation for quoting and entry of orders in Managed Fund Shares traded on the Exchange is $0.01, with the exception of securities that are priced less than $1.00, for which the minimum price variation for order entry is $0.0001.

Surveillance

The Exchange believes that its surveillance procedures are adequate to properly monitor the trading of the Shares on the Exchange during all trading sessions and to deter and detect violations of Exchange rules and the applicable federal securities laws. Trading of the Shares through the Exchange will be subject to the Exchange's surveillance procedures for derivative products, including Managed Fund Shares. The Exchange may obtain information regarding trading in the Shares and the underlying shares in equity securities via the ISG, from other exchanges that are members or affiliates of the ISG, or with which the Exchange has entered into a comprehensive surveillance sharing agreement. Additionally, not more than 10% of the net assets of each Fund, in the aggregate, will be invested in (1) unlisted or unsponsored Depositary

Receipts; (2) Depositary Receipts not listed on an exchange that is a member of ISG or a party to a comprehensive surveillance sharing agreement with the Exchange; or (3) unlisted common stocks or common stocks not listed on an exchange that is a member of the ISG or a party to a comprehensive surveillance sharing agreement with the Exchange. In addition, the Exchange is able to access, as needed, trade information for certain fixed income instruments reported to FINRA's Trade Reporting and Compliance Engine ("TRACE"). The Exchange prohibits the distribution of material non-public information by its employees.

Information Circular

Prior to the commencement of trading, the Exchange will inform its members in an Information Circular of the special characteristics and risks associated with trading the Shares. Specifically, the Information Circular will discuss the following: (1) the procedures for purchases and redemptions of Shares in Creation Units (and that Shares are not individually redeemable); (2) BATS Rule 3.7, which imposes suitability obligations on Exchange members with respect to recommending transactions in the Shares to customers; (3) how information regarding the Intraday Indicative Value is disseminated; (4) the risks involved in trading the Shares during the Pre-Opening[42] and After Hours Trading Sessions[43] when an updated Intraday Indicative Value will not be calculated or publicly disseminated; (5) the requirement that members deliver a prospectus to investors purchasing newly issued Shares prior to or concurrently with the confirmation of a transaction; and (6) trading information.

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42 The Pre-Opening Session is from 8:00 a.m. to 9:30 a.m. Eastern Time.

43 The After Hours Trading Session is from 4:00 p.m. to 5:00 p.m. Eastern Time.

In addition, the Information Circular will advise members, prior to the commencement of trading, of the prospectus delivery requirements applicable to the Fund. Members purchasing Shares from a Fund for resale to investors will deliver a prospectus to such investors. The Information Circular will also discuss any exemptive, no-action, and interpretive relief granted by the Commission from any rules under the Act.

In addition, the Information Circular will reference that the Fund is subject to various fees and expenses described in the Registration Statement. The Information Circular will also disclose the trading hours of the Shares of a Fund and the applicable NAV Calculation Time for those Shares. The Information Circular will disclose that information about the Shares of a Fund will be publicly available on the Fund’s website. In addition, the Information Circular will reference that the Trust is subject to various fees and expenses described in the Fund’s Registration Statement.

(b) Statutory Basis

The Exchange believes that the proposal is consistent with Section 6(b) of the Act[44] in general and Section 6(b)(5) of the Act[45] in particular in that it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in facilitating transactions in securities, 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.

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[44] 15 U.S.C. 78f.

[45] 15 U.S.C. 78f(b)(5).

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 BATS Rule 14.11(i). The Exchange believes that its surveillance procedures are adequate to properly monitor the trading of the Shares on the Exchange during all trading sessions and to deter and detect violations of Exchange rules and the applicable federal securities laws. If the investment adviser to the investment company issuing Managed Fund Shares is affiliated with a broker-dealer, such investment adviser to the 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. The Adviser is not a registered broker-dealer and is not affiliated with any broker-dealers. The Exchange may obtain information regarding trading in the Shares and the underlying shares in exchange-listed common stocks, Depositary Receipts, and investment companies via the ISG, from other exchanges that are members or affiliates of the ISG, or with which the Exchange has entered into a comprehensive surveillance sharing agreement, to the extent that the securities are listed on such exchanges, as further discussed below.[46]

According to the Registration Statement, the U.S. Funds expect that they will have at least 80% of their assets invested in exchange-listed securities of U.S. companies.[47] Similarly, the International Funds expect that they will have at least 90% of their assets invested in securities listed on exchanges that are members or affiliates of the

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46 See supra note 16.

47 See supra notes 8 and 22.

ISG. The Funds will not concentrate their investments in a particular industry or group of industries, as that term is defined in the 1940 Act.[48] The Funds' investments will be consistent with their respective investment objective and will not be used to enhance leverage. Each Fund also may invest its net assets in money market instruments at the discretion of the Adviser. The U.S. Funds will not invest in non-U.S. equity securities.

Additionally, each Fund may hold up to an aggregate amount of 15% of its net assets in illiquid assets (calculated at the time of investment), including Rule 144A securities. 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 that Fund's net assets are held 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.

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 the Shares that the NAV per Share will be calculated daily and that the NAV and the Disclosed Portfolio will be made available to all market participants at the same time. In addition, a large amount of information is publicly available regarding the Funds and the Shares, thereby promoting market transparency. Moreover, the Intraday Indicative Value will be disseminated by one or more major

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48 See supra note 10.

market data vendors at least every 15 seconds during Regular Trading Hours. On each business day, before commencement of trading in Shares during Regular Trading Hours, the Funds will disclose on its website the Disclosed Portfolio that will form the basis for each Fund's calculation of NAV at the end of the business day. Pricing information will be available on each Fund's website including: (1) the prior business day's NAV and the market closing price or the Bid/Ask Price,[49] and a calculation of the premium or discount of the market closing price or Bid/Ask Price against the NAV; and (2) a table showing the number of days the Market Price (as defined by the Commission in Form N-1A)[50] of the Fund Shares was greater than the Fund's NAV and the number of days it was less than the Fund's NAV (*i.e.*, premium or discount) for the most recently completed calendar year, and the most recently completed calendar quarters since that year (or of the life of the Fund, if shorter). Additionally, information regarding market price and trading of the Shares will be continually available on a real-time basis throughout the day on brokers' computer screens and other electronic services, and quotation and last sale information for the Shares will be available on the facilities of the CTA. The website for a Fund will include a form of the prospectus for the Fund and additional data relating to NAV and other applicable quantitative information. Trading in Shares of a Fund will be halted under the conditions specified in BATS Rule 11.18. Trading may also be halted because of market conditions or for reasons that, in the view of the Exchange, make trading in the Shares inadvisable. Finally, trading in the Shares will be subject to BATS Rule 14.11(i)(4)(B)(iv), which sets forth circumstances under which Shares of the Funds

[49] See supra note 37.

[50] See supra note 38.

may be halted. In addition, as noted above, investors will have ready access to information regarding each Fund's holdings, the Intraday Indicative Value, the Disclosed Portfolio, and quotation and last sale information for the Shares.

Intraday, executable price quotations on the assets held by the Funds are available from major broker-dealer firms and for exchange-traded assets, including exchange-listed common stock, Depositary Receipts, and investment companies, such intraday information is available directly from the applicable listing exchange. Such intraday price information is available through subscription services, such as Bloomberg, Thomson Reuters and International Data Corporation, which can be accessed by authorized participants and other investors.

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 additional types of actively-managed exchange-traded products 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, the Exchange is able to access, as needed, trade information for certain fixed income instruments reported to FINRA's TRACE. As noted above, investors will also have ready access to information regarding each Fund's holdings, the Intraday Indicative Value, the Disclosed Portfolio, and quotation and last sale information for the Shares.

For the above reasons, the Exchange believes that the proposed rule change is consistent with the requirements of Section 6(b)(5) of the Act.

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 purpose of the Act. The Exchange notes that the proposed rule change will facilitate the listing and trading of additional actively-managed exchange-traded products that will enhance competition among market participants, to the benefit of investors and the marketplace.

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

Not applicable.

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

The Exchange requests the Commission to find good cause to accelerate effectiveness of this proposed rule change pursuant to Section 19(b)(2) of the Exchange Act and to approve the proposed rule change prior to the 30th day after publication of the proposed rule change in the Federal Register. The Exchange believes there is good cause to grant expedited review and accelerated effectiveness of this proposal because the issues raised are similar to those raised in the proposed rule change approved by the

Commission relating to listing and trading of other issues of Managed Fund Shares, both on the Exchange and on other listing venues.[51]

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

Not applicable.

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: Completed Notice of the Proposed Rule Change for publication in the Federal Register.

Exhibit 2 – 5: Not applicable.

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[51] The Commission has previously approved listing and trading on the Exchange of multiple actively managed funds under Rule 14.11(i) as well as the listing and trading of a similar fund on NYSE Arca, Inc. See, *e.g.*, Securities Exchange Act Release Nos. 67894 (September 20, 2012), 77 FR 59227 (September 26, 2012) (SR-BATS-2012-033) (order approving Exchange listing and trading of the iShares Short Maturity Bond Fund); 68390 (December 10, 2012), 77 FR 74520 (December 14, 2012) (SR-BATS-2012-042) (order approving Exchange listing and trading of the iShares Sovereign Screened Global Bond Fund); 70986 (December 4, 2013), 78 FR 74212 (December 10, 2013) (SR-BATS-2013-051) (order approving Exchange listing and trading of the iShares Liquidity Income Fund); 72099 (May 6, 2014), 79 FR 27023 (May 12, 2014) (SR-BATS-2014-007) (order approving Exchange listing and trading shares of certain funds of the ProShares Trust); and 69251 (March 28, 2013), 78 FR 20162 (April 3, 2013) (SR-NYSEArca-2013-14) (order approving NYSE Arca, Inc. listing and trading shares of the Cambria Shareholder Yield ETF).

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-_____________; File No. SR-BATS-2014-026 Amendment No. 3)

Self-Regulatory Organizations; BATS Exchange, Inc.; Notice of Filing of Proposed Rule Change to List and Trade Shares of Certain Funds of the Alpha Architect ETF Trust.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the "Act"),[1] and Rule 19b-4 thereunder,[2] notice is hereby given that on ____________, 2014, BATS Exchange, Inc. (the "Exchange" or "BATS") filed with the Securities and Exchange Commission ("Commission") the proposed rule change as described in Items I and II below, which Items have been prepared by the Exchange. 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 filed a proposed rule change to list and trade shares of certain funds (the "Fund" when discussed individually or, collectively, the "Funds") of the Alpha Architect ETF Trust (the "Trust") under BATS Rule 14.11(i) ("Managed Fund Shares"). The shares of each Fund and the shares of the Funds collectively, as applicable, are referred to herein as the "Shares."

The text of the proposed rule addition is available at the Exchange's Web site at http://www.batstrading.com, at the principal office of the Exchange, and at the Commission's Public Reference Room.

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

2 17 CFR 240.19b-4.

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 Exchange 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 these 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 Statutory Basis for, the Proposed Rule Change

1. Purpose

This Amendment No. 3 to SR-BATS-2014-026 amends and replaces in its entirety Amendment No. 2, originally submitted on August 26, 2014, which replaced in its entirety Amendment No. 1, originally submitted on August 15, 2014, which replaced in its entirety the proposal as originally submitted on July 3, 2014. Amendment No. 3 clarifies certain points about the Funds.

The Exchange proposes to list and trade the Shares under BATS Rule 14.11(i), which governs the listing and trading of Managed Fund Shares on the Exchange.[3] The Funds will be actively managed funds. The Exchange proposes to list and trade Shares of the following Funds: (i) ValueShares U.S. Quantitative Value ETF; (ii) ValueShares International Quantitative Value ETF; (iii) MomentumShares U.S. Quantitative Momentum ETF; and (iv) MomentumShares International Quantitative Momentum ETF. The Shares will be offered by the Trust, which was established as a Delaware statutory

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3 The Commission approved BATS Rule 14.11(i) in Securities Exchange Act Release No. 65225 (August 30, 2011), 76 FR 55148 (September 6, 2011) (SR-BATS-2011-018).

trust on October 11, 2013. The Trust is registered with the Commission as an open-end investment company and has filed a registration statement on behalf of the Funds on Form N-1A ("Registration Statement") with the Commission.[4]

Description of the Shares and the Funds

Empowered Funds, LLC is the investment adviser ("Adviser") to the Funds.[5] U.S. Bancorp Fund Services, LLC is the administrator and transfer agent ("Administrator," and "Transfer Agent," respectively) for the Trust. U.S. Bank National Association is the Custodian ("Custodian") for the Trust. Quasar Distributors, LLC ("Distributor") serves as the distributor for the Trust.

BATS Rule 14.11(i)(7) provides that, if the investment adviser to the investment company issuing Managed Fund 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.[6] In addition, Rule 14.11(i)(7) further

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4 See Registration Statement on Form N-1A for the Trust, dated April 25, 2014 (File Nos. 333-195493 and 811-22961). The descriptions of the Fund and the Shares contained herein are based, in part, on information in the Registration Statement. The Commission has issued an order granting certain exemptive relief to the Trust under the Investment Company Act of 1940 (15 U.S.C. 80a-1) ("1940 Act") (the "Exemptive Order"). See Investment Company Act Release No. 31018 (April 16, 2014) (File No. 812-14245).

5 The Adviser is an indirect subsidiary of Empirical Finance, LLC d/b/a Empiritrage, LLC.

6 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 are 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

requires that 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. Rule 14.11(i)(7) is similar to BATS Rule 14.11(b)(5)(A)(i), however, Rule 14.11(i)(7) 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 a registered broker-dealer and is not affiliated with any broker-dealers. In the event that (a) the Adviser becomes registered as a broker-dealer or 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 such broker-dealer affiliate, as applicable, 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.

<u>ValueShares U.S. Quantitative Value ETF</u>

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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 violation, 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.

According to the Registration Statement, the Fund will seek to provide long-term capital appreciation. The Fund will invest, under normal circumstances,[7] at least 80% of its net assets, plus any borrowings for investment purposes, in securities of U.S. companies,[8] as described below. To achieve its objective, the Fund will invest, under normal circumstances, in U.S. equity securities that the Adviser believes, based on quantitative analysis, are undervalued at the time of purchase and have the potential for capital appreciation. A security is undervalued when it trades at a price below the price at which the Adviser believes it would trade if the market reflected all factors relating to the issuer's worth. In choosing investments that are undervalued, the Adviser focuses on companies that it believes show indications of quality and financial strength but have security prices that are low relative to current operating earnings and/or are currently viewed unfavorably by equity research analysts.

The Fund will invest in the exchange-listed common stock of U.S. companies. The Fund may invest in securities of companies in any industry and of any market capitalization. Although the Fund generally expects to invest in companies with larger market capitalizations, the Fund may invest in small- and mid-capitalization companies.

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7 The term "under normal circumstances" includes, but is not limited to, the absence of adverse market, economic, political, or other conditions, including extreme volatility or trading halts in 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.

8 For purposes of the Fund's investments, securities of U.S. companies include the securities of any company organized outside of the United States: (a) that is included in the S&P 500® Index; (b) that has its headquarters or principal location of operations in the United States; (c) whose primary listing is on a securities exchange or market in the United States; or (d) that derives a majority of its revenues in the United States.

The Fund is an actively managed exchanged-traded fund ("ETF") and thus does not seek to replicate the performance of a specific index. Rather, the Adviser has discretion on a daily basis to actively manage the Fund's portfolio in accordance with the Fund's investment objective.

The Adviser utilizes a quantitative model to identify which securities the Fund might purchase and sell as well as opportune times for purchases and sales. While the Fund will invest in approximately fifty U.S. equity securities as determined by its quantitative value factors, the quantity of holdings in the Fund will be based on a number of factors, including the asset size of the Fund and the number of companies that satisfy the Adviser's quantitative measurements at any one time. The Fund's portfolio will be rebalanced to the Adviser's internal target allocations, developed pursuant to the Adviser's strategy described above, at least semi-annually.

In the absence of normal circumstances, the Fund may temporarily depart from its normal investment process, provided that such departure is, in the opinion of the Adviser, consistent with the Fund's investment objective and in the best interest of the Fund. For example, the Fund may invest up to 100% of its assets in a temporary defensive manner by holding all or a substantial portion of its assets in cash, cash equivalents, or other quality short-term investment in response to adverse market, economic, or political or other conditions. Such temporary defensive investments generally may include short-term U.S. government securities, commercial paper, bank obligations, repurchase agreements, money market fund shares, and other money market instruments.

The Fund will be classified as a "non-diversified" investment company under the 1940 Act. A non-diversified fund is a fund that is not limited by the 1940 Act with regard to the percentage of its assets that may be invested in the securities of a single issuer.[9] The Fund will not, however, concentrate its investments in a particular industry or group of industries, as that term is used in the 1940 Act.[10] Securities of the U.S. government (including its agencies and instrumentalities), tax-free securities of state or municipal governments and their political subdivisions (and repurchase agreements collateralized by government securities) and securities of other investment companies, whether registered or excluded from registration under Section 3(c) of the 1940 Act, are not considered to be issued by members of any industry.

The Fund intends to qualify each year as a regulated investment company (a "RIC") under Subchapter M of the Internal Revenue Code of 1986, as amended.[11] The Fund will invest its assets, and otherwise conduct its operations, in a manner that is intended to satisfy the qualifying income, diversification and distribution requirements necessary to establish and maintain RIC qualification under Subchapter M.

Other Portfolio Holdings

The Fund may make secured loans of its portfolio securities; however, securities loans will not be made if, as a result, the aggregate amount of all outstanding securities loans by the Fund exceeds 33 1/3% of its total assets (including the market value of collateral received). To the extent the Fund engages in securities lending, securities loans will be made to broker-dealers that the Adviser believes to be of relatively high credit

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

10 See Form N-1A, Item 9. The Commission has taken the position that a fund is concentrated if it invests in 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).

11 26 U.S.C. 851.

standing pursuant to agreements requiring that the loans continuously be collateralized by cash, liquid securities, or shares of other investment companies with a value at least equal to the market value of the loaned securities.

The Fund may invest in exchange-listed preferred stocks. Preferred stocks include convertible and non-convertible preferred and preference stocks that are senior to common stock. Preferred stocks are equity securities that are senior to common stock with respect to the right to receive dividends and a fixed share of the proceeds resulting from the issuer's liquidation. Some preferred stocks also entitle their holders to receive additional liquidation proceeds on the same basis as holders of the issuer's common stock, and thus represent an ownership interest in the issuer.

The Fund may enter into repurchase agreements with banks and broker-dealers. A repurchase agreement is an agreement under which securities are acquired by the Fund from a securities dealer or bank subject to resale at an agreed upon price on a later date. The acquiring Fund bears a risk of loss in the event that the other party to a repurchase agreement defaults on its obligations and the Fund is delayed or prevented from exercising its rights to dispose of the collateral securities.

The Fund may invest in debt securities by purchasing the following: obligations of the U.S. government, its agencies and instrumentalities, corporate debt securities, master-demand notes, bank certificates of deposit, time deposits, bankers' acceptances, commercial paper and other notes, and inflation-indexed securities. Any such debt securities held by the fund will be investment grade.

The Fund may invest in the securities of other investment companies (including money market funds and ETFs) to the extent permitted under the 1940 Act, Commission rules thereunder and exemptions thereto. Under the 1940 Act, the Fund's investment in investment companies is limited to, subject to certain exceptions: (i) 3% of the total outstanding voting stock of any one investment company, (ii) 5% of the Fund's total assets with respect to any one investment company and (iii) 10% of the Fund's total assets of investment companies in the aggregate.

The Fund will not invest in options, futures or swaps. The Fund's investments will be consistent with its respective investment objective and will not be used to enhance leverage.

Investment Restrictions

The Fund may hold up to an aggregate amount of 15% of its net assets in illiquid assets (calculated at the time of investment), including Rule 144A securities deemed illiquid by the Adviser[12] under the 1940 Act.[13] The Fund will monitor its portfolio

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12 In reaching liquidity decisions, the Adviser may consider factors including: 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; the nature of the security and the nature of the marketplace trades (*e.g.*, the time needed to dispose of the security, the method of soliciting offers, and the mechanics of transfer); any legal or contractual restrictions on the ability to transfer the security or asset; significant developments involving the issuer or counterparty specifically (*e.g.*, default, bankruptcy, etc.) or the securities markets generally; and settlement practices, registration procedures, limitations on currency conversion or repatriation, and transfer limitations (for foreign securities or other assets).

13 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

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 the Fund's net assets are held 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.

ValueShares International Quantitative Value ETF

According to the Registration Statement, the Fund will seek to provide long-term capital appreciation. To achieve its objective, the Fund will invest, under normal circumstances - generally greater than 80%, but at least 65% of its net assets, plus any borrowings for investment purposes - in equity securities of international companies[14] that the Adviser believes, based on quantitative analysis, are undervalued at the time of purchase and have the potential for capital appreciation. A security is undervalued when it trades at a price below the price at which the Adviser believes it would trade if the market reflected all factors relating to the issuer's worth. In choosing investments that are undervalued, the Adviser focuses on companies that it believes show indications of

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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).

14 For purposes of the Fund's investments, securities of international companies include the securities of any company (a) that is organized outside of the United States; (b) that is included in the MSCI EAFE Index; (c) that has its headquarters or principal location of operations in a country outside of the United States; (d) whose primary listing is on a securities exchange or market outside of the United States; or (e) that derives a majority of its revenues outside of the United States.

quality and financial strength but have security prices that are low relative to current operating earnings and/or are currently viewed unfavorably by equity research analysts.

The Fund will invest in the exchange-listed common stock of international companies and depositary receipts. The Fund may invest in securities of companies in any industry and of any market capitalization. The Fund may invest in foreign securities through depositary receipts by purchasing the following: American Depositary Receipts ("ADRs"), Global Depositary Receipts ("GDRs"), and European Depositary Receipts ("EDRs") (collectively, "Depositary Receipts").[15] Although the Fund generally expects to invest in companies with larger market capitalizations, the Fund may invest in small- and mid-capitalization companies. With respect to its investments in exchange-listed common stocks and Depositary Receipts of non-U.S. issuers, the Fund will invest at least 90% of its assets invested in such securities in exchange-listed common stocks and Depositary Receipts that trade in markets that are members of the Intermarket

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15 Depositary Receipts are receipts, typically issued by a bank or trust issuer, which evidence ownership of underlying securities issued by a non-U.S. issuer. For ADRs, the depository is typically a U.S. financial institution and the underlying securities are issued by a non-U.S. issuer. For other forms of Depositary Receipts, the depository may be a non-U.S. or a U.S. entity, and the underlying securities may be issued by a non-U.S. or a U.S. issuer. Depositary Receipts are not necessarily denominated in the same currency as their underlying securities. Generally, ADRs, issued in registered form, are designed for use in the U.S. securities markets, and EDRs, issued in bearer form, are designed for use in European securities markets. In general, ADRs must be sponsored, but the Fund may invest in unsponsored ADRs under certain limited circumstances. It is expected that not more than 10% of the net assets of the Fund will be invested in unsponsored ADRs. GDRs are tradable both in the United States and in Europe and are designed for use throughout the world.

Surveillance Group ("ISG") or are parties to a comprehensive surveillance sharing agreement with the Exchange.[16]

The Fund is an actively managed ETF and thus does not seek to replicate the performance of a specific index. Rather, the Adviser has discretion on a daily basis to actively manage the Fund's portfolio in accordance with the Fund's investment objective.

The Adviser utilizes a quantitative model to identify which securities the Fund might purchase and sell as well as opportune times for purchases and sales. While the Fund will invest in approximately fifty international equity securities as determined by its quantitative value factors, the quantity of holdings in the Fund will be based on a number of factors, including the asset size of the Fund and the number of companies that satisfy the Adviser's quantitative measurements at any one time. The Fund's portfolio will be rebalanced to the Adviser's internal target allocations, developed pursuant to the Adviser's strategy described above, at least annually.

In the absence of normal circumstances, the Fund may temporarily depart from its normal investment process, provided that such departure is, in the opinion of Adviser, consistent with the Fund's investment objective and in the best interest of the Fund. For example, the Fund may invest up to 100% of its assets in a temporary defensive manner by holding all or a substantial portion of its assets in cash, cash equivalents, or other quality short-term investment in response to adverse market, economic, or political or other conditions. Such temporary defensive investments generally may include short-

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16 For a list of the current members and affiliate members of ISG, see www.isgportal.com. The Exchange notes that not all components of the Disclosed Portfolio for the Funds may trade on markets that are members of ISG or with which the Exchange has in place a comprehensive surveillance sharing agreement.

term U.S. government securities, commercial paper, bank obligations, repurchase agreements, money market fund shares, and other money market instruments.

The Fund will be classified as a "non-diversified" investment company under the 1940 Act. A non-diversified fund is a fund that is not limited by the 1940 Act with regard to the percentage of its assets that may be invested in the securities of a single issuer.[17] The Fund will not, however, concentrate its investments in a particular industry or group of industries, as that term is used in the 1940 Act.[18] Securities of the U.S. government (including its agencies and instrumentalities), tax-free securities of state or municipal governments and their political subdivisions (and repurchase agreements collateralized by government securities) and securities of other investment companies, whether registered or excluded from registration under Section 3(c) of the 1940 Act, are not considered to be issued by members of any industry.

The Fund intends to qualify each year as RIC under Subchapter M of the Internal Revenue Code of 1986, as amended.[19] The Fund will invest its assets, and otherwise conduct its operations, in a manner that is intended to satisfy the qualifying income, diversification and distribution requirements necessary to establish and maintain RIC qualification under Subchapter M.

Other Portfolio Holdings

The Fund may make secured loans of its portfolio securities; however, securities loans will not be made if, as a result, the aggregate amount of all outstanding securities loans by the Fund exceeds 33 1/3% of its total assets (including the market value of

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

18 See supra note 10.

19 See supra note 11.

collateral received). To the extent the Fund engages in securities lending, securities loans will be made to broker-dealers that the Adviser believes to be of relatively high credit standing pursuant to agreements requiring that the loans continuously be collateralized by cash, liquid securities, or shares of other investment companies with a value at least equal to the market value of the loaned securities.

The Fund may invest in exchange-listed preferred stocks. Preferred stocks include convertible and non-convertible preferred and preference stocks that are senior to common stock. Preferred stocks are equity securities that are senior to common stock with respect to the right to receive dividends and a fixed share of the proceeds resulting from the issuer's liquidation. Some preferred stocks also entitle their holders to receive additional liquidation proceeds on the same basis as holders of the issuer's common stock, and thus represent an ownership interest in the issuer.

The Fund may enter into repurchase agreements with banks and broker-dealers. A repurchase agreement is an agreement under which securities are acquired by the Fund from a securities dealer or bank subject to resale at an agreed upon price on a later date. The acquiring Fund bears a risk of loss in the event that the other party to a repurchase agreement defaults on its obligations and the Fund is delayed or prevented from exercising its rights to dispose of the collateral securities.

The Fund may invest in debt securities by purchasing the following: obligations of the U.S. government, its agencies and instrumentalities, corporate debt securities, master-demand notes, bank certificates of deposit, time deposits, bankers' acceptances, commercial paper and other notes, and inflation-indexed securities. Any such debt securities held by the fund will be investment grade.

The Fund may invest in the securities of other investment companies (including money market funds and ETFs) to the extent permitted under the 1940 Act, Commission rules thereunder and exemptions thereto. Under the 1940 Act, the Fund's investment in investment companies is limited to, subject to certain exceptions: (i) 3% of the total outstanding voting stock of any one investment company, (ii) 5% of the Fund's total assets with respect to any one investment company and (iii) 10% of the Fund's total assets of investment companies in the aggregate.

The Fund will not invest in options, futures or swaps. The Fund's investments will be consistent with its respective investment objective and will not be used to enhance leverage.

Investment Restrictions

The Fund may hold up to an aggregate amount of 15% of its net assets in illiquid assets (calculated at the time of investment), including Rule 144A securities deemed illiquid by the Adviser[20] under the 1940 Act.[21] The 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 the Fund's net assets are held 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.

MomentumShares U.S. Quantitative Momentum ETF

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20 See supra note 12.

21 See supra note 13.

According to the Registration Statement, the Fund (together with the ValueShares U.S. Quantitative Value ETF, the “U.S. Funds”) will seek to provide long-term capital appreciation. The Fund will invest, under normal circumstances, at least 80% of its net assets, plus any borrowings for investment purposes, in securities of U.S. companies,[22] as described below. To achieve its objective, the Fund will invest, under normal circumstances, in U.S. equity securities that the Adviser believes, based on quantitative analysis, have positive momentum. A “momentum” style of investing emphasizes investing in securities that have had higher recent total return performance compared to other securities.

The Fund will invest in the exchange-listed common stock of U.S. companies. The Fund may invest in securities of companies in any industry and of any market capitalization. Although the Fund generally expects to invest in companies with larger market capitalizations, the Fund may invest in small- and mid-capitalization companies.

The Adviser utilizes a quantitative model to identify which securities the Fund might purchase and sell as well as opportune times for purchases and sales. While the Fund will invest in approximately fifty U.S. equity securities as determined by its quantitative value factors, the quantity of holdings in the Fund will be based on a number of factors, including the asset size of the Fund and the number of companies that satisfy the Adviser’s quantitative measurements at any one time. The Fund’s portfolio will be

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22 For purposes of the Fund’s investments, securities of U.S. companies include the securities of any company organized outside of the United States: (a) that is included in the S&P 500® Index; (b) that has its headquarters or principal location of operations in the United States; (c) whose primary listing is on a securities exchange or market in the United States; or (d) that derives a majority of its revenues in the United States.

rebalanced to the Adviser's internal target allocations, developed pursuant to the Adviser's strategy described above, at least semi-annually.

The Fund is an actively managed ETF and thus does not seek to replicate the performance of a specific index. Rather, the Adviser has discretion on a daily basis to actively manage the Fund's portfolio in accordance with the Fund's investment objective.

In the absence of normal circumstances, the Fund may temporarily depart from its normal investment process, provided that such departure is, in the opinion of the Adviser, consistent with the Fund's investment objective and in the best interest of the Fund. For example, the Fund may invest up to 100% of its assets in a temporary defensive manner by holding all or a substantial portion of its assets in cash, cash equivalents, or other quality short-term investment in response to adverse market, economic, or political or other conditions. Such temporary defensive investments generally may include short-term U.S. government securities, commercial paper, bank obligations, repurchase agreements, money market fund shares, and other money market instruments.

The Fund will be classified as a "non-diversified" investment company under the 1940 Act. A non-diversified fund is a fund that is not limited by the 1940 Act with regard to the percentage of its assets that may be invested in the securities of a single issuer.[23] The Fund will not, however, concentrate its investments in a particular industry or group of industries, as that term is used in the 1940 Act.[24] Securities of the U.S. government (including its agencies and instrumentalities), tax-free securities of state or municipal governments and their political subdivisions (and repurchase agreements collateralized by government securities) and securities of other investment companies,

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

24 See supra note 10.

whether registered or excluded from registration under Section 3(c) of the 1940 Act, are not considered to be issued by members of any industry.

The Fund intends to qualify each year as a RIC under Subchapter M of the Internal Revenue Code of 1986, as amended.[25] The Fund will invest its assets, and otherwise conduct its operations, in a manner that is intended to satisfy the qualifying income, diversification and distribution requirements necessary to establish and maintain RIC qualification under Subchapter M.

Other Portfolio Holdings

The Fund may make secured loans of its portfolio securities; however, securities loans will not be made if, as a result, the aggregate amount of all outstanding securities loans by the Fund exceeds 33 1/3% of its total assets (including the market value of collateral received). To the extent the Fund engages in securities lending, securities loans will be made to broker-dealers that the Adviser believes to be of relatively high credit standing pursuant to agreements requiring that the loans continuously be collateralized by cash, liquid securities, or shares of other investment companies with a value at least equal to the market value of the loaned securities.

The Fund may invest in exchange-listed preferred stocks. Preferred stocks include convertible and non-convertible preferred and preference stocks that are senior to common stock. Preferred stocks are equity securities that are senior to common stock with respect to the right to receive dividends and a fixed share of the proceeds resulting from the issuer's liquidation. Some preferred stocks also entitle their holders to receive

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[25] See supra note 11.

additional liquidation proceeds on the same basis as holders of the issuer's common stock, and thus represent an ownership interest in the issuer.

The Fund may enter into repurchase agreements with banks and broker-dealers. A repurchase agreement is an agreement under which securities are acquired by the Fund from a securities dealer or bank subject to resale at an agreed upon price on a later date. The acquiring Fund bears a risk of loss in the event that the other party to a repurchase agreement defaults on its obligations and the Fund is delayed or prevented from exercising its rights to dispose of the collateral securities.

The Fund may invest in debt securities by purchasing the following: obligations of the U.S. government, its agencies and instrumentalities, corporate debt securities, master-demand notes, bank certificates of deposit, time deposits, bankers' acceptances, commercial paper and other notes, and inflation-indexed securities. Any such debt securities shall be investment grade.

The Fund may invest in the securities of other investment companies (including money market funds and ETFs) to the extent permitted under the 1940 Act, Commission rules thereunder and exemptions thereto. Under the 1940 Act, the Fund's investment in investment companies is limited to, subject to certain exceptions: (i) 3% of the total outstanding voting stock of any one investment company, (ii) 5% of the Fund's total assets with respect to any one investment company and (iii) 10% of the Fund's total assets of investment companies in the aggregate.

The Fund will not invest in options, futures or swaps. The Fund's investments will be consistent with its respective investment objective and will not be used to enhance leverage.

Investment Restrictions

The Fund may hold up to an aggregate amount of 15% of its net assets in illiquid assets (calculated at the time of investment), including Rule 144A securities deemed illiquid by the Adviser[26] under the 1940 Act.[27] The 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 the Fund's net assets are held 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.

MomentumShares International Quantitative Momentum ETF

According to the Registration Statement, the Fund (together with the ValueShares International Quantitative Value ETF, the "International Funds") will seek to provide long-term capital appreciation. To achieve its objective, the Fund will invest, under normal circumstances - generally greater than 80%, but at least 65% of its net assets, plus any borrowings for investment purposes - in equity securities of international companies[28] that the Adviser believes, based on quantitative analysis, have positive

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26 See supra note 12.

27 See supra note 13.

28 For purposes of the Fund's investments, securities of international companies include the securities of any company (a) that is organized outside of the United States; (b) that is included in the MSCI EAFE Index; (c) that has its headquarters or principal location of operations in a country outside of the United States; (d) whose primary listing is on a securities exchange or market outside of the United States; or (e) that derives a majority of its revenues outside of the United States.

momentum. A "momentum" style of investing emphasizes investing in securities that have had higher recent total return performance compared to other securities.

The Fund will invest in the exchange-listed common stock of international companies and Depositary Receipts. The Fund may invest in securities of companies in any industry and of any market capitalization. The Fund may invest in foreign securities through Depositary Receipts by purchasing the following: ADRs, GDRs, and EDRs.[29] Although the Fund generally expects to invest in companies with larger market capitalizations, the Fund may invest in small- and mid-capitalization companies. With respect to its investments in exchange-listed common stocks and Depositary Receipts of non-U.S. issuers, the Fund will invest at least 90% of its assets invested in such securities in exchange-listed common stocks and Depositary Receipts that trade in markets that are members of the ISG or are parties to a comprehensive surveillance sharing agreement with the Exchange.

The Fund is an actively managed ETF and thus does not seek to replicate the performance of a specific index. Rather, the Adviser has discretion on a daily basis to actively manage the Fund's portfolio in accordance with the Fund's investment objective.

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[29] Depositary Receipts are receipts, typically issued by a bank or trust issuer, which evidence ownership of underlying securities issued by a non-U.S. issuer. For ADRs, the depository is typically a U.S. financial institution and the underlying securities are issued by a non-U.S. issuer. For other forms of Depositary Receipts, the depository may be a non-U.S. or a U.S. entity, and the underlying securities may be issued by a non-U.S. or a U.S. issuer. Depositary Receipts are not necessarily denominated in the same currency as their underlying securities. Generally, ADRs, issued in registered form, are designed for use in the U.S. securities markets, and EDRs, issued in bearer form, are designed for use in European securities markets. In general, ADRs must be sponsored, but the Fund may invest in unsponsored ADRs under certain limited circumstances. It is expected that not more than 10% of the net assets of the Fund will be invested in unsponsored ADRs. GDRs are tradable both in the United States and in Europe and are designed for use throughout the world.

The Adviser utilizes a quantitative model to identify which securities the Fund might purchase and sell as well as opportune times for purchases and sales. While the Fund will invest in approximately fifty international equity securities as determined by its quantitative value factors, the quantity of holdings in the Fund will be based on a number of factors, including the asset size of the Fund and the number of companies that satisfy the Adviser's quantitative measurements at any one time. The Fund's portfolio will be rebalanced to the Adviser's internal target allocations, developed pursuant to the Adviser's strategy described above, at least annually.

In the absence of normal circumstances, the Fund may temporarily depart from its normal investment process, provided that such departure is, in the opinion of the Adviser, consistent with the Fund's investment objective and in the best interest of the Fund. For example, the Fund may invest up to 100% of its assets in a temporary defensive manner by holding all or a substantial portion of its assets in cash, cash equivalents, or other quality short-term investment in response to adverse market, economic, or political or other conditions. Such temporary defensive investments generally may include short-term U.S. government securities, commercial paper, bank obligations, repurchase agreements, money market fund shares, and other money market instruments.

The Fund will be classified as a "non-diversified" investment company under the 1940 Act. A non-diversified fund is a fund that is not limited by the 1940 Act with regard to the percentage of its assets that may be invested in the securities of a single issuer.[30] The Fund will not, however, concentrate its investments in a particular industry

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

or group of industries, as that term is used in the 1940 Act.[31] Securities of the U.S. government (including its agencies and instrumentalities), tax-free securities of state or municipal governments and their political subdivisions (and repurchase agreements collateralized by government securities) and securities of other investment companies, whether registered or excluded from registration under Section 3(c) of the 1940 Act, are not considered to be issued by members of any industry.

The Fund intends to qualify each year as a RIC under Subchapter M of the Internal Revenue Code of 1986, as amended.[32] The Fund will invest its assets, and otherwise conduct its operations, in a manner that is intended to satisfy the qualifying income, diversification and distribution requirements necessary to establish and maintain RIC qualification under Subchapter M.

Other Portfolio Holdings

The Fund may make secured loans of its portfolio securities; however, securities loans will not be made if, as a result, the aggregate amount of all outstanding securities loans by the Fund exceeds 33 1/3% of its total assets (including the market value of collateral received). To the extent the Fund engages in securities lending, securities loans will be made to broker-dealers that the Adviser believes to be of relatively high credit standing pursuant to agreements requiring that the loans continuously be collateralized by cash, liquid securities, or shares of other investment companies with a value at least equal to the market value of the loaned securities.

The Fund may invest in exchange-listed preferred stocks. Preferred stocks include convertible and non-convertible preferred and preference stocks that are senior to

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31 See supra note 10.

32 See supra note 11.

common stock. Preferred stocks are equity securities that are senior to common stock with respect to the right to receive dividends and a fixed share of the proceeds resulting from the issuer's liquidation. Some preferred stocks also entitle their holders to receive additional liquidation proceeds on the same basis as holders of the issuer's common stock, and thus represent an ownership interest in the issuer.

The Fund may enter into repurchase agreements with banks and broker-dealers. A repurchase agreement is an agreement under which securities are acquired by the Fund from a securities dealer or bank subject to resale at an agreed upon price on a later date. The acquiring Fund bears a risk of loss in the event that the other party to a repurchase agreement defaults on its obligations and the Fund is delayed or prevented from exercising its rights to dispose of the collateral securities.

The Fund may invest in debt securities by purchasing the following: obligations of the U.S. government, its agencies and instrumentalities, corporate debt securities, master-demand notes, bank certificates of deposit, time deposits, bankers' acceptances, commercial paper and other notes, and inflation-indexed securities. Any such debt securities shall be investment grade.

The Fund may invest in the securities of other investment companies (including money market funds and ETFs) to the extent permitted under the 1940 Act, Commission rules thereunder and exemptions thereto. Under the 1940 Act, the Fund's investment in investment companies is limited to, subject to certain exceptions: (i) 3% of the total outstanding voting stock of any one investment company, (ii) 5% of the Fund's total assets with respect to any one investment company and (iii) 10% of the Fund's total assets of investment companies in the aggregate.

The Fund will not invest in options, futures or swaps. The Fund's investments will be consistent with its respective investment objective and will not be used to enhance leverage.

Investment Restrictions

The Fund may hold up to an aggregate amount of 15% of its net assets in illiquid assets (calculated at the time of investment), including Rule 144A securities deemed illiquid by the Adviser[33] under the 1940 Act.[34] The 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 the Fund's net assets are held 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.

Net Asset Value

According to the Registration Statement, the net asset value ("NAV") of each Fund will be calculated each business day as of the close of regular trading on the New York Stock Exchange ("NYSE"), generally 4:00 p.m. Eastern Time (the "NAV Calculation Time"), on each day that the NYSE is open for trading, based on prices at the NAV Calculation Time. NAV per Share is calculated by dividing the Fund's net assets by the number of Fund Shares outstanding. Each Fund's net assets are valued primarily on the basis of market quotations.

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33 See supra note 12.

34 See supra note 13.

Each Fund calculates its NAV per Share by taking the current market value of its total assets, subtracting any liabilities, and dividing that amount by the total number of Shares owned by shareholders. If an equity security is listed on a national exchange, the security is valued at the closing price or, if the closing price is not readily available, the mean of the closing bid and ask prices. Equity securities not listed on an exchange or national securities market are valued at the last reported sale price. Equity securities in which there was no last reported sale price will be valued at the most recent bid price.

If a market price is not readily available or is deemed not to reflect market value, a Fund will determine the price of the security held by the Fund based on a determination of the security's fair value pursuant to policies and procedures approved by the Board of Trustees of the Trust. In addition, a Fund may use fair valuation to price securities that trade on a foreign exchange, if any, when a significant event has occurred after the foreign exchange closes but before the time at which the Fund's NAV is calculated. Foreign exchanges typically close before the time at which Fund Share prices are calculated, and may be closed altogether on some days when a Fund is open. Such significant events affecting a foreign security, in the event a Fund holds foreign securities, may include, but are not limited to: corporate actions, earnings announcements, litigation or other events impacting a single issuer; governmental action that affects securities in one sector or country; natural disasters or armed conflicts affecting a country or region; or significant domestic or foreign market fluctuations. If a Fund holds foreign securities, it would use various criteria, including an evaluation of U.S. market moves after the close of foreign markets, in determining whether a foreign security's market price is readily available and reflective of market value and, if not, the fair value of the security.

To the extent a Fund has holdings of foreign or other securities that may trade infrequently, fair valuation may be used more frequently than for other funds. Fair valuation may have the effect of reducing stale pricing arbitrage opportunities presented by the pricing of Fund Shares. However, when a Fund uses fair valuation to price securities, it may value those securities higher or lower than another fund would have priced the security. Also, the use of fair valuation may cause the Shares' NAV performance to diverge from the Shares' market price and from the performance of various benchmarks used to compare a Fund's performance because benchmarks generally do not use fair valuation techniques. Because of the judgment involved in fair valuation decisions, there can be no assurance that the value ascribed to a particular security is accurate.

Repurchase agreements are generally valued at par. Pricing services will be used to determine the value of a fixed income investment. In certain circumstances, short-term instruments may be valued on the basis of amortized cost.

The Shares

According to the Registration Statement, the Fund will issue and redeem Shares on a continuous basis at NAV in aggregations of 50,000 Shares ("Creation Units"). The consideration for a Creation Unit of a Fund will be the "Fund Deposit," which will consist of the basket of securities to be deposited to purchase Creation Units of the Fund (the "In-Kind Creation Basket"). The Fund Deposit will consist of the In-Kind Creation Basket and an amount of cash consisting of a "Balancing Amount" (as described below) and a transaction fee calculated in connection with creations (together with the Balancing Amount, the “Cash Component”), or a Cash Component that includes an all cash payment (“Cash Value”).

In addition to the In-Kind Creation Basket, a purchaser will typically pay to the Fund a “Balancing Amount” reflecting the difference, if any, between the NAV of a Creation Unit and the market value of the securities in the In-Kind Creation Basket. If the NAV per Creation Unit exceeds the market value of the securities in the In-Kind Creation Basket, the purchaser will pay the Balancing Amount to the Fund. By contrast, if the NAV per Creation Unit is less than the market value of the securities in the In-Kind Creation Basket, the Fund will pay the Balancing Amount to the purchaser. The Balancing Amount ensures that the consideration paid by an investor for a Creation Unit is exactly equal to the value of the Creation Unit.

A portfolio composition file, to be sent via the National Securities Clearing Corporation (“NSCC”), will be made available on each business day, prior to the opening of business on the Exchange (currently 9:30 a.m., Eastern time), and will include a list of the names and the required number of shares of each security in the In-Kind Creation Basket to be included in the current Fund Deposit for the Fund (based on information about the Fund’s portfolio at the end of the previous business day). In addition, on each business day, the estimated Cash Component or Cash Value, effective through and including the previous business day, will be made available through NSCC.

The In-Kind Creation Basket is applicable for purchases of Creation Units of the Fund until such time as the next-announced In-Kind Creation Basket is made available.

The Fund reserves the right to accept a nonconforming (*i.e.*, custom) Fund Deposit.[35] In addition, the composition of the In-Kind Creation Basket may change as, among other things, corporate actions and investment decisions by the Adviser are implemented for the Fund's portfolio.

All purchase orders must be placed by or through an "Authorized Participant." An Authorized Participant must be either a broker-dealer or other participant in the Continuous Net Settlement System ("Clearing Process") of the NSCC or a participant in The Depository Trust Company ("DTC") with access to the DTC system, and must execute an agreement with the Distributor that governs transactions in the Fund's

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35 As stated in the Exemptive Application, the Fund may, in certain circumstances, allow cash creations or partial cash creations but not redemptions (or vice versa) if: (a) there is a Balancing Amount; (b) the Fund announces before the open of trading that all purchases, all redemptions or all purchases and redemptions on that day will be made entirely in cash; (c) upon receiving a purchase or redemption order from an Authorized Participant the Fund determines to require the purchase or redemption to be made entirely in cash because, among other things, it would benefit the Fund and its investors; (d) the Fund requires all Authorized Participants purchasing or redeeming Shares on that day to deposit or receive (as applicable) cash in lieu of some or all of the In-Kind Creation Basket or In-Kind Redemption Basket, respectively, solely because (i) certain instruments therein are not eligible for transfer through either the NSCC Process or DTC Process (as described in the Exemptive Application) or (ii) such instruments are not eligible for trading due to local (foreign) trading or transfer restrictions or the like; or (e) the Fund permits an Authorized Participant to deposit or receive (as applicable) cash in lieu of some or all of the In-Kind Creation Basket or In-Kind Redemption Basket, respectively, solely because (i) certain instruments therein are, in the case of the purchase of a Creation Unit, not available in sufficient quantity, (ii) such instruments are not eligible for trading by an Authorized Participant or the investor on whose behalf the Authorized Participant is acting, or (iii) an investor would be subject to unfavorable income tax treatment based on receipt of redemption proceeds in kind. According to the Registration Statement, an additional variable charge for cash or partial cash creations, and cash or partial cash redemptions, may also be imposed to compensate the Fund for the costs associated with buying the applicable securities.

Creation Units. In-kind portions of purchase orders will be processed through the Clearing Process when it is available.

Fund Shares may be redeemed only in Creation Units at their NAV next determined after receipt of a redemption request in proper form by the Fund through the Distributor and only on a business day. The redemption proceeds for a Creation Unit will consist of the basket of securities a shareholder will receive upon redemption of a Creation unit (the “In-Kind Redemption Basket”) and an amount of cash consisting of a Balancing Amount and a transaction fee (the “Cash Redemption Amount”), or, in certain circumstances, the Cash Value, in all instances equal to the value of a Creation Unit. In addition, investors may incur brokerage and other costs in connection with assembling a Creation Unit. A portfolio composition file, to be sent via the NSCC, will be made available on each business day, prior to the opening of business on the Exchange (currently 9:30 a.m., Eastern time), and will include a list of the names and the number of shares of each security in the In-Kind Redemption Basket. In addition, on each business day, the estimated Cash Component or Cash Value, effective through and including the previous business day, will be made available through NSCC.

The redemption proceeds for a Creation Unit generally consist of the In-Kind Redemption Basket and a Cash Redemption Amount (“Fund Redemption”), which consists of a Balancing Amount and a Transaction Fee. In lieu of the In- Kind Redemption Basket and Balancing Amount, Creation Units may be redeemed consisting solely of cash in an amount equal to the Cash Value. In such instances, information about the Cash Value of a Creation Unit also will be published. The Fund reserves the right to accept a nonconforming (*i.e.*, custom) Fund Redemption.[36]

The right of redemption may be suspended or the date of payment postponed: (i) for any period during which the NYSE is closed (other than customary weekend and holiday closings); (ii) for any period during which trading on the NYSE is suspended or restricted; (iii) for any period during which an emergency exists as a result of which disposal of the Shares or determination of the Fund's NAV is not reasonably practicable; or (iv) in such other circumstances as permitted by the Commission.

For an order involving a Creation Unit to be effectuated at the Fund's NAV on a particular day, it must be received by the Distributor by or before the deadline for such order ("Order Cut-Off Time"). The Order Cut-Off Time for creation and redemption orders for the Fund is generally expected to be 4:00 p.m. Eastern time for In-Kind Creation and Redemption Baskets, and earlier in the day for Cash Value transactions. On days when the Exchange or the bond markets close earlier than normal, the Fund may require orders to create or to redeem Creation Units be placed earlier in the day. In-Kind Creation and Redemption Baskets are expected to be accepted until the close of regular trading on the Exchange on each business day, which is usually 4:00 p.m. Eastern time. A standard redemption transaction fee will be imposed to offset transfer and other transaction costs that may be incurred by the Fund.

Additional information regarding the Shares and the Funds, including investment strategies, risks, creation and redemption procedures, fees and expenses, portfolio holdings disclosure policies, distributions, taxes and reports to be distributed to beneficial

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[36] See supra note 35.

owners of the Shares can be found in the Registration Statement, on the website for the ValueShares U.S. Quantitative Value ETF and ValueShares International Quantitative Value ETF at www.valueshares.com or on the website for the MomentumShares U.S. Quantitative Momentum ETF and MomentumShares International Quantitative Momentum ETF at www.momentumshares.com, as applicable.

Availability of Information

The Funds' websites, which will be publicly available prior to the public offering of Shares, will include a form of the prospectus for each applicable Fund that may be downloaded. The websites will include additional quantitative information updated on a daily basis, including, for each applicable Fund: (1) the prior business day's NAV and the market closing price or mid-point of the bid/ask spread at the time of calculation of such NAV (the "Bid/Ask Price"),[37] and a calculation of the premium or discount of the market closing price or Bid/Ask Price against the NAV; and (2) a table showing the number of days the Market Price (as defined by the Commission in Form N-1A)[38] of the Fund Shares was greater than the Fund's NAV and the number of days it was less than the Fund's NAV (*i.e.*, premium or discount) for the most recently completed calendar year, and the most recently completed calendar quarters since that year (or of the life of the

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

38 The Commission has defined "Market Price" in Form N-1A as the "last reported sale price at which Exchange-Traded Fund shares trade on the principal U.S. market on which the Fund's Shares are traded during a regular trading session or, if it more accurately reflects the current market value of the Fund's Shares at the time the Fund uses to calculate its net asset value, a price within the range of the highest bid and lowest offer on the principal U.S. market on which the Fund's Shares are traded during a regular trading session."

Fund, if shorter). Daily trading volume information will be available in the financial section of newspapers, through subscription services such as Bloomberg, Thomson Reuters, and International Data Corporation, which can be accessed by authorized participants and other investors, as well as through other electronic services, including major public websites. On each business day, before commencement of trading in Shares during Regular Trading Hours on the Exchange, the Fund will disclose on its website the identities and quantities of the portfolio of securities and other assets (the "Disclosed Portfolio") held by the Fund that will form the basis for the Fund's calculation of NAV at the end of the business day.[39] The Disclosed Portfolio will include, as applicable, the names, quantity, percentage weighting and market value of securities and other assets held by the Fund and the characteristics of such assets. The website and information will be publicly available at no charge.

In addition, for each Fund, an estimated value, defined in BATS Rule 14.11(i)(3)(C) as the "Intraday Indicative Value," that reflects an estimated intraday value of the Fund's portfolio, will be disseminated. Moreover, the Intraday Indicative Value will be based upon the current value for the components of the Disclosed Portfolio and will be updated and widely disseminated by one or more major market data vendors at least every 15 seconds during the Exchange's Regular Trading Hours.[40] In addition, the quotations of certain of each Fund's holdings may not be updated during U.S. trading

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39 Under accounting procedures to be followed by each Fund, trades made on the prior business day ("T") will be booked and reflected in NAV on the current business day ("T+1"). Accordingly, each Fund will be able to disclose at the beginning of the business day the portfolio that will form the basis for the NAV calculation at the end of the business day.

40 Currently, it is the Exchange's understanding that several major market data vendors display and/or make widely available Intraday Indicative Values published via the Consolidated Tape Association ("CTA") or other data feeds.

hours if such holdings do not trade in the United States or if updated prices cannot be ascertained.

The dissemination of the Intraday Indicative Value, together with the Disclosed Portfolio, will allow investors to determine the value of the underlying portfolio of each Fund on a daily basis and provide a close estimate of that value throughout the trading day.

Intraday, executable price quotations on U.S. and non-U.S. securities as well as other assets are available from major broker-dealer firms and for exchange-traded assets, including exchange-listed common stock, Depositary Receipts, and investment companies, such intraday information is available directly from the applicable listing exchange. All such intraday price information is available through subscription services, such as Bloomberg, Thomson Reuters and International Data Corporation, which can be accessed by authorized participants and other investors. Pricing information for securities not listed on an exchange or national securities market and repurchase agreements will be available from major broker-dealer firms and/or subscription services, such as Bloomberg, Thomson Reuters and International Data Corporation.

Information regarding market price and volume of the Shares will be continually available on a real-time basis throughout the day on brokers' computer screens and other electronic services. The previous day's closing price and trading volume information for the Shares will be published daily in the financial section of newspapers. Quotation and last sale information for the Shares will be available on the facilities of the CTA.

<u>Initial and Continued Listing</u>

The Shares will be subject to BATS Rule 14.11(i), which sets forth the initial and continued listing criteria applicable to Managed Fund Shares. The Exchange represents that, for initial and/or continued listing, each Fund must be in compliance with Rule 10A-3 under the Act.[41] A minimum of 100,000 Shares will be outstanding at the commencement of trading on the Exchange. The Exchange will obtain a representation from the issuer of the Shares that the NAV per Share will be calculated daily and that the NAV and the Disclosed Portfolio will be made available to all market participants at the same time.

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 a Fund. The Exchange will halt trading in the Shares under the conditions specified in BATS Rule 11.18. Trading 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) the extent to which trading is not occurring in the securities and/or the financial instruments composing the Disclosed Portfolio of a Fund; or (2) whether other unusual conditions or circumstances detrimental to the maintenance of a fair and orderly market are present. Trading in the Shares also will be subject to Rule 14.11(i)(4)(B)(iv), which sets forth circumstances under which Shares of a Fund 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

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[41] See 17 CFR 240.10A-3.

securities. BATS will allow trading in the Shares from 8:00 a.m. until 5:00 p.m. Eastern Time. The Exchange has appropriate rules to facilitate transactions in the Shares during all trading sessions. As provided in BATS Rule 11.11(a), the minimum price variation for quoting and entry of orders in Managed Fund Shares traded on the Exchange is $0.01, with the exception of securities that are priced less than $1.00, for which the minimum price variation for order entry is $0.0001.

Surveillance

The Exchange believes that its surveillance procedures are adequate to properly monitor the trading of the Shares on the Exchange during all trading sessions and to deter and detect violations of Exchange rules and the applicable federal securities laws. Trading of the Shares through the Exchange will be subject to the Exchange's surveillance procedures for derivative products, including Managed Fund Shares. The Exchange may obtain information regarding trading in the Shares and the underlying shares in equity securities via the ISG, from other exchanges that are members or affiliates of the ISG, or with which the Exchange has entered into a comprehensive surveillance sharing agreement. Additionally, not more than 10% of the net assets of each Fund, in the aggregate, will be invested in (1) unlisted or unsponsored Depositary Receipts; (2) Depositary Receipts not listed on an exchange that is a member of ISG or a party to a comprehensive surveillance sharing agreement with the Exchange; or (3) unlisted common stocks or common stocks not listed on an exchange that is a member of the ISG or a party to a comprehensive surveillance sharing agreement with the Exchange. In addition, the Exchange is able to access, as needed, trade information for certain fixed income instruments reported to FINRA's Trade Reporting and Compliance Engine

("TRACE"). The Exchange prohibits the distribution of material non-public information by its employees.

Information Circular

Prior to the commencement of trading, the Exchange will inform its members in an Information Circular of the special characteristics and risks associated with trading the Shares. Specifically, the Information Circular will discuss the following: (1) the procedures for purchases and redemptions of Shares in Creation Units (and that Shares are not individually redeemable); (2) BATS Rule 3.7, which imposes suitability obligations on Exchange members with respect to recommending transactions in the Shares to customers; (3) how information regarding the Intraday Indicative Value is disseminated; (4) the risks involved in trading the Shares during the Pre-Opening[42] and After Hours Trading Sessions[43] when an updated Intraday Indicative Value will not be calculated or publicly disseminated; (5) the requirement that members 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 Information Circular will advise members, prior to the commencement of trading, of the prospectus delivery requirements applicable to the Fund. Members purchasing Shares from a Fund for resale to investors will deliver a prospectus to such investors. The Information Circular will also discuss any exemptive, no-action, and interpretive relief granted by the Commission from any rules under the Act.

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42 The Pre-Opening Session is from 8:00 a.m. to 9:30 a.m. Eastern Time.

43 The After Hours Trading Session is from 4:00 p.m. to 5:00 p.m. Eastern Time.

In addition, the Information Circular will reference that the Fund is subject to various fees and expenses described in the Registration Statement. The Information Circular will also disclose the trading hours of the Shares of a Fund and the applicable NAV Calculation Time for those Shares. The Information Circular will disclose that information about the Shares of a Fund will be publicly available on the Fund's website. In addition, the Information Circular will reference that the Trust is subject to various fees and expenses described in the Fund's Registration.

2. Statutory Basis

The Exchange believes that the proposal is consistent with Section 6(b) of the Act[44] in general and Section 6(b)(5) of the Act[45] in particular in that it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in facilitating transactions in securities, 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 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 BATS Rule 14.11(i). The Exchange believes that its surveillance procedures are adequate to properly monitor the trading of the Shares on the Exchange during all trading sessions and to deter and detect violations of Exchange rules and the applicable federal securities laws. If the investment adviser to the investment company issuing Managed Fund Shares is affiliated

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44 15 U.S.C. 78f.

45 15 U.S.C. 78f(b)(5).

with a broker-dealer, such investment adviser to the 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. The Adviser is not a registered broker-dealer and is not affiliated with any broker-dealers. The Exchange may obtain information regarding trading in the Shares and the underlying shares in exchange-listed common stocks, Depositary Receipts, and investment companies via the ISG, from other exchanges that are members or affiliates of the ISG, or with which the Exchange has entered into a comprehensive surveillance sharing agreement, to the extent that the securities are listed on such exchanges, as further discussed below.[46]

According to the Registration Statement, the U.S. Funds expect that they will have at least 80% of their assets invested in exchange-listed securities of U.S. companies.[47] Similarly, the International Funds expect that they will have at least 90% of their assets invested in securities listed on exchanges that are members or affiliates of the ISG. The Funds will not concentrate their investments in a particular industry or group of industries, as that term is defined in the 1940 Act.[48] The Funds' investments will be consistent with their respective investment objective and will not be used to enhance leverage. Each Fund also may invest its net assets in money market instruments at the discretion of the Adviser. The U.S. Funds will not invest in non-U.S. equity securities.

Additionally, each Fund may hold up to an aggregate amount of 15% of its net assets in illiquid assets (calculated at the time of investment), including Rule 144A

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46 See supra note 16.

47 See supra notes 8 and 22.

48 See supra note 10.

securities. 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 that Fund's net assets are held 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.

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 the Shares that the NAV per Share will be calculated daily and that the NAV and the Disclosed Portfolio will be made available to all market participants at the same time. In addition, a large amount of information is publicly available regarding the Funds and the Shares, thereby promoting market transparency. Moreover, the Intraday Indicative Value will be disseminated by one or more major market data vendors at least every 15 seconds during Regular Trading Hours. On each business day, before commencement of trading in Shares during Regular Trading Hours, the Funds will disclose on its website the Disclosed Portfolio that will form the basis for each Fund's calculation of NAV at the end of the business day. Pricing information will be available on each Fund's website including: (1) the prior business day's NAV and the market closing price or the Bid/Ask Price,[49] and a calculation of the premium or discount of the market closing price or Bid/Ask Price against the NAV; and (2) a table showing

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[49] See supra note 37.

the number of days the Market Price (as defined by the Commission in Form N-1A)[50] of the Fund Shares was greater than the Fund's NAV and the number of days it was less than the Fund's NAV (*i.e.*, premium or discount) for the most recently completed calendar year, and the most recently completed calendar quarters since that year (or of the life of the Fund, if shorter). Additionally, information regarding market price and trading of the Shares will be continually available on a real-time basis throughout the day on brokers' computer screens and other electronic services, and quotation and last sale information for the Shares will be available on the facilities of the CTA. The website for a Fund will include a form of the prospectus for the Fund and additional data relating to NAV and other applicable quantitative information. Trading in Shares of a Fund will be halted under the conditions specified in BATS Rule 11.18. Trading may also be halted because of market conditions or for reasons that, in the view of the Exchange, make trading in the Shares inadvisable. Finally, trading in the Shares will be subject to BATS Rule 14.11(i)(4)(B)(iv), which sets forth circumstances under which Shares of the Funds may be halted. In addition, as noted above, investors will have ready access to information regarding each Fund's holdings, the Intraday Indicative Value, the Disclosed Portfolio, and quotation and last sale information for the Shares.

Intraday, executable price quotations on the assets held by the Funds are available from major broker-dealer firms and for exchange-traded assets, including exchange-listed common stock, Depositary Receipts, and investment companies, such intraday information is available directly from the applicable listing exchange. Such intraday price information is available through subscription services, such as Bloomberg,

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[50] See supra note 38.

Thomson Reuters and International Data Corporation, which can be accessed by authorized participants and other investors.

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 additional types of actively-managed exchange-traded products 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, the Exchange is able to access, as needed, trade information for certain fixed income instruments reported to FINRA's TRACE. As noted above, investors will also have ready access to information regarding each Fund's holdings, the Intraday Indicative Value, the Disclosed Portfolio, and quotation and last sale information for the Shares.

For the above reasons, the Exchange believes that the proposed rule change is consistent with the requirements of Section 6(b)(5) of the Act.

(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 purpose of the Act. The Exchange notes that the proposed rule change will facilitate the listing and trading of additional actively-managed exchange-traded products that will enhance competition among market participants, to the benefit of investors and the marketplace.

(C) 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.

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 Exchange consents, the Commission will: (a) by order approve or disapprove such 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 proposal 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 No. SR-BATS-2014-026 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 No. SR-BATS-2014-026. 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 changes 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 Room, 100 F Street, NE, Washington, DC 20549, on official business days between the hours of 10:00 am and 3:00 pm. Copies of such filing will also be available for inspection and copying at the principal office of the Exchange. 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 No. SR-BATS-2014-026 and should be submitted on or before [________21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.[51]

Kevin M. O'Neill
Deputy Secretary

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[51] 17 CFR 200.30-3(a)(12).