



UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

DIVISION OF
TRADING AND MARKETS

June 16, 2011

W. John McGuire
Morgan, Lewis & Bockius LLP
1111 Pennsylvania Avenue, NW
Washington, DC 20004

Dear Mr. McGuire:

In your letter dated June 3, 2011, as supplemented by conversations with the staff of the Division of Trading and Markets ("Division"), AdvisorShares Trust (the "Trust") on behalf of itself, the Meidell Tactical Advantage ETF ("Meidell") and Madrona Forward Global Bond ETF ("Madrona Bond" and, collectively with Meidell, the "Funds" or, individually, a "Fund"), any national securities exchange or national securities association on or through which the shares issued by the Funds ("Shares") may subsequently trade, and persons or entities engaging in transactions in Shares, requests exemptions from, or interpretive or no-action advice regarding Section 11(d)(1) of the Securities Exchange Act of 1934, as amended ("Exchange Act"), and Rules 10b-10, 11d1-2, 15c1-5, and 15c1-6 thereunder, in connection with secondary market transactions in Shares and the creation or redemption of Creation Units as discussed in your letter.

We have enclosed a photocopy of your letter. Each defined term in this letter has the same meaning as defined in your letter, unless we note otherwise.

Response:

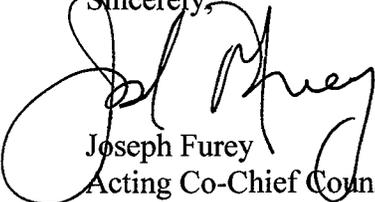
Based on the facts and representations set forth in your letter, and without necessarily agreeing with your analysis, the Division will not recommend enforcement action to the Commission if a broker-dealer treats shares of the Funds, for purposes of the relief from Section 11(d)(1) of the Exchange Act and Rules 10b-10, 11d1-2, 15c1-5, and 15c1-6 provided in the Letter re: Derivative Products Committee of the Securities Industry Association (November 21, 2005) ("Class Relief Letter"), as shares of a Qualifying ETF (as defined in the Class Relief Letter). In granting this relief, we note in particular your representations that each of the Underlying ETFs and ETPs held by the Funds will have met all conditions set forth in the Class Relief Letter or the ETV Class Relief Letter, will have received individual relief from the Commission, or will be able to rely on individual relief even though they are not named parties, and that in no case will

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either Fund hold securities (other than Underlying ETFs or government securities as defined in Section 3(a)(42)(A), (B), or (C) of the Exchange Act) issued by a single issuer in excess of 20% of the Funds' portfolio holdings. Accordingly, with respect to shares of the Funds, to the extent that a broker-dealer satisfies the other conditions in the Class Relief Letter, it could rely on the exemptive and no-action relief contained therein.

Finally, we note that we have repeatedly expressed our views on Exchange Act Section 11(d)(1) and Exchange Act Rules 10b-10, 11d1-2, 15c1-5, and 15c1-6 with respect to the extension or maintenance or the arrangement for the extension or maintenance of credit on shares of ETFs that are comprised of Underlying ETFs ("ETFs of ETFs"), in connection with secondary market transactions.¹ Having stated our views, we will no longer respond to requests for relief from Section 11(d)(1) and Rules 10b-10, 11d1-2, 15c1-5, and 15c1-6 relating to new ETFs of ETFs, unless they present novel or unusual issues.

The foregoing no-action positions taken under Section 11(d)(1) of the Exchange Act, and Rules 10b-10, 11d1-2, 15c1-5, and 15c1-6 thereunder, are based solely on your representations and the facts presented to the Division, and are strictly limited to the application of those to transactions involving the shares of the Fund under the circumstances described above and in your letter.

Sincerely,

Joseph Furey
Acting Co-Chief Counsel

¹ See No Action Letters re: AdvisorShares SIM Dynamic Allocation Diversified Income ETF and SIM Dynamic Allocation Growth Income ETF (February 8, 2011); AdvisorShares Active Bear ETF (January 19, 2011); AdvisorShares Mars Hill ETF (July 2, 2010); U.S. One Trust ETF (May 4, 2010); and Index IQ ETF Trust (March 25, 2009, revised April 2, 2009).

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C O U N S E L O R S A T L A W

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Joseph Furey, Esq.
Division of Trading and Markets
Securities and Exchange Commission
100 F Street, N.E.
Washington, DC 20549

Re: Request of AdvisorShares Trust for Exemptive, Interpretive or No-Action Relief from Section 11(d)(1) of the Securities Exchange Act of 1934 and Rules 10b-10, 11d1-2, 15c1-5 and 15c1-6 thereunder

Dear Mr. Furey:

AdvisorShares Trust (the "Trust") is an open-end management investment company organized on July 30, 2007 as a Delaware statutory trust. The Trust is currently comprised of thirteen series, including, among others, the Meidell Tactical Advantage ETF ("Meidell") and Madrona Forward Global Bond ETF ("Madrona Bond" and, collectively with Meidell, the "Funds" or, individually, a "Fund"), Mars Hill Global Relative Value ETF ("Mars Hill ETF"), and Dent Tactical ETF ("Original Fund").

Summary of Previously Granted Relief

In September 2009, the Trust listed the individual shares of a portfolio of the Trust, the Original Fund, on the NYSE Arca, Inc. ("NYSE Arca"). Prior to such time, the Trust requested

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relief¹ on behalf of itself, the Original Fund, any national securities exchange or national securities association on or through which the exchange-traded shares of the Trust (“Dent ETF Shares”) would subsequently trade, and persons or entities engaging in transactions in Dent ETF Shares, from the staff of the Division of Trading and Markets (“Staff”) with respect to Rule 10b-17 and Rules 101 and 102 of Regulation M in connection with secondary market transactions in Shares and the creation or redemption of aggregations of 25,000 shares (“Creation Units”). The Staff granted such relief (“Existing Relief”) in the letter addressed to John McGuire, dated September 14, 2009. Subsequently, the Trust received similar relief in connection with the Mars Hill ETF² and the Cambria Global Tactical ETF.³

The Trust on behalf of itself, the Funds, and any national securities exchange or national securities association on or through which the shares subsequently trade (each such market being an "Exchange"), and persons or entities engaging in transactions in shares issued by the Funds ("Shares"), as applicable, requests that the Securities and Exchange Commission (the "Commission" or the "SEC") grant exemptive, interpretive or no-action relief from Section 11(d)(1) of the Exchange Act and Rules 10b-10, 11d1-2, 15c1-5 and 15c1-6 thereunder, in connection with secondary market transactions in Shares and the creation and redemption of Creation Units, as discussed below.

¹ See, the request letter from W. John McGuire dated September 14, 2009 with respect to the Trust.

² Letter from Josephine J. Tao, Assistant Director, Division of Trading and Markets, to W. John McGuire dated July 2, 2010 (the “Mars Hill Letter”). This letter also provided relief for the Mars Hill ETF and the Original Fund from Section 11(d)(1) of the Securities Exchange Act of 1934 (the “Exchange Act”), and Rules 10b-10, 11d1-2, 15c1-5 and 15c1-6 thereunder.

³ See, letter from Paula Jenson to W. John McGuire, dated October 20, 2010 (the “Cambria Global Letter”).

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The Funds and their Investment Objectives

AdvisorShares Investments, LLC (the “Manager”) will serve as the investment adviser to the Funds. Each Fund has a sub-adviser (“Sub-Adviser”) which is responsible for selecting each Fund’s investments according to each Fund’s investment objectives, policies and restrictions. Madrona Funds, LLC is the Sub-Adviser to Madrona Bond. American Retirement Planners, Inc., d/b/a American Wealth Management, is the Sub-Adviser to Meidell. The Manager and each Sub-Adviser are registered as investment advisers under the Investment Advisers Act of 1940.

Madrona Bond seeks investment results that exceed the price and yield performance of its benchmark, the Barclays Capital Aggregate Bond Index. It seeks to achieve this goal by selecting a portfolio of fixed income (bond) exchange-traded funds (“ETFs”) and other exchange-traded products (“ETPs”), including but not limited to, exchange-traded notes (“ETNs”), exchange-traded currency trusts and exchange-traded commodity pools.

Meidell's investment objective is to provide long-term capital appreciation with a secondary emphasis on capital appreciation. It seeks to achieve its investment objective by primarily investing in other ETFs that offer diversified exposure to global regions, countries, styles (market capitalization, value, growth, etc.) or sectors, and other ETPs, including but not limited to ETNs, exchange-traded currency trusts and closed-end funds. Meidell primarily invests in U.S.-listed domestic and foreign equity, fixed income, and commodity ETFs and ETPs.

The Trust will issue and redeem Shares of the Funds in Creation Unit aggregations of at least 25,000 Shares, with a minimum market value of \$625,000. The

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investment objective of each Fund is “non-fundamental” and may be changed upon 60 days’ written notice to shareholders.

Each Fund is an actively managed ETF. The Funds are each “fund-of-funds” that seek to achieve its investment objective by primarily investing in other ETFs (the “Underlying ETFs”) that offer diversified exposure to various investment types (equities, bonds, etc.). The only ETFs in which the Funds invest will be organized in the United States, registered under the 1940 Act and listed on an Exchange. The ETPs in which the Funds invest will issue equity securities and be listed on an Exchange. In addition, all Underlying ETFs and ETPs will either meet all conditions set forth in the Equity ETF Class Relief Letter⁴ and the SIA Letter⁵, or the ETV Class Relief Letter⁶, respectively, or will have received individual relief from the Commission, or will be able to rely on individual relief even though they are not named parties. Other than Underlying ETFs, no single holding will represent more than 20% of the assets of a Fund, except in a period when a Fund adopts a temporary defensive position, during which a Fund may invest more than 20% of its assets in the securities of a single issuer provided the securities are government securities as defined in Section 3(a)(42)(A), (B), or (C) of the Exchange Act.

⁴ Letter from James A. Brigagliano, Acting Associate Director, Division of Market Regulation, to Clifford Chance US LLP, dated October 24, 2006.

⁵ Letter from Catherine McGuire, Esq., Chief Counsel, Division of Market Regulation, to the Securities Industry Association Derivative Products Committee, dated November 21, 2005 (the “SIA Letter”). The Fund’s Board of Trustees has authorized a Distribution and Service Plan (“Plan”) pursuant to Rule 12b-1 under the 1940 Act, but no such fee is currently being paid by the Fund and the Board has not approved any payments for the current fiscal year. We understand that the exemptive and no-action relief under Section 11(d)(1) would not be available to any broker-dealer that received 12b-1 fees under the Plan. *See* SIA Letter.

⁶ Letter from Racquel L. Russell, Branch Chief, Office of Trading Practices and Processes, Division of Market Regulation, to George T. Simon, Esq., Foley & Lardner LLP, dated June 21, 2006.

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Availability of Information

On each day the Funds are open (a "Business Day"),⁷ before commencement of trading in Shares on the Exchange, the Funds will disclose on their website the identities and quantities of the securities and other assets (collectively, "Portfolio Securities") held by the Funds that will form the basis for their calculation of net asset value ("NAV") at the end of the Business Day. The website and information will be publicly available at no charge. The Exchange or other market information provider will disseminate every 15 seconds throughout the trading day through the facilities of the Consolidated Tape Association an amount (the "IIV") representing on a per Share basis, the sum of the current value of the Portfolio Securities to be used in calculating each Fund's NAV at the end of the Business Day.

Arbitrage Process

The Shares will be listed and traded on the Exchange. Shares will be freely tradable on the Exchange throughout the trading session. The price of Shares trading on the Exchange will be based on a current bid/offer market. The trading market on the Exchange affords investors the opportunity to assume and liquidate positions in Shares at their discretion, permitting them to take advantage of prices at any time during the trading day. This combination of intraday liquidity with the Creation Unit purchase and redemption features creates potential arbitrage opportunities that, in turn, should and historically have proven to mitigate pricing inefficiencies. Indeed, the high degree of historical and expected correlation between ETFs' NAVs and their share prices contrasts

⁷ A Business Day is any day on which the Exchange is open for business.

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with the case of shares of closed-end equity funds which, not having the ability to create and redeem at the fund level, typically trade at a material discount (or premium) to their underlying NAVs.

The arbitrage mechanism will be facilitated by the transparency of the Funds' portfolios and the availability of the IIV, the liquidity of their Portfolio Securities and the ability to access those securities, as well as the arbitrageurs' ability to create workable hedges. As discussed above, there will be disclosure on each Business Day of each Fund's Portfolio Securities and the IIV will be disseminated every 15 seconds throughout the trading session. The Funds will invest in Portfolio Securities with liquidity levels that will facilitate an effective and efficient arbitrage mechanism and the ability to create workable hedges. For these reasons, we expect arbitrageurs to be able to take advantage of price variations between the Funds' market prices and their NAVs. Thus, we expect a close alignment between their respective market prices and NAVs.

Precedents

The Staff has previously issued the relief requested herein to other actively-managed ETFs.⁸ The Mars Hill and Cambria Global Letters provided relief specific to the funds described

⁸ See Letter from Josephine Tao to Wisdom Tree Trust, dated May 9, 2008 (the "Wisdom Tree Letter") and the Mars Hill and Cambria Global Letters. The Mars Hill Letter involved an ETF which primarily held long and short positions in other ETFs. The Cambria Global Letter involved an ETF which primarily held long positions in other ETFs and ETPs. The Wisdom Tree Letter involved ETFs and ETPs which held direct investments in a product, e.g., a currency, or securities issued by an operating company as opposed to holding interests in a pooled-vehicle such as an ETF or ETP. The Wisdom Tree Letter stated that the Staff would not respond to requests for relief under Section 11(d)(1) or Rules 10b-10, 11d1-2, 15c1-5, and 15c1-6 relating to ETFs that are not managed to track a particular index unless they present novel or unusual issues. Because neither the Wisdom Tree Letter nor any subsequent letter provided class relief to ETFs, such as the Funds, which have substantial investments in ETFs and ETPs, we are requesting relief from the provisions addressed in the Wisdom Tree Letter.

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therein and, therefore, the Trust and the Funds are not entitled to rely on those letters for relief. The Trust and the Funds note, however, that their proposal—the creation and issuance by an actively-managed investment company of shares that individually trade on an Exchange, but that can only be purchased from and redeemed with the issuing investment company in large aggregations—is no longer novel. The Commission has in the past sixteen years considered and approved many similar proposals. Some of the index-based products for which relief has been granted have been trading publicly for years, and the Trust is not aware of any abuses associated with them. Indeed, several of the index-based products have been so embraced by investors that they are routinely among the highest volume securities on the exchanges on which they trade.

The SIA Letter identifies certain ETFs as “Qualifying ETFs.” Qualifying ETFs must meet the following three conditions:

1. The ETF shares are issued by an open-end investment company or unit investment trust registered with the Commission under the Investment Company Act;
2. The ETF shares are listed and trade on a market that has obtained approval from the Commission pursuant to Section 19(b) of the Exchange Act of a rule change regarding the listing and trading of the ETF shares on the market (or that is relying on Rule 19b-4(e) to list and trade the ETF shares); and
3. The ETF (a) consists of a basket of twenty or more Component Securities, with no one Component Security constituting more than 25% of the total value of the ETF, and is managed to track a particular index all of the components of which are publicly available; or (b) solely for purposes of the exemptive relief for

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Broker-Dealer APs from Section 11(d)(1) of the Exchange Act, is an ETF with respect to which the staff of the Division of Market Regulation (“Staff”) has granted Non-AP Broker-Dealers (as defined below) relief from the requirements of Section 11(e)(1) in a letter dated prior to the date of this letter, provided that the ETF has not changed in such a way as to materially affect any of the facts or representations in such prior letter.

The Funds will meet the first two conditions and Condition 3(b) is unavailable. While the Funds cannot meet condition 3(a) because they are not index ETFs and because they may not hold twenty or more securities at all times, each Underlying ETF in which the Fund invests will have received individual exemptive relief from the provisions covered by the SIA letter or will be able to rely on the SIA Letter.

Section 11(d)(1) of the Securities Exchange Act of 1934 and Rules 10b-10, 11d1-2, 15c1-5 and 15c1-6 thereunder

Rule 10b-10

Rule 10b-10 requires a broker or dealer effecting a transaction in a security for a customer to give or send written notification to such customer disclosing the information specified in paragraph (a) of Rule 10b-10, including the identity, price and number of shares or units (or principal amount) of the security purchased or sold. The Trust requests that the Commission grant an exemption from Rule 10b-10, as discussed below, with respect to the creation (*i.e.*, issuance) or redemption of Creation Units. The Trust is not requesting exemptive or interpretive relief from Rule 10b-10 in connection with purchases and sales of shares of the Funds in the secondary market. The Trust proposes that broker-dealers acting for their

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customers in either purchasing or redeeming Creation Units of the Funds be permitted to provide such customers with a statement of the number of Creation Units created or redeemed without providing a statement of the identity, number and price of shares of each individual securities constituent of the Creation List or the Redemption List used in calculating the NAV for the customer's transaction (the "Creation List" and "Redemption List," respectively). The Creation Lists and the Redemption Lists for the Funds will be made available by the Funds' custodian or the Manager, through the National Securities Clearing Corporation, immediately prior to the opening of business on the Exchange on each Business Day. We anticipate that any institution or broker-dealer engaging in creation or redemption transactions would have done so only with knowledge of the composition of the applicable securities, so that specific information in the Rule 10b-10 notification would be redundant.

The Trust agrees that any exemptive relief under Rule 10b-10 with respect to creations and redemptions will be subject to the following conditions:

- (1) Confirmation statements of creation and redemption transactions for the Funds will contain all of the information specified in paragraph (a) of Rule 10b-10 other than identity, price, and number of shares of each individual securities constituent of the Creation List or the Redemption List used in calculating the NAV for the customer's transaction;
- (2) Any confirmation statement of a creation or redemption transaction for the Funds that omits the identity, price, or number of shares of each individual securities constituent of the Creation List or the Redemption List used to calculate the NAV for the

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transaction will contain a statement that such omitted information will be provided to the customer upon request; and

- (3) All such requests will be fulfilled in a timely manner in accordance with paragraph (c) of Rule 10b-10.

Section 11(d)(1); Rule 11d1-2

Section 11(d)(1) of the Exchange Act generally prohibits a person who is both a broker and a dealer from effecting any transaction in which the broker-dealer extends credit to a customer on any security which was part of a new issue in the distribution of which he participated as a member of a selling syndicate or group within thirty days prior to such transaction. Rule 11d1-2 provides an exemption from Section 11(d)(1) for securities issued by a registered open-end investment company or unit investment trust with respect to transactions by a broker-dealer who extends credit on such security, provided the person to whom credit has been extended has owned the security for more than thirty days.⁹

The Trust hereby requests that the Staff, consistent with and subject to the same conditions as the Wisdom Tree Letter, provide relief under Section 11(d)(1) and Rule 11d1-2. The Trust believes that application of the thirty-day restriction in Rule 11d1-2 to broker-dealers engaging exclusively in secondary market transactions in Shares does not further the purposes of Section 11(d)(1) or Rule 11d1-2. The only compensation a broker-dealer will receive for

⁹ Applicants note that broker-dealers that engage in both creation of Creation Units of shares of the Funds and secondary market transactions in such shares and that meet the requirements of Rule 11d1-1 may be covered by the exemptions provided in such rule.

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representing a customer in purchasing Shares is the commission or asset-based brokerage account fee charged to that customer, which in all likelihood is the same compensation the broker-dealer would receive in connection with any stock purchase by a customer. There is no special financial incentive to a broker-dealer, other than the broker-dealer's regular commission, to engage in secondary market transactions in Shares, either as principal or agent.

Rule 15c1-5 and 15c1-6

Rule 15c1-5 requires a broker or dealer controlled by, controlling, or under common control with, the issuer of a security who induces the purchase or sale by a customer of a security, to disclose the existence of such control before entering into a contract with or for such customer for the purchase or sale of such security. Rule 15c1-6 requires a broker or dealer to send a customer written notification of its participation in the primary or secondary distribution of any security in which it effects any transaction in or for such customer's account or induces the purchase or sale of such security by such customer.

The Trust believes that disclosure by a broker-dealer of a control relationship with the issuer of a security held in the portfolio of a Fund (a "Portfolio Security") or of a participation in the distribution of a Portfolio Security would impose an unnecessary and unjustifiable burden on broker-dealers engaging in transactions in shares of a Fund for their customers. There is no realistic potential for manipulating the market price of a Portfolio Security by transactions in Shares. Application of the rules could adversely affect the attractiveness of Shares and to broker-dealers and thereby affect market liquidity of a Fund. The Trust, therefore, requests that the Staff grant no-action relief from application of the rules with respect to creations and redemptions of Shares and secondary market transactions therein.

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Conclusion

Based on the foregoing, we respectfully request that the Commission and the Staff grant the relief requested herein. The forms of relief requested are substantially similar to those actions that the Commission and the Staff have taken in similar circumstances, most notably in the Wisdom Tree, Mars Hill and Cambria Global Letters. If you have any questions please call me at (202) 739-5654 or my colleague Michael Berenson at (202) 739-5450.

Sincerely,



W. John McGuire

cc: Darren Vieira, Esq.
Michael Berenson, Esq.