



Information Circular: Ameristock Exchange-Traded Funds

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

From: PHLX Listing Qualifications Department

Background Information on the Funds

The Ameristock ETF Trust (the "Trust") is a management investment company registered under the Investment Company Act of 1940, as amended (the "1940 Act"). The Trust consists of several separate exchange-traded "index funds" (the "Funds"). The investment objective of each of the Funds is to replicate as closely as possible, before fees and expenses, the performance of a particular U.S. Treasury securities index (the "Underlying Index"). This circular relates to the Funds listed in Exhibit A. The shares of the Funds are referred to herein as "Shares." The Ameristock Corporation (the "Adviser") is the investment adviser for the Funds.

The Adviser seeks to match the average dollar-weighted duration of each Fund closely to the duration of its Underlying Index (plus or minus a certain number of months, as described below). Each Fund generally will invest at least 90% of its total assets in debt securities issued by the U.S. Treasury and backed by the full faith and credit of the U.S. Government ("Treasury Securities"). The assets of a Fund that are not invested in Treasury Securities (up to 10% of total assets) will be invested in futures contracts, options and other derivative instruments, and cash and cash items, including repurchase agreements.

Each Fund seeks investment results that correspond to those of its Underlying Index. Unlike many investment companies, the Funds do not try to "beat" the markets they track and do not seek temporary defensive positions when markets decline or appear overvalued. This strategy may eliminate some of the risks of active management, such as poor security selection, and may involve lower fees and expenses than active management.

Each Underlying Index is comprised of only one or two Treasury Securities at a given time. The components of the Underlying Indices change whenever there is a new public sale by the U.S. Government (referred to as an "auction") of an Index's underlying Treasury Security (or Securities). This periodic transition to the most-recently auctioned Treasury bill, note, or bond of a stated maturity, which is referred to as the "on-the-run" or "OTR" security of that maturity, occurs on one day.

These characteristics of the Underlying Indices make it impractical for each Fund to invest exclusively in the component securities of its Underlying Index. If a Fund were to invest only in the OTR Treasury Security (or Securities) in the Underlying Index, it would be required to sell all or a substantial portion of its portfolio securities and purchase new securities on each day that the component securities of the Underlying Index changed. These transactions would result in high transaction costs for the Funds. In addition, in light of demand for OTR Treasury Securities, the OTR Treasury tends to trade "special" or at a lower yield/higher price than off-the-run Treasury Securities of similar maturities. Therefore, in addition to OTR Treasury Securities, the Fund will also invest in or hold off-the-run Treasury Securities that the Adviser believes will help the Fund track its Underlying Index. These off-the-run securities will include Treasury Securities that were on-the-run when purchased but are now off-the-run because of a subsequent auction, and Treasury Securities that had longer maturities when initially issued but whose remaining maturities make them appropriate for investment by a particular Fund.

Unlike a more typical index, the Underlying Indices are made up of one or two securities at a given time, not a substantial number of securities. However, the price of the OTR Treasury Security of a given maturity serves as a commonly-used indicator of changes in the U.S. Government securities market (and, to a certain degree, changes in the market for other fixed income securities). Therefore, the Adviser believes that attempting to track the performance of the Underlying Indices is an appropriate strategy for investors wishing to gain exposure to U.S. Government securities of a given maturity range.

The Funds use "duration" rather than maturity as a measure of how much the Fund's net asset value is likely to change as a result of a change in interest rates, and the Adviser attempts to match the average weighted duration of a Fund closely with that of its Underlying Index. Duration is generally superior to average weighted maturity, which takes into account only the stated maturity dates of the Fund's holdings, as a measure of this volatility, because duration takes into account the timing of the cash flows (i.e., interest and principal payments) from the bonds held by a Fund.

Each Fund may invest in futures contracts, options and other derivatives instruments only in furtherance of the objective of seeking results, before fees and expenses, that correspond generally to the total return of that Fund's Underlying Index, and not for speculative purposes. These instruments will be used primarily as a means to gain exposure to a Fund's Underlying Index with respect to cash that the Fund is otherwise unable to invest directly in Treasury Securities on a cost-effective basis (e.g., cash that remains after the Fund has acquired appropriate Treasury Securities in the principal amounts in which they are normally traded). In this way, the Adviser will attempt to minimize the amount of Fund assets held in cash or cash items. Derivative instruments may also be used to adjust the average duration for a Fund so that it more closely approximates the duration of its Underlying Index, to facilitate trading or to reduce transaction costs.

The Adviser expects that, over extended periods, the correlation between each Fund's performance before fees and expenses and that of its Underlying Index will be 95% or better. A correlation of 100% would indicate perfect correlation, while a correlation of 0% would indicate no relationship between the performance of a Fund and its Underlying Index. The Adviser also expects that the performance of each Fund will have an annual tracking error of less than 5% relative to its Underlying Index.

As described more fully in the Trust's prospectus and Statement of Additional Information ("SAI"), the Funds issue and redeem Shares at net asset value ("NAV") only in large blocks of 100,000 Shares (each block of 100,000 Shares called a "Creation Unit") or multiples thereof. As a practical matter, only broker-dealers or large institutional investors with creation and redemption agreements and called Authorized Participants can purchase or redeem these Creation Units. Except when aggregated in Creation Units, the Shares may not be redeemed with the Fund.

Each Fund pays out dividends quarterly and may pay them on a more frequent basis. Each Fund will distribute substantially all of its net income to shareholders each fiscal year. Each Fund may also realize capital gains on the sale of its investments, and distributes its net realized capital gains, if any, to investors annually. Fund distributions are expected to consist primarily of dividends, although capital gains distributions may be made, especially from the Funds investing in longer-term securities.

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

Brown Brothers Harriman & Co. ("Custodian") serves as administrator, custodian and transfer agent for the Funds.

The Custodian calculates the NAV per share for each Fund as of the close of regular trading of the Treasury Securities markets (normally 3:00 p.m. Eastern Time ("ET")) on each day that (i) the Government Securities markets in the United States, (ii) the Custodian, and (iii) the New York Stock Exchange and the American Stock Exchange are open for business. The NAV per share of each Fund is calculated by dividing the value of the net assets of such Fund (i.e., the value of its total assets less total liabilities) by the total number of outstanding shares of the Fund, generally rounded to the nearest cent. In calculating a Fund's NAV, a Fund's investments are generally valued using market valuations. In the event that current market valuations are not readily available or such valuations do not reflect current market values, the affected investments will be valued using fair value pricing pursuant to the pricing policy and procedures approved by the Board of Trustees.

The registration statement for the Funds describes the various fees and expenses for the Funds' Shares. For a more complete description of the Funds and the underlying indexes, visit the Funds' website at www.ameristock.com.

Purchases and Redemptions in Creation Unit Size

PHLX members and member organizations are hereby informed that procedures for purchases and redemptions of Shares in Creation Unit Size are described in the Trust's prospectus and SAI, and that Shares are not individually redeemable but are redeemable only in Creation Unit Size aggregations or multiples thereof.

Principal Risks

Interested persons are referred to the discussion in the prospectus for the Funds of the principal risks of an investment in the Funds. These include tracking error risk

(factors causing a Fund's performance to not match the performance of the Underlying Index), market trading risk (for example, trading halts, trading above or below NAV), market risk, investment style risk, interest rate risk, inflation risk, credit risk, passive investment risk, non-diversification risk, management risk, and lack of governmental insurance or guarantee.

Exchange Rules Applicable to Trading in the Shares

Trading of the Shares on PHLX's PSX system is on a UTP basis and is subject to PHLX rules.

Trading Hours

The values of each index underlying the Shares are disseminated to data vendors every 15 seconds. The Shares will trade on PSX between 9:00 a.m. and 5:00 p.m. ET. For trading during PSX's Pre-Market and Post-Market Sessions, market participants should note that additional risks may exist with respect to trading the Funds during these sessions, when the underlying index's values, intraday indicative value, or similar value may not be disseminated or calculated.

Suitability

Members and member organizations recommending transactions in the Shares to customers should make a determination that the recommendation is suitable for the customer, as provided by PHLX Rule 763.

PHLX members and member organizations also should review NASD Notice to Members 03-71 for guidance on trading these products. The Notice reminds broker-dealers of their obligations to: (1) conduct adequate due diligence to understand the features of the product; (2) perform a reasonable-basis suitability analysis; (3) perform customer-specific suitability analysis in connection with any recommended transactions; (4) provide a balanced disclosure of both the risks and rewards associated with the particular product, especially when selling to retail investors; (5) implement appropriate internal controls; and (6) train registered persons regarding the features, risk and suitability of these products.

Trading Halts

PHLX will halt trading in the Shares of a Fund in accordance with PHLX Rule 3100. The grounds for a halt under these rules include a halt by the primary market because the intraday indicative value of the Fund, the value of its underlying index, or a similar value are not being disseminated as required, or a halt for other regulatory reasons. In addition, PHLX will also stop trading the Shares of a Fund if the primary market de-lists the Fund.

Delivery of a Prospectus

PHLX members and member organizations should be mindful of applicable prospectus delivery requirements under the federal securities laws with respect to transactions in the Funds.

Prospectuses may be obtained through the Funds' website. The prospectus for the Funds does not contain all of the information set forth in the Funds' registration statement (including the exhibits to the registration statement), parts of which have been omitted in accordance with the rules and regulations of the Securities and Exchange Commission ("SEC"). For further information about the Funds, please refer to the registration statement.

In the event that the Funds rely upon an order by the SEC exempting the Shares from certain prospectus delivery requirements under Section 24(d) of the 1940 Act and in the future make available a written product description, PHLX Rule 803(o) requires that PHLX members and member organizations provide to all purchasers of Shares a written description of the terms and characteristics of such securities, in a form prepared by the Trust for the Funds, no later than the time a confirmation of the first transaction in the Shares is delivered to such purchaser. In addition, PHLX members and member organizations shall include such a written description with any sales material relating to the Shares that is provided to customers or the public. Any other written materials provided by a PHLX member or member organization to customers or the public making specific reference to the Shares as an investment vehicle must include a statement in substantially the following form: "A circular describing the terms and characteristics of the Shares of the Fund has been prepared by the Trust and is available from your broker. It is recommended that you obtain and review such circular before purchasing Shares of the Fund. In addition, upon request you may obtain from your broker a prospectus for Shares of the Fund."

A PHLX member or member organization carrying an omnibus account for a non-member broker-dealer is required to inform such non-member that execution of an order to purchase Shares for such omnibus account will be deemed to constitute agreement by the non-member to make such written description available to its customers on the same terms as are directly applicable to PHLX members and member organizations under this rule.

Upon request of a customer, PHLX members and member organizations also shall provide a copy of the prospectus.

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

The SEC has issued exemptive, interpretive or no-action relief from certain provisions of rules under the Securities Exchange Act of 1934 (the "Act") regarding trading in the above mentioned exchange-traded Fund.

Regulation M Exemptions

Generally, Rules 101 and 102 of Regulation M prohibit any "distribution participant" and its "affiliated purchasers" from bidding for, purchasing, or attempting to induce any person to bid for or purchase any security which is the subject of a distribution until after the applicable restricted period, except as specifically permitted in Regulation M. The provisions of the Rules apply to underwriters, prospective underwriters, brokers, dealers, and other persons who have agreed to participate or are participating in a distribution of securities.

The SEC has granted an exemption from Rule 101 under Regulation M to permit persons participating in a distribution of shares of the above-mentioned Funds to engage in secondary market transactions in such shares during their participation in such a distribution. In addition, the SEC has granted relief under Regulation M to permit persons who may be deemed to be participating in the distribution of Shares of the above-mentioned Funds (i) to purchase securities for the purpose of purchasing Creation Unit Aggregations of Fund Shares and to (ii) tender securities for redemption in Creation Unit Aggregations. Further, the SEC has clarified that the tender of Fund Shares to the Fund for redemption does not constitute a bid for or purchase of any of the Fund's securities during the restricted period of Rule 101. The SEC has also granted an exemption pursuant to paragraph (e) of Rule 102 under Regulation M to allow the redemption of Fund Shares in Creation Unit Aggregations during the continuous offering of Shares.

Customer Confirmations for Creation or Redemption of Fund Shares (SEC Rule 10b-10)

Broker-dealers who handle purchases or redemptions of Fund Shares in Creation Unit size for customers will be permitted to provide such customers with a statement of the number of Creation Unit Aggregations created or redeemed without providing a statement of the identity, number and price of shares of the individual securities tendered to the Fund for purposes of purchasing Creation Unit Aggregations ("Deposit Securities") or the identity, number and price of shares to be delivered by the Trust for the Fund to the redeeming holder ("Redemption Securities"). The composition of the securities required to be tendered to the Fund for creation purposes and of the securities to be delivered on redemption will be disseminated each business day and will be applicable to requests for creations or redemption, as the case may be, on that day. This exemptive relief under Rule 10b-10 with respect to creations and redemptions is subject to the following conditions:

- (1) Confirmations to customers engaging in creations or redemptions must state that all information required by Rule 10b-10 will be provided upon request;
- (2) Any such request by a customer for information required by Rule 10b-10 will be filed in a timely manner, in accordance with Rule 10b-10(c);
- (3) Except for the identity, number and price of shares of the component securities of the Deposit Securities and Redemption Securities, as described above, confirmations to 10b-10(a).

SEC Rule 14e-5

An exemption from Rule 14e-5 has been granted to permit any person acting as a dealer-manager of a tender offer for a component security of the Funds (1) to redeem Fund Shares in Creation Unit Aggregations from the issuer that may include a security subject to such tender offer and (2) to purchase Fund Shares during such tender offer. In addition, a no-action position has been taken under Rule 14e-5 if a broker-dealer acting as a dealer-manager of a tender offer for a security of the Fund

purchases or arranges to purchase such securities in the secondary market for the purpose of tendering such securities to purchase one or more Creation Unit Aggregations of Shares, if made in conformance with the following:

- (1) such bids or purchases are effected in the ordinary course of business, in connection with a basket of 20 or more securities in which any security that is the subject of a distribution, or any reference security, does not comprise more than 5% of the value of the basket purchased; or
- (2) purchases are effected as adjustments to such basket in the ordinary course of business as a result of a change in the composition of the underlying index; and
- (3) such bids or purchases are not effected for the purpose of facilitating such tender offer.

Section 11(d)(1); SEC Rules 11d1-1 and 11d1-2

Section 11(d)(1) of the Act generally prohibits a person who is both a broker and a dealer from effecting any transaction in which the broker-dealer extends credit to a customer on any security which was part of a new issue in the distribution of which he participated as a member of a selling syndicate or group within thirty days prior to such transaction. The SEC has clarified that Section 11(d)(1) does not apply to broker-dealers that are not Authorized Participants (and, therefore, do not create Creation Unit Aggregations) that engage in both proprietary and customer transactions in Shares of the Funds in the secondary market, and for broker-dealer Authorized Participants that engage in creations of Creation Unit Aggregations. This relief is subject to specific conditions, including the condition that such broker-dealer (whether or not an Authorized Participant) does not, directly or indirectly, receive from the fund complex any payment, compensation or other economic incentive to promote or sell the Shares of the Fund to persons outside the fund complex, other than non-cash compensation permitted under NASD Rule 2830(I)(5)(A), (B) or (C). (See [letter](#) from Catherine McGuire, Chief Counsel, SEC Division of Market Regulation, to Securities Industry Association, Derivative Products Committee, dated November 21, 2005.) The SEC also has taken a no-action position under Section 11(d)(1) of the Act that broker-dealers may treat Shares of the Fund, for purposes of Rule 11d1-2, as "securities issued by a registered open-end investment company as defined in the Investment Company Act" and thereby extend credit or maintain or arrange for the extension or maintenance of credit on Shares that have been owned by the persons to whom credit is provided for more than 30 days, in reliance on the exemption contained in the rule.

SEC Rule 15c1-5 and 15c1-6

The SEC has taken a no-action position with respect to Rule 15c1-5 and Rule 15c1-6 as to the required disclosure of control by a broker or dealer with respect to creations and redemptions of Fund Shares and secondary market transactions therein. (See [letter](#) from Catherine McGuire, Chief Counsel, SEC Division of Market Regulation, to Securities Industry Association, Derivative Products Committee, dated November 21, 2005.)

This Information Circular is not a statutory prospectus. PHLX members and member organizations should consult the Funds' prospectus and/or the Funds' website for relevant information.

Inquiries regarding this Information Circular should be directed to:

- Will Slattery, PHLX Listing Qualifications, at 301.978.8088
- PSX NASDAQ Market Sales at 800.846.0477

Exhibit A:

Exchange-Traded Fund	Symbol	CUSIP #
Ameristock/Ryan 1 Year Treasury ETF	GKA	03077A109
Ameristock/Ryan 2 Year Treasury ETF	GKB	03077A208
Ameristock/Ryan 5 Year Treasury ETF	GKC	03077A307
Ameristock/Ryan 10 Year Treasury ETF	GKD	03077A406
Ameristock/Ryan 20 Year Treasury ETF	GKE	03077A505