BX

Information Circular: First Trust

To: Head of BX Trading
Head of ETF Trading
Structured Products Traders
Compliance Officers

From: BX Listing Qualifications Department

Date: January 15, 2009

Overview

The First Trust NASDAQ-100 Ex-Technology Sector Index^{SM} Fund, an Exchange Traded Fund (ETF) will commence trading under **QQXT** and the CUSIP number 33733E 40 1[1]. The Fund seeks to provide investment results that correspond generally to the price and yield (before the Fund's fees and expenses) of the NASDAQ-100 Ex-Tech Sector Index^{SM}. The index can be found on vendor terminals and websites under the symbol NDXX.

For further information on the First Trust NASDAQ-100 Ex-Technology Sector Index^{SM} Fund, please refer to the prospectus (SEC file No. 811-21774).

Description

The Fund is managed by First Trust Advisors L.P. (First Trust). First Trust serves as advisor or subadvisor for 24 mutual fund portfolios, 14 closed-end fund portfolios and 10 exchange-traded funds and is also the portfolio supervisor of certain unit investment trusts sponsored by First Trust Portfolios, L.P. (FTP). FTP specializes in the underwriting, trading and distribution of unit investment trusts and other securities and is the principal underwriter of the Fund's shares.

The First Trust NASDAQ-100 Ex-Technology Sector Index^{SM} Fund seeks to provide investment results that correspond generally to the price and yield (before the Fund's fees and expenses) of the NASDAQ-100 Ex-Tech Sector Index^{SM}. The Index is an equal-weighted index based on the securities of the NASDAQ-100 Index® that are not classified as Technology according to the Industry Classification Benchmark (ICB) classification system. The NASDAQ-100 Index® includes 100 of the largest domestic and international non-financial securities listed on The NASDAQ Stock Market based on market capitalization. The Fund will normally invest at least 90% of its total assets in common stocks that comprise the Index but it may also employ sampling techniques or other techniques, discussed in more detail in the Fund's prospectus, to meet its objectives.

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[1] The CUSIP Number on this notice is not provided by the American Banking Association and has been independently gathered.

Like any index fund, the Fund earns dividends, interest, and other income from its investments and distributes this income (less expenses or losses) to shareholders as dividends. The Fund also realizes capital gains from its investments, and distributes these gains (less any losses) to shareholders as capital gain distributions. The Funds normally pay dividends, if any, on a semi-annual basis. Capital gain distributions are paid annually.

The Depository Trust Company (DTC), or its nominee, is the registered owner of all outstanding shares of the Fund.

Creation Units

The Fund issues and redeems shares in the Fund only in creation unit aggregations on a continuous basis through the distributor, FTP, without a sales load, at its net asset value (NAV), as more fully disclosed in the prospectus. Each creation unit consists of a block of 50,000 shares. To be eligible to place orders with FTP to purchase a creation unit of the Fund, an entity must be an “Authorized Participant" which is either (i) a broker-dealer or other participant in the clearing process through the Continuous Net Settlement System of the National Securities Clearing Corporation, a clearing agency that is registered with the SEC; or (ii) a DTC participant, and, in each case, must have executed an agreement with FTP, with respect to purchases and redemptions of creation units.

Continuous Offering

Members must take note of the following discussion in the Prospectus:

“The Fund will issue, on a continuous offering basis, its Shares in one or more groups of a fixed number of Fund Shares (each such group of such specified number of individual Fund Shares, a "Creation Unit Aggregation"). The method by which Creation Unit Aggregations of Fund Shares are created and traded may raise certain issues under applicable securities laws. Because new Creation Unit Aggregations of Shares are issued and sold by the Fund on an ongoing basis, a "distribution," as such term is used in the Securities Act of 1933, as amended (the "Securities Act"), may occur at any point. Broker-dealers and other persons are cautioned that some activities on their part may, depending on the circumstances, result in their being deemed participants in a distribution in a manner which could render them statutory underwriters and subject them to the prospectus delivery requirement and liability provisions of the Securities Act.

For example, a broker-dealer firm or its client may be deemed a statutory underwriter if it takes Creation Units after placing an order with FTP, the Fund's distributor, breaks them down into constituent shares, and sells such shares directly to customers, or if it chooses to couple the creation of a supply of new shares with an active selling effort involving solicitation of secondary market demand for shares. A determination of whether one is an underwriter for purposes of the 1933 Act must take into account all the facts and circumstances pertaining to the activities of the broker-dealer or its client in the particular case, and the examples mentioned above should not be considered a complete description of all the activities that could lead to a categorization as an underwriter.

Broker-dealer firms should also note that dealers who are not "underwriters" but are effecting transactions in Shares, whether or not participating in the distribution of Shares, are generally required to deliver a prospectus. This is because the prospectus delivery exemption in Section 4(3) of the Securities Act is not available in respect of such transactions as a result of Section 24(d) of the 1940 Act. The Trust, on behalf of the Fund, however, has received from the Securities and Exchange Commission an exemption from the prospectus delivery obligation in ordinary secondary market transactions under certain circumstances, on the condition that purchasers are provided with a product description of the Shares. As a result, broker-dealer firms should note that dealers who are not underwriters but are participating in a distribution (as contrasted with ordinary secondary market transactions) and thus dealing with the Shares that are part of an overallotment within the meaning of Section 4(3)(a) of the Securities Act would be unable to take advantage of the prospectus delivery exemption provided by Section 4(3) of the Securities Act. Firms that incur a prospectus delivery obligation with respect to Shares are reminded that, under the Securities Act Rule 153, a prospectus delivery obligation under Section 5(b)(2) of the Securities Act owed to a broker- dealer in connection with a sale on BX® is satisfied by the fact that the prospectus is available from BX® upon request. The prospectus delivery mechanism provided in Rule 153 is available with respect to transactions on a national securities exchange, a trading facility or an alternative trading system."

Other Information and Risk Factors

Principal Risks of Investing in the Funds

Risk is inherent in all investing. The Fund's shares will change in value, and you could lose money by investing in the Fund. The Fund may not achieve its objective. Investments in the Fund are not a deposit with a bank and is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. An investment in the Fund involves risks similar to those of investing in any fund of equity securities traded on exchanges. The following specific risk factors have been identified as the principal risks of investing in the Fund.

Market Risk. One of the principal risks of investing in the Fund is market risk. Market risk is the risk that a particular stock owned by the Fund, Fund Shares or stocks in general may fall in value. Shares are subject to market fluctuations caused by such factors as economic, political, regulatory or market developments, changes in interest rates and perceived trends in stock prices. Overall stock values could decline generally or could underperform other investments.

Index Tracking Risk. You should anticipate that the value of the Shares will decline, more or less, in correlation with any decline in the value of the Index.

Non-Correlation Risk. The Fund's return may not match the return of the Index for a number of reasons. For example, the Fund incur operating expenses not applicable to the Index, and incurs costs in buying and selling securities, especially when rebalancing the Fund's securities holdings to reflect changes in the composition of the Index. In addition, the Fund's portfolio holdings may not exactly replicate the securities included in the Index or the ratios between the securities included in the Index.

The Fund may not be fully invested at times, either as a result of cash flows into the Fund or reserves of cash held by the Fund to meet redemptions and expenses. If the Fund utilize a sampling approach or invest in futures or other derivative positions, their return may not correlate as well with the return on the Index, as would be the case if it purchased all of the stocks in the Index with the same weightings as the Index. While the Fund seeks to have a correlation of 0.95 or better, before expenses, between the Fund's performance and the performance of the Index, there can be no assurance that the Fund will be able to achieve such a correlation. Accordingly, the

Fund's performance may correlate to a lesser extent and may possibly vary substantially from the performance of the Index.

Replication Management Risk. The Fund is also exposed to additional market risk due to its policy of investing principally in the securities included in the Index. As a result of this policy, securities held by the Fund will generally not be bought or sold in response to market fluctuations and the securities may be issued by companies concentrated in a particular industry. As a result of this policy, the Fund would generally not sell a stock because the stock's issuer was in financial trouble, unless that stock is removed or is anticipated to be removed from the Index.

Non-Diversification Risk. Because the Fund is non-diversified, the Fund is exposed to additional market risk. A non-diversified fund may invest a relatively high percentage of its assets in a limited number of issuers. Non-diversified funds are more susceptible to any single political, regulatory or economic occurrence and to the financial condition of individual issuers in which it invests.

Small Cap and Mid Cap Company Risk. The Fund may invest in small capitalization and mid-capitalization companies. Such companies may be more vulnerable to adverse general market or economic developments, and their securities may be less liquid and may experience greater price volatility than larger, more established companies as a result of several factors, including limited trading volumes, products or financial resources, management inexperience and less publicly available information. Accordingly, such companies are generally subject to greater market risk than larger, more established companies.

Concentration Risk. The Fund may be concentrated in the securities of a given industry. A concentration makes the Fund more susceptible to any single occurrence affecting the industry or sector and may subject the Fund to greater market risk than more diversified funds. Due to the Fund's policy of primarily investing in the securities of the Index, the Fund may or may not be concentrated in the securities of a given industry from time to time.

Members should be mindful of their obligations under NASD Rule 2310 (a) and (b) and the NASD Notice to Members 03-71. The NASD Notice reminds members 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

When evaluating the necessity of imposing a trading halt in an ETF, BX may consider, among other factors:

- The extent to which trading has ceased in the underlying security(s);
- Whether trading has been halted or suspended in the primary market(s) for any combination of underlying securities accounting for 20% or more of the applicable current index group value. The value being established to be the value at the close of the prior trading day;
- The presence of other unusual conditions or circumstances deemed to be detrimental to the maintenance of a fair and orderly market.

The trading of an ETF, that has been the subject of a trading halt or suspension, may resume when BX determines that the conditions which led to the halt or suspension are no longer present or that the interests of a fair and orderly market are served by a resumption of trading.

Trading Hours

The values of each index underlying the Shares are disseminated to data vendors every 15 seconds. The Shares will trade on BX between 8:00 a.m. and 7:00 p.m. ET. For trading during BX'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 may not be disseminated.

Contact Information

For more complete information on the Fund visit www.ftportfolios.com, or call First Trust Portfolios, L.P. at 800.621.1675.

Any additional questions can be directed to:

- BX Listing Qualifications, at 301.978.8088.
- BX Financial Products, at 301.978.8416.

ETFs are subject to market fluctuations of their underlying investments.
Diversification does not ensure a profit or guarantee against loss in a declining market.