



## Information Circular 08-135

**Date:** November 3, 2008

**Re:** **PowerShares Exchange Traded Fund Trust**

BATS Exchange, Inc. ("BATS") commenced operating as a national securities exchange for trading non-BATS listed securities on October 24, 2008. As a result, in the near future the following ETFs will be traded by BATS as an exchange on an unlisted trading privileges (UTP) basis for the first time:

<b>Exchange-Traded Fund</b>	<b>Symbol</b>
PowerShares NASDAQ Internet Portfolio	PNQI
PowerShares NASDAQ-100 BuyWrite Portfolio	PQBW

### **Background Information on the Fund**

As more fully explained in the Registration Statement (Nos. 333-102228 and 81121265) for the Trust, the Trust is an open-end management investment company registered under the Investment Company Act of 1940, as amended ("1940 Act"), and consists of separate investment portfolios, including the Fund.

PowerShares NASDAQ Internet Portfolio seeks investment results that correspond generally to the price and yield (before the Fund's fees and expenses) of an equity index called the NASDAQ Internet Index<sup>SM</sup> (the "Underlying Index"). The PowerShares NASDAQ Internet Portfolio will normally invest at least 80% of its total assets in common stocks of internet companies and will normally invest at least 90% of its total assets in common stocks that comprise the Underlying Index. The Underlying Index is designed to track the performance of the largest and most liquid U.S.-listed companies engaged in internet-related businesses and that are listed on one of the three major U.S. stock exchanges. Companies in the Underlying Index include U.S. internet software and services companies, such as companies that are involved in internet-related services, including internet software, website services and e-commerce. As of March 31, 2008, the Underlying Index included 78 companies with a market capitalization range of between approximately \$495 million and \$ 26.3 billion.

PowerShares NASDAQ-100 BuyWrite Portfolio seeks investment results that correspond generally to the price and yield (before the Fund's fees and expenses) of an index called the CBOE NASDAQ-100 BuyWrite Index<sup>TM</sup> (the "Underlying Index"). The Fund will normally invest at least 80% of its total assets in common stocks of the 100 companies included in the NASDAQ-100<sup>®</sup> Index (the "Reference Index") and will write (sell) call options thereon. The Adviser will seek to match the performance of the Underlying Index. The Underlying Index is an index that measures total returns of a theoretical portfolio including the Reference Index stocks on which Reference Index call options are systematically written (sold) against the portfolio through a "buy-write" strategy. A "buy write," also called a covered call, generally is considered to be an investment strategy in which an investor buys a stock or basket of stocks, and also sells call options that correspond to the stock or basket of stocks. The Underlying Index is calculated by the Chicago Board Options Exchange. As of March 31, 2008, the Reference Index included 100 companies with a market capitalization range of between approximately \$2.1 billion and \$264.3 billion.

As described more fully in the Trust's prospectus ("Prospectus") and Statement of Additional Information's ("SAI"), the Fund will issue and redeem shares on a continuous basis, at their net asset value ("NAV"),

only in large blocks of 100,000 shares (each, a “Creation Unit”). Creation Units will be issued and redeemed principally in-kind for securities which constitutes a substantial replication, or a portfolio sampling representation, of the securities involved in the Index. Except when aggregated in Creation Units, the Shares are not redeemable securities of the Fund.

Dividends from net investment income, if any, ordinarily will be declared and paid quarterly. Net realized capital gains, if any, will be distributed to investors annually. The Depository Trust Company (“DTC”) serves as securities depository for the Shares, which may be held only in book-entry form; share certificates will not be issued. DTC, or its nominee, is the record or registered owner of all outstanding Shares.

The NAV of the Fund will be determined once daily at the close of trading (normally, 4:00 p.m. Eastern Standard Time (“ET”)) on each day that the New York Stock Exchange is open for business (a “Business Day”). NAV is calculated by dividing the current market value of the net assets of the Fund (i.e., the total value of its assets less all liabilities) by the total number of Shares outstanding, generally rounded to the nearest cent. NAV will be available from the Distributor and will also be available to National Securities Clearing Corporation (“NSCC”) participants through data made available from NSCC.

The Trust’s registration statement describes the various fees and expenses for the Fund’s Shares. For a more complete description of the Fund and the Index, visit [www.powershares.com](http://www.powershares.com).

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

Members of BATS Exchange (“Members”) are hereby informed that procedures for purchases and redemptions of Shares in Creation Units are described in the Trust’s Prospectus and Statement of Additional Information and that Shares are not individually redeemable but are redeemable only in Creation Unit aggregations or multiples thereof.

## **Principle Risks**

Interested persons are referred to the Prospectus for a description of risks associated with an investment in the Shares. These risks include the risk that a Fund’s return may not match the return of its index for a number of reasons including the incursion by a Fund of operating expenses and costs not applicable to its index. In addition, as noted in the Prospectus, the Shares may trade at market prices that may differ from their NAV. The NAV of the Shares will fluctuate with changes in the market value of the Fund’s holdings. The market prices of the Shares will fluctuate in accordance with changes in NAV as well as the supply and demand for the Shares on the Exchange.

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

Trading in the Shares on BATS is subject to BATS equity trading rules.

## **Trading Hours**

The values of the indexes underlying the Shares are disseminated to data vendors every 15 seconds. The Shares will trade on BATS between 8:00 a.m. and 4:00 p.m. ET. Please note that trading in the Fund’s Shares during the pre-opening session may result in additional trading risks which include: (1) lower liquidity in the pre-opening session may impact pricing, (2) higher volatility in the pre-opening session may impact pricing, (3) wider spreads may occur in the pre-opening session. Additional risks may exist during the pre-opening session, when an Index’s value may not be disseminated.

## **Suitability**

Trading in the Shares on BATS will be subject to applicable suitability rules.

## **Trading Halts**

BATS will halt trading in the Shares of a Fund in accordance with BATS Rule 14.1(c)(4). The grounds for a halt under BATS Rule 14.1(c)(4) include a halt by the primary market because the intraday indicative value of the Fund and/or the value of its underlying index are not being disseminated as required, or a halt for other regulatory reasons. In addition, BATS will stop trading the Shares of a Fund if the primary market de-lists the Fund.

## **Delivery of a Prospectus**

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

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

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

The SEC 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 funds.

## **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 Funds for redemption does not constitute a bid for or purchase of any of the Funds' 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 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 customers must disclose all other information required by Rule 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 to (1) 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 ETF to persons outside the fund complex, other than non-cash compensation permitted under NASD Rule 2830 (l)(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 Funds, 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. BATS Members should consult the prospectus for a Fund and the Fund's website for relevant information.**

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