

**STOCK EXCHANGE**

**Regulatory Information Circular**

|                         |               |                   |                |
|-------------------------|---------------|-------------------|----------------|
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**Subject:**      **PowerShares S&P SmallCap Materials Portfolio ETF**  
**PowerShares S&P SmallCap Energy Portfolio ETF**  
**PowerShares S&P SmallCap Financials Portfolio ETF**  
**PowerShares S&P SmallCap Industrials Portfolio ETF**  
**PowerShares S&P SmallCap Information Technology Portfolio ETF**  
**PowerShares S&P SmallCap Consumer Staples Portfolio ETF**  
**PowerShares S&P SmallCap Utilities Portfolio ETF**  
**PowerShares S&P SmallCap Health Care Portfolio ETF**  
**PowerShares S&P SmallCap Consumer Discretionary Portfolio ETF**

**Background Information on the Funds**

As more fully explained in the Registration Statement (Nos. 811-22125 and 333-156024), the Trust is registered under the Investment Company Act of 1940 (the “1940 Act”) as an investment company that consists of more than 40 investment series or portfolios. The Funds are exchange-traded “index funds” (“ETFs”).

**PowerShares S&P SmallCap Materials Portfolio ETF**

The PowerShares S&P SmallCap Materials Portfolio ETF seeks investment results that correspond generally to the price and yield performance, before fees and expenses, of the S&P SmallCap 600 Materials Index (the “XLBS Index”). XLBS’s investment objective and the XLBS Index may be changed without shareholder approval. The XLBS Index is a float adjusted market capitalization index designed to measure the performance of common stocks of U.S. basic materials companies included in the S&P SmallCap 600 Index.

**PowerShares S&P SmallCap Energy Portfolio ETF**

The PowerShares S&P SmallCap Energy Portfolio ETF seeks investment results that correspond generally to the price and yield performance, before fees and expenses, of

the S&P SmallCap 600 Energy Index (the “XLES Index”). XLES’s investment objective and the XLES Index may be changed without shareholder approval. The XLES Index is a float adjusted market capitalization index designed to measure the performance of common stocks of U.S. energy companies included in the S&P SmallCap 600 Index.

#### PowerShares S&P SmallCap Financials Portfolio ETF

The PowerShares S&P SmallCap Financials Portfolio ETF seeks investment results that correspond generally to the price and yield performance, before fees and expenses, of the S&P SmallCap 600 Financials Index (the “XLFS Index”). XLFS’s investment objective and the XLFS Index may be changed without shareholder approval. The XLFS Index is a float adjusted market capitalization index designed to measure the performance of common stocks of U.S. financial services companies included in the S&P SmallCap 600 Index

#### PowerShares S&P SmallCap Industrials Portfolio ETF

The PowerShares S&P SmallCap Industrials Portfolio ETF seeks investment results that correspond generally to the price and yield performance, before fees and expenses, of the S&P SmallCap 600 Industrials Index (the “XLIS Index”). XLIS’s investment objective and the XLIS Index may be changed without shareholder approval. The XLIS Index is a float adjusted market capitalization index designed to measure the performance of common stocks of U.S. industrial companies included in the S&P SmallCap 600 Index.

#### PowerShares S&P SmallCap Information Technology Portfolio ETF

The PowerShares S&P SmallCap Information Technology Portfolio ETF seeks investment results that correspond generally to the price and yield performance, before fees and expenses, of the S&P SmallCap 600 Information Technology Index (the “XLKS Index”). XLKS’s investment objective and the XLKS Index may be changed without shareholder approval. The XLKS Index is a float adjusted market capitalization index designed to measure the performance of common stocks of U.S. information technology companies included in the S&P SmallCap 600 Index.

### PowerShares S&P SmallCap Consumer Staples Portfolio ETF

PowerShares S&P SmallCap Consumer Staples Portfolio ETF seeks investment results that correspond generally to the price and yield performance, before fees and expenses, of the S&P SmallCap 600 Consumer Staples Index (the “XLPS Index”). XLPS’s investment objective and the XLPS Index may be changed without shareholder approval. The XLPS Index is a float adjusted market capitalization index designed to measure the performance of common stocks of U.S. consumer staples companies included in the S&P SmallCap 600 Index.

### PowerShares S&P SmallCap Utilities Portfolio ETF

PowerShares S&P SmallCap Utilities Portfolio ETF seeks investment results that correspond generally to the price and yield performance, before fees and expenses, of the S&P SmallCap 600 Utilities Index (the “XLUS Index”). XLUS’s investment objective and the XLUS Index may be changed without shareholder approval. The XLUS Index is a float adjusted market capitalization index designed to measure the performance of common stocks of U.S. utility companies included in the S&P SmallCap 600 Index.

### PowerShares S&P SmallCap Health Care Portfolio ETF

PowerShares S&P SmallCap Health Care Portfolio ETF seeks investment results that correspond generally to the price and yield performance, before fees and expenses, of the S&P SmallCap 600 Health Care Index (the “XLVS Index”). XLVS’s investment objective and the XLVS Index may be changed without shareholder approval. The XLVS Index is a float adjusted market capitalization index designed to measure the performance of common stocks of U.S. healthcare companies included in the S&P SmallCap 600 Index.

### PowerShares S&P SmallCap Consumer Discretionary Portfolio ETF

PowerShares S&P SmallCap Consumer Discretionary Portfolio ETF seeks investment results that correspond generally to the price and yield performance, before fees and

expenses, of the S&P SmallCap 600 Consumer Discretionary Index (the “XLYS Index”). XLYS’s investment objective and the XLYS Index may be changed without shareholder approval. The XLYS Index is a float adjusted market capitalization index designed to measure the performance of common stocks of U.S. consumer discretionary companies included in the S&P SmallCap 600 Index.

Invesco Aim Distributors, Inc. serves as the investment advisor for the Funds. Bank of New York Mellon is the Administrator, Custodian, Fund Accounting and Transfer Agent for the Funds.

As described more fully in the Funds’ prospectus (“Prospectus”) and Statement of Additional Information (“SAI”), the Funds will issue and redeem shares on a continuous basis at their net asset value (“NAV”) only in large blocks of 50,000 shares (each, a “Creation Unit”). Only certain large institutional investors known as “Authorized Participants” may purchase or redeem Creation Units directly with the Funds at NAV. These transactions are usually in exchange for a basket of securities similar to the Funds’ portfolio and an amount of cash. Except when aggregated in Creation Units, Shares of the Funds are not redeemable securities. Shareholders who are not Authorized Participants may not redeem shares directly from the Funds at NAV.

Dividends from net investment income, if any, are generally declared and paid quarterly by the Funds. Distributions of net realized securities gains, if any, generally are declared and paid once a year, but the Trust may make distributions on a more frequent basis for the Funds.

The Depository Trust Company (“DTC”) will serve as securities depository for the Shares, which may be held only in book-entry form; stock certificates will not be issued. DTC, or its nominee, is the record or registered owner of all outstanding Shares.

The NAV per Share of each of the Funds will be determined as of the close of trading (normally, 4:00 p.m. Eastern Time (“ET”)) on each day that the Exchange is open for business (a “Business Day”). The NAV of each of the Funds is calculated by dividing the value of the net assets of each Fund (i.e., the value of its total assets less total liabilities) by the total number of outstanding shares of each Fund, generally rounded to

the nearest cent. NAV will be available from the Distributor and is also 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 each of the Funds’ Shares. For a more complete description of the Fund and the underlying index, visit [www.invescopowershares.com](http://www.invescopowershares.com).

### **Principal Risks**

Interested persons are referred to the Prospectus for a description of risks associated with an investment in the Funds. These risks include market risk, emerging market risk, non-correlation risk, replication management risk, small capitalization company risk, consumer discretionary sector risk, non-diversified fund risk, consumer staples sector risk, energy sector risk, financial services sector risk, healthcare sector risk, industrials sector risk, information technology sector risk, basic materials sector risk and utilities sector risk and the risk that the Funds’ return may not match the return of its index for a number of reasons including the incursion by the Funds 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.

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

The Shares are considered equity securities, thus rendering trading in the Shares subject to the Exchange’s existing rules governing the trading of equity securities.

### **Trading Hours**

Trading in the Shares on ISE is on a UTP basis and is subject to ISE equity trading rules. The Shares will trade from 8:00 a.m. until 8:00 p.m. Eastern Time. Equity Electronic Access Members (“Equity EAMs”) trading the Shares during the Extended Market Sessions are exposed to the risk of the lack of the calculation or dissemination of

underlying index value or intraday indicative value ("IIV"). For certain derivative securities products, an updated underlying index value or IIV may not be calculated or publicly disseminated in the Extended Market hours. Since the underlying index value and IIV are not calculated or widely disseminated during Extended Market hours, an investor who is unable to calculate implied values for certain derivative securities products during Extended Market hours may be at a disadvantage to market professionals.

### **Trading Halts**

ISE will halt trading in the Shares in accordance with ISE Rule 2101(a)(2)(iii). The grounds for a halt under this Rule include a halt by the primary market because it stops trading the Shares and/or a halt because dissemination of the IIV or applicable currency spot price has ceased, or a halt for other regulatory reasons. In addition, ISE will stop trading the Shares if the primary market de-lists the Shares.

### **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 Commission has issued letters dated November 21, 2005 and October 24, 2006 (together, the "No- Action Letters") granting exemptive, interpretive and no-action relief

from certain provisions of and rules under the Securities Exchange Act of 1934 for exchange-traded funds listed and traded on a registered national securities exchange that meet certain criteria. Equity EAM's are referred to the full text of the No-Action Letters, available at [www.sec.gov](http://www.sec.gov), for additional information.

### **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 Commission issued a No-Action Letter by which persons participating in a distribution of shares of a fund may engage in secondary market transactions in such shares during their participation in such a distribution, despite the requirements of from Rule 101 under Regulation M. In addition, the SEC has permitted persons who may be deemed to be participating in the distribution of shares of a fund (i) to purchase securities for the purpose of purchasing creation unit aggregations of fund shares and (ii) to tender securities for redemption in Creation Unit Aggregations. Further, the Commission 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 Funds' securities during the restricted period of Rule 101. The Commission has issued a No-Action Letter to paragraph (e) of Rule 102 under Regulation M which 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 Units 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**

The Commission has permitted any person acting as a dealer-manager of a tender offer for a component security of fund (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 has been issued under Rule 14e-5 states that 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, it must be made in conformance with the following:

- i. 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

- ii. 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
- iii. such bids or purchases are not affected 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 Commission 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 a fund 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 a 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 dated November 22, 2005 from Brian A Bussey, Assistant Chief Counsel, SEC Division of Market Regulation, to Barclays Global Investors, N.A., dated November 22, 2005. The Commission has issued a No-Action Letter under Section 11(d)(1) of the Act states that broker-dealers may treat shares of a 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 Commission has issued a No-Action letter 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.

**This Regulatory Information Circular is not a statutory Prospectus. Equity EAMs should consult the Trust's Registration Statement, SAI, Prospectus and the Fund's website for relevant information.**

## Appendix A

| <b>Ticker</b> | <b>Fund Name</b>  | <b>Cusip</b> |
|---------------|---|--------------|
| XLBS          | PowerShares S&P SmallCap Materials Portfolio ETF              | 73937B852    |
| XLES          | PowerShares S&P SmallCap Energy Portfolio ETF                 | 73937B704    |
| XLFS          | PowerShares S&P SmallCap Financials Portfolio ETF             | 73937B803    |
| XLIS          | PowerShares S&P SmallCap Industrials Portfolio ETF            | 73937B878    |
| XLKS          | PowerShares S&P SmallCap Information Technology Portfolio ETF | 73937B860    |
| XLPS          | PowerShares S&P SmallCap Consumer Staples Portfolio ETF       | 73937B605    |
| XLUS          | PowerShares S&P SmallCap Utilities Portfolio ETF              | 73937B837    |
| XLVS          | PowerShares S&P SmallCap Health Care Portfolio ETF            | 73937B886    |
| XLYS          | PowerShares S&P SmallCap Consumer Discretionary Portfolio ETF | 73937B506    |