

MEMORANDUM

TO: Members and Member Organizations

FROM: Lori Mann

DATE: March 27, 2007

RE: Selected PowerShares Funds to Trade Pursuant to UTP on XLE

On Wednesday, March 28, 2007, the Philadelphia Stock Exchange ("Exchange" or "Phlx") will commence trading on XLE in the exchange-traded funds listed below on an unlisted trading privileges ("UTP") basis. This memo reviews the various rules and policies that apply to trading in these funds of Power Shares Exchange Traded Fund Trust ("Fund" or "Trust") pursuant to UTP.

<u>Fund Name</u>	<u>Symbol</u>	<u>CUSIP</u>	<u>Index Name</u>
PowerShares Dynamic Biotech & Genome Portfolio	PBE	73935X856	Dynamic Biotechnology & Genome Intellidex Index
PowerShares Dynamic Oil & Gas Services Portfolio	PXJ	73935X625	Dynamic Oil Services Intellidex Index
PowerShares Water Resources Portfolio	PHO	73935X575	Palisades Water Index
PowerShares Wilder Clean Energy Portfolio	PBW	73935X500	Wilder Clean Energy Index

Background Information on the Funds

As more fully explained in the Prospectuses for the Trust, the Trust is an investment company registered under the Investment Company Act of 1940, as amended ("1940 Act") and the acquisition of Shares by other investment companies is subject to the restrictions of Section 12(d)(1) of the 1940 Act.

The investment objective of each of the Funds is to replicate, as closely as possible, before fees and expenses, the price and yield performance of its index, specified above.

Each Fund will generally invest at least 80% of its total assets in component securities comprising its relevant Underlying index or Intellidex.

PowerShares Capital Management LLC (“Adviser”) serves as investment adviser. AIM Distributors is the distributor for the Funds (“Distributor”). The Bank of New York (“BONY”) is the administrator, custodian and transfer agent for each Fund (“Custodian”).

As described more fully in the Trust’s Prospectuses, the Funds offer and issue shares (“Shares”) at their net asset value (“NAV”) only in aggregations of 100,000 Shares (each, a “Creation Unit Aggregation”), generally in exchange for a basket of equity securities included in the underlying index, together with the deposit of a specified cash payment. The Shares are redeemable only in Creation Unit Aggregations, and, generally, in exchange for portfolio securities and a specified cash payment. Except when in Creation Units Aggregations, the Shares may not be redeemed with the Funds.

Other Information about the Funds

The Depository Trust Company (“DTC”) serves 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 of each Fund.

The Custodian calculates each Fund’s NAV at the close of the regular trading (normally, 4:00 p.m. Eastern Standard Time) every day that the American Stock Exchange (“AMEX”) is open for business (a “Business Day”).

The values of the Indexes are disseminated to data vendors every 15 seconds. Each Fund’s Shares will trade on the Phlx from 8:00 a.m. until 6:00 p.m. (Eastern Standard Time). The Core Session for each Fund’s Shares will end at 4:15 p.m. The trading increment for each Fund’s Shares set is in Phlx Rule 125 and currently is \$0.01 for orders priced at \$1.00 or greater and \$0.0001 for orders priced at less than \$1.00.

Creation and Redemption Process

The Funds will issue Shares through the Distributor, without a sales load, on a continuous basis at their NAV next determined after an order to purchase Shares is received in proper form on any business day. In order to purchase Creation Units of a Fund, an investor must generally deposit a designated portfolio of equity securities constituting a substantial replication of the stocks included in the relevant index (“Deposit Securities”) and a cash amount (“Cash Component” and together with the Deposit Securities, the “Fund Deposit”). The Advisor, through NSCC, makes available on each Business Day, prior to the opening of business on the listing exchange (currently 9:30 a.m. Eastern Standard Time), a list of the names and the required number of shares of each Deposit Security to be included in the current Fund Deposit (based on information at the end of the previous Business Day) for each Fund. The Cash Component represents the difference between the NAV of a Creation Unit and the market value of the Deposit Securities.

Orders must be placed in proper form by or through either (i) a “Participating Party”, i.e., a broker-dealer or other participant in the clearing process of the Continuous Net Settlement System of the NSCC; or (ii) a participant of the DTC, that, in either case, has entered into an agreement with the Distributor, with respect to creations and redemptions of Creation Units. All orders must be placed for one or more whole Creation Units and must be received by the Distributor in proper form no later than the close of regular trading on the listing exchange (ordinarily 4:00 p.m. Eastern Standard Time) on the date the order is placed (the “Transmittal Date”) in order for the purchaser to receive the NAV per Share determined on the Transmittal Date.

Shares may be redeemed only in Creation Units at their NAV next determined after a redemption request is received in proper form and only on a Business Day. The Advisor, through the facilities of the NSCC, makes available on each Business Day, prior to the opening of business on the listing exchange (currently 9:30 a.m. Eastern Standard Time), a list of the names and the number of shares of a Fund’s portfolio securities that will be applicable that day to redemption requests in proper form (“Fund Securities”). Fund Securities received on redemption may not be identical to Deposit Securities, which are applicable to creations of Creation Units. Unless cash redemptions are available or specified for a particular Fund, the redemption proceeds consist of the Fund Securities, plus cash in an amount equal to the difference between the NAV of the Shares being redeemed as next determined after receipt by the Custodian of a redemption request in proper form, and the value of the Fund Securities.

The Trust’s Prospectus describes additional procedures and requirements that apply to creations and redemptions of Shares. Fund transaction fees apply to creations and redemptions and are set forth in the Prospectus.

Investment Risks

Members and member organizations are referred to the Trusts’ Prospectuses 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 the applicable index for a number of reasons. For example, certain operating expenses and costs incurred by a Fund do not apply to the applicable index. Returns for a Fund may therefore deviate from those of the related index. In addition, as noted in the Prospectuses, the Shares may trade at market prices that differ from the Shares’ NAV. The NAV of the Shares will fluctuate with changes in the market value of the Funds’ securities holdings. The market prices of the Shares will fluctuate in accordance with changes in each Fund’s NAV as well as the supply and demand for the Shares.

Suitability

Members and member organizations are reminded of the requirements of Phlx Rule 746 (Diligence as to Accounts), which requires every member, either personally or through a general partner or an officer who is a holder of voting stock in his organization to use due diligence to learn the essential facts relative to every customer and to every order or account accepted by his organization. Members and member organizations recommending transactions in the Shares to customers should make a determination that such transactions are not unsuitable for such customers.

Trading Halts

Trading in the Shares will be halted if the circuit breaker parameters of Phlx Rule 133 have been reached. In addition, trading in the Shares may be halted when such a halt would be in the public interest, pursuant to Phlx Rule 164(a).

Delivery of Product Description and Prospectuses

The Trusts are the subject of an order by the Securities and Exchange Commission exempting the Shares from certain prospectus delivery requirements under Section 24(d) of the Investment Company Act of 1940. **Phlx Rule 803(l)(7) requires that members and member organizations provide to all purchasers of a series of the Trust a written description of the terms and characteristics of such securities, in a form prepared by the open-end management investment company issuing such securities, not later than the time a confirmation of the first transaction in the shares is delivered to such purchaser.** In addition, 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 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 series of Index Fund Shares] has been prepared by iShares, Inc. and iShares Trust and is available from your broker or the Exchange. It is recommended that you obtain and review such circular before purchasing [the series of Index Fund Shares]. In addition, upon request you may obtain from your broker a prospectus for [the series of Index Fund Shares]." A 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 members and member organizations under this rule. Upon request of a customer, the member or member organization shall also provide a prospectus for the particular series Shares.

Product descriptions and prospectuses may be obtained by calling 1-800-983-0903 or by visiting www.powershares.com. The Funds' Statement of Additional

Information include a detailed description of the mechanics for creating or redeeming Shares, and are also available to any investor as described above.

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

The SEC has issued exemptive, interpretive and no-action relief from certain provisions of and rules under the Securities and Exchange Act of 1934 regarding trading in the Funds.

Short Sale Rule (Rule 10a-1)

The SEC has granted an exemption from Rule 10a-1 to permit short sales of the Shares on a minus or zero-minus tick. **The Exchange emphasizes that members effecting short sales must make prior arrangements to borrow the securities.**

Rules 101 and 102 of Regulation M

The Funds are exempted from Rule 101 pursuant to paragraph (c)(4) of Rule 101, permitting persons who may be deemed to be participating in a distribution of the Shares to bid for or purchase Shares during their participation in such distribution. The Funds are exempted under Rule 102(d)(4), permitting the Funds to redeem Shares during the continuous offering of Shares. In addition, a redemption of creation unit aggregations and the receipt of component securities that comprise the Funds in exchange for Shares by a participant in a distribution of Shares would not constitute an "attempt to induce any person to bid for or purchase a covered security, during the applicable restricted period" within the meaning of Regulation M, and therefore would not violate Regulation M.

Rule 10b-10 (Customer Confirmations)

The SEC has granted an exemption from Rule 10b-10 that will permit broker-dealers who create or redeem Shares on behalf of their customers to confirm such creation or redemption transactions without providing a statement of the identity, price and number of shares of each individual component security tendered to or delivered by the Funds pursuant to the creation or redemption transaction. This exemption, which does not apply to secondary market trading, is subject to certain conditions, including that any confirmation statement of a creation or redemption transaction that omits any of the information specified in Rule 10b-10(a) will contain a statement that such omitted information will be provided to the customer upon request; that all such requests will be fulfilled in a timely manner; and that confirmation statements of creations and redemptions will contain all information specified in Rule 10b-10(a) other than identity, price, and number of shares of each component security tendered or received by the customer in the transaction.

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

The SEC has taken a no-action position under Section 11(d)(1) that will permit broker-dealers that do not create Shares but engage in both proprietary and customer transactions in such Shares exclusively in the secondary market to extend or maintain or arrange for the extension or maintenance of credit on the Shares, in connection with such secondary market transactions. For broker-dealers that engage in the creation of Shares, the SEC has also taken a no-action position under Rule 11d1-2 that will cover the extension or maintenance or the arrangement for the extension or maintenance of credit on the Shares that have been owned by the persons to whom credit is provided for more than 30 days.

Rule 14e-5 (Prohibited Purchases During Tender Offer)

The SEC has granted an exemption from Rule 14e-5 that will permit any person acting as dealer-manager of a tender offer for a component security to redeem Shares in creation units for component securities that may include a security subject to the tender offer, and to purchase Shares during such offer.

Rule 15c1-5 and 15c1-6 (Disclosure of Control and Interest in Distributions)

The SEC has taken a no-action position under Rule 15c1-5 that will permit a broker-dealer to execute transactions in Shares without disclosing any control relationship with an issuer of a component security. In addition, the SEC has taken a no-action position under Rule 15c1-6 that will permit a broker-dealer to execute transactions in the Shares without disclosing its participation or interest in a primary or secondary distribution of a component security.

Questions regarding XLE functionality may be directed to the XLE Help Desk at (215) 496-5311 or 1-877-678-PHLX. Questions regarding the security may be directed to Lori Mann at (215) 496-5472.