

Frequently Asked Questions

SPADE® Defense Index

Defense / Homeland Security / Space

(updated March 30, 2007)

Name: SPADE® Defense Index
Index Symbol: DXS
Exchange: American Stock Exchange
Constituents: 58
Methodology: Modified Market Capitalization
Live Date: July 6, 2004
Historical Data: Available from Dec 30, 1997
Website: www.spadeindex.com

information technology, network centric warfare, armor, and surveillance and reconnaissance.

How do You Define Homeland Security?

'Homeland security' consists of activities that can be divided into several markets -- national security (such as border control), local security (industrial and personal services), biotech (eg. anthrax vaccines), and information/computer security. The SPADE Defense Index includes firms who are involved with homeland security on a national level -- activities such as border security, airport security, first responder vehicles, and intelligence gathering.

What Homeland Security Companies are in the Index?

More than 30% of the companies in the Index maintain operations focused on homeland security. With information systems technology and intelligence gathering and analysis--there is significant overlap between the defense contractors and those involved with homeland security. The largest contractors to the Department of Homeland Security include firms such as Boeing, Lockheed Martin, and Raytheon. Biometric solution firms such as Cogent and L-1 Identity, TASER, and defense contractor L-3, which manufactures airport scanners are examples of other firms in the Index with homeland security activities.

What Space Companies are in the Index?

More than half the companies in the Index maintain business operations involved with space and /or satellites. Companies such as Lockheed Martin, General Dynamics, L-3, Northrop Grumman, and Boeing are among the largest space contractors in the world -- a market estimated to generate more than \$100 Billion annually.

Why Are Commercial Satellite Service Companies Included?

Our years of experience analyzing the industry, have made it clear that firms offering commercial satellite services are vital to the health of the overall sector and the infrastructure base relied on by DoD. Companies such as DirecTV and Echostar, to name a few, have invested billions to develop space and ground assets such as satellites, launch vehicles, and monitoring networks. A healthy commercial sector acquiring space systems is critical to the stability of the defense sector.

Who is the ISBC?

The ISBC is a private organization, independent of Wall Street and the broker/dealer community. It is responsible for the continued development and ongoing maintenance of the SPADE Defense Index. Launched in 1999, the organization has served as a platform for independent research and analysis on the space and defense sectors.

How do I get the Value of the Index?

The Index is disseminated by the American Stock Exchange every 15 seconds over the Consolidated Tape Association's Network B between the hours of 9:30am and 4:30 pm under the ticker symbol 'DXS'.

Where can I get more detailed information?

Visit www.spadeindex.com

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The SPADE Defense Index is a modified market capitalization weighted index comprised of publicly traded companies that seeks to measure the performance of securities involved with defense, homeland security, and space. The Index's rules were established to be fund-friendly.

Can I Invest in the Index?

Powershares has launched an exchange-traded fund (ETF) that tracks the performance of the SPADE Defense Index. It trades under the ticker 'PPA' (visit powershares.com for a prospectus)

The American Stock Exchange trades options on both the Index and the ETF.

How Was the Name Chosen?

1. An acronym -- SPAce + DEfense
2. Marketing --
 - a. DIAMonds & QQQ (Cubes) are top-selling products.
 - b. The spade is a ancient tool used for defense and cultivation

How Many Companies Comprise the Index ?

The number of companies will vary over time. At the time of this FAQ, 58 firms qualified for inclusion in the index. Since the inception date of December 30, 1997, the Index has never been represented by less than 44 firms.

What are the Rules Governing Inclusion?

Visit www.spadeindex.com for a complete set of rules.

- o The development, manufacture, operation, and support of U.S. defense, military, homeland security, and space activities must be a major line of business or whose role is important to the sector.
- o Market capitalization - >\$100 Million
- o Min. Share Price - > \$5.00
- o Trading volume - >50,000 shares/day
- o Listed on either the NYSE, NASDAQ, or AMEX.

How is the Index Calculated?

Using the market capitalization of the company, the value of the Index is computed using a formula designed to ensure that no single company or companies dominate the index. Every three months, the Index is rebalanced and it is at this time that changes are incorporated. Between rebalancing periods, the weight of a company will float based on its performance.

Aren't There Other Defense-Related Indexes?

Although several other indexes exist in this area, the SPADE Defense Index is the only one that has been crafted to represent the diverse activities of the sector -- not just the manufacturing of aircraft, ships, missiles, and tanks but activities involving