Excerpt from MarketWatch, January 27, 2006
http://www.marketwatch.com/news/story.asp?guid=%7B...0BD32-2042-4055-B186-90E144DC94B3%7D&siteid=google

Amvescap's power of the deal
Buying ETF firm promises to shake up growing business
By John Spence, MarketWatch
Last Update: 11:51 AM ET Jan. 27,

BOSTON (MarketWatch) -- Amvescap Plc's surprise acquisition of niche exchange-traded fund manager PowerShares Capital Management earlier this week, a coup for the upstart firm and its energetic chief executive, underscores the brisk growth of the nearly $300 billion ETF business.

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The incentive-laden deal, which could be worth more than $700 million if PowerShares hits preset revenue targets, is both a triumph and a payday for Bruce Bond, PowerShares' CEO. The company's only been managing money since 2003, and many were skeptical the small upstart could survive against bigger competitors with a head start.
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"The first year was difficult," conceded Bond, a 42-year-old Baton Rogue, La., native, in a telephone interview this week. "No one had heard of PowerShares, and we were selling completely new concepts to financial advisers and investors."

'Classic Cinderella story'

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"I'm very surprised by PowerShares' growth, it's the classic Cinderella story," said Jim Wiandt, publisher of investing Web site IndexUniverse and an ETF watcher. "They were scraping to get by early on."
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Some critics have also chided PowerShares for introducing concentrated sector funds tied to trendy industries. Bond said the firm goes after narrow sectors not covered by mutual funds, and licenses more passive indexes for ETFs such as PowerShares WilderHill Clean Energy Portfolio (PBW).
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"We believe the acquisition strengthens both firms," said Amvescap Chief Executive Marty Flanagan in a conference call explaining the deal this week.
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