

**GROUND RULES FOR THE
MANAGEMENT OF THE
FTSE NAREIT US REAL ESTATE
CAPPED INDEX SERIES**



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SECTION 1

1.0 INTRODUCTION

1.1 FTSE NAREIT US Real Estate Index Series

1.1.1 The FTSE NAREIT® US Real Estate Index Series is designed to provide the most comprehensive assessment of overall industry performance, and includes all tax-qualified real estate investment trusts (REITs) that are listed on the New York Stock Exchange, the American Stock Exchange or the NASDAQ National Market List.

To qualify as a REIT, a company must comply with certain provisions within the U.S. Internal Revenue Code. As required by the tax code, a REIT must:

- Be an entity that is taxable as a corporation
- Be managed by a board of directors or trustees
- Have shares that are fully transferable
- Have a minimum of 100 shareholders
- Have no more than 50 percent of its shares held by 5 or fewer individuals during the last half of the taxable year
- Invest at least 75 percent of its total assets in qualifying real estate assets, which include interests in real property, interests in mortgages on real property, or shares in other REITs
- Derive at least 75 percent of its gross income from real estate related services, such as rents from real property or interest on mortgages financing real property
- Have no more than 25 percent of its assets consist of stock in taxable REIT subsidiaries
- Pay annually at least 90 percent of its taxable income in the form of shareholder dividends

1.2 FTSE NAREIT US Real Estate Capped Index Series Ground Rules

1.2.1 This document sets out the Ground Rules for the construction and maintenance of the FTSE NAREIT US Real Estate Index Capped Index Series. Copies of these Ground Rules are available from NAREIT and FTSE (see 'Contact Us' section). The Ground Rules for the FTSE NAREIT US Real Estate Capped Index Series Ground rules should be used in conjunction with the FTSE NAREIT US Real Estate Index Series Ground Rules.

1.3 Index Construction Methodology

1.3.1 The FTSE NAREIT US Real Estate Capped Index Series consists of 4 indexes:

FTSE NAREIT Industrial/Office Capped Index
FTSE NAREIT All Residential Capped Index
FTSE NAREIT Retail Capped Index
FTSE NAREIT All Mortgage Capped Index

The FTSE NAREIT Capped Universe consists of all publicly traded REITs in accordance with Rule 1.1.1.

[The FTSE All Mortgage Capped Index has a Reserve List \(see Rule 4.9 and Appendix B\).](#)

1.3.2 The FTSE NAREIT US Real Estate Capped Index Series is calculated on an end-of-day basis in US dollars, Euro, UK Sterling and Japanese Yen.

1.3.3 All indexes are calculated and disseminated on a real time basis in US dollars.

1.3.4 Both price and total return indexes are calculated. Dividends are included in the total return indexes based on their ex-dividend dates.

SECTION 2

2.0 STATUS OF INDEXES

2.1 The indexes in the FTSE NAREIT US Real Estate Capped Index Series that are calculated in real time are made available with one of the following designations:

a) **Firm**

i. The indexes are active and being calculated during Official Market Hours using prices on the eligible exchanges (see Rule 1.1.1). No message will be displayed against the index value.

ii. The Official Closing Prices for the indexes are described in Appendix A.

b) **Closed**

The indexes have ceased all calculations for the day. The message 'CLOSE' will be displayed against the index value calculated by FTSE.

c) **Held**

During Official Market Hours, an index has exceeded pre-set operating parameters, and the calculation has been suspended pending resolution of the problem. The message 'HELD' will be displayed against the last index value calculated by FTSE.

d) **Indicative**

If there is a system problem or situation in the market that is judged to affect the quality of the constituent prices at any time when an index is being calculated, the index will be declared indicative, *e.g.* normally where a 'fast market' exists in the equity market. The message 'IND' will be displayed against the index value calculated by FTSE.

e) **Part**

If the indexes are being calculated during the normal Official Index Period hours, but there are less than 75% of the constituents by capitalization available with firm prices, then the index will be displayed with the message 'PART' to indicate that only a proportion of the securities prices are included. With the exception of the message 'PART', the index will continue to be calculated and displayed as if it were firm.

2.2 The official opening and closing hours of the FTSE NAREIT US Real Estate Capped Index Series are set out in Appendix A. Variations to the official hours of the Series will be published by FTSE.

SECTION 3

3.0 ALGORITHM AND CALCULATION METHODOLOGY

3.1 Shares in Issue

- 3.1.1 For the purposes of computing the FTSE NAREIT US Real Estate Capped Index Series, the number of shares in issue for each constituent security is expressed to the nearest share and, to prevent a large number of insignificant weighting changes, the number of shares in issue for each constituent security is amended only when the total shares in issue held within the index system changes by more than 1% on a cumulative basis. Changes will be made quarterly after the close of business on the third Friday of March, June, September and December.
- 3.1.2 If a corporate action is applied to an index constituent that involves a change in the number of shares in issue, the change in shares will be applied simultaneously with the corporate action.
- 3.1.3 If accumulated changes in the number of shares in issue add up to 10% or more, or when an accumulated share change represents 2USD billion or more of a company's total equity market capitalization, changes in shares are implemented between quarters. A minimum of 4 days notice will be given to users of the index.
- 3.1.4 All adjustments are made before the start of the index calculation on the day concerned unless market conditions prevent this.

3.2 Calculation Frequency

- 3.2.1 See Appendix A for the calculation schedule for the FTSE NAREIT US Real Estate Capped Index Series.

3.3 Algorithm

- 3.3.1 The FTSE NAREIT US Real Estate Capped Index Series is calculated using the following formula:

$$\sum \frac{p_1^n \cdot s_1^n \cdot f_1^n \cdot c_1^n}{d}$$

$n = 1, 2, 3, \dots, n$

n	=	Number	The number of securities in the Index.
p	=	Price	The latest trade price of the component security (or the price at the close of the Index on the previous day).
s	=	Shares in Issue	The number of shares in issue used by FTSE for the security, as defined in these Ground Rules.
f	=	Investability Weight	The factor to be applied to each security to allow amendments to its weighting, expressed as a number between 0 and 1, where 1 represents 100% free float. The free float factor for each security is published by FTSE.

SECTION 3

c	=	Capping Factor	The factor applied to each security to allow its weight within the index to be capped, expressed as a number between 0 and 1 where 1 represents 100%, i.e. no cap. The capping factor is published by FTSE.
d	=	Divisor	A figure that represents the total issued share capital of the Index at the base date. The divisor can be adjusted to allow changes in the issued share capital of individual securities to be made without distorting the Index.

3.3.2 Adjustments to the divisor are applied whenever capital changes take place so that the performance of the FTSE NAREIT US Real Estate Capped Index Series reflects the experience of investors. The Guide to Calculation Methods – available from FTSE – contains descriptions of the statistical procedures and algorithms used in the compilation of the Index Series.

SECTION 4

4.0 QUALIFICATION CRITERIA AND PERIODIC REVIEW OF CONSTITUENTS

4.1 Review Date

4.1.1 The FTSE NAREIT US Real Estate Capped Index Series is reviewed on a quarterly basis in March, June, September and December for companies which do not qualify for fast entry, but which meet the criteria for eligible securities set out in these Ground Rules. The review is based on data at the close of business on the last trading day of February, May, August and November.

4.1.2 Any constituent changes resulting from the periodic review will be implemented at the close of business on the third Friday of March, June, September and December. Subsequent adjustments in stock weightings (including free float) will become effective at the same time.

4.2 Responsibilities and Reporting

4.2.1 FTSE will be responsible for conducting the annual review of constituents for the FTSE NAREIT US Real Estate Capped Index Series and will recommend constituents for addition or deletion as part of the annual review. For each index, all eligible securities will be ranked by full market capitalization, before the application of any free float adjustments, as at the close of business on the last business day in November.

4.3 Review Process

4.3.1 The rules for inserting and deleting securities at the quarterly review are designed to provide stability in the selection of constituents of the FTSE NAREIT US Real Estate Capped Index Series while ensuring that the indexes continue to be representative of the market by including or excluding those securities which have risen or fallen significantly in value.

4.3.2 All companies that satisfy Rule 1.1.1 are selected to form the new constituents of the FTSE NAREIT US Real Estate Capped Universe. All FTSE Global Equity Index Series US constituents that are classified as Savings Associations or Mortgage Finance will be added to the Reserve List of the FTSE NAREIT All Mortgage Index only.

4.3.3 The new constituents of the FTSE NAREIT US Real Estate Capped Universe will then be subject to the three screens detailed below in order to identify the eligible constituents for the FTSE NAREIT US Real Estate Capped Index Series.

4.3.4 All the Mortgage REITs whose full market capitalization is equal or greater than US\$100M will be included in the index at the annual review in December. Any Mortgage REIT that falls below US\$75M by full market capitalization when evaluated at the quarterly review will be removed from the index.

4.4 Screen One - Size

Only companies valued at more than US\$100M by full market capitalization (on the date at which the data for the review are taken) will be included in the index.

4.5 Screen Two - Liquidity

A Securities which have not turned over at least 0.5% of their shares in issue (after the application of investability weightings according to Rule 4.6) per month for ten of the twelve months prior to a full market review, will not be eligible for inclusion to the Index Series.

SECTION 4

Existing constituents of the FTSE NAREIT US Real Estate Capped Index Series failing to trade at least 0.5% of their shares in issue (after the application of any investability weightings) per month for more than four of the twelve months prior to the review will be removed.

- B Securities added to the FTSE NAREIT US Real Estate Capped Index Series must have turned over at least 0.5% of their shares in issue (after the application of any investability weightings) per month in ten of the twelve months prior to the date of inclusion.
- C New issues which do not qualify for fast entry as defined under Rule 5.2.1 will become eligible for inclusion at the next quarterly revision of constituents providing they have, since the commencement of official non-conditional trading, a minimum trading record of at least 20 trading days prior to the date of the quarterly revision and turnover of a minimum of 0.5% of their shares in issue (after the application of any free float restrictions) per month in each full month. The inclusion for fast entry as defined under Rule 5.2.1 will not require a minimum trading record.
- D In assessing liquidity, data will be obtained from the exchanges where the constituent is listed.
- E In exceptional market conditions, where trading volumes can be very low, the FTSE NAREIT Index Advisory Committee may reduce the minimum percentage figure stated above in order to avoid a large amount of turnover in the FTSE NAREIT US Real Estate Capped Index Series.
- F In respect to the FTSE NAREIT All Mortgage Capped Index only stocks which have been screened for liquidity as part of the FTSE Global Equity Index Series review will be eligible.

4.6 Screen Three - Invested Assets

Only tax qualified REITs with at least 75 percent of their total assets invested in qualifying real estate assets, which include interests in real property (at non-depreciated cost), interests in mortgages on real property, or shares in other REITs will be included in the index. New issues, including initial public offerings, with qualifying real estate assets less than 75 percent of their total assets but equal to at least 125 percent of their net IPO proceeds also will be included in the index. The invested assets test will be conducted on an annual basis at the December annual review and if total invested assets of any constituent of the index fall below 50 percent of its total assets, the constituent will be deleted from the index.

4.7 Screen Four – Free Float

A Security that has a free float of less or equal to 15% will be ineligible for the FTSE NAREIT US Real Estate Capped Index Series.

4.8 Adjustments Applied to Eligible Securities

Eligible companies may be subject to adjustment for free float and multiple lines; see Rules 4.8.1 and 4.8.2 below.

4.8.1 Free float

The FTSE NAREIT US Real Estate Capped Index Series are adjusted for free float and cross-holdings.

SECTION 4

A. Free float restrictions include:

- Shares directly owned by State, Regional, Municipal and Local governments (excluding shares held by independently managed pension schemes for governments).
- Shares held by Sovereign Wealth Funds where each holding is 10% or greater. If the holding subsequently decreases below 10%, the shares will remain restricted until the holding falls below 7%.
- Shares held by directors, senior executives and managers of the company, and by their family and direct relations, and by companies that they control.
- Shares held within employee share plans.
- Shares held by public companies or by non-listed subsidiaries of public companies.
- Shares held by founders, promoters, former directors, founding venture capital and private equity firms, private companies and individuals (including employees) where the holding is 10% or greater. If the holding subsequently decreases below 10%, the shares will remain restricted until the holding falls below 7%.
- All shares where the holder is subject to a lock-in clause (for the duration of that clause).
- Shares held for publicly announced strategic reasons, including shares held by several holders acting in concert.

B. For clarity, holdings not considered as restricted free float include:

- Portfolio holdings (such as pension and insurance funds)
- Nominee holdings (unless they represent restricted free float as defined by Rule 4.8.1.A)
- Holdings by investment companies
- ETFs

C. Bands for initial weighting

Free float restrictions will be calculated using available published information. The initial weighting of a constituent in the index will be applied in the following bands.

a) free float less than or equal to 15%	=	ineligible
b) free float greater than 15% but less than or equal to 20%	=	20%
c) free float greater than 20% but less than or equal to 30%	=	30%
d) free float greater than 30% but less than or equal to 40%	=	40%
e) free float greater than 40% but less than or equal to 50%	=	50%
f) free float greater than 50% but less than or equal to 75%	=	75%
g) free float greater than 75%	=	100%

D. Changes in free float

The FTSE NAREIT US Real Estate Capped Index Series will be periodically reviewed for changes in free float. These reviews will occur on a quarterly basis, and implementation of any changes will happen at the close of business on the third Friday in March, June, September or December.

A constituent's free float will also be reviewed and adjusted if necessary:

- by identifying information which necessitates a change in free float weighting (for further information please refer to Guide to Calculation Methods – see Appendix D)
- or following a corporate event

E. Corporate events and actions

If a corporate event includes a corporate action that affects the Index Series, any change in free float will be implemented at the same time as the corporate action. If there is no corporate action, the change in free float will be applied as soon as possible after the corporate event, subject to Rule 4.8.1.F.

SECTION 4

F. Percentage point thresholds

Following the application of an initial free float restriction, a constituent's free float will only be changed if its actual free float moves to more than 5 percentage points above the minimum or 5 percentage points below the maximum of an adjacent band.

This 5 percentage points threshold does not apply if the change is greater than one band, *i.e.*, a movement of 10 percentage points for the bands between 20% and 50% and 25 percentage points for the bands between 50% and 100% will not be subject to the 5 percentage point threshold.

The 15% limit in Rule 4.8.1.C will also not be subject to the 5 percentage point threshold.

4.8.2 Multiple Lines

Where there are multiple lines of equity capital in a company, all are included and priced separately, provided that:

- The line passes all screens (see Rules 4.4, 4.5, 4.6 and 4.7).
- The secondary line's full market value (before the application of any investability weightings) is greater than 25% of the full market capital of the company's main line. Should the market value of a secondary line that is already a constituent of the Index Series fall below 20% at the next review, the secondary line is deleted.
- All partly-paid classes of equity are priced on a fully-paid basis if the calls are payable at known future dates. Those recognized as being "permanently partly-paid" are priced on a partly-paid basis.

4.9 Reserve List

4.9.1 The Reserve List of the FTSE NAREIT All Mortgage Capped Index will include companies classified by FTSE as Mortgage Finance and Savings Associations which are members of FTSE Global Equity Index Series. These companies will undergo the liquidity test stipulated in the Ground Rules for the FTSE Global Equity Index Series.

4.9.2 A constituent from the Reserve List will be added to the index only when the number of constituents falls below 20. If the number of constituents in the index falls below 20, then constituents will be added from the Reserve List. Each constituent will be capped at 3%, and in aggregate shall not exceed 30%.

4.9.3 The Reserve List is maintained for the FTSE NAREIT All Mortgage Capped Index and will be maintained with the following steps:

- Stocks considered for the Reserve List will be ranked by the FTSE Indicated Dividend Yield. The FTSE Indicated Dividend Yield is calculated by taking the last dividend paid and multiplying by the prior year's frequency (annualizing) and dividing by the stock price. It is the dividends expected to be paid by the company during the next twelve months (FTSE Indicated Dividend).
- Stocks with a negative average dividend growth rate for the past 3 years will be excluded. This is tested by taking an average of the total annual dividends paid over the past 3 years and comparing with the FTSE Indicated Dividend, which should be higher.
- In calculating the 3 year historical dividend growth rate, if a company omits, suspends or skips a dividend temporarily, the amount is considered zero.
- If a company announces suspension of dividends for the current cycle of review or for the future, the company will be removed from the Reserve List.

SECTION 4

- If there are not enough stocks from the Reserve List to constitute 20 names in the index, the stocks considered for the Reserve List that failed to pay dividends will be ranked by float market cap to be added to the index.
- If the Index has already a stock from the Reserve List added at the last review, and if a Mortgage REIT becomes eligible to be included in the index, the stock from the Reserve List will be replaced by the Mortgage REIT.
- If a company from the Reserve List is already in the index, it will be replaced by another company from the Reserve List provided no Mortgage REIT is available, at a quarterly review, in the following but not limited to the cases where:
 - The company announces suspension of dividends for the current cycle of review or for the future.
 - The company failed the 3-year dividend growth test.

SECTION 5

5.0 CHANGES TO CONSTITUENT COMPANIES

5.1 Removal

- 5.1.1 If a constituent is delisted, or ceases to have a firm quotation, or is subject to a takeover offer which has been declared wholly unconditional, it will be removed from the indexes of which it is a constituent.
- 5.1.2 The removal is effective before the start of the index calculation on the second business day following the day on which the event justifying removal was announced. Announcements made after the close of the index calculation are normally deemed to be made on the following business day. In the case of a takeover, the qualifying event is an announcement that the offer has been completed.
- 5.1.3 If a constituent company is split so as to form two or more companies, then the resulting companies will be eligible for inclusion as index constituents in the appropriate indexes based on their respective full market capitalizations.

5.2 New Issues

5.2.1 Fast Entry

Qualifying fast entries will be added to the index in line with standard fast entry rules. Due to the capped nature of these indexes and to minimize turnover, all stocks will potentially be re-capped or the new stock may be added to the index constituents file at 0 weight (effectively not being part of the index calculation) in line with the capping rules found in Appendix C.

5.2.2 Quarterly Additions into the Index Series

New issues of companies which do not qualify for Fast Entry under Rule 5.2.1 but which meet the criteria for eligible securities set out in Section 4 and Rule 5.2.3 below, and have been listed for over 20 business trading days, will be eligible for inclusion in the FTSE NAREIT US Real Estate Capped Index Series. The data will be compiled as at the close of business on the last business day in February, May and August. The changes will be effective after the close of business on the third Friday in March, June & September.

- 5.2.3 To qualify as a REIT, a company is required to meet several criteria, as defined by the U.S. Internal Revenue Code, intended to make certain that the company is largely devoted to the commercial real estate business. Publicly traded real estate companies that elect REIT status in a particular year are required to file Form 1120-REIT in that particular year with the U.S. Internal Revenue Service.

5.3 Mergers and Take-Overs

5.3.1 Mergers between constituents

If an existing constituent is acquired for eligible shares (or a combination of eligible shares and cash) by another constituent, then the existing constituent is deleted on the effective date of the acquisition. The enlarged company remains a constituent of the same benchmarks within the FTSE NAREIT US Real Estate Capped Index Series at the combined weight of both companies.

SECTION 5

5.3.2 **Mergers between a constituent and non-constituent**

If an existing constituent is acquired for eligible shares (or a combination of eligible shares and cash) by a quoted non-constituent, then the purchasing company is added to the same benchmarks within the FTSE NAREIT US Real Estate Capped Index Series as the acquired company (at the same weight as the acquired company) on the effective date of the acquisition, if eligible in all other respects (see Section 4 and Rules 1.1.1 and 5.2.3). The existing constituent is deleted on the same date.

5.4 **Trading Halts**

5.4.1 If a constituent is the subject of a trading halt, it may remain in the indexes at the price at which it is halted, for up to 10 business days. During this time, NAREIT and FTSE may agree to delete the constituent immediately either at its trading halt price, or at zero.

5.4.2 Where a trading halt of a constituent lasts beyond noon on the tenth business day (and the option to remove the constituent has not been exercised), the constituent will normally be deleted from the indexes on the eleventh trading day at zero or the trading halt price. Where the trading halt is for a reason not to the detriment of the constituent, NAREIT and FTSE may decide to retain or remove the stock at its trading halt price.

5.4.3 A company, whose trading halt is lifted after it has been removed from an index, will be reviewed for index eligibility at the next quarterly revision or annual review of the FTSE NAREIT US Real Estate Capped Index Series.

5.4.4 Fast entries will be eligible for all the indexes according to the fast entry rules. None of the indexes will be recapped intra-quarter due to corporate events, deletions, and fast entry additions. In the case of corporate events an adjusted capped weighting will be applied to the stocks.

SECTION 6

6.0 CHANGES TO CLASSIFICATION OF CONSTITUENT COMPANIES

- 6.1 Where a constituent is the subject of a merger, restructuring or takeover which results in a constituent, or part of a constituent, being absorbed by another, FTSE will make the necessary adjustments to the relevant investment sector, property sector and property sub-sector at the same time that the constituent changes are implemented.
- 6.2 Periodic changes to FTSE NAREIT industry classification of a company will be agreed and announced by NAREIT and FTSE (for further details, see Appendix B). Periodic changes to the investment sector, property sector and property sub-sector classification of a company will be agreed and announced by NAREIT and FTSE. Such changes will be implemented after the close of the index calculation on the third Friday of the month.

SECTION 7

7.0 AMENDMENTS TO GROUND RULES

7.1 Changes to Constituents

- 7.1.1 Decisions regarding the addition of new, eligible constituents (which are unrelated to existing index constituents or changes to the investable weighting of existing constituents) are announced at the earliest possible time before their inclusion in the Index Series. However, the announcement may be contingent upon the confirmation of the listing date of the security and passing all the screens.
- 7.1.2 Implementation of any annual review or quarterly revision changes will happen after the close of business on the third Friday in March, June, September or December.
- 7.1.3 Announcements will be made after the close of index calculations.

7.2 Policy Changes

- 7.2.1 Users of the FTSE NAREIT US Real Estate Capped Index Series are notified of policy changes by the FTSE through appropriate media before implementation.

7.3 Error Correction Policy

- 7.3.1 The objective is to maintain the FTSE NAREIT US Real Estate Capped Index Series to the highest standards of accuracy and integrity, using reliable data sources and following best practice in statistical and operational procedures.
- 7.3.2 Where material errors occur in data or in calculation procedures, these are corrected promptly and users of the FTSE NAREIT US Real Estate Capped Index Series are notified through appropriate media. However, FTSE are conscious of the risk of damaging the confidence of users through the frequent publication of amendments where trivial statistical errors have occurred that do not materially affect the accuracy of the published Index Series.

7.4 Re-calculations

- 7.4.1 The FTSE NAREIT US Real Estate Capped Index Series is recalculated whenever errors or distortions occur that are deemed to be significant. Users of the Index Series are notified through appropriate media.
- 7.4.2 Amended calculations are available from FTSE.

SECTION 8

8.0 ANNOUNCING CHANGES

8.1 FTSE

8.1.1 FTSE is responsible for the daily operation of the FTSE NAREIT US Real Estate Capped Index Series. We will maintain records of the market capitalization of all constituents, and will make changes to the constituents and their weightings in accordance with the Ground Rules. We will also carry out the periodic company reviews of the FTSE NAREIT US Real Estate Capped Index Series and implement the resulting constituent changes as required by the Ground Rules.

8.1.2 Changes to constituent weightings are made by FTSE in accordance with the Ground Rules.

8.2 Status of These Ground Rules

8.2.1 These Ground Rules are a guide to the policies and procedures applying at the date of publication to the operation and maintenance of the FTSE NAREIT US Real Estate Capped Index Series. They have been prepared and approved by FTSE. However, these policies and procedures, and their precise application, are subject to variation and periodic review.

8.2.2 The purpose of publishing this guide is to provide information about the general basis on which decisions relating to the construction and publication of the FTSE NAREIT US Real Estate Capped Index Series are currently made.

8.2.3 In light of the intended purpose of this guide, and the likely variation and periodic review of the policies and procedures it contains, no liability whether as a result of negligence or otherwise is accepted by NAREIT, FTSE or any members of the FTSE Policy Group or the FTSE NAREIT Index Advisory Committee (or any other person concerned with the preparation or publication of this guide) for any losses, damages, claims and expenses suffered by any person as a result of:

- any reliance on this guide or any constituent data; and/or
- any errors or inaccuracies in this guide; and/or
- any non-application or misapplication of the policies or procedures described in this guide; and/or
- any errors or inaccuracies in the compilation or calculation of the FTSE NAREIT US Real Estate Capped Index Series or of any constituent data.

8.2.4 Please refer to Sections 8 and 9 of the Ground Rules for the FTSE NAREIT US Real Estate Index Series and the Ground Rules for the FTSE Equity Index Series for details regarding the Management Responsibilities for these indexes.

APPENDIX A

INDEX OPENING AND CLOSING HOURS

The FTSE NAREIT US Real Estate Capped Index Series will calculate between the following hours:

	Open	Close
FTSE NAREIT US Real Estate Capped Index Series	09.30	16.10

Notes:

1. Closing prices are downloaded from Reuters at 16:30hrs. Because the New York Stock Exchange, NYSE Amex Equities and NASDAQ do not release official closing prices until several hours later, the price used in the index may not match this official close. If the downloaded closing price is subsequently overwritten by the official closing price, the downloaded closing price is retained in the index calculation.
2. The indexes will be calculated during normal trading hours of the New York Stock Exchange, NYSE Amex Equities and NASDAQ will be closed on US holidays.
3. Timings are based on Eastern Standard Time (EST).

APPENDIX B

FTSE NAREIT US REAL ESTATE INDEX SERIES CLASSIFICATION SYSTEM

The FTSE NAREIT US Real Estate Capped Index Series Classification System consists of three levels - investment sectors, property sectors and property subsectors. The investment sectors include:

- **All Equity Real Estate Investment Trusts (All Equity REITs)**
Equity REITs include all tax-qualified REITs (see Rule 1.1.1) with more than 50 percent of total assets in qualifying real estate assets other than mortgages secured by real property.
- **Equity Real Estate Investment Trusts (Equity REITs)**
This investment sector includes all Equity REITs not designated as Timber REITs or Infrastructure REITs. Timber REITs invest in timber assets, including timberland and timber-related products and activities. Infrastructure REITs invest in infrastructure assets, including transportation assets (roads, bridges, tunnels, airports, etc.), energy and utilities assets (power generation, fuels, pipelines, etc.), water and waste management assets and communication assets (line-based networks, air-based networks, etc.). Infrastructure REITs do not include data center REITs.
- **Mortgage Real Estate Investment Trusts (Mortgage REITs)**
Mortgage REITs include all tax-qualified REITs with more than 50 percent of total assets invested in mortgage loans or mortgage-backed securities secured by interests in real property.

A company is classified in one of the following property sectors and property subsectors if 75 percent or more of its gross invested book assets is invested in that specific sector and subsector. The following subsectors are eligible for the indexes detailed in FTSE NAREIT US Real Estate Capped Index Series:

FTSE NAREIT Industrial/Office Capped Index

- FTSE NAREIT Industrial
- FTSE NAREIT Office
- FTSE NAREIT Mixed

FTSE NAREIT All Residential Capped Index

- FTSE NAREIT Apartments
- FTSE NAREIT Manufactured Homes
- FTSE NAREIT Health Care
- FTSE NAREIT Self Storage

FTSE NAREIT Retail Capped Index

- FTSE NAREIT Shopping Centers
- FTSE NAREIT Regional Malls
- FTSE NAREIT Free Standing

FTSE NAREIT All Mortgage Capped Index

- FTSE NAREIT Mortgage Home Financing
- FTSE NAREIT Mortgage Commercial Financing

Reserve List consists of the following FTSE Global Equity Index Series Subsectors:

- ICB Subsector 8779 (Mortgage Finance)
- Subset ICB Subsector 8355 (Banks) which are also classified by FTSE as - Savings Associations

8779 - Mortgage Finance - Companies that provide mortgages, mortgage insurance and other related services.

APPENDIX B

FTSE Classification - Savings Associations - Federal and State Chartered savings associations (a.k.a. "thrifts" and "savings and Loans") chartered under title 12, section 1813 of the United States Code (USC) and operate under the consolidated supervision of a single federal regulator, the US Office of Thrift Supervision (OTS). Savings associations are guided by a uniform standard (Pursuant to section 5(c) of the Home Owners' Loan Act ("HOLA"), 12 U.S.C. 1464(c)) for lending and deposit taking and exist primarily to provide mortgages.

APPENDIX C

CAPPING METHODOLOGY

Application of Capping at the Quarterly Reviews

The constituents used to calculate capping factors will be indicative constituents at the quarterly review, this will incorporate stocks additions/deletions, shares in issue updates and free float adjustments, prices from the close of business on the second Friday in March, June, September and December will be used. The capping factors will be effective after the COB on the third Friday in March, June, September and December and will appear in the 5 Day Tracker Product 3 Business days prior to the effective date.

The objective of capping the FTSE NAREIT US Real Estate Capped Index Series is to achieve no greater than 22.5% cap in any stock and all stocks above 5% to not exceed 45%. The weights within the index are allowed to float intra-review until the next quarterly review.

Capping is applied to the constituents of the FTSE NAREIT Industrial/Office Capped Index, FTSE NAREIT All Residential Capped Index, the FTSE NAREIT Retail Capped Index and FTSE NAREIT All Mortgage Capped Index using the following methodology:-

Capping Methodology

Stage 1:

In the event that stocks from reserve lists are to be added, the weight of these stocks will be capped at 3% and its weight is retained. The combined weight of the stocks drawn from the reserve lists may not exceed 30% of the index.

Stage 2:

No individual company in the Index can be greater than 22.5%. A company with a weight greater than 22.5% is capped at 22.5% capping weight. *

Stage 3:

Reweight and rerank all companies by resulting weights largest to smallest. Find the highest ranked company by accumulated weight that is greater than 45%. This company and the companies ranked before it form the top capping group.

If the lowest ranked company in the top capping group is less than 5%, no further capping is needed. Otherwise proportionately cap the uncapped companies in the top capping group such that top capping group has an aggregate weight of 45% in the index. **

If the result of this round of capping causes any issues in the top capping group to fall below 4.5%, the weights of those companies will be capped at 4.5%.

Stage 4:

If the individual weights of the remaining lower ranking uncapped companies are greater than 4.5%, they will be capped at 4.5%.

* In the case more than two companies require 22.5% capping, then the top capping weight will be reevaluated.

** Companies capped at 22.5% will not be capped further.

APPENDIX C

Deletions and Fast Entries

Re-capping of indexes will not take place for any deletions from the Index.

Stocks qualifying as fast entries will be eligible for all indexes, and will join the index at a capped weight in the following cases:

1. The effective IPO date for the stock is more than 4 calendar weeks after the last quarterly review.
2. The effective IPO date for the stock is more than 4 calendar weeks before the next quarterly review.
3. The effective IPO date for the stock is more than 4 calendar weeks after the last re-balance.
4. The effective IPO date for the stock is more than 4 calendar weeks before the last re-balance.

Re-Capping Intra-review due to fast Entries

In the event of a fast entry to the index requiring intra-review capping under the discretion of FTSE, the following procedures will be followed:

Closing prices, shares in issue and free floats for all stocks on the day the stock has first listed will be used to calculate capping factors.

Fast entry addition and new capping factors will be effective after the close of business on the fifth day of official trading. New Capping factor information will be provided as part of the Five Day tracker products as of COB the first day of trading for the fast entry.

APPENDIX D

FURTHER INFORMATION

Further information on the FTSE NAREIT US Real Estate Index Series is available from FTSE, who will also welcome comments on these Ground Rules and on the Index Series.

For contact details please visit the FTSE website or contact FTSE client services at info@ftse.com.

Website: www.ftse.com

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