

**GROUND RULES FOR THE
MANAGEMENT OF THE

FTSE NAREIT US
REAL ESTATE 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 ("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 NYSE AMEX Equities 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 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 Series. Copies of these Ground Rules are available from NAREIT and FTSE (see Appendix C).

1.3 Index Construction Methodology

1.3.1 The FTSE NAREIT US Real Estate Index Series consists of 6 headline indexes and a selection of property sector and sub-sector indexes.

The FTSE NAREIT All REITs Index is a headline index that consists of all publicly traded REITs in accordance with Rule 1.1.1. The FTSE NAREIT All REITs Index is not free float adjusted, and constituents are not required to meet minimum size and liquidity criteria.

The FTSE NAREIT Composite Index is a headline index that consists of all REITs included in the FTSE NAREIT All REITs Index that also meet the minimum size and liquidity criteria. The FTSE NAREIT Composite Index is free float adjusted (see Section 4).

The FTSE NAREIT Real Estate 50 Index is a headline index that consists of the largest 50 eligible REITs from the FTSE NAREIT Composite Index, ranked by market capitalization.

1.3.2 Constituents of the FTSE NAREIT Composite Index are segregated into 3 additional headline Investment Sector Indexes – FTSE NAREIT All Equity REITs Index, FTSE NAREIT Equity REITs Index, and FTSE NAREIT Mortgage REITs Index. Indexes also are calculated for separate property sectors and property sub-sectors (see Appendix B for further details).

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

1.3.4 Selected indexes are calculated and disseminated on a real time basis in US dollars.

1.3.5 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 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 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 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 Index Series.

3.3 Algorithm

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

$$\frac{\sum_{i=1}^n (p_i \cdot s_i \cdot f_i)}{d}$$

Where:

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

n	=	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.
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 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 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 (see Rule 5.2). Meetings to review the constituents will be held on the Thursday following the first Friday of March, June, September and December. 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.
- 4.1.3 Details of the outcome of the quarterly review will be published as soon as possible after the FTSE NAREIT Index Advisory Committee meeting has concluded.

4.2 Responsibilities and Reporting

- 4.2.1 FTSE will be responsible for conducting the quarterly reviews of constituents for the FTSE NAREIT US Real Estate Index Series and will recommend constituents for addition or deletion as part of the quarterly 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 February, May, August and November.
- 4.2.2 NAREIT and FTSE are responsible for making final decisions on the review and for publishing the outcome of those decisions immediately after the meeting.

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 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 All REITs Index.
- 4.3.3 The new constituents of the FTSE NAREIT All REITs Index will then be subject to the four screens detailed below in order to identify the eligible constituents for the FTSE NAREIT Composite Index and the FTSE NAREIT Real Estate 50 Index.

4.4 Screen One - Size

Only companies valued at more than \$100 million (on the date at which the data for the review are taken) will be included in the index. For further information please refer to the FTSE Guide to Calculation Methods – see Appendix C.

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 at least ten of the twelve months prior to a market review will not be eligible for inclusion in the Index Series.

Existing constituents of the FTSE NAREIT Composite Index which do not trade at least 0.5% of their shares in issue (after the application of any investability weightings) per month for at least eight of the twelve months prior to the review will be removed.

SECTION 4

- B Securities added to the FTSE NAREIT Composite Index must have turned over at least 0.5% of their shares in issue (after the application of any investability weightings) per month in at least 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 review 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 review 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 of the available trading record. 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, in which trading volumes are unusually low, the FTSE NAREIT Index Advisory Committee may advise and FTSE and NAREIT may agree that the minimum percentage figure with respect to turnover stated above be reduced in order to avoid a large amount of turnover of the constituents in the FTSE NAREIT Composite Index.

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 Composite Index and the FTSE NAREIT Real Estate 50 Index.

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 Composite Index, FTSE NAREIT All Equity REITs Index, FTSE NAREIT Equity REITs Index, FTSE NAREIT Real Estate 50 Index, and the FTSE NAREIT Mortgage REITs Index are adjusted for free float.

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%
e) free float greater than 50% but less than or equal to 75%	=	75%
f) free float greater than 75%	=	100%

D. Changes in free float

The FTSE NAREIT Composite Index, FTSE NAREIT All Equity REITs Index, FTSE NAREIT Equity REITs Index, FTSE NAREIT Real Estate 50 Index, and the FTSE NAREIT Mortgage REITs Index 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 C)
- or following a corporate event.

E. Corporate events and actions

If a corporate event includes a corporate action that affects a constituent of 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 at least 10 percentage points for the bands between 20% and 50% and at least 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:

- All lines pass 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.
- Where a company has multiple lines and becomes eligible for inclusion in the FTSE NAREIT Real Estate 50 Index, only the largest of the multiple lines (by investable market capitalization) will be included as an index constituent.

4.9 FTSE NAREIT Real Estate 50 Index Qualification Criteria and Annual Review

- 4.9.1 The FTSE NAREIT Real Estate 50 Index consists of the largest 50 eligible REITs within the FTSE NAREIT Composite Index when ranked by full equity market capitalization.
- 4.9.2 A company will be inserted into the FTSE NAREIT Real Estate 50 Index at the annual review if it rises to 40th position or above when the eligible companies are ranked by full market capitalization (before the application of any investability weightings). In determining the full market capitalization of a company for this purpose, all share classes are included, while only the eligible share classes are included in the index weighting.
- 4.9.3 A company in the FTSE NAREIT Real Estate 50 Index will be deleted at the annual review if it falls to 61st position or below when the eligible companies are ranked by full market capitalization (before the application of any investability weightings). In determining the full market capitalization of a company for this purpose, all share classes are included, while only the eligible share classes are included in the index weighting.
- 4.9.4 A constant number of constituents will be maintained for the FTSE NAREIT Real Estate 50 Index. Where a greater number of companies qualify to be inserted in the Index than those qualifying to be deleted (see Rules 4.9.2 and 4.9.3), the lowest ranking constituents presently included in the index will be deleted in equal number to the companies qualifying for insertion to ensure that an equal number of companies are inserted and deleted at the annual review. Likewise, where a greater number of companies qualify to be deleted than those qualifying to be inserted (see Rules 4.9.2 and 4.9.3), the securities of the highest ranking companies which are presently not included in the index will be inserted in equal number to the securities being deleted to match the number of companies being deleted at the annual review.

SECTION 4

4.10 FTSE NAREIT Real Estate 50 Index Reserve Lists

- 4.10.1 FTSE is responsible for publishing the five highest ranking non-constituents of the FTSE NAREIT Real Estate 50 Index following each quarterly revision to the FTSE NAREIT US Real Estate Index Series. This Reserve List will be used in the event that one or more constituents are deleted from the FTSE NAREIT Real Estate 50 Index during the period up to the next annual review of the Index Series. Companies on the Reserve List will be constituents of the FTSE NAREIT Composite Index.
- 4.10.2 Where a company is removed from the Index Series (under Section 5) after the FTSE NAREIT Index Advisory Committee has met and reviewed periodic changes to the Index Series but before the periodic changes have been implemented, the highest ranking company by full market capitalization from the new Reserve List (excluding current Index Series constituents) will replace the deleted company.

SECTION 5

5.0 CHANGES TO CONSTITUENT COMPANIES

5.1 Removal and Replacement

- 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. Where the company is a constituent of the FTSE NAREIT Real Estate 50 Index, it will be replaced by the highest ranking company eligible in the FTSE NAREIT Real Estate 50 Index Reserve List selected as at the close of the index calculation two days prior to the deletion.
- 5.1.2 The removal and replacement are effected simultaneously, 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 and Conversions

5.2.1 Fast Entry

If, in the view of FTSE and NAREIT, in consultation with the FTSE NAREIT Index Advisory Committee, a new issue that elects REIT status (see Rule 5.2.4 below) is so large (i.e. its full market capitalization is greater than the market capitalization of the company ranked 10th position or higher in the FTSE NAREIT Real Estate 50 Index, before the application of individual constituent investability weightings) that the effectiveness of the indexes as market indicators would be significantly and adversely affected by its omission, then the new issue will be included as a constituent in the FTSE NAREIT Real Estate 50 Index and other FTSE NAREIT tradable indexes after the close of business on the fifth day of official trading. The security which is the lowest ranking constituent of the FTSE NAREIT Real Estate 50 Index based on full equity market capitalisation after the close of business on the first day of official trading of the new issue will be selected for removal and related indexes adjusted in accordance with Rules 5.1.1 and 5.1.2.

REIT initial public offerings will continue to be added to the FTSE NAREIT All REITs Index after the close of business on the first day of official trading, as this index consists of all publicly traded REITs in accordance with Rule 1.1.1.

In all cases, advance notification confirming the timing of the inclusion of the new constituent will be given accordingly.

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, and have been listed for over 20 business trading days, will be eligible for inclusion in the FTSE NAREIT Composite Index. The data will be compiled as at the close of business on the last business day in February, May, August and November. The changes will be effective after the close of business on the third Friday in March, June, September and December.

- 5.2.3 New issues of companies which do not qualify for inclusion in the FTSE NAREIT Composite Index, but meet the criteria for eligible securities set out in Rules 1.1.1 and 5.2.4 below will be eligible for inclusion in the FTSE NAREIT All REITs Index.

SECTION 5

- 5.2.4 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 publicly traded real estate. Companies that elect REIT status in a particular year are required to file Form 1120-REIT in respect of that particular year with the U.S. Internal Revenue Service.

When a publicly traded company elects to convert to a REIT, FTSE and NAREIT, in consultation with the FTSE NAREIT Index Advisory Committee, will determine an appropriate date when the company becomes eligible for inclusion in the Index Series, consistent with Rules 5.2.1 and 5.2.2, such time being the later of the following two events:

- If the company expects to distribute accumulated earnings and profits during the taxable year with respect to which it first intends to elect and to qualify to be treated as a REIT for federal income tax purposes (all as indicated by the company's public announcements), the date on which the company makes such distribution to its shareholders, or
- The first day of the company's first taxable year with respect to which the company intends to elect and to qualify to be treated as a REIT for federal income tax purposes (as indicated by the company's public announcements).

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 Index Series as the acquired company. Where both constituents' are a member of the FTSE NAREIT Real Estate 50 Index, a replacement will be found by selecting the highest-ranking company eligible in the FTSE NAREIT Real Estate 50 Index Reserve List as at the close of the index calculation two days prior to the deletion.

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 Index Series as the acquired company on the effective date of the acquisition, if eligible in all other respects (see Rules 1.1.1, 5.2.3 and Section 4). 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 Index Series at the price at which it is halted, for up to 10 business days. During this time, NAREIT and FTSE may, in consultation with the FTSE NAREIT Index Advisory Committee, 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, in consultation with the FTSE NAREIT Index Advisory Committee, to retain or remove the stock at its trading halt price.
- 5.4.3 If the constituent subject to a trading halt is deleted from the FTSE NAREIT Real Estate 50 Index, it will be replaced with the highest ranking company on the Reserve List as at the close of the index calculation on the day preceding the inclusion of the replacement company. This change will be effective after the close of the index calculation and prior to the start of the index calculation on the following day.

SECTION 5

- 5.4.4 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 Index Series.

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 Amendments

7.1.1 Changes and exceptions to the Ground Rules can only be authorized by FTSE and NAREIT. If interested parties in the FTSE NAREIT US Real Estate Index Series consider that an exception should be made to any of the Ground Rules, the issue must be brought to the attention of FTSE and NAREIT. FTSE and NAREIT will then consult the FTSE NAREIT Index Advisory Committee on the matter prior to making a decision.

7.1.2 Urgent Matters

If a matter is urgent, FTSE and NAREIT are collectively empowered to authorize an exception without consulting the FTSE NAREIT Index Advisory Committee, but must immediately notify and subsequently refer the matter to a meeting of the Committee.

7.2 Exceptions

7.2.1 Where an exception is granted to the Ground Rules under Rule 7.1, it will not be deemed to create a precedent for future decisions of FTSE and NAREIT.

7.3 Changes

7.3.1 Material changes to the Ground Rules are announced after the FTSE NAREIT Index Advisory Committee meeting at which they are agreed.

7.4 Appeal of Decisions of the Committee

7.4.1 A constituent or prospective constituent company (or broker or advisor acting on behalf of the company) may appeal the decisions of FTSE and NAREIT on the following grounds:

- FTSE and NAREIT acted outside of the Ground Rules for the Management of the FTSE NAREIT US Real Estate Index Series; or
- FTSE and NAREIT, when reaching its decision, failed to take into consideration a substantial and material fact.

A substantial and material fact is defined as a fact that would have influenced the decision of FTSE and NAREIT if it had been considered.

7.4.2 A request for an appeal must be made in writing to FTSE and must be received within six months of the application of the event giving rise to the appeal.

SECTION 8

8.0 ANNOUNCING CHANGES

8.1 Changes to Constituents

- 8.1.1 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 eligibility screens under Section 4.
- 8.1.2 The quarterly review changes are published after the close of business on the day after the meeting of the FTSE NAREIT Index Advisory Committee meeting to give users of the Index Series sufficient warning of the changes before their implementation.
- 8.1.3 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. Details of FTSE NAREIT Index Advisory Committee meeting dates are available from FTSE (see Appendix C).
- 8.1.4 Announcements will be made after the close of index calculations.

8.2 Policy Changes

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

8.3 Other Announcements

- 8.3.1 If FTSE and NAREIT, in consultation with the FTSE NAREIT Index Advisory Committee, give special consideration to issues of particular importance to users of the FTSE NAREIT US Real Estate Index Series, but a decision is taken not to implement a change, we will notify users through appropriate media that the issues have been reviewed.

8.4 Error Correction Policy

- 8.4.1 The objective is to maintain the FTSE NAREIT US Real Estate Index Series to the highest standards of accuracy and integrity, using reliable data sources and following best practice in statistical and operational procedures.
- 8.4.2 Where material errors occur in data or in calculation procedures, these are corrected promptly and users of the FTSE NAREIT US Real Estate Index Series are notified through appropriate media. However, FTSE, NAREIT and the FTSE NAREIT Index Advisory Committee 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.

8.5 Re-calculations

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

SECTION 9

9.0 MANAGEMENT RESPONSIBILITIES

9.1 FTSE

FTSE is responsible for the daily operation of the FTSE NAREIT US Real Estate Index Series. FTSE 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. FTSE will also carry out the periodic company reviews of the FTSE NAREIT US Real Estate Index Series and implement the resulting constituent changes as required by the Ground Rules.

9.2 FTSE NAREIT Index Advisory Committee

9.2.1 The FTSE NAREIT Index Advisory Committee, whose membership is representative of, but not limited to, users of the FTSE NAREIT US Real Estate Index Series, is established by FTSE and NAREIT as an independent advisory committee.

9.2.2 The FTSE NAREIT Index Advisory Committee provides guidance to FTSE and NAREIT on necessary changes or updates to the Ground Rules for the Management of the FTSE NAREIT US Real Estate Index Series.

9.2.3 The FTSE NAREIT Index Advisory Committee ensures that a consistent approach is applied to the selection of constituents and the application of corporate events.

9.2.4 The FTSE NAREIT Index Advisory Committee meets quarterly, in March, June, September and December or more frequently, if required.

9.3 Status of these Ground Rules

9.3.1 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 Index Series. They have been prepared and approved by FTSE and NAREIT, in consultation with the FTSE NAREIT Index Advisory Committee. However, these policies and procedures, and their precise application, are subject to variation and periodic review.

9.3.2 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 Index Series are currently made.

9.3.3 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 any members of 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 Index Series or of any constituent data.

APPENDIX A

INDEX OPENING AND CLOSING HOURS

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

	Open	Close
FTSE NAREIT US Real Estate 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 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.

The FTSE NAREIT US Real Estate Index Series Classification System also includes the following eleven property sectors, and eight property subsectors.

- **All Equity REITs**
- **Property Sector / Property Subsector**
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.
 - FTSE NAREIT Health Care
 - FTSE NAREIT Self Storage
 - FTSE NAREIT Industrial/Office
 - FTSE NAREIT Industrial
 - FTSE NAREIT Office
 - FTSE NAREIT Mixed
 - FTSE NAREIT Residential
 - FTSE NAREIT Apartments
 - FTSE NAREIT Manufactured Homes
 - FTSE NAREIT Retail
 - FTSE NAREIT Shopping Centers
 - FTSE NAREIT Regional Malls
 - FTSE NAREIT Free Standing
 - FTSE NAREIT Lodging/Resorts

A company is classified in the following property sector if it does not meet the 75 percent gross invested book assets threshold of the above property sectors and subsectors.

- FTSE NAREIT Diversified

A company is classified in the following property sector if 75 percent or more of its gross invested book assets is invested in timberland and timber-related products and activities.

- FTSE NAREIT Timber

APPENDIX B

A company is classified in the following property sector if 75 percent or more of its gross invested book assets are invested 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.).

- FTSE NAREIT Infrastructure

- **Mortgage REITs**

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.

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

APPENDIX C

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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