

S&P/TSX Preferred Share Index *Methodology*

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Introduction

The S&P/TSX Preferred Share Index[®] is designed to serve the investment community's need for an investable benchmark representing the Canadian preferred stock market.

This methodology was created by S&P Dow Jones Indices to achieve the aforementioned objective of measuring the underlying interest of each index governed by this methodology document. Any changes to or deviations from this methodology are made in the sole judgment and discretion of S&P Dow Jones Indices so that the index continues to achieve its objective.

Partnership

The S&P/TSX indices are calculated and managed by S&P Dow Jones Indices. The TMX Group Inc. (TMX) is the owner and distributor of all S&P/TSX equity index data.

Highlights

The index is comprised of preferred shares trading on the Toronto Stock Exchange that meet criteria relating to minimum size, liquidity, issuer rating, and exchange listing.

The index is based on a market capitalization weighting scheme and calculated by the divisor methodology used in S&P Dow Jones Indices' equity indices.

The index is rebalanced on a quarterly basis; changes are effective after the close of trading on the third Friday of January, April, July and October. Corporate actions such as maturity, conversion, calls and delistings are treated according to a set of rules further defined in this document.

The data reference date for additions to and deletions from the index is five business days prior to the first Friday of the rebalancing month.

Eligibility Criteria

Index Eligibility

The index is comprised of preferred shares listed on and trading on the Toronto Stock Exchange that meet criteria relating to size, liquidity, and issuer rating.

Eligibility Factors

Exchange Listing. Preferred shares listed on and trading in Canadian dollars on the Toronto Stock Exchange are eligible for inclusion.

Type of Issuance. Preferred shares issued by a company to meet its capital or financing requirements are eligible. These include floating and fixed rate preferreds, cumulative and non-cumulative preferreds, preferred shares with a callable or conversion feature, and trust preferreds. Split preferreds, which are packaged securities linked to baskets of shares, are not included.

Inclusion Criteria

Maturity or Conversion Schedule. Preferred shares that do not have a mandatory conversion or scheduled maturity within the next 12 months are eligible.

Market Capitalization. The preferred shares must have total market capitalization of more than C\$ 100 million as of the rebalancing reference date, based on the volume weighted average price (VWAP) over the last three trading days of the month-end prior to the quarterly review.

Volume. The preferred shares must have a minimum trailing three-month average daily value traded of C\$ 200,000 as of the rebalancing reference date.

Rating. Preferred shares must have a minimum rating of P-3 or its equivalent by Standard & Poor's, Dominion Bank Ratings Service or Moody's Investor Service.¹ If more than one of the ratings agencies has issued a rating on the stock, the lowest rating is used to determine eligibility.

Indicated Yield. Preferred shares for which S&P Dow Jones Indices cannot determine an indicated annual dividend yield are not eligible.

Different Lines of the Same Issuer. There is no limit to the number of lines of a single company's preferred share allowed in the index; however, a maximum weight of 10% is set per issuer. All eligible lines for an issuer are included in the index and capped on a pro rata basis to a maximum of 10% by issuer of the index market capitalization.

Exclusion Criteria

Market Capitalization. Preferred shares with total market capitalization of less than C\$ 75 million as of the rebalancing reference date are excluded from the index, based on the volume weighted average price (VWAP) over the last three trading days of the month-end prior to the quarterly review.

Volume. Preferred shares with a minimum trailing three-month average daily value traded of less than C\$100,000, as of the rebalancing reference date, are excluded from the index. No issue is removed from the index solely for the violation of liquidity requirement for 12 months following its addition effective date.

¹ The index was launched in April 2007. Prior to that time, the index was back tested using Standard & Poor's ratings only.

Rating. Preferred shares that do not have a minimum rating of P-3 or its equivalent by Standard & Poor's, Dominion Bank Ratings Service or Moody's Investor Service are excluded from the index.² If more than one of the ratings agencies has issued a rating on the stock, the lowest rating is used to determine eligibility.

Indicated Yield. Preferred shares for which S&P Dow Jones Indices cannot determine an indicated dividend yield as of the rebalancing reference date are excluded from the index.

A preferred share deleted from the index is not eligible for index re-inclusion until six months after the effective date of the exclusion.

Note: While the inclusion criteria explicitly excludes issues that have a mandatory conversion or scheduled maturity within 12 months of the rebalancing effective date, no such rule exists for continued membership.

Timing of Changes

Index rebalancing occurs quarterly after the close of the third Friday in January, April July and October. The reference date for additions to and deletions from the index is five business days prior to the first Friday of the rebalancing month.

Additions. Additions occur only at the quarterly rebalancing dates. There are no intra-period additions.

Deletions. A constituent is deleted intra-period if it is called or undergoes mandatory conversion or redemption. Index constituents are also deleted if the constituents no longer meet eligibility requirements at the quarterly rebalancing. The Index Committee exercises discretion in cases where the credit worthiness of an issue is significantly downgraded or downgraded to junk status.

Data Sources

Stock prices, VWAPs, and prices used to calculate QMV are prices determined by trading on the TSX.

Trading volume includes trading volume at the TSX and any Canadian alternative trading systems (ATS) which provide the data in a timely manner.

² The index was launched in April 2007. Prior to that time, the index was back tested using Standard & Poor's ratings only.

Index Construction

Approaches

The index is based on a market capitalization weighting scheme and calculated by the divisor methodology used in S&P Dow Jones Indices' equity indices.

Index Calculations

The index value is simply the index market value divided by the index divisor.

For more information on the index calculation methodology, please refer to the S&P Dow Jones Indices' Index Mathematics Methodology.

Index Maintenance

Rebalancing

Index membership is reviewed quarterly. Rebalancing occurs after the close on the third Friday of January, April, July and October. The reference date for additions to and deletions from the index is five business days prior to the first Friday of the rebalancing month.

Corporate Actions

Corporate Action	Adjustment Made to Index	Divisor Adjustment?
Shares called for cash or par value	If the issuer calls a constituent, it is removed from index after the close of the call date, or the first trading date of the call period, at the closing price. Note that the issuer may choose not to call, in which case no change is necessary.	Yes
Shares called for conversion or automatically converted	The constituent is removed from the index after the close of the conversion date, or the first trading date of the conversion period, at the closing price. If the issuer chooses not to invoke the right to convert and conversion is not automatic, no change is necessary.	Yes
Delisting from the Toronto Stock Exchange	The constituent is removed at the closing price of the delisting date (if required, a constituent may be removed at zero price).	Yes
Special cash distribution	The price of the stock making the special payment is reduced by the per share special payment amount after the close of trading on the day before the ex-date.	Yes
Rights offering on the preferred share class (rare occurrence)	The price is adjusted to the Price of Parent shares minus the Price of Rights shares/Rights Ratio.	Yes
Preferred stock split (rare occurrence)	Index Shares are multiplied by and the price is divided by the split factor.	No
Partial call for cash or par value	On the redemption date, the constituent shares outstanding are reduced by the number of shares called and the constituent price is adjusted to the call price plus accrued interest.	Yes
Issuance of additional shares for the preferred share class in the index	None. Shares are revised at the rebalancing.	No

For more information, please refer to S&P Dow Jones Indices' Equity Indices Policies & Practices Index Methodology document located on our Web site, www.spdji.com.

Base Dates and History Availability

Index history availability, base dates and base values are shown in the table below.

Index	Launch Date	First Value Date	Base Date	Base Value
S&P/TSX Preferred Share Index (Price Return)	06/12/2007	07/19/2002	07/19/2002	975.14
S&P/TSX Preferred Share Index (Total Return)	06/12/2007	07/19/2002	07/19/2002	975.01

Index Data

Total Return Index

The total return calculation includes stock dividends paid in kind, stock dividends paid with the securities of an issuer other than the issuer declaring such dividend, rights distributions, and cash distributions less than 4% of the underlying stock price based on the last traded board lot.

A dollar value is calculated for the distribution to be used in the total return index calculation.

For details on total return calculations, please refer to S&P Dow Jones Indices' Index Mathematics Methodology.

Index Governance

Index Committee

The S&P/TSX Canadian indices are maintained by the S&P/TSX Canadian Index Committee. The Index Committee is comprised of four members representing S&P Dow Jones Indices and three members representing the Toronto Stock Exchange (TSX). The Index Committee is chaired by a member designated by S&P Dow Jones Indices. Meetings are held monthly, and from time to time, as needed.

The Index Committee is responsible for setting rules and policies for the S&P/TSX Canadian Indices, determining the composition of the indices and administering the methodology. In fulfilling its responsibilities, the Index Committee has full and complete discretion to amend, apply or exempt the application of the methodology and other index policies as circumstances may require, and add, remove or by-pass any security in determining the composition of any of the indices.

The Index Committee may rely on any information or documentation submitted to or gathered by it that the Index Committee believes to be accurate. Where a public document used by the Index Committee is available in both official languages, the Index Committee shall assume that the contents of both versions are identical. The Index Committee reserves the right to reinterpret publicly available information and to make changes to the index based on a new interpretation of that information at its sole and absolute discretion.

Index corrections and changes to index composition are implemented at such time and in such manner, as the Index Committee deems appropriate. The timing of any index change made in response to a correction shall be at the sole and absolute discretion of the Index Committee.

Stock prices, VWAPs, and prices used to calculate QMV shall be prices determined by trading on the Toronto Stock Exchange. Trading volume shall be determined by trading on the Toronto Stock Exchange and on such other Canadian trading venues which make the data available in a timely fashion.

S&P Dow Jones Indices considers information about changes to its Canadian indices and related matters to be potentially market moving and material. Therefore, all Index Committee discussions are confidential.

Advisory Panel

S&P Dow Jones Indices maintains an Index Advisory Panel to provide advice to the Index Committee, to S&P Dow Jones Indices and to the Toronto Stock Exchange on index related matters. The Advisory Panel meets at the request of the Index Committee to discuss matters related to the use of equity indices in Canada; typically the Advisory Panel meets annually. The Index Committee designates members of the Advisory Panel to provide representation of major financial market entities including leading institutional investors, investment banks, brokerage firms and others with an interest in the development of the equity markets in Canada. Meetings of the Advisory Panel are not open to the public or the press; however, the proceedings are not confidential and members are free to discuss them publicly.

For information on Quality Assurance and Internal Reviews of Methodology, please refer to S&P Dow Jones Indices' Equity Indices Policies & Practices document located on our Web site, www.spdji.com.

Index Policy

Announcements

Announcements of additions and deletions for the S&P/TSX Canadian indices are generally made at approximately 05:15 PM Eastern Time. Press releases are released to major news services. Whenever possible, announcements of additions or deletions of shares or other index adjustments are made five trading days before the adjustments are implemented.

Index rebalancing announcements are made to clients after the close of trading on the first Friday of the rebalancing month, approximately ten business days before the effective date.

In addition, TMX Datalinx offers a fee-based subscription to Index Notices. The Index Notices provide the most detailed and comprehensive coverage of index changes. Complete data for index replication (including share counts, tickers and data on index levels and returns) are also available through TMX Datalinx. In order to subscribe, contact TMX Datalinx by phone at +1.416.947.4778 or by email at marketdata@tmx.com.

Holiday Schedule

The S&P/TSX Canadian indices are calculated when the Canadian equity market is open.

A complete holiday schedule for the year is available on the TMX Web site at www.tmx.com.

Unscheduled Market Closures

In situations where an exchange is forced to close early due to unforeseen events, such as computer or electric power failures, weather conditions or other events, S&P Dow Jones Indices will calculate the closing price of the indices based on (1) the closing prices published by the exchange, or (2) if no closing price is available, the last regular trade reported for each security before the exchange closed. If an exchange fails to open due to unforeseen circumstances, S&P Dow Jones Indices treats this closure as a standard market holiday. The index will use the prior day's closing prices and shifts any corporate actions to the following business day. If all exchanges fail to open or in other extreme circumstances, S&P Dow Jones Indices may determine not to publish the index for that day.

For further information on Unexpected Exchange Closures, please refer to S&P Dow Jones Indices' Equity Indices Policies & Practices document located on our Web site, www.spdji.com.

Treatment of Corporate Actions in the Event of Unscheduled Market Closures

Full-day closure occurs on the corporate action effective date: All market driven actions (splits, bonuses, rights, cash dividends, spinoffs, etc.) are moved to the next trading date. This involves the reposting of all affected files of each index to which each stock belongs. However, we follow the exchange's lead in such situations. If the exchange moves the corporate action ex-date, S&P Dow Jones Indices does the same. Adds and drops to the index and share/IWF updates remain unchanged, as trading was completed at the close before the effective date.

Partial closure occurs on the corporate action effective date: All market driven actions (splits, bonuses, rights, cash dividends, spin-offs, etc.) take place at the opening of the ex-date. Adds and drops to the index and share/IWF updates remain unchanged, as trading was completed at the close of the day before the effective date.

Full-day or partial closure occurs on the day before the corporate action effective date: Adds and drops to the index, share/IWF updates and quarterly rebalancing are moved to the close of the next trading date and use the closing prices of that day. All market driven actions scheduled for the opening of the next day are unaffected by an exchange closure on the day before the ex-date.

Recalculation Policy

S&P Dow Jones Indices reserves the right to recalculate an index under certain limited circumstances. S&P Dow Jones Indices may choose to recalculate and republish an index if it is found to be incorrect or inconsistent within two trading days of the publication of the index level in question for one of the following reasons:

1. Incorrect or revised closing price
2. Missed corporate event
3. Late announcement of a corporate event
4. Incorrect application of corporate action or index methodology

Any other restatement or recalculation of an index is only done under extraordinary circumstances to reduce or avoid possible market impact or disruption as solely determined by the Index Committee.

For more information on the recalculation policy please refer to S&P Dow Jones Indices' Equity Indices Policies & Practices Index Methodology document located on our Web site, www.spdji.com.

For information on Calculations and Pricing Disruptions, Expert Judgment and Data Hierarchy, please refer to S&P Dow Jones Indices' Equity Indices Policies & Practices document located on our Web site, www.spdji.com.

Index Dissemination

The TMX Group (TMX) serves as the distributor of both real-time and historical index data. In addition, index levels are available on S&P Dow Jones Indices' Web site at www.spdji.com, through major quote vendors (see codes below), through numerous investment oriented Web sites and various print and electronic media.

Tickers

Index	Return Type	Bloomberg	Reuters
S&P/TSX Preferred Share Index	Price Return	TXPR	.GSPTXPR
	Total Return	TXPRAR	.TRGSPTXPR

FTP

Daily stock level and index data is available from the Toronto Stock Exchange on subscription. Please contact Market Data at 416-947-4778 or, by email, at marketdata@tmx.com.

For further information, please refer to the TMX Web site at www.tmx.com.

Web site

For further information, please refer to S&P Dow Jones Indices' Web site at www.spdji.com.

S&P Dow Jones Indices Contact Information

Index Management

David M. Blitzer, Ph.D. – Managing Director & Chairman of the Index Committee
david.blitzer@spglobal.com +1.212.438.3907

Business Development

Abigail Etches – Director, Business Development
abigail.etches@spglobal.com +1.416.507.3203

Media Relations

Soogyung Jordan – Communications
soogyung.jordan@spglobal.com +1.212.438.2297

Client Services

index_services@spglobal.com

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