

November, 2001

## **S&P/CDNX Composite Index**

### **Index Committee**

The S&P/CDNX Composite Index is maintained by the Canadian Index Policy Committee (Committee). The Committee, comprised of seven members representing both Standard & Poor's (S&P) and the Canadian Venture Exchange (CDNX), is responsible for setting policy and determining index composition. The committee is chaired by the Chief Investment Strategist of S&P. Meetings are held on a monthly basis as well as on an as-needed basis should unusual corporate events warrant. The committee maintains the right to add, remove or by-pass any company during the selection process. The following criteria for inclusion are continually reviewed with the advice of, and in consultation with, the committee and may be subject to change at any time. All figures used will be a composite of trading activity on the CDNX.

### **The Index**

The S&P/CDNX Composite Index is a market capitalization-based index calculated and distributed at 15 second intervals via major data vendors. The index is meant to provide an indication of performance for companies listed on the CDNX. The index does not have a fixed number of companies. New candidates will only be added at the quarter-end as per the quarterly revision procedures outlined below. Companies may be removed throughout the quarter via the maintenance policies listed below.

### **Criteria for Inclusion**

1. Any company whose shares are candidates for inclusion in the S&P/CDNX Composite Index must be incorporated under Canadian federal, provincial, or territorial jurisdictions and listed on the CDNX. Limited partnerships, income trusts, preferred shares, exchangeable shares, warrants, units, rights, \$US-denominated securities and other financial instruments the Committee deems not appropriate as candidates, are not eligible for inclusion in the index.

2. All classes of common shares, that is those issued and outstanding which represent the residual equity of the earnings in the company, are eligible for inclusion in the index. However, only one class of common shares for each company shall be eligible for inclusion in the index. In the event that a company has more than one class of common shares listed on the CDNX, the market shares of each class will be combined at the Committee's discretion into the largest most liquid class for the purpose of index inclusion and calculation.

3. With respect to taxable-dividend and tax-deferred dividend shares, the treatment for index calculation purposes is to aggregate the reported outstanding taxable-dividend and tax-deferred dividend shares and to value these at the price for the most active class. This will normally mean using the price for the taxable-dividend shares.

4a) All stocks must be listed on the CDNX for at least 12 full calendar months as of the effective date of the quarterly revision before becoming eligible for inclusion in the S&P/CDNX Composite Index.

4b) Any stock that does not qualify for 4a), may qualify for inclusion in the S&P/CDNX Composite Index if it has been listed for at least six full calendar months as of the effective date of the quarterly revision, and would have ranked on a quoted market value (QMV) basis between 1-100 of current S&P/CDNX Composite Index stocks, as of that prior month-end.

For instance, if the index stock review meeting is held in January, the stock can only be eligible if it had been listed for the required periods, as outlined in 4a) and 4b), as of the end of December.

5. At the end of every calendar quarter, a company must represent a relative weight of at least 0.05% of the total index market capitalization to be represented in the S&P/CDNX Composite Index after taking into consideration all share changes, adds and deletes.

6. The number of shares of a company deemed to be eligible for calculation of the index will be the total shares issued and outstanding less shares held in escrow as determined by the CDNX.

#### 7. Quarterly Revision Procedure:

The entire constituent list and their representative shares for the S&P/CDNX Composite Index will be reviewed at each calendar quarter ending in March, June, September and December. The new index composition will be announced within the first two weeks after the quarter end to be effective after the close of business on the third Friday of the first month of the new quarter. The review procedures will be as follows:

1. All CDNX eligible candidates, as at quarter-end, will be combined with current index constituents to form the index universe.
2. All companies in the index universe will be ranked by their total market capitalization, using their quarter-end shares and last traded board lot price.
3. All companies in the pool will be ranked by their total quoted market value calculated in #3 above.
4. A cumulative market value will be calculated for each company starting with the largest company and concluding with the smallest company in the universe.
5. A relative weight for each company will be calculated with the assumption that the company is the smallest company in the universe.
6. Any company with a relative weight greater than or equal to 0.05% will either remain in the index, or if it is not already in the index, will be added to the index.
7. Any company previously in the index, with a relative weight less than 0.05%, will be removed from the index.

All changes resulting from the above exercise will become effective after the close of business on the third Friday of the month following the calendar quarter end. Eg. March review will be effective after the close of business on the third Friday of April.

**Maintenance Policies:**

1. The index will be reviewed quarterly according to the guidelines set out in the Criteria for Inclusion, #7, Quarterly Revision Procedure.

2. When a constituent of the S&P/CDNX Composite Index undergoes a reorganization as a result of an asset spin-off, plan of arrangement or the like, the successor company's\* stock will remain in the index subject to the following:

- a) The company must meet all the criteria for inclusion, and
- b) The successor company's relative weight must be greater than 0.05% of the index, calculated including the successor company's market capitalization.

If the successor company remains in the index, an adjustment will be made to the index by calculating an assigned value for the distribution and adjusting the last traded board lot price of the affected stock by that amount. This change will cause the divisor to be adjusted so that the stock price index level will not be impacted by the price change.

The assigned value of such a distribution will be determined by either: 1) spun-off company's closing value on the CDNX (when both spun-off and parent company are listed) or 2) the average of the bid/ask prices that may be available in the over-the-counter market, or 3) a value as determined by S&P.

If the spun-off company ranks on a market capitalization basis between 1-100 of current S&P/CDNX Composite Index stocks (with rankings based on the month-end prior to the stock replacement review date), it will be added to the index, subject to the Criteria for Inclusion at the first practical date. Otherwise, the spun-off company will be placed in the stock pool of companies eligible for inclusion and must meet all S&P/CDNX Composite Index Criteria for Inclusion in order to be considered.

3. For stock dividends in kind, stock dividends of a different company, rights distributions, and cash distributions of LESS THAN four percent of the underlying stock price based on the last traded board lot:

No adjustment to the index will be made. At the open on the ex-date the stock price of the underlying issue will fall relative to the value of the distribution. The stock price index value will be similarly affected.

4. For stock dividends in kind, stock dividends of a different company, rights distributions and cash distributions of EQUAL TO OR GREATER THAN four percent of the underlying stock price based on the last traded board lot:

An adjustment will be made to the index by calculating a value for the distribution and adjusting the last traded board lot price of the affected stock by that amount. This change will cause the divisor to be adjusted so that the index level will not be impacted by the price change.

5. A company will be removed from the index at the first practical date upon confirmation that a takeover bid for that company is successful.

6. Companies will be removed from the index at the first practical date if they are delisted, become defunct or fail to meet S&P/CDNX Composite Index Criteria for Inclusion #1 or #2.

7. In the event a stock is halted or suspended from trading for five consecutive trading days, the stock will become subject to review, and may be removed at a price determined by S&P.

8. When a stock splits into two new classes or issues, one of the new classes of shares will remain in the S&P/CDNX Composite Index subject to the Criteria for Inclusion. The float shares of this issue will be adjusted to reflect the float shares of both issues on the date the reclassification becomes effective.

9. In the event a company in the index merges or amalgamates with another company or companies, the resulting company will be retained in the index subject to the following:

- a) The company must meet all standards set out in the Criteria for Inclusion, and
- b) The company's relative weight must be greater than 0.05% of the index, calculated including the successor company's market capitalization.

10. In the event a company within the index is declared bankrupt, the company will be removed from the index within five trading days. If the company is halted and does not open on the removal date, then a removal price will be determined by S&P.

11. All share capitalization changes or series of share capitalization changes to individual index constituents, regardless of size, will be implemented at the next quarterly review.

\* The Committee will determine which resulting company is deemed to be the successor company.