

Dow Jones U.S. Select Dividend Index

INDEX UNIVERSE

The index universe is defined as all dividend-paying companies in the Dow Jones U.S. Total Market Index (Dow Jones U.S. TMI) that have a non-negative historical five-year dividend-per-share growth rate, a five-year average dividend to earnings-per-share ratio of less than or equal to 60%, and a three-month average daily trading volume of 200,000 shares. Current index components are included in the universe regardless of their dividend payout ratio.

STOCK SELECTION

1. Issues are ranked in descending order of indicated annual yield, defined as a stock's indicated annual dividend (not including any special dividends) divided by its price.
2. Any current component stock with a three-month average daily trading volume of less than 100,000 shares is deemed ineligible for selection.
3. All remaining current component stocks ranked 150 and above are retained in the index.
4. Stocks that are not current components are added to the index until the component count reaches 100.

The index composition is reviewed annually in December. Historical selections for 1992 through 1999 were conducted based on closing prices and indicated dividends as of year end. For 2000 through 2002, selections were conducted on the Monday following the third Friday of December. Beginning with the December 2003 review, selections have been made based on indicated annual dividends as of the last trading day in November. Changes are implemented at the opening of trading on the Monday following the third Friday of December.

WEIGHTING

A company's weight in the index is based on its indicated annual dividend. The weight of any individual company is restricted to 10%. Such restrictions, when required, are implemented on a quarterly basis. In the event of a stock split affecting a component company, weighting factors are adjusted immediately to keep the component weights constant.

EXTRAORDINARY DELETIONS

Under the following circumstances, a component stock is immediately removed from the index, independent of the annual review:

- ▶ The component company is affected by a corporate action such as a delisting or bankruptcy.
- ▶ The component company eliminates its dividend.
- ▶ The component company lowers but does not eliminate its dividend, and its new yield is less than that of the lowest yielding noncomponent on the latest monthly selection list.

A component stock that is removed from the index as the result of an extraordinary deletion is immediately replaced by the next-highest ranked stock by indicated annual yield as of the most recent annual review. The new stock is added to the index at a weight commensurate with its own indicated annual dividend.

A component company that is removed from the Dow Jones U.S. TMI (the index universe) during the course of the year because of a reduction in market capitalization remains in the Dow Jones U.S. Select Dividend Index until the next annual review.