

THE NYSE ARCA STEEL INDEX

INDEX DESCRIPTION

The NYSE Arca Steel Index (“Index”) is a modified market capitalization weighted index comprised of publicly traded companies involved primarily in the production of steel products or mining and processing of iron ore. The Index divisor was initially determined to yield a benchmark value of 500.00 at the close of trading on December 31, 2003. The Index is calculated and maintained by NYSE Arca. Similar to other stock indices calculated by NYSE Arca, the value of the Index will be disseminated every 15 seconds over the Consolidated Tape Association’s Network B between the hours of approximately 9:30am and 4:15pm, under the symbol “STEEL”.

ELIGIBILITY CRITERIA FOR INDEX COMPONENTS

The Index includes common stocks or ADRs of selected companies that are involved in a variety of activities that are related to steel production, including the operation of mills manufacturing steel, the fabrication of steel shapes or products, or the extraction and reduction of iron ore. Only those companies listed for trading on the New York Stock Exchange, NYSE Amex, or quoted on the NASDAQ National Market that have a market capitalization greater than \$100 million and a daily average traded volume of at least \$1 million dollars over the past three months are eligible to be considered for inclusion in the Index.

INDEX CALCULATION

The Index is calculated using a modified market capitalization weighting methodology. The Index is weighted based on the market capitalization of each of the component stocks, modified to conform to the following asset diversification requirements, which are applied in conjunction with the scheduled quarterly adjustments to the index:

- (1) the weight of any single component stock may not account for more than 20% of the total value of the Index;
- (2) the aggregate weight of those component stocks which individually represent more than 5% of the total value of the Index may not account for more than 50% of the total Index value.

QUARTERLY REVIEW

The Index is reviewed quarterly so that the Index components continue to represent the universe of companies involved in the iron ore mining or steel production. NYSE Arca may at any time and from time to time change the number of stocks comprising the group by adding or deleting one or more stocks, or replace one or more stocks contained in the group with one or more substitute stocks of its choice, if in the Exchange’s discretion such addition, deletion or substitution is necessary or appropriate to maintain the quality and/or character of the index to which the group relates. Changes to the Index compositions and/or the component share weights in the Index typically take effect after the close of trading one business day prior to the last business day of each calendar quarter month in connection with the quarterly index rebalance. At the time of the Index quarterly rebalance, the weights for the components stocks (taking into account expected component changes and share adjustments), are modified in accordance with the following procedures.

MAINTENANCE OF THE INDEX

The Index is reviewed quarterly to ensure that at least 90% of the Index weight is accounted for by Index components that continue to meet the initial eligibility requirements. Components will be removed from the Index during the quarterly review, if the market capitalization falls below \$75 million or the three-month daily average traded volume falls below \$750 thousand. In conjunction with the quarterly review,

the share weights used in the calculation of the Index are determined based upon current shares outstanding modified, if necessary, to provide greater Index diversification, as described in the Index Calculation section above. The Index components and their share weights are determined and announced prior to taking effect. The share weight of each component stock in the Index portfolio remains fixed between quarterly reviews except in the event of certain types of corporate actions such as stock splits, reverse stock splits, stock dividends, or similar events. The share weights used in the Index calculation are not typically adjusted for shares issued or repurchased between quarterly reviews. However, in the event of a merger between two components, the share weight of the surviving entity may be adjusted to account for any stock issued in the acquisition. NYSE Arca may substitute stocks or change the number of stocks included in the index, based on changing conditions in the industry or in the event of certain types of corporate actions, including mergers, acquisitions, spin-offs, and reorganizations. In the event of component or share weight changes to the Index portfolio, the payment of dividends other than ordinary cash dividends, spin-offs, rights offerings, re-capitalization, or other corporate actions affecting a component stock of the Index; the Index divisor may be adjusted to ensure that there are no changes to the Index level as a result of non-market forces.