

# Guide to the Palisades Global Water™ Index (PIWI)

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## INDEX DESCRIPTION

The Palisades Global Water Index™ (“Index”) is a modified equal-dollar weighted index containing companies worldwide that are engaged in the water business. The Index is comprised of six sectors that define the water industry (see ‘Sector Definitions’), each of which is assigned a Sector weight based upon relative fundamentals (see ‘Calculation Methodology’). The component stocks within each Sector are given an equal weight. The components include water companies worldwide that are publicly traded on a major, developed stock exchange. The Index measures the investment return of the stock issued by those companies. Accordingly, the Index is a proxy for the global water business; estimated to be a \$400+ billion industry.

Virtually every country in the world is faced with some combination of water quality and quantity issues. The companies in the Index, therefore, represent many facets of the water industry from potable water to wastewater treatment to irrigation to industrial applications; all associated with the growing challenge of meeting a variety of consumptive uses in concert with environmental stewardship. The Index is designed to capture the potential associated with the substantial increase in the economic value of water worldwide; value that will inevitably be unlocked as the global population adjusts to the linkages between human health, economic development and resource sustainability.

The Index is comprised of 43 stocks, diversified across 20 economies and 14 currencies:

COUNTRY OR REGION	# OF COMPONENTS	% OF TOTAL
United States	12	25%
Canada	1	5%
Europe	18	42%
Asia	10	23%
South America	2	5%
<b>TOTAL</b>	<b>43</b>	<b>100%</b>

The international scope of the Index captures the aggregate potential of the water business worldwide with diversification among global economies (developed and developing) and a broad range of currencies. The Index was created by, and is a trademark of, Palisades Water Index Associates, LLC (“Index Provider”).

## SECTOR DEFINITIONS

**Utilities:** Water utilities are the regulated purveyors of water directly responsible for getting water supplies to residential, commercial and industrial users. The Utilities Sector also includes wastewater and stormwater utility operations. As public utilities, they are under the jurisdiction of regulatory bodies and must comply with a myriad of federal and state regulatory requirements to ensure the safety of drinking water and the protection of the environment. Foreign water utilities may operate under different regulatory frameworks than U.S. water utilities. The investor-owned water utilities included in the Index generally oversee the water and wastewater facilities for a specific geographical region and/or population center or are structured as holding companies comprised of geographically diverse operating divisions.

**Treatment:** The Treatment Sector comprises those companies that play a key role in the physical, chemical or biological characteristics of water and wastewater; whether municipal or industrial. Treatment refers to the application of technologies and/or processes that alter the composition of water/wastewater to achieve a beneficial objective in its use, reuse or discharge. The most critical treatment objectives pertain to the global need for safe drinking water and sanitation. Water treatment traditionally refers to the process of converting source water to potable water of sufficient quality to comply with applicable regulations and standards, thereby ensuring the protection of human health. It can also pertain to the treatment of water in the optimization of an industrial process stream. Wastewater treatment, though extricably linked to human health, is differentiated within the treatment category through the additional objective of environmental protection as wastewater streams from municipal or industrial uses are discharged into the environment. While conventional centralized water and wastewater treatment equipment is the core of the treatment group, advanced treatment methods, enabling convergent technologies and innovative treatment systems are key drivers. Subsectors include chemicals/media/resins,

filtration/membrane separation, disinfection alternatives (UV/ozone), desalination, and decentralized technologies such as point-of-use (POU) or point-of-use-reuse (POUR) applications.

**Analytical:** The Analytical Sector includes companies that develop, manufacture or sell instrumentation or analytical products and/or related supplies, provide services, design systems or develop technologies for the management, analysis, testing, measurement or monitoring of drinking water, wastewater and/or process water. Analytical methods are applied, directly or indirectly, to achieve either a mandated compliance/regulatory requirement (related to human health or the environment) or a management objective in optimizing the function or safety of water relative to a specific use. Due to the critical need for the detection of a growing number of contaminants at increasingly smaller observation levels, there is a demand for the allocation of manufacturing resources to instrumentation based on advanced analytics. The sector is driven by the convergence of life science technologies, information technologies (protocol algorithms), sensor technologies and advanced electronics.

**Infrastructure:** This Sector includes the companies that stand to benefit from the extensive construction, replacement, repair and rehabilitation of water distribution systems, wastewater systems, and stormwater collection systems throughout the world. In the U.S. alone, the EPA estimates that water and wastewater infrastructure repair costs may be as much as \$1 trillion over the next 20 years. The deterioration of a drinking water distribution system, regardless of location, poses significant risks to public health, security and economic development. International markets for new infrastructure construction in emerging economies add significantly to the magnitude of the potential expenditures. Companies within the sector service and supply the components of the vast interconnected network of pipelines, mains, pumps, storage tanks, lift stations, and smaller appurtenances of a distribution system such as valves and flow meters. The sector also includes the rehabilitation market comprised of 'in-situ' technologies and new materials utilized to upgrade, maintain and restore pipe networks as a cost-effective alternative to new construction.

**Resource Management:** The Resource Management Sector represents a systems-oriented approach to the integration of the principles of resource sustainability with

complex water issues. Companies in this Sector emphasize the interrelationships between their water business activities and the 'management' of water as a valuable economic and environmental resource. Ultimately, the rationale behind the Resource Management Sector represents the embodiment of a comprehensive, forward-looking, integrated approach to solving water resource issues and ensuring sustainable use for the benefit of future generations. This emerging Sector currently includes companies that provide engineering, consulting, construction, operations, and related technical services to public and private customers in virtually all aspects of managing water resources, agricultural irrigation, and privatization activities.

**Multi-Business:** The Multi-Business Sector contains those companies that contribute significantly to the water industry yet may be extensively diversified into other industries or markets such that the financial contribution of water-related activities may be relatively small for the company. Conversely, the company may be a worldwide leader in a specific water technology or market. These companies may not be conglomerates in the traditional sense but may have instead sought to apply a particular platform technology, product-line or service capability across several global markets, including water. The Multi-Business sector is designed to accommodate exposure to significant water projects worldwide that are likely to be undertaken only by large, international industrial companies.

## ELIGIBILITY CRITERIA FOR INDEX COMPONENTS

The Index includes companies that focus on the provision of potable water, the treatment of water and wastewater for municipal, agricultural and industrial processes and the technologies and services that are directly related to water consumption or use across all applications that are listed on a major, developed international stock exchange. To be included in the Index, new index components must meet the following criteria each Determination Date:

- Market capitalization is at least \$150 million.
- Traded volume greater than 100,000 shares for each of the prior three months.
- A minimum Average Daily Traded Volume (ADTV) of at least \$500,000 for the prior three months.

The Index Provider may at any time and from time to time change the number of issues comprising the Index by adding or deleting one or more components or sectors, or replacing one or more issues contained in the Index with one or more substitute stocks of its choice, if, in the Index Provider's discretion, such addition, deletion or substitution is necessary or appropriate to maintain the quality and/or character of the industry groups to which the Index relates.

## CALCULATION METHODOLOGY

The Index divisor was initially determined to yield a benchmark value of 1,000.00 at the close of trading December 31, 2003.

The Index is calculated using a modified equal weighting methodology. Component securities are equally weighted within their respective Sector. Each Sector is assigned an aggregate weight within the index. Sector weightings were initially determined by the Index Provider and are reviewed each quarter in conjunction with the scheduled quarterly review of the Index. Within each sector the component weightings cannot exceed five percent (5%) of the Index. As of January 1, 2008, the Sectors are weighted as follows:

SECTOR NAME	# OF COMPONENTS	SECTOR WEIGHTS
Utilities	10	10%
Treatment	11	36%
Infrastructure	7	13%
Analytical	4	9%
Resource Management	7	26%
Multi-Business	4	6%
<b>TOTAL</b>	<b>43</b>	<b>100%</b>

## QUARTERLY UPDATES TO THE INDEX

The Index is rebalanced after the close of trading on the next to last business day of each March, June, September and December ("Rebalance Date"). The component weights will be determined and announced at the close of trading two days prior to

the Rebalance Date. The Index components are determined five days prior to the Rebalance Date. For a component to remain in the Index, the component must meet the following continued inclusion rules:

- Maintain a total market capitalization above \$100 million on the determination date.
- Maintain traded volume greater than 100,000 shares for each of the prior three months.
- Maintain a minimum Average Daily Traded Volume (ADTV) of at least \$500,000 for the prior three months.

In conjunction with the quarterly review, the share weights used in the calculation of the Index are updated based upon newly assigned Sector weights and index component prices as of the close of trading two business days prior to the Rebalance Date. The share weight of each component in the Index portfolio remains fixed between quarterly reviews except in the event of certain types of corporate actions such as splits, reverse splits, stock dividends, or similar events.

## MAINTENANCE OF THE INDEX

In the event of a merger between two components, the share weight of the surviving entity may be adjusted to account for any shares issued in the acquisition. The Index Provider may substitute components or change the number of issues 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 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.

## MAINTENANCE OF THE INDEX

In the event of a merger between two components, the share weight of the surviving

entity may be adjusted to account for any shares issued in the acquisition. The Index Provider may substitute components, change components between Sectors or modify the number of issues included in the Index, based on changing conditions in the water 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 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.

## DISSEMINATION OF INDEX INFORMATION

The Index Provider will provide to the calculation agent the constituents of the Index on the sixth to the last business day of each quarterly rebalance month. Whenever practical, in conjunction with the Index Provider, the calculation agent when applicable, will pre-announce stock additions and/or deletions as well as certain Index share weight changes at least two trading days before making such changes effective — either via [www.amextrader.com](http://www.amextrader.com), via broadcast email, or press release.

Dow Jones & Company, Inc. serves as the calculation agent for the Index. 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 (EST) under the ticker "PIIWI".

## REBALANCE SCHEDULE EXAMPLE – DECEMBER 2007

**December 17, 2005** — Index components updated by Index Provider. Components screened for inclusion rules and additions and deletions determined. New Index composition and assigned Sector weights sent to the calculation agent.

**December 28, 2007** — New shares and weights are determined at the close of business and disseminated.