



INTERNATIONAL SECURITIES EXCHANGE.



Index Methodology Guide

ISE-REVERE WAL-MART[®] SUPPLIER INDEX

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Table of Contents

Chapter 1.	Introduction	5
Chapter 2.	Index Description	7
Chapter 3.	Index Construction.....	9
3.1.	Base Date and Value	9
3.2.	Component Eligibility Requirements	9
3.3.	Float-Adjustment	10
3.4.	Dividend Treatment.....	10
3.5.	Index Equations	10
3.6.	Initial Component Selection	12
Chapter 4.	Index Maintenance	13
4.1.	Divisor Changes	13
4.2.	Details of Share Changes	13
4.3.	Semi-annual component changes and review	14
4.4.	Interim component changes.....	14
4.5.	Unscheduled component weight adjustments	14
Chapter 5.	Index Calculation and Dissemination	15
5.1.	Price Calculation	15
5.2.	Calculation Frequency and Dissemination.....	15
5.3.	Input Data.....	15
5.4.	Data Correction	15
Appendices	17
	Appendix A. ISE-REVERE Wal-Mart® Supplier Index Components.....	18
	Appendix B. Document Change History	19

Chapter 1. Introduction

This document summarizes the methodology and rules used to construct, calculate, and maintain the **ISE-REVERE Wal-Mart® Supplier Index**.

The ISE-REVERE Wal-Mart Suppliers Index (ISE-REVERE_WMX) provides a benchmark for investors interested in tracking public companies deriving a significant percentage of sales from Wal-Mart Stores, Inc.

Tracing its history back to the 1945 opening of founder Sam Walton's first variety store in Newport, Arkansas, today Wal-Mart is the world's largest retailer. The company operates over 3,000 Wal-Mart Discount Stores, Supercenters, and Neighborhood Markets and hundreds of Sam's Club warehouse stores. The company continues to grow in the US and overseas with operations in the United Kingdom, Canada, Mexico, Brazil, China, and other regions. Annual sales have grown to more than \$330 billion, with 1.8 million employees in 13 countries.

Due to Wal-Mart's tremendous size and legendary buying power, today a number of food and beverage, apparel, household products, electronics and other suppliers depend on sales to Wal-Mart. In fact, dozens of US exchange-traded companies receive 10%, 20%, even 40% or more of their total revenues from Wal-Mart and its subsidiaries. Familiar companies with strong ties to Wal-Mart include The Clorox Company, Del-Monte Foods, Energizer, Mattel, and Kellogg's. How have these companies fared after establishing such a strong connection to the world's largest retailer? How will they be impacted as Wal-Mart continues its global expansion while coming under increasing scrutiny? The Wal-Mart Suppliers Index provides greater insight when considering these questions.

With few exceptions, companies trading on a major US exchange are required to disclose customer relationships accounting for 10% or more of total sales. Revere Data, through the Revere Relationships database, captures these company-to-company connections. This database, together with the index methodology described below, forms the basis of the ISE-REVERE Wal-Mart Suppliers Index.

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Chapter 2. Index Description

The ISE-REVERE_WMX has been created to provide investors with a benchmark allowing them to gauge the aggregate performance of Wal-Mart's® top suppliers. The securities selected for the index derive a substantial portion of their revenues from supplying Wal-Mart®. Eligible candidates are ranked by that revenue as a percentage of their total revenue. Candidate stocks are also screened by certain liquidity factors to ensure that those companies are readily investable on their own.

The Index uses a modified market-cap weighted methodology due to the diversity in market capitalization size among certain component stocks. The methodology sets the weight of each stock to a multiple of the weight of the smallest stock, based on its market capitalization ranking within the portfolio. The resulting linear weight distribution prevents a few large component stocks from dominating the index while allowing smaller companies to adequately influence index performance. Index components are reviewed semi-annually for eligibility, and the weights are re-set according to that distribution.

The Index contains 30 different component stocks. Companies may not apply, and may not be nominated, for inclusion in the Index. Companies are added or removed by the ISE and REVERE based on the methodology described herein. Whenever possible, ISE will publicly announce changes to the index on its website at least five trading days in advance of the actual change.

The ISE-REVERE_WMX is calculated and maintained by Standard & Poor's based on a methodology developed by the International Securities Exchange and Revere Data in consultation with Standard & Poor's.

The ISE-REVERE_WMX is calculated on a price and total return basis. The price Index is calculated in real-time and disseminated via the Options Price Reporting Authority (OPRA) and market data vendors every day the U.S. equity markets are open. The total return Index is calculated on an end-of-day basis. Both sets of values are freely available on ISE's website, www.iseoptions.com.

December 6, 2006

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Chapter 3. Index Construction

This chapter outlines and defines the key steps in constructing and calculating the index, including: eligibility requirements, formulas, initial component selection, and special adjustments.

3.1. Base Date and Value

The ISE-REVERE Wal-Mart[®] Supplier Index has the following base date and value:

Index	Base date	Base value
ISE-REVERE Wal-Mart [®] Supplier Index	July 1, 2002	25

3.2. Component Eligibility Requirements

All of the following requirements must be met in order for a company to be eligible for inclusion:

1. The component security must be a “reported security” as defined in Rule 11Aa3-1 under the Exchange Act, and its common stock listed on the New York Stock Exchange (NYSE), American Stock Exchange (AMEX), or Nasdaq National Market System (Nasdaq).
2. Must be an operating company and not a closed-end fund, exchange-traded fund (ETF), holding company, investment vehicle, or royalty trust (REIT).

The following market capitalization, liquidity, and weighting concentration requirements must also be satisfied:

Each component security has a market capitalization of at least \$100 million.

Trading volume of each component security has been at least one million shares for each of the last six months, except that for each of the lowest weighted component securities in the index that in the aggregate account for no more than 10 % of the weight of the index, trading volume has been at least 500,000 shares for each of the last six months.

The lesser of the five highest weighted component securities in the index or the highest weighted component securities in the index that in the aggregate represent at least 30% of the total number of component securities in the index each have had an average monthly trading volume of at least 2,000,000 shares over the past six months.

No single component stock represents more than 24% of the weight of the index, and the five highest weighted component securities in the index do not in the aggregate account for more than 50% of the weight of the index. This particular requirement will be satisfied at least on the first day of January and July of each year.

The ISE and REVERE will, in most cases, use the quantitative ranking and screening system described herein. However, subjective screening based on fundamental analysis or other factors may be used, if in the opinion of the ISE and REVERE, certain components should be excluded from the index.

3.3. Float-Adjustment

Components of the ISE-REVERE Wal-Mart® Supplier Index are float-adjusted to reflect the number of shares available to investors according to S&P's proprietary methodology. The float-adjusted number of shares is used during the component eligibility process at initial component selection and at scheduled reviews.

The float-adjusted number of shares for each stock is determined by assigning each stock an availability factor. That factor represents the percentage of shares deemed available (i.e., tradable) on the open market, and is developed by excluding certain types of holdings. Shares may be excluded for three reasons: corporate cross-holdings, private control block holdings, or government holdings. Private control blocks are considered to be any entity acting alone or in concert that possess a holding greater than or equal to 10% of the issue's total capitalization.

3.4. Dividend Treatment

The price indexes do not take normal dividend payments into account. Dividends are accounted for by reinvesting them on a daily basis. ISE and REVERE use the ex-dividend date to determine the total daily dividends for each day. Special dividends require an index divisor adjustment (as described in Chapter 4) to prevent such distributions from distorting the price index.

3.5. Index Equations

The price indexes are calculated using the following basic equations:

$$\text{Index Value} = \frac{\text{Combined Market Value of Assigned Shares of All Components}}{\text{Divisor}}$$

$$\text{or } I_{(t)} = \frac{\sum_{i=1}^n P_{i(t)} \times S_{i(t)}}{D_{(t)}}$$

where:

$I_{(t)}$ = Index value at time (t)

$D_{(t)}$ = Divisor at time (t)

n = Number of stocks in the index

t = The time the index is calculated

$P_{i(t)}$ = Price of stock (i) at time (t)

$S_{i(t)}$ = Number of assigned shares of stock (i) at time (t)

The initial index divisor is determined using the following equation:

$$D_{(o)} = \frac{\sum_{i=1}^n P_{i(o)} \times S_{i(o)}}{I_{(o)}}$$

where:

$I_{(o)}$ = Base index value at base date (July 1 2002)

D_o = Initial divisor at base date

n = Number of stocks in the index

$P_{i(o)}$ = Closing price of stock (i) at base date

$S_{i(o)}$ = Number of assigned shares of stock (i) at base date

Assigned shares are the number of shares needed for each component, as determined in the semi-annual review, such that the component's weighting conforms to the modified market cap weighting distribution outlined in Chapter 3.6.

Changes to the index composition require divisor adjustments in order to retain index continuity before and after specific events (as outlined in Chapter 4 – Index Maintenance). Divisor changes are made according to the following formula:

$$D_{(t+1)} = D_{(t)} \times \frac{\sum_{i=1}^n P_{i(t+1)} \times S_{i(t+1)}}{\sum_{i=1}^n P_{i(t)} \times S_{i(t)}}$$

where:

$D_{(t+1)}$ = Divisor after changes are made to the index

$P_{i(t+1)}$ = Price of each stock after index changes

$S_{i(t+1)}$ = Number of assigned shares of each stock after index changes

$D_{(t)}$ = Divisor before changes are made to the index

$P_{i(t)}$ = Price of each stock prior to index changes

$S_{i(t)}$ = Number of assigned shares of each stock prior to index changes

3.6. Initial Component Selection

The following steps are taken to select the initial components for the ISE-REVERE Wal-Mart® Supplier Index.

1. Establish total population of stocks that are suppliers to Wal-Mart®.
2. Rank all candidate stocks by the percentage of revenue derived from supplying Wal-Mart® to total revenue.
3. Remove companies that do not meet the Component Eligibility Requirements of Chapter 3.2.
4. If a component has multiple share classes, include the most liquid issue for that company (using average daily value traded during the prior six-month period) and remove the remaining classes.
5. Select the top 30 companies.
6. Rank the top 30 companies in descending order by unadjusted market capitalization.
7. Adjust each component's weighting to a multiple of the weighting of the smallest component using the following equations:

- $W_i = (n + 1 - i) \times W_n$

- $\sum_{i=1}^n W_i = 1$

- $W_n = \frac{1}{\sum_{i=1}^n (n + 1 - i)}$

where:

W_i = Weight of each component

W_n = Weight of the smallest component by market capitalization

n = Number of stocks in the index; ranked in descending order by marketing capitalization from 1 to n

The adjustment described above results in a linear distribution where each component is weighted by a certain multiple of the smallest component.

The index component list is provided in Appendix A.

Chapter 4. Index Maintenance

This chapter describes the circumstances that require index changes, as well as the details on performing those changes.

4.1. Divisor Changes

Changes to the Index composition due to corporate actions or component eligibility changes will require Index Divisor adjustments, as follows:

Component change	Adjustment
Component Replacement	Add market value of company to be added, subtract market value for company to be removed
Share Issuance (when change is $\geq 5\%$)	Add newly issued shares to existing shares outstanding
Share Repurchase (when change is $\geq 5\%$)	Subtract repurchased shares from existing shares outstanding
Spinoff*	Subtract the following from the price of the parent company: $\left(\frac{\text{Spinoff stock price}}{\text{Share exchange ratio}} \right)$ Adjust the assigned shares such that component's weighting is not changed as a result of the spinoff.
Special Cash Dividend	Subtract special dividend from share price
Rights Offering	Subtract the following from the price of the parent company: $\left(\frac{\text{Price of rights}}{\text{Rights ratio}} \right)$ Adjust the assigned shares such that component's weighting is not changed as a result of the rights offering.

Divisor changes are usually made on the date the corporate action becomes effective. For example, ISE and REVERE use the ex-dividend date rather than the payment date to determine when making divisor adjustments.

*Special note on Spin-offs: If a company being spun off is only trading on a "when-issued" basis, the "when-issued" price will be used to adjust the parent company's closing price.

4.2. Details of Share Changes

Stock splits and reverse splits do not require Index Divisor adjustments because the corresponding change to the stock price equally offsets the number of shares outstanding, therefore not affecting the component's market capitalization.

4.3. Semi-annual component changes and review

Each component's eligibility and ranking is reviewed in January and July according to the procedures below. Component changes are made after the close on the third Friday of January and July, and become effective at the opening on the next trading day. Changes are announced on ISE's publicly available website at least five trading days prior to the effective date. The procedures for performing the quarterly rebalancing are identical to those shown in Chapter 3.6.

4.4. Interim component changes

Component changes may occur between review periods if a specific corporate event makes an existing component ineligible. The following events may require a component's replacement:

Event	Action
Merger or acquisition	If a merger or acquisition results in one component absorbing another, the resulting company will remain a component and the absorbed company will be replaced. If a non-component company absorbs a component company, the original component will be removed and replaced.
Spin-off	If a component company splits or spins off a portion of its business to form one or more new companies, the resulting company with the highest market value will remain a component as long as it meets the eligibility requirements. The remaining companies will be evaluated for eligibility and possible addition to the index.
Bankruptcy	A component company will be removed and replaced immediately after bankruptcy filing. Exceptions are made on a case-by-case basis. For example, a security might not be removed immediately when a bankruptcy filing is not a result of operating or financial difficulties.
Delisting	A component company will be removed and replaced immediately after being delisted from its primary market.

ISE and REVERE attempt to maintain a Component Replacement Pool (CRP) for the index at all times for contingency purposes. The CRP contains at least five companies that meet the eligibility requirements and are ranked by float adjusted market capitalization. Components removed from the Index are replaced with those from the CRP in descending order by float adjusted market capitalization.

Whenever possible, interim component changes are announced on ISE's publicly available website five trading days prior to component changes becoming effective.

4.5. Unscheduled component weight adjustments

Unscheduled component weight adjustments may occur between review periods if any component accounts for more than 24% of the index weight. The market capitalization of any component representing more than 24% of the index weight will be adjusted such that its new weight is no more than 20%. Whenever possible, unscheduled component weight adjustments are announced on ISE's publicly available website five trading days prior to the adjustments becoming effective.

Chapter 5. Index Calculation and Dissemination

This chapter summarizes calculation and dissemination practices, quality assurance practices, and the circumstances requiring calculation corrections.

5.1. Price Calculation

Price and total return indexes for the ISE-REVERE_WMX are calculated by Standard & Poor's. The price index is calculated on a real-time basis, and the total-return Index is calculated and disseminated on an end-of-day basis. The ISE-REVERE_WMX is calculated using the last traded price for each company in the Index from the relevant exchanges and markets.

Index values are rounded to two decimal places and divisors are rounded to 14 decimal places.

5.2. Calculation Frequency and Dissemination

The ISE-REVERE_WMX price index is calculated on a real-time basis beginning when the first traded price of any of the Index components is received by Standard & Poor's. Prices are delivered to ISE every 15 seconds and subsequently published to the Options Price Reporting Authority at that frequency. Total-return Index values are posted on ISE's publicly available website, www.iseoptions.com.

If trading in a stock is suspended prior to the market opening, the stock's adjusted closing price from the previous day will be used in the Index calculation until trading commences. If trading in a stock is suspended while the relevant market is open, the last traded price for that stock will be used for all subsequent Index calculations until trading resumes.

5.3. Input Data

Standard & Poor's uses various quality assurance tools to audit, monitor, and maintain the accuracy of its input data. While every reasonable effort is taken to ensure high standards of data integrity, there is no guarantee against errors. Please refer to the Data Correction section for more detail.

The index closing price is calculated using the closing prices issued by the primary exchange for each component stock in the index. If the primary exchange changes the closing price of a component stock, the new price will be used to calculate the index closing price. A final check of closing prices is done between one hour and one and one half hours after the close of markets. This timeframe may be expanded at S&P's discretion on days where trading volume is unusually large at the close. For example, futures and options expiration dates, and large index rebalancing dates often result in unusually large volume. Only changes received prior to this final check are used in the closing price calculation.

5.4. Data Correction

Incorrect index component data, corporate action data, or Index Divisors will be corrected upon detection. If such errors are discovered within five days of occurrence, they will be corrected that same day. If discovered after five days, adjustments will be handled on a case-by-case basis depending on the significance of

the error and the feasibility of a correction. Announcements will be made on ISE's publicly available website prior to the change becoming effective.

Incorrect intraday index tick data will not be corrected. However, incorrect opening and closing values will be corrected as soon as possible after detection.

Appendices

This section provides additional information related to the ISE-REVERE Wal-Mart® Supplier index in particular as well as changes to this document.

Appendix A. ISE-REVERE Wal-Mart® Supplier Index Components

As of December 6, 2006

<u>Symbol</u>	<u>Component Name</u>	<u>% Revenue from WMT</u>	<u>No.</u>
HDL	Handleman Company	74.0	1
COT	Cott Corporation (USA)	40.0	2
CHTT	Chattem Inc.	34.0	3
CNXS	CNS, Inc.	31.0	4
CALM	Cal-Maine Foods, Inc.	30.9	5
DLM	Del Monte Foods Company	29.0	6
PYX	Playtex Products, Inc.	28.0	7
LF	LeapFrog Enterprises, Inc.	28.0	8
ICON	Iconix Brand Group Inc.	27.7	9
CLX	The Clorox Company	27.0	10
PRGO	Perrigo Company	26.0	11
HELE	Helen of Troy Limited	25.0	12
LCUT	Lifetime Brands Inc.	24.0	13
ATVI	Activision, Inc.	23.0	14
PBH	Prestige Brands Holdings, Inc.	22.5	15
HAS	Hasbro, Inc.	21.0	16
CSTR	Coinstar, Inc.	20.9	17
TR	Tootsie Roll Industries, Inc.	20.8	18
NAVR	Navarre Corporation	20.0	19
MAT	Mattel, Inc.	19.6	20
CENT	Central Garden & Pet Co.	19.0	21
SPC	Spectrum Brands, Inc.	19.0	22
CHD	Church & Dwight Co., Inc.	18.0	23
LNCE	Lance, Inc.	18.0	24
ENR	Energizer Holdings, Inc.	17.5	25
SMG	The Scotts Miracle-Gro Co.	17.0	26
PLB	American Italian Pasta Company	17.0	27
DMND	Diamond Foods, Inc.	16.5	28
GIS	General Mills, Inc.	16.0	29
KTO	K2 Inc.	16.0	30

Appendix B. Document Change History

A history of significant changes to this document is shown in the table below.

Issue	Date	Change
0.1	November 13, 2006	First draft, portfolio established
1.0	December 6, 2006	Official initial portfolio



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