STANDARD & POOR'S

S&P AMT-FREE MUNICIPAL SERIES

INDEX METHODOLOGY

October 2009

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Introduction

Index Family

The S&P AMT-Free Municipal Series consists of municipal bond securities with the following maturities:

- 2012
- 2013
- 2014
- 2015
- 2016
- 2017
- 2018
- 2019

Highlights

Index returns and other statistics are calculated daily, as described in the Appendix. The S&P AMT-Free Municipal Series constituents undergo a review and rebalancing once a month, in order to seek to ensure that the Index remains current.

The Indices are rules based, although the S&P Municipal Bond Index Committee reserves the right to exercise discretion, when necessary. The hallmark of a rules-based index is transparency and, broadly speaking, predictability. As an aide to transparency, this document sets out the rules by which the Index is governed, index calculation and management procedures, and the various formulae used to calculate index returns and other statistics.

Eligibility Criteria

Eligibility Factors

A bond must meet all of the following criteria on the rebalancing date in order to be classified as an Eligible Bond.

Issuer. The bond issuer is a state (including the Commonwealth of Puerto Rico and US territories such as the U.S. Virgin Islands and Guam) or local government or agency such that interest on the bond is exempt from U.S. federal income taxes.

Investment grade. The bond must have a rating of at least BBB- by Standard & Poor's, Baa3 by Moody's, or BBB- by Fitch. A bond must be rated by at least one of the three rating agencies in order to qualify for the index. A bond with an "expected" rating, as denoted by any of Standard & Poor's data providers, of at least BBB- by Standard & Poor's, Baa3 by Moody's, or BBB- by Fitch will qualify for the index as well. Certain data providers are licensed to assign an "expected rating" classification in the anticipation of an upcoming rating assignment from one or more of the three agencies listed above. For the avoidance of doubt, the lowest rating will be used in determining if a bond is investment grade.

Issuance. The bond must be denominated in U.S. dollars.

For clarity, the following bond types are specifically excluded:

- Bonds subject to the alternative minimum tax (AMT)
- Bonds with early redemption dates (callable provisions)
- Commercial paper
- Derivative securities (inverse floaters, forwards, swaps)
- Health care bonds
- Housing bonds
- Industrial bonds
- Conduit bonds where the obligor is a for-profit institution
- Non-rated bonds
- Notes
- Taxable municipals
- Tobacco bonds
- Variable rate debt

Minimum Maturity Par Amount. The bond must have a minimum maturity Par Amount of US$ 2 million to be eligible for inclusion.

Maturity Dates. Each bond will have an inclusive maturity range of June 1^{st} to August 31^{st} in the respective year of its maturity.

Constituent Concentration Requirements. At each monthly rebalancing, no index constituent can represent more than 30% of the weight of the index, and the five highest weighted index constituents will not account for more than 65% of the weight of the index in aggregate.

Deletions

Bonds will be deleted from the Index at the rebalancing if the criteria for inclusion are no longer met as of the reference date.

Index Construction

Index Calculations

The S&P AMT-Free Municipal Series indices are market-value-weighted indices. Standard & Poor's Securities Evaluations, Inc. (SPSE) provides the price of each bond in the index. The prices used in the index calculation add the accrued interest for each bond to the price provided by SPSE.

The total return of each index is calculated by aggregating 1) the interest return, reflecting the return due to paid and accrued interest, 2) the principal return, reflecting the gains or losses due to changes in end-of-day prices and principal repayments, and 3) the reinvestment return, reflecting the reinvestment of related cash flows.

For further details regarding Index Calculations, please refer to the Appendix.

Index Maintenance

The Index is maintained in accordance with the following rules:

- Eligible Bonds approved by the Index Committee are added to the Index on the next Rebalancing Date, subject to the schedule of monthly rebalancing procedures.
- Par Amounts of Index Bonds are adjusted on the Rebalancing Date to reflect any changes that have occurred since the previous Rebalancing Date. Similarly, changes to Par Amounts due to mandatory sinking fund payments and scheduled amortization payments are effective after the Close of the payment date.
- Any Index Bond that is downgraded below investment grade between Rebalancing Dates will be removed at the next Rebalancing.
- Where an Index Bond is in default or misses an interest payment, the price reported by SPSE shall be used. However, the Index Committee may determine that the bond be removed from the Index at a different price and may specify a price of $0.00. The decision of the Index Committee is final.

Rebalancing

The S&P AMT-Free Municipal Series indices are reviewed and rebalanced on a monthly basis. The rebalancing occurs after the close of the last Business Day of the month.

Publicly available information, up to and including the close on the sixth business day preceding the Rebalancing Date (“the Reference Date”), is considered in the rebalancing. Additions, deletions and other changes to the Index arising from the monthly rebalancing are published, after the close of business, three business days prior to the last business day of the month (“the Announcement Date”). Index changes published in the announcement are not normally subject to revision and will become effective after the close on the last business day of the month (“the Rebalancing Date”).

Credit rating changes that occur on or before 12:00 p.m. Eastern Time on the day prior to the Rebalancing Date will be reflected in the rebalancing, where such changes would cause any one of the following:

- Deletion of an Index Bond because it no longer meets the minimum-rating criterion.
- Removal of a bond from the additions list because it is no longer an Eligible Bond.

Users are notified of these rebalancing amendments through the Amended Rebalancing Report published at the close of business on the day prior to the Rebalancing Date.

The Index Committee, nevertheless, reserves the right to make adjustments to the Index at any time that it believes appropriate.

Base Date

The base date of the indices is September 30, 2009. The index value on that date is 100.

Index Governance

Index Committee

The S&P Municipal Bond Index Committee maintains the indices. The Committee is comprised of employees of Standard & Poor's. The Committee is chaired by the Managing Director and Index Committee Chairman at Standard & Poor's. Meetings are held monthly and, from time to time, as needed.

The Committee oversees the day-to-day management of the Index, including the monthly rebalancing, determinations of intra-rebalancing changes to the Index, and maintenance and inclusion policies, including additions or deletions of bonds and other matters affecting the maintenance and calculation of the Index.

In fulfilling its responsibilities, the Committee has full and complete discretion to (i) amend, apply, or exempt the application of Index rules and policies as circumstances may require and (ii) add, remove, or by-pass any bond in determining the composition of the Index.

The Committee may rely on any information or documentation submitted to it or gathered by it that the Committee believes to be accurate. The Committee reserves the right to reinterpret publicly available information and to make changes to the Index based on a new interpretation of that information at its sole discretion.

Index Policy

Announcements

Announcements of any relevant information pertaining to the Index are made at approximately 05:30 PM ET. Press Releases are posted on Standard & Poor's Web site at www.indices.standardandpoors.com.

Holiday Schedule

The Index is calculated when the Securities Industry and Financial Markets Association (SIFMA®) recommends the U.S. fixed income markets to be open.

End-of-Day Calculation

The levels of the indices are calculated at the end of each Business Day, at approximately 05:00 PM ET. The current day's index levels are published via Standard & Poor's Web site. On Business Days that SIFMA® recommends closing the U.S. fixed income markets early, index levels may be calculated at a time in accordance with the recommended early close time set for that day. The Index levels will also be posted on major quote vendors and other media outlets as noted below.

Index Releases

Index Releases are issued by S&P at the end of the business day. Release time is generally 05:30 P.M. ET.

Index Dissemination

Tickers

Index	Bloomberg	Reuters
S&P AMT-Free Municipal Series 2012	SPMUS12T	.SPMUS12T
S&P AMT-Free Municipal Series 2013	SPMUS13T	.SPMUS13T
S&P AMT-Free Municipal Series 2014	SPMUS14T	.SPMUS14T
S&P AMT-Free Municipal Series 2015	SPMUS15T	.SPMUS15T
S&P AMT-Free Municipal Series 2016	SPMUS16T	.SPMUS16T
S&P AMT-Free Municipal Series 2017	SPMUS17T	.SPMUS17T
S&P AMT-Free Municipal Series 2018	SPMUS18T	.SPMUS18T
S&P AMT-Free Municipal Series 2019	SPMUS19T	.SPMUS19T

Appendix I

Calculation of Index Bond Market Values and Relative Weights

A market value is calculated for each Index Bond as of the Close on each calendar day.

The market value of an Index Bond on day *t* is calculated as follows:

$$MV_t = PAR_t * \frac{(P_t + AI_t)}{100} \quad (1)$$

where:

MV_t	=	Market value of the Index Bond on day t
PAR_t	=	Par Amount of the Index Bond as of the last monthly rebalancing, adjusted for principal pre-payments and mandatory sinking fund payments up to and including day t.
P_t	=	Price of the Index Bond on day t
AI_t	=	Accrued interest[1] on Index Bond up to and including day t

If the valuation date is not a Business Day, the market value will be based on the price as of the immediate prior Business Day, plus interest accrued to the valuation date.

The relative weight of an Index Bond *k* is defined as the market value of that bond expressed as a percentage of the aggregate market value of all Index Bonds in the Index portfolio, as follows:

$$weight_k = \frac{MV_k}{\sum_k MV_k} \quad (2)$$

[1] AI_t in (1) is calculated on a calendar date basis and uses the conventions for calculating settlement accrued. Accordingly, accrued interest will be zero on a coupon payment date.

Calculation of Index Total Returns

Daily returns are calculated for all Index Bonds on every calendar day.

The month-to-date total return (*TR*) of an Index Bond on day *t* is the sum of the month to-date (MTD) interest return, the month-to-date market price return, and the month-to-date reinvestment return on day *t*:

$$TR = IR + PR + RR \qquad (3)$$

where:

IR_t = MTD interest return on day *t*.

PR_t = MTD market price return on day *t*.

RR_t = MTD reinvestment return on day t.

Price return measures the return due to the change in the market price of the bond. Interest return (or coupon return) includes the return due to the interest earned on that bond. In the case of zero coupon bonds, the accretion in price due to interest return is reported as interest return. Reinvestment return measures the return due to the reinvestment of cash flows at a given rate.

Interest Return

The formula for the interest return on an individual Index Bond on day *t* is as follows:

$$IR_t = \frac{\left(PAR_t * \frac{AI_t}{100} - PAR_{t-1} * \frac{AI_{t-1}}{100}\right) + Int_t}{MV_{Beg}} \qquad (4)$$

where:

IR_t	=	Interest return at time *t*
PAR_t	=	Par Amount of the Index Bond as of the last monthly rebalancing, adjusted for principal pre-payments and mandatory sinking fund payments up to and including day *t*
PAR_{t-1}	=	Par Amount of the Index Bond as of the last monthly rebalancing, adjusted for principal pre-payments and mandatory sinking fund payments up to and including day *t-1*
AI_t	=	Accrued interest, up to and including day *t*
AI_{t-1}	=	Accrued interest, up to and including day *t-1*
Int_t	=	Interest payment on day *t*
MV_{Beg}	=	Market value, at the beginning of day *t*

Price Return

The formula for the price return for an Index Bond at time *t* is as follows:

$$PR_t = \frac{PAR_t * \left(\frac{P_t - P_{t-1}}{100} \right) + Prin_t * \left(\frac{RP - P_{t-1}}{100} \right)}{MV_{Beg}} \qquad (5)$$

where:

PR_t	=	Price return on day *t*
PAR_t	=	Par Amount of the Index Bond as of the last monthly rebalancing, adjusted for principal repayments and mandatory sinking fund payments up to and including day *t*
P_t	=	Price of the bond on day *t*
P_{t-1}	=	Price of the bond on day *t-1*
$Prin_t$	=	Principal prepayments or mandatory sinking fund payments on day *t*
MV_{Beg}	=	Market value at the beginning of day *t*
RP	=	Redemption Price

Note that the formula for Price Return (5) itself has two components. The first term, in the numerator on the left side, represents the unrealized return due to any change in the price, while the second term (on the right) represents the realized return due to receiving a principal repayment at the Redemption Price (which could differ from par) rather than at the current end of day Price.

Calculation of Index Returns and Levels

Daily Index Returns

The individual Index Bonds returns are aggregated to calculate returns for the Index. Specifically, the total return, interest return and price return for the Index, on a given day, are equal to a weighted average of the returns of the Index Bonds that constitute the Index. The weight of each Index Bond return is equal to the relative weight of that Index Bond in the Index as of the previous calendar day (adjusted for principal pre-payments and mandatory sinking fund payments.) Thus, the beginning day index value may differ from the end of day index value due to constituent adjustments. The formulas are as follows:

$$IndexTR_t \frac{\sum_i MV_{i,\,Beg} * TR_{i,\,t}}{\sum_i MV_{i,\,Beg}}$$

$$IndexIR_t \frac{\sum_i MV_{i,\,Beg} * IR_{i,\,t}}{\sum_i MV_{i,\,Beg}}$$

$$IndexPR_t \frac{\sum_i MV_{i,\,Beg} * PR_{i,\,t}}{\sum_i MV_{i,\,Beg}}$$

where:

TR_t^i = Total return of the Index Bond i on day t

IR_t^i = Interest return of the Index Bond i on day t

PR_t^i = Price return of the Index Bond i on day t

MV_{Beg}^i = Market value of the Index Bond i, at the beginning of day t

Daily Index Values

Index values are calculated each day by applying the current day's Index return to the previous day's Index value, as follows:

$$TRIV_t = TRIV_{t-1} * (1 + TR_t))$$

$$PRIV_t = PRIV_{t-1} * (1 + PR_t))$$

$$IRIV_t = IRIV_{t-1} * (1 + IR_t))$$

where:

$TRIV_t =$ Total Return Index Value on day t
$PRIV_t =$ Price Return Index Value on day t
$IRIV_t =$ Interest Return Index Value on day t

Monthly Cash flows

The S&P AMT-Free Municipal Series indices are rebalanced monthly. All interest payments are re-invested in the bonds from where the interest payments came. Interest payments are considered received on the payment date and the return on the bond is computed as if the cash was reinvested for the remainder of the month at the bond's average yield for that period. Pre-payments, pay-downs, sinking fund payments, and most other forms of cash flow (other than scheduled interest payments) are set aside (not earning a reinvestment return) until month-end (or the next rebalancing date) to be considered part of that month's total return.

Reinvestment of Maturing Securities. As noted earlier, each bond in a given index will have an inclusive maturity range of June 1st to August 31st in the respective year of its maturity. Bonds that mature or are pre-refunded on a date prior to August 31st in their respective year of maturity will not accrue interest past the maturity or pre-refunded date. All payments related to the maturity or pre-refunding of a bond will be reinvested in tax-exempt cash or cash equivalents for the duration of each month until August 31st of that year. For purposes of return calculation, the Standard & Poor's Weekly High Grade Index will be used to calculate the cash reinvestment return. However, the Standard & Poor's Weekly High Grade Index will not define the investable cash universe and will not be subject to the eligibility criteria rules of the Index.

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