

S&P National AMT-Free Municipal Bond Index

Frequently Asked Questions

These pages answer frequently asked questions about the following U.S. indices:

- **S&P National AMT-Free Municipal Bond Index**
- **S&P California AMT-Free Municipal Bond Index**
- **S&P New York AMT-Free Municipal Bond Index**
- **S&P Short-Term National AMT-Free Municipal Bond Index**

1. What is the U.S. Municipal Bond Market?

The U. S. municipal market place, with over US\$ 2.6 trillion outstanding, represents 1.6 million individual bonds and over 50,000 different issuers of debt.¹ Bonds can be issued for a myriad of purposes such as municipal infrastructure, roads, bridges, and water and sewer facilities; schools; libraries; stadiums; courthouses; correctional facilities; etc.

Municipal bond issuers exist, that act as “conduits,” or financial channels, for both non-profit and for-profit entities, which use municipal bonds for their lower cost tax status. An example of this is an automobile manufacturer that may look to borrow money to build a plant in a particular state. That state’s industrial development authority may issue the bonds, but the ultimate responsibility to pay the principal and interest on the loan is the automobile manufacturer. The state gets the benefit of local job creation and the associated economic benefits. Municipal conduit financing channels also exist for housing, healthcare, and higher education.

Municipal bonds are typically a long-term investment. A 12-month average daily trading activity of approximately 34,000 trades² is an indicator that most

¹ Source: Federal Reserve Board as of June 2008 and Standard & Poor’s.

² Source: Municipal Securities Rulemaking Board for the twelve month period ending September 2008.

bonds do not trade frequently. A very small percentage of municipal bonds trade on any given business day and a fair proportion of those trades are new issuances into the market.

Default rates in the municipal market generally tend to be low, with the majority of defaults historically coming from four sub-sectors of the market: Industrial Development, Healthcare, Housing and Land Secured bond issues. The last major default in the municipal market was the City of Vallejo, California.

In an attempt to capture the most liquid and tradable securities, Standard & Poor's developed the S&P National AMT-Free Municipal Bond Index. As of August 1, 2008, the index consists of approximately 7,580 of the largest, most liquid bonds, with a total market value of approximately US\$ 478.8 billion. The index is rebalanced monthly to capture current issuance, as well as changes in the market.

The index has three sub-indices: S&P California AMT-Free Municipal Bond Index, S&P New York AMT-Free Municipal Bond Index and S&P Short-Term National AMT-Free Municipal Bond Index. Each is designed to measure the tradable municipal universe for the respective subset.

2. What does this index track and why?

Standard & Poor's selects bonds for inclusion in the index that reflect the most liquid characteristics of the tax-exempt municipal bond market. Fundamental characteristics for inclusion/exclusion are defined below:

- The bond is required to have a minimum amount of debt outstanding of US\$ 25 million.³
- Each bond must be a constituent of a deal where the deal's original offering amount was at least US\$ 100 million.⁴

³ This par amount minimum was implemented beginning August 1, 2008. Up to 7/31/08 the par amount inclusion requirement was \$50 million.

⁴ This original deal offering amount minimum was implemented beginning August 1, 2008. A minimum deal size requirement was not applied prior to August 1, 2008.

- A bond must be rated by at least one of the three rating agencies in order to qualify for the index. The bond must have a rating of at least BBB- by Standard & Poor's, Baa3 by Moody's, or BBB- by Fitch. For the avoidance of doubt, the lowest rating will be used in determining if a bond is investment grade.
- The bond must be denominated in U.S. dollars.
- The following bond types are specifically excluded:
 - Bonds subject to the alternative minimum tax (AMT)
 - Commercial paper
 - Derivative securities (inverse floaters, forwards, swaps)
 - Housing bonds
 - Insured conduit bonds where the obligor is a for-profit institution
 - Non-insured conduit bonds
 - Non-rated bonds
 - Notes
 - Taxable municipals
 - Tobacco bonds
 - Variable rate debt
- The bond must have a minimum term to maturity and/or scheduled complete call date greater than or equal to one calendar month.
- Constituents of the S&P National AMT-Free Municipal Bond Index are derived from Standard & Poor's/Investortools Municipal Bond Index.

3. Why are some municipal bonds, such as those from the sectors mentioned above, excluded from this index?

In an effort to best reflect the market returns for the investable tax exempt municipal bond marketplace, the S&P National AMT-Free Municipal Bond Index **excludes** bonds with certain characteristics listed below:

- Bonds subject to the alternative minimum tax (AMT) and bonds that are subject to federal taxation, as these bonds have inherent tax implications.
- Money market instruments, such as commercial paper and notes, as these instruments are short-term investment vehicles.

- Derivatives, as they are typically used solely by institutional investors. Retail municipal bond investors would not necessarily have easy access to such instruments.
- Bonds originating from the housing, tobacco and conduit sectors, as the repayment of principal and interest on these bonds is from specific revenue streams, in many cases generated from specific projects. These instruments tend to attract institutional investors.
- Bonds that are not rated by at least one of three Nationally Recognized Statistical Ratings Organizations (NRSRO's), S&P, Moody's and Fitch, the credit quality (ability to repay the principal and interest) has not been assessed by such organizations and, therefore, the goal of representing the most liquid aspects of the municipal market would not be met.

4. Why is the minimum amount of debt outstanding on these securities fixed at US\$ 25 million?

In an effort to best reflect the market returns for the investable tax-exempt market place, Standard & Poor's has determined that a minimum outstanding debt level per bond issue is necessary. Implementing a minimum outstanding debt level of US\$ 25 million per bond issue, with each bond deal's original offering amount at least US\$ 100 million helps ensure that the specific bond can be found in the market.

5. Where can I find the index methodology document for this index?

The methodology document for the S&P National AMT-Free Municipal Bond Index family is available on Standard & Poor's [Web site](http://www.fixedincomeindices.standardandpoors.com), www.fixedincomeindices.standardandpoors.com.

6. How do I get information on the historical performance of the S&P National AMT-Free Municipal Bond Index?

The historical prices for the S&P National AMT-Free Municipal Bond Index and the two state indices are available on Standard & Poor's [Web site](http://www.fixedincomeindices.standardandpoors.com), www.fixedincomeindices.standardandpoors.com.

7. At what frequency can the index data be found?

The history for each of these indices goes back to September 2002 on a monthly basis. On a daily basis, the history currently goes back to September 6, 2007.

8. Can I get access to more daily history?

At this time, daily history does not extend prior to September 6, 2007.

9. Where can I find daily index level data?

Daily index levels for the three indices are available on Standard & Poor's [Web site, www.fixedincomeindices.standardandpoors.com](http://www.fixedincomeindices.standardandpoors.com).

10. Are there other sources where I can find these data?

The daily index level data is publicly available on either the S&P Web site, Bloomberg or Reuters. Subscribers to the full suite of index data can get this, as well as additional constituent data, via a secure FTP site. For more information, please contact Index Services at 212.438.2046 or index_services@standardandpoors.com.

11. What are the Bloomberg symbols for these indices?

S&P National AMT-Free Municipal Bond Index	SPMUNUST
S&P California AMT-Free Municipal Bond Index	SPMUNCAT
S&P New York AMT-Free Municipal Bond Index	SPMUNNYT
S&P Short Term National AMT-Free Municipal Bond Index	SPMU5YRT

12. What are the Reuters symbols for these indices?

S&P National AMT-Free Municipal Bond Index	.SPMUNUST
S&P California AMT-Free Municipal Bond Index	.SPMUNCAT
S&P New York AMT-Free Municipal Bond Index	.SPMUNNYT
S&P Short Term National AMT-Free Municipal Bond Index	.SPMU5YRT

13. How do I get information on the bonds that make up the S&P National AMT-Free Municipal Bond Index?

Subscribers to index constituent data can get index levels as well as constituent data via a secure FTP site. If you would like to become a subscriber to the Index and its constituent level data, please contact S&P Licensing at index_services@standardandpoors.com.

14. What data elements are available?

The following data is available for each bond in the index:

CUSIP	Yield to Maturity*
Description	Yield to Call*
Coupon	Yield to Worst*
Effective Maturity	Holdings Sector
Par Amount Outstanding	State
Market Value*	Insured
Clean Prices*	Dated Date
Dirty Prices*	Callable
S&P Rating	Next Call Date
Moody Rating	Next Call Price
Fitch Rating	AMT
Modified Duration	Purpose Type – GO or Revenue
Effective duration	Class Code
OAS*	Sub-class Code

15. Can I receive this information on a regular basis?

Yes, data files are generated on a daily basis, with the fields that have an asterisk updated daily. If you would like to learn more about index subscription, please contact S&P Licensing at index_services@standardandpoors.com.

16. What is the source of the bond descriptions and corporate actions used to maintain this index?

S&P uses bond descriptions from a leading provider of municipal bond data: Standard & Poor's Securities Evaluations, Inc. (SPSE). SPSE also tracks changes to the descriptions that may occur due to corporate actions, such as complete or partial bond calls and pre-refundings. SPSE also monitors for any changes to ratings on these bonds.

17. Ratings from which Ratings Agency/ies are used to measure index eligibility?

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. For the avoidance of doubt, the lowest rating will be used in determining if a bond is investment grade.

18. What is the source of bond pricing used for the calculation of daily returns for this index?

S&P uses end-of-day municipal bond pricing from SPSE. SPSE is the leading provider of bond pricing to the municipal mutual fund marketplace. The same prices SPSE provides to mutual funds are used by S&P in the calculation of the daily returns.

19. How often is this index rebalanced?

This index is rebalanced monthly, after the close of the last business day of the month. 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”). Publicly available information, up to and including the close on the sixth Business Day preceding the Rebalancing Date, is considered in the rebalancing.

20. Who oversees the rebalancing of this index?

The S&P National AMT-Free Municipal Index Committee oversees the management of the index. In addition, the Committee designates an Index Manager who is responsible for the rebalancing and daily maintenance of the index.

21. How can I be alerted to changes to the index?

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”).

In addition, users will be notified of ratings-driven amendments to the rebalancing through the Amended Rebalancing Report published at the close of business on the day prior to the Rebalancing Date.

22. Who can I contact at Standard & Poor’s if I have questions about the bonds in the index?

Questions about index methodology can be addressed to:

Craig Feldman
Director, Index Management
craig_feldman@standardandpoors.com, +1.212.438.3296

David M. Blitzer, Ph.D.
Managing Director & Chairman of the Index Committee
david_blitzer@standardandpoors.com, +1.212.438.3907

23. Is a license from S&P required to use the S&P National AMT-Free Municipal Bond Index as a basis for a tradable security or hedge that a firm wishes to create?

Yes, a license from S&P is required for use of the Index.

24. Who do I contact at S&P to license my use of this index?

Questions regarding licensing the S&P National AMT-Free Municipal Index can be addressed to:

Jean Park – Head of Sales and Licensing, North America
Jean_park@standardandpoors.com, + 212.438.5622

J. R. Rieger – Vice President, Fixed Income Indices
James_rieger@standardandpoors.com, +212.438.5266

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