

**FORM ADV BROCHURE**

**PART 2A**

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**IMPORTANT DISCLOSURE:**

This brochure provides information about the qualifications and business practices of Standard & Poor's Securities Evaluations, Inc. ("**SPSE**"), an investment adviser registered with the United States Securities and Exchange Commission ("**SEC**"). If you have any questions about the contents of this brochure, please contact us at (212) 438-4510 or send an email to: [ses\\_customerservice@standardandpoors.com](mailto:ses_customerservice@standardandpoors.com). Registration with the SEC does not imply that SPSE or its employees possess a certain level of skill or training. The information in this brochure has not been approved or verified by the SEC or by any state securities authority.

Additional information about SPSE also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **ITEM 2**

### **MATERIAL CHANGES**

This brochure is dated September 13, 2012. This brochure contains material changes to the disclosure SPSE provided in its last annual update of this brochure dated March 27, 2012 as follows:

- Information about the outsourcing of certain IT and Finance functions that are relevant to SPSE's business operations has been added at Item 8.A "Methods of Analysis and Investment Strategies" and Item 8.B under "Risks Associated with SPSE's Services." The McGraw-Hill Companies, Inc. (McGraw-Hill), SPSE's parent company has announced that it would separate into two public companies, McGraw-Hill Financial and McGraw-Hill Education by the end of 2012. In furtherance of this plan, McGraw-Hill is taking steps to outsource certain information technology functions (IT) and Finance functions to Atos IT Solutions and Services, Inc. (Atos) and Genpact International, Inc. (Genpact), respectively. The outsourcing will begin in the fourth quarter of 2012. Neither Atos nor Genpact are affiliated with SPSE or McGraw-Hill.
- Information about The McGraw-Hill Companies, Inc.'s acquisition of CMA Ltd., which includes CMA NAVigate valuations for OTC derivative positions, has been added to Item 4. C.2 under "Advisory Services. Clients may receive OTC derivative valuations from SPSE's CMA NAVigate group via web, FTP or email, or they may utilize the CMA NAVigate Desktop, a web-based user interface that allows clients access to valuations as well as providing tools and report functions. Item 5 "Fees and Compensation" at Section IV has been updated to include fees for CMA NAVigate's end-of-day OTC derivative valuations and the CMA NAVigate Desktop. (July 30, 2012 amendment)
- Information relating to "If Analytics" at Item 10.C "Other Financial Industry Activities and Affiliations" has been deleted from this section. Standard & Poor's Financial Services LLC terminated its agreement with IF Analytics on May 15, 2012. (June 11, 2012 amendment)

Please note that the above summary addresses only changes the SPSE has determined to be material and therefore, does not reflect all of the changes that have been made to this brochure since the last annual update dated March 27, 2012 was distributed to clients.

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## **ITEM 4**

### **ADVISORY BUSINESS**

#### **A. Advisory Firm**

SPSE is a New York corporation that has been providing advisory services for over 30 years. SPSE is a wholly-owned subsidiary of McGraw-Hill, a New York Stock Exchange listed company. McGraw-Hill is comprised of four operating segments: (i) McGraw-Hill Education; (ii) Information & Media; (iii) Standard & Poor's; and (iv) McGraw-Hill Financial, as described below. SPSE is a part of the McGraw-Hill Financial business segment. McGraw-Hill Financial operates two separate brands for its products: S&P Capital IQ and S&P Indices. SPSE is a part of S&P Capital IQ brand.

McGraw-Hill is comprised of four segments, described below. In addition, it has certain corporate subsidiaries that are not engaged in active business, but rather hold or operate purely corporate assets (such as real estate). McGraw-Hill has announced that it would separate into two public companies, McGraw-Hill Financial and McGraw-Hill Education by the end of 2012.

#### **McGraw-Hill Education**

McGraw-Hill Education is a global education publisher and consists of two operating groups: the School Education Group, serving the elementary and high school markets, and the Higher Education, Professional and International Group, serving the college and university, professional, international and adult education markets.

#### **Standard & Poor's Ratings**

Standard & Poor's Ratings provides independent credit ratings to investors, corporations, governments, financial institutions and investment managers and advisors, globally. It includes the NRSRO and certain other ratings-related businesses.

#### **Standard & Poor's Capital IQ/S&P Dow Jones Indices**

Standard & Poor's Capital IQ is a leading provider of multi-asset class data, research and digital analytical tools for institutional investors, investment advisers and wealth management.

S&P Dow Jones Indices is the world's leading index provider that maintains a wide-variety of investable and benchmark indices to meet an array of investors' needs.

#### **Commodities and Commercial**

The Commodities and Commercial segment consists of business-to-business companies specializing in the commercial and commodities markets. Commodities and Commercial includes such brands as Platts, J.D. Power and Associates, McGraw-Hill Construction and Aviation Week.

McGraw-Hill has announced its intention to separate into two public companies: McGraw-Hill Financial, focused on content and analytics for financial markets, and McGraw-Hill Education, focused on education services and digital learning. McGraw-Hill expects to complete the separation by the end of 2012.

## **B. Specialization**

SPSE has experience and a background in providing valuation services. SPSE prepares evaluated prices of fixed income securities and other instruments, Risk-to-Price scores on certain fixed income securities, model valuations of fixed income securities and, through CMA NAVigate, derivative valuations for credit default swaps—single name, credit indices, FX forwards and options, interest rate swaps, cross currency swaps, interest rate swap caps/floors and interest rate swaptions. SPSE also distributes prices of third parties for certain types of fixed income securities and OTC derivatives.

SPSE's valuations are delivered via S&P Capital IQ's feed, API and web delivery channels, and valuations from CMA NAVigate also may be delivered via its Desktop or by email or FTP. SPSE's valuations in general utilize a Market Approach Valuation or Model Approach Valuation. SPSE provides content into the Market Approach Valuation offering with its fixed income evaluated prices and OTC derivative valuations, and into Model Approach Valuation with its model valuation, as more fully described below.

McGraw-Hill acquired CMA Ltd. on June 29, 2012 as a part of its acquisition of a majority interest in the newly formed S&P/Dow Jones Indices joint venture. CMA Navigate's valuations are prepared using a proprietary system. As noted above, valuations of certain OTC derivative positions can be made available to clients via the CMA NAVigate Desktop, which is a secure web-based tool that enables a user to obtain end-of-day valuations and valuations based on certain intra-day "snaps" of certain OTC derivative positions over the user's own desktop computer.

SPSE also provides Risk-to-Price Scores (R2P) on fixed income securities and related research on these same securities. SPSE determines R2P scores by using its proprietary models and other market information and data.

## **C. Advisory Services**

SPSE does not provide portfolio management services to clients. Instead, SPSE provides independent evaluated prices on more than 3 million fixed income securities. SPSE also provides model valuations on fixed income securities, as well as Risk-to-Price scores on certain fixed income securities. SPSE provides valuations on OTC derivative positions via CMA NAVigate. SPSE's advisory services are limited to providing valuations, including evaluated prices, model valuations, and CMA NAVigate valuations on OTC derivative positions, and Risk-to-Price scores and commentary on various types of fixed income securities.

Set forth below is more detailed information about each of the products and services described above.

**(1) Evaluated Prices.** SPSE determines and publishes its opinion on the valuation of fixed income securities, and other instruments. For U.S. fixed income securities and instruments, valuations are determined on each day the New York Stock Exchange (NYSE) is open and on additional days when the

U.S. bond market is open and NYSE is closed, and for international securities on each day banks are open in the U.K.

An evaluated price for a fixed income security or instrument reflects SPSE's opinion of the bid side market value for an institutional transaction. In developing its opinions, SPSE typically takes into account institutional round lot trades of \$1 million or more, but SPSE may take into account trades of a smaller size if it considers the level indicative of where a security would trade. SPSE takes into account market and other data in addition to trades when preparing evaluated prices. SPSE also may make available mean evaluated prices and offer side evaluated prices.

SPSE provides evaluated prices on the following U.S. and global fixed income securities issued by municipalities, corporations, government agencies or other entities, and for loans and derivatives as noted below:

- (i) notes (fixed, floating and medium term);
- (ii) certificates of deposit;
- (iii) commercial paper;
- (iv) investment grade bonds;
- (v) high yield bonds and emerging market debt;
- (vi) forward contracts;
- (vii) convertible securities;
- (viii) mortgage backed securities, including commercial mortgage backed securities, including fixed rate and adjustable rate pools;
- (ix) other asset backed securities;
- (x) collateralized mortgages and collateralized loan obligations;
- (xi) syndicated bank loans;
- (xii) municipal swaps; and
- (xiii) tender option bonds and other derivatives.

**(2) CMA NAVigate Derivative Valuations.** SPSE provides valuations of certain OTC derivatives from CMA NAVigate. Clients may set a schedule to receive valuations, or may access CMA NAVigate Desktop a secure web-based tool that allows clients to input their portfolio holdings to obtain valuations of their OTC portfolio holdings. CMA NAVigate's Desktop provides clients with read only access to underlying market data, discount factors and other proprietary market and screening factors to provide transparency for the derivative valuations of the instruments in their portfolios.

Currently, valuations of interest rate swaps and inflation rate swaps can be obtained from SPSE or through CMA NAVigate. However, SPSE's valuations for these derivatives will be transitioned to CMA NAVigate. The transition is expected to occur no later than December 31, 2012, and after the transition, valuations of interest rate swaps and inflation swaps will only be available through the CMA NAVigate service.

**(3) Model Valuation.** SPSE also provides analyses of certain fixed income securities using SPSE's proprietary model valuation methodology. This methodology is designed to offer an alternative risk based valuation measure of a bond, by isolating the market's view of the credit and market risk of a particular security. The assumptions and methodologies used differ from those used by SPSE in generating SPSE's

evaluated prices and a model valuation may result in a different value than that provided by SPSE when it determines an evaluated price for the same security.

**(4) Risk-to-Price (R2P).** SPSE provides analyses of certain fixed-income securities using SPSE's proprietary R2P score methodology that measures the perceived market and credit risk of a security against the security's price. A screening tool is also made available to clients that subscribe to the Risk-to-Price service.

**(5) Third Party Source Prices Quotes & Data.** SPSE also makes available to clients data and pricing information from unaffiliated third party vendors (Third Party Sources) to provide clients with fuller valuation and data coverage. The information from Third Party Sources is prepared and/or created by these entities and not by SPSE. Since SPSE has no input into the creation of these prices, it is not responsible for the accuracy of any information created by Third Party Sources. Third Party Sources may use different pricing methodologies than SPSE and may provide a price for a security or instrument that differs from SPSE's evaluated prices for the same security or instrument. SPSE has no obligation to test the accuracy or appropriateness of prices or methodologies from unaffiliated third party vendors. Third Party Sources may have their own policies and procedures for compliance matters, including, but not limited to, personal trading for their employees, confidentiality and data protection. Such policies and procedures are solely the responsibility of those vendors.

For some instruments, prices are provided only by SPSE or a Third Party Source. For certain OTC derivative positions, SPSE's CMA NAVigate group may, in its discretion, use a Third Party Source to value derivative positions. With respect to evaluated prices, SPSE could receive a portion of the fees charged for providing a Third Party Source's services and in certain instances, SPSE may need to direct an agreed-upon amount of revenue to a vendor in order to act as the exclusive distributor for such Third Party Source, which may enhance the attractiveness of SPSE's services in comparison to other Third Party Sources.

## **Non -Advisory Services**

SPSE also provides certain non-advisory products and services, including the distribution of: (i) market data and prices; (ii) municipal securities information to be used as performance measurement tools and for price measurement; and (iii) municipal indices. SPSE's non-advisory services may be bundled with its advisory services and delivered through one agreement to the client. SPSE prepares various indices and yield curve products for clients to use as tools to price and evaluate the performance of municipal securities.

SPSE will no longer be providing index values for short term indices as of November 1, 2012. As possible replacements clients can consider using relevant S&P Dow Jones Indices.

## **D. Wrap Fee Programs**

SPSE does not offer or participate in wrap fee programs.

**E. Assets Under Management**

As of December 31, 2011, SPSE does not manage or advise client assets, and does not have assets under management.



## ITEM 5 FEES AND COMPENSATION

### **I. Evaluated Prices, Model Valuation, Risk-to-Price Services and CMA NAVigate**

A. *Types of Fees.* SPSE generally charges activity based or “usage” fees for its evaluated prices, model valuations and other valuations. For these services, SPSE may also assess fees (which may include flat fees) based on several factors, including, par value of an investment, the number of a client’s users, or the number of securities or instruments priced at the request of a client. SPSE generally charges a set fee for its Risk-to-Price service. Clients that choose to purchase services on a “flat fee” basis, generally enter into a subscription agreement with SPSE. SPSE’s fees for evaluated prices typically are based on several factors, including the number and type of securities to be priced (i.e. per item basis) the frequency with which a client seeks prices (i.e. daily, weekly, monthly, etc.), the timing of delivery (e.g. end of day pricing), the purpose for which a client is taking the service (e.g. research or pricing of a portfolio), and the manner in which the service is delivered or made available to the client, as well as whether SPSE’s pricing services are bundled with SPSE’s non-advisory services or services provided by an affiliate of SPSE. CMA Navigate valuation fees are based on several factors, including the number of instruments, frequency of valuations, complexity of the instrument and volume.

SPSE’s clients generally enter into a master subscription agreement that covers all other client selected S&P Cap IQ products and services. Clients enter into a separate service attachment to the master subscription agreement with SPSE for SPSE’s advisory services. The service attachment may include an addendum for services provided by Third Party Sources. SPSE’s Risk-to-Price clients generally enter into a subscription agreement for a set fee and time period. SPSE may also offer volume discounts along with other discounts to clients. SPSE may enter into agreements with entities that serve as redistributors of SPSE’s services, and certain types of redistributors (e.g. fund administrators) pay fees based on the usage of SPSE’s services by their own clients (users).

B. *Payment Method.* SPSE’s clients that enter into an agreement for SPSE’s evaluated pricing services, valuations and model valuation are invoiced monthly in arrears for activity based fees or on a quarterly basis at the beginning of each quarter, for subscription based services. SPSE’s Risk-to-Price clients who enter into a subscription agreement are billed on a quarterly basis at the beginning of each quarter. SPSE invoices clients or a designated third party and requests clients to pay their invoice within 30 days after receipt of an invoice.

C. *Cost and Expenses.* SPSE reserves the right to charge a client an account set up fee at the time it agrees to provide its services to a client. Other than as described above, SPSE does not charge and clients do not incur any other types of fees or expenses for purchasing SPSE’s services.

D. *Refunds.* SPSE’s clients who enter into a subscription agreement generally agree to pay SPSE’s fee on a quarterly basis. Should any agreement terminate prior to the end of the term outlined in the agreement and in advance of the client’s receipt of services through the end of a quarter, SPSE will refund any remaining fees on a *pro-rata* basis and in accordance with the terms of the client’s agreement with SPSE.

E. *Sales Compensation.* SPSE does not receive any additional compensation in the form of sales or brokerage commissions in connection with sales of any of its pricing or evaluation services.

## **II. SPSE's Non-Advisory Services**

### *A. Types of Fees.*

SPSE also provides certain other services that are not investment advisory services, but may be sold to a client in addition to its advisory services. The fees and compensation paid to SPSE for these services may be based on monthly use of an item or based on the number of items purchased by a client.

### *B. Payment Method.*

The fees and compensation paid to SPSE will be paid in accordance with SPSE's agreement with the client and SPSE will bill the client monthly, quarterly, annually or other agreed upon time periods or in arrears for these services.

### *C. Costs and Expenses.*

SPSE reserves the right to charge a client an account set up fee at the time it agrees to provide its services to a client.

### *D. Refunds.*

SPSE will refund any fees to a client if the client cancels its agreement with SPSE before SPSE has finished providing its service to a client.

### *E. Sales Compensation.*

SPSE will not receive sales commissions in connection with sales of its non-advisory services.

## **III. Evaluated Prices Provided by a Third Party Sources**

A. *Types of Fees.* SPSE provides data, pricing information and valuations from Third Party Sources and receive fees from clients for providing this service. Fees paid to SPSE by clients are agreed to and may vary. Fees may be usage or subscription based fees and will be set forth in SPSE's subscription agreement with each client. Fees generally are determined based on the same factors SPSE, including its CMA NAVigate group, uses in determining fees for its own prices/valuations, and may be determined based on the client's needs, delivery time and frequency as well as whether they are bundled with other services provided by SPSE or an affiliate of SPSE. Providing prices from a Third Party Price Source is designed to meet clients' requirements for a fuller valuation and pricing offering and addresses industry requests to see multiple valuation and pricing approaches - Market Approach Pricing, Model Approach Valuation and Trade, Quotes and Data in combination, wherever appropriate and applicable. A Third Party Source supplier may be included or eliminated at any time at SPSE's discretion. SPSE may choose one provider over another based on where there is a gap in coverage. SPSE and CMA Ltd. have entered into written agreements with these Third Party Source firms and it is the Third Party Source firm's responsibility to provide this information, which is produced according to the Third Party Source firm's methodologies and not SPSE's or CMA's.

**B. Payment Method.**

Depending on the arrangement with the Third Party Source, SPSE has the option to bill clients. SPSE will refund any remaining fees on a *pro-rata* basis and in accordance with the terms of the client's agreement with SPSE.

**C. Costs and Expenses.**

SPSE reserves the right to charge a client an account set up fee at the time it agrees to provide its services to a client. Otherwise, SPSE does not charge any additional fees for providing its services.

**D. Refunds.**

Since SPSE bills clients for usage in arrears, this section is not applicable.

**E. Sales Compensation.**

SPSE does not receive any other compensation in the form of sales or brokerage commissions.

## **IV. SPSE's Fee Schedules**

### Fee Schedules

SPSE delivers its evaluated prices/valuations, model valuation and Risk-to-Price services through various distribution platforms, each of which is subject to a different fee structure. Not all services are available on each platform. SPSE's various fee schedules take into consideration the distribution platform and a number of factors such as the number and type of securities to be priced, the frequency with which the client seeks prices (e.g., daily, weekly, monthly, etc.), timing of delivery (e.g., end of day pricing), the purpose for which a client is taking the service (e.g. research or pricing of a portfolio), and the manner in which the service is delivered or made available to the client, as well as whether SPSE's pricing services are bundled with other SPSE services or services provided by an affiliate of SPSE. All fee schedules are shown in U.S. dollars. Upon the request of a client, SPSE will bill in a local currency.

Some of the fees set forth below depend on whether the service is provided for Individual Use or Shared Use. **Individual Use** generally involves a subscription right to view pricing internally and may involve additional usage charges for exporting pricing for individual use; a client may have multiple individuals authorized for Individual Use. **Shared Use** generally involves use of pricing data by multiple parties within an organization for entity purposes, and fees are further divided by the purpose for which a client is using the pricing data. SPSE may also charge an annual maintenance fee, in addition to the fees described above.

SPSE's distribution platforms include delivery via S&P Capital IQ's feeds, Excel Plug-in or S&P Capital IQ's Valuations and Data Portal (a subscription service within S&P Capital IQ's Global Credit Portal site), email and the CMA NAVigate Desktop.

## **A. Fees for Shared Use\*\* Delivered Through Feeds, Valuations and Data Portal**

\*Sections (1) and (2) below show fees based on the purpose for which the client is taking SPSE's and Third Party Price sources. Fees for Loans, Swaps, Tender Option Bonds & Baskets of Instruments, which are not dependent on the client's use of the services, are set forth in (3)-(5) below.

### **1) Fees for evaluated prices (NAV) for use by Investment Company Act of 1940 ("40 Act") funds' net asset value calculations and pricing feeds (NAV), Undertakings for Collective Investments in Transferable Securities ("UCITS"), hedge funds, etc.)**

*(Fee per evaluation per day based on security type)*

<b>SPSE Evaluated Prices</b>	<b>Rates per Security per Pricing</b>
<b>Global securities including:</b> Treasuries, Agencies, Non-Linked Certificates of Deposit, Governments, Money Market, MBS	<b>\$0.35</b>
<b>US securities including:</b> Municipal Bonds, Municipal Commercial Paper	<b>\$0.55</b>
<b>Global securities including:</b> Investment Grade Corporate Bonds, Sovereign Bonds, Convertible Bonds, Adjustable/Floating Rate Bonds or Notes, Medium Term Notes and TBAs	<b>\$0.55</b>
<b>Global securities including:</b> Adjustable Rate Mortgage Pools (ARMs), DUS, Collateralized Mortgage Obligations (CMOs), Asset Backed Securities (ABS), Commercial Mortgage Backed Securities (CMBS), Residential Mortgage Backed Securities (RMBS), Inverse Floaters, High Yield Corporate Bonds, Covered Bonds	<b>\$1.00</b>
<b>Global complex securities including for:</b> CDOs/CLOs	<b>\$2.50</b>
<b>Unaffiliated 3<sup>rd</sup> Party Prices</b>	<b>Rates per Security per Pricing</b>
<b>Prices sourced from CIBC for Canadian Bonds</b>	<b>\$0.35</b>
<b>Pricing sourced from YieldBroker for Australian Bonds</b>	<b>\$0.35</b>

The above applies for all delivery types with the following exceptions:

- Prices from Unaffiliated Third Party Sources are available via the Valuations Portal.
- Feed clients who request prices outside of the schedule set forth herein will be invoiced at a rate of \$2 per security per evaluation.
- Feed accounts are subject to monthly minimum charge of \$2,500.
- Multiple snap-shots are available through feed deliveries for some asset types and are negotiated off the base rate.
- Additional volume or frequency discounts may apply

## 2) Fees for uses such as Reporting & Infrastructure, Research & Analysis

<u>License Scope*</u>		<u>Usage Scope*</u>								
Global - No Discount		Reporting & Infrastructure ('End of Day')- Base Fee - No Discount								
Regional - 10% Discount		Research & Analysis ('End of Day') - 20% Discount								
Country - 15% Discount										
Site - 20% Discount										
* Discounts are applied individually to the rates and are not combined. Discounts do NOT apply to Third Party SIX Telekurs Pricing										

**Rates per Unit**

<b>SPSE Evaluated Prices</b>	<b>First 5,000 Per Month</b>	<b>Next 5,000 Per Month</b>	<b>Next 10,000 Per Month</b>	<b>Next 25,000 Per Month</b>	<b>Next 50,000 Per Month</b>	<b>Next 75,000 Per Month</b>	<b>Over 170,000 per Month</b>
<b>US, Canadian &amp; Latin American securities including:</b> Treasuries, Agencies, Non-Linked Certificates of Deposit, Governments, Money Market	\$0.250	\$0.190	\$0.125	\$0.095	\$0.062	\$0.035	\$0.019
<b>US, Canadian &amp; Latin American securities including:</b> Mortgage Backed Securities Fixed Rate Pools (MBS)	\$0.250	\$0.190	\$0.125	\$0.095	\$0.062	\$0.035	\$0.019
<b>US Securities including:</b> Municipal Bonds, Municipal Commercial Paper	\$0.500	\$0.375	\$0.225	\$0.150	\$0.100	\$0.065	\$0.025
<b>US, Canadian &amp; Latin American securities including:</b> Investment Grade Corporate Bonds, Sovereign Bonds, Convertible Bonds, Adjustable/Floating Rate Bonds or Notes, Inverse Floaters, Medium Term Notes, TBAs	\$0.500	\$0.375	\$0.225	\$0.150	\$0.100	\$0.065	\$0.025
<b>Global (excluding Americas) securities including:</b> Investment Grade Corporate Bonds, Sovereign Bonds, Convertible Bonds, Adjustable/Floating Rate Bonds or Notes, Medium Term Notes, Treasuries Non-Linked Certificates of Deposit, Agencies, Governments, Money Market, TBAs	\$0.500	\$0.375	\$0.225	\$0.150	\$0.100	\$0.065	\$0.025

<b>SPSE Evaluated Prices</b>	<b>First 5,000 Per Month</b>	<b>Next 5,000 Per Month</b>	<b>Next 10,000 Per Month</b>	<b>Next 25,000 Per Month</b>	<b>Next 50,000 Per Month</b>	<b>Next 75,000 Per Month</b>	<b>Over 170,000 per Month</b>
<b>US, Canadian &amp; Latin American securities including:</b> Adjustable Rate Mortgage Pools (ARMs), DUS, Collateralized Mortgage Obligations (CMOs), Asset Backed Securities (ABS), Commercial Mortgage Backed Securities (CMBS), Residential Mortgage Backed Securities (RMBS), Inverse Floaters	\$0.938	\$0.500	\$0.275	\$0.225	\$0.138	\$0.110	\$0.085
<b>Global (excluding Americas) securities including:</b> High Yield Corporate Bonds, Covered Bonds	\$0.938	\$0.500	\$0.275	\$0.225	\$0.138	\$0.110	\$0.085
<b>Global (excluding Americas) securities including:</b> Adjustable Rate Mortgage Pools (ARMs), DUS, Collateralized Mortgage Obligation (CMOs), Asset Backed Securities (ABS), Commercial Mortgage Backed Securities (CMBS), Residential Mortgage Backed Securities (RMBS), Inverse Floaters	\$0.938	\$0.500	\$0.275	\$0.225	\$0.138	\$0.110	\$0.085
<b>Global (excluding Americas) securities including:</b> High Yield Corporate Bonds, Covered Bonds	\$0.938	\$0.500	\$0.275	\$0.225	\$0.138	\$0.110	\$0.085
<b>SPSE or Intex (Unaffiliated 3rd Party) MBS Pool Factory</b> (Requires separate delivery)	\$0.125	\$0.088	\$0.063	\$0.045	\$0.025	\$0.020	\$0.015
<b>U.S. securities including:</b> UITs	\$0.250	\$0.190	\$0.125	\$0.095	\$0.625	\$0.035	\$0.019

<b>SPSE Evaluated Prices</b>	<b>Rate Per CDO</b>
<b>Complex securities including:</b> CDOs/CLOs	\$2.500

	Rates per unit						
Unaffiliated 3 <sup>rd</sup> Party Prices	First 5,000 per mth	Next 5,000 per mth	Next 10,000 per month	Next 25,000 per mth	Next 50,000 per mth	Next 75,000 per mth	Over 170,000 per mth
Prices sourced from CIBC for Canadian Bonds	\$0.250	\$0.190	\$0.125	\$0.095	\$0.063	\$0.035	\$0.019
Prices sourced from PIP for Mexican Bonds	\$0.250	\$0.190	\$0.125	\$0.095	\$0.063	\$0.035	\$0.019
Prices sourced from YieldBroker for Australian Bond	\$0.250	\$0.190	\$0.125	\$0.095	\$0.063	\$0.035	\$0.019

	Rates per unit						
SPSE Model Valuation	First 5,000 per mth	Next 5,000 per mth	Next 10,000 per month	Next 25,000 per mth	Next 50,000 per mth	Next 75,000 per mth	Over 170,000 per mth
<b>Model Valuation for Global Corporates &amp; Governments for securities including:</b>  Investment Grade Corporate Bonds, Sovereign Bonds, Convertible Bonds, Sovereign Bonds Adjustable/Floating Rate Bonds or Notes, Inverse Floaters, Medium Term Notes, TBAs, High Yield Corporate Bonds, Covered Bonds, Treasuries, Agencies, Non-Linked Certificates of Deposit, Governments, and Money Market	\$0.350	\$0.280	\$0.170	\$0.110	\$0.070	\$0.040	\$0.018

Unaffiliated 3 <sup>rd</sup> Party Prices	Rate per unit
Prices from SIX Financial Information (formerly SIX Telekurs) for Complex Valuations for: Bonds & Linked Securities including CDs, Preferreds	\$1.00

	Rates per unit				
Unaffiliated 3 <sup>rd</sup> Party Prices	First 10,500 per mth	Next 10,500 per mth	Next 21,000 per mth	Next 21,000 per mth	Over 63,000 per mth
Pricing from SIX Financial Information for Exchange Traded Securities*	\$0.200	\$0.089	\$0.070	\$0.038	\$0.025

\* For distributions & use in North America, Asia-Pacific & Middle East. Distribution in Europe determined on a case-by-case basis.



The above applies for all delivery types with the following exceptions:

- Prices from Unaffiliated 3<sup>rd</sup> Party Sources are available via the Valuations Portal. Six Financial Information pricing is available through the Excel Plug-In.
- MBS Factors and Dividends/IADs are not available through the Excel Plug-In or Valuations Portal.
- Model valuation is only available via the Excel Plug-In or Valuations Portal.
- Feed clients who request prices outside of the schedule set forth herein will be invoiced at a rate of \$2 per security per evaluation.
- Feed accounts are subject to monthly minimum charge of \$2,000
- Multiple snap-shots are available through feed deliveries for some asset types and are negotiated off the base rate.
- Additional volume or frequency discounts may apply

### 3) Loans. SPSE Evaluated Prices

#### Fees for Loans.

<u>Range per evaluation cycle</u>	<u>Per security fee for daily evaluations</u>	<u>Per security fee for weekly evaluations</u>	<u>Per security fee for monthly evaluations</u>
Loan # 1-25	\$4.00	\$8.00	\$16.00
Loan # 26-50	\$2.00	\$6.00	\$14.00
Loan # 51-100	\$1.00	\$5.00	\$12.00
Loan # 101-200	\$0.75	\$4.00	\$10.00
Loan # 201-300	\$0.50	\$3.00	\$6.00
Loan # 301-1000	\$0.35	\$1.50	\$3.00
>1000	\$0.25	\$0.75	\$1.50

The above applies for all delivery types with the following exceptions:

- Accounts subject to monthly minimum charge of \$2,500
- Additional volume or frequency discounts may apply

### 4) Complex Structure. SPSE Evaluated Prices

#### Fees for derivatives such as Swaps, TOBs, options, etc.

<u>Range per evaluation cycle</u>	<u>Per security fee for daily evaluations*</u>	<u>Per security fee for weekly evaluations*</u>	<u>Per security fee for monthly evaluations*</u>
1-500	\$1.00	\$2.00	\$4.00
501-1000	\$0.90	\$1.90	\$3.90
1001-1500	\$0.80	\$1.80	\$3.80
1501-2000	\$0.70	\$1.70	\$3.70
2001-2500	\$0.60	\$1.60	\$3.60
2501-3000	\$0.50	\$1.50	\$3.50
>3000	Negotiable	Negotiable	Negotiable

\*Each security is subject to a \$110 set up fee

The above applies for all delivery types with the following exceptions:

- Accounts subject to monthly minimum charge of \$2,500
- Additional volume or frequency discounts may apply

## 5) Complex Structures: SPSE Evaluated Prices- Fees for Baskets of Instruments and Linked Securities

Delivery includes Value of Basket plus Value of Underlying

\$1,000 Set-up Fee per Basket

\$0.75 fee per evaluation per constituent

Account subject to monthly minimum charge of \$2,000

Or

Delivery includes Value of Basket without Value of Underlying

\$1,000 Set-up Fee per Basket

\$350/month for up to 100 underlying

\$500/month for up to 200 underlying

The above applies for all delivery types with the following exceptions:

- Accounts subject to monthly minimum charge of \$2,500
- Additional volume or frequency discounts may apply

## B. Fees for Individual Use\*\*

### 1) Fees for Evaluated Prices & Model Valuation Bundled delivered through the excel plug-in for uses such as Research & Analysis - for an individual's use only

- Flat rate of \$15,000 per year for the first 5,000 corporate & government securities in a month.
- Each unit over 5,000 is billed at the following rate based on the specific mnemonic group.

Mnemonic Groupings for Global securities including: Investment Grade Corporate Bonds, Sovereign Bonds, Convertible Bonds, Adjustable/Floating Rate Bonds or Notes, Inverse Floaters, Medium Term Notes, TBAs, High Yield Corporate Bonds, Covered Bonds, Treasuries, Agencies, Non-Linked Certificates of Deposit, Governments, and Money Market	Rates per unit						
	First 5,000 per mth	Next 5,000 per mth	Next 10,000 per mth	Next 25,000 per mth	Next 50,000 per mth	Next 75,000 per mth	Over 170,000 per mth
Evaluated Price Mnemonic	Included in flat annual rate	\$0.106	\$0.070	\$0.053	\$0.035	\$0.020	\$0.011
Model Valuation Mnemonic (including Dealer Trade mnemonic)	Included in flat annual rate	\$0.160	\$0.095	\$0.060	\$0.040	\$0.020	\$0.010

- Individual user of End of Day Evaluated Price available for additional asset types
  - Not included in the \$15,000 flat annual fee
- Usage will be billed according to monthly income.

Rates per unit							
<b>SPSE Evaluated Price</b>	First 5,000 per mth	Next 5,000 per mth	Next 10,000 per mth	Next 25,000 per mth	Next 50,000 per mth	Next 75,000 per mth	Over 170,000 per mth
<b>US, Canadian &amp; Latin American securities including:</b> Mortgage Backed Securities Fixed Rate Pools (MBS)	\$0.140	\$0.106	\$0.070	\$0.053	\$0.035	\$0.020	\$0.011
<b>US securities including:</b> Municipal Bonds, Municipal Commercial Paper	\$0.280	\$0.210	\$0.126	\$0.084	\$0.056	\$0.036	\$0.014
<b>US, Canadian &amp; Latin American securities including:</b> Investment Grade Corporate Bonds, Sovereign Bonds, Convertible Bonds, Adjustable/Floating Rate Bonds or Notes, Medium Term Notes, TBAs, High Yield Corporate Bonds and Covered Bonds	\$0.280	\$0.210	\$0.126	\$0.084	\$0.056	\$0.036	\$0.014
<b>US, Canadian and Latin American Securities including:</b> Adjustable Rate Mortgage Pools (ARMs), DUS, Collateralized Mortgage Obligations (CMOs), Asset Backed Securities (ABS), Commercial Mortgage Backed Securities (CMBS), Residential Mortgage Backed Securities (RMBS), Inverse Floaters	\$0.525	\$0.280	\$0.154	\$0.126	\$0.077	\$0.062	\$0.048
<b>US Securities including:</b> Adjustable Rate Mortgage Pools (ARMs), DUS, Collateralized Mortgage Obligations (CMOs), Asset Backed Securities (ABS), Commercial Mortgage Backed Securities (CMBS), Residential Mortgage Backed Securities (RMBS), Inverse Floaters	\$0.525	\$0.280	\$0.154	\$0.126	\$0.077	\$0.062	\$0.048
<b>SPSE or Intex (Unaffiliated 3<sup>rd</sup> Party) MBS Pool Factors</b> (Requires separate delivery)	\$0.070	\$0.049	\$0.035	\$0.025	\$0.014	\$0.011	\$0.008
<b>U.S. securities including:</b> UITs	\$0.140	\$0.106	\$0.070	\$0.053	\$0.350	\$0.020	\$0.011
<b>SPSE Evaluated Price</b>	<b>Rate per unit</b>						
SPSE Evaluation Price for complex securities including for: CDOs/CLOs	\$1.400						

Rates per unit							
<b>Unaffiliated 3rd Party Pricing</b>	First 5,000 per mth	Next 5,000 per mth	Next 10,000 per month	Next 25,000 per mth	Next 50,000 per mth	Next 75,000 per mth	Over 170,000 per mth
<b>Prices sourced from CIBC for Canadian Bonds</b>	\$0.140	\$0.106	\$0.070	\$0.053	\$0.035	\$0.0201	\$0.011
<b>Prices sourced by PIP for Mexican Bonds</b>	\$0.140	\$0.106	\$0.070	\$0.053	\$0.350	\$0.020	\$0.011
<b>Prices sourced by YieldBroker for Australian Bond</b>	\$0.140	\$0.106	\$0.070	\$0.053	\$0.350	\$0.020	\$0.011

## 2) Fee for Valuations Portal via S&P Capital IQ Global Credit Portal

## a. Subscription fee

\*Other entitlement options may be available at different price points.

Entitlement	Price per 1 - 5 user	6-8 users	9-10 users	11+ users	Fee for Export Add-on
Transparency Package: Market Approach Valuations, Terms & Conditions Data, Trades & Quotes and Model Valuations	\$ 6,900	\$5,500	\$4,200	\$3,000	Export fees for SPSE Market Approach Valuations and Model Valuations are based on license and usage scope. See section A1 and A2 for shared use, or below for individual use.
Basic Package: Market Approach Valuations and Terms & Conditions Data	\$5,700	\$4,600	\$3,500	\$2,500	Export fees for SPSE Market Approach Valuations are based on license and usage scope. See section A1 and A2 for shared use or below for individual use.

## b. Export fee for Individual Use

SPSE Evaluated Prices	Rates per unit						
	First 5,000 per mth	Next 5,000 per mth	Next 10,000 per mth	Next 25,000 per mth	Next 50,000 per mth	Next 75,000 per mth	Over 170,000 per mth
<b>US, Canadian &amp; Latin American securities including:</b> Treasurys, Agencies, Non-Linked Certificates of Deposit, Governments, Money Market	\$0.140	\$0.106	\$0.070	\$0.053	\$0.035	\$0.020	\$0.011
<b>US, Canadian &amp; Latin American securities including:</b> Mortgage Backed Securities Fixed Rate Pools (MBS)	\$0.140	\$0.106	\$0.070	\$0.053	\$0.035	\$0.020	\$0.011
<b>US securities including:</b> Municipal Bonds, Municipal Commercial Paper	\$0.280	\$0.210	\$0.126	\$0.084	\$0.056	\$0.036	\$0.014
<b>US, Canadian &amp; Latin American securities including:</b> Investment Grade Corporate Bonds, Sovereign Bonds, Convertible Bonds, Adjustable/Floating Rate Bonds or Notes, Medium Term Notes, TBAs	\$0.280	\$0.210	\$0.126	\$0.084	\$0.056	\$0.036	\$0.014

<b>Global (excluding Americas) securities including:</b> Investment Grade Corporate Bonds, Sovereign Bonds, Convertible Bonds, Adjustable/Floating Rate Bonds or Notes, Medium Term Notes, Treasuries, Non-Linked Certificates of Deposit, Agencies, Governments, Money Market, TBAs	\$0.280	\$0.210	\$0.126	\$0.084	\$0.056	\$0.036	\$0.014
<b>US, Canadian &amp; Latin American securities including:</b> Adjustable Rate Mortgage Pools (ARMs), DUS, Collateralized Mortgage Obligations (CMOs), Asset Backed Securities (ABS), Commercial Mortgage Backed Securities (CMBS), Residential Mortgage Backed Securities (RMBS), Inverse Floaters	\$0.525	\$0.280	\$0.154	\$0.126	\$0.077	\$0.062	\$0.048
<b>US, Canadian &amp; Latin American securities including:</b> High Yield Corporate Bonds, Covered Bonds	\$0.525	\$0.280	\$0.154	\$0.126	\$0.077	\$0.062	\$0.048
<b>Global (excluding Americas) securities including:</b> High Yield Corporate Bonds, Covered Bonds	\$0.525	\$0.280	\$0.154	\$0.126	\$0.077	\$0.062	\$0.048
<b>Global (excluding Americas) securities including:</b> Adjustable Rate Mortgage Pools (ARMs), DUS, Collateralized Mortgage Obligations (CMOs), Asset Backed Securities (ABS), Commercial Mortgage Backed Securities (CMBS), Residential Mortgage Backed Securities (RMBS), Inverse Floaters	\$0.525	\$0.280	\$0.154	\$0.126	\$0.077	\$0.062	\$0.048
<b>US securities including:</b> UITs	\$0.140	\$0.106	\$0.070	\$0.053	\$0.350	\$0.020	\$0.011

SPSE Evaluated Prices	Rate per unit
<b>Global complex securities including for:</b> CDOs/CLOs	\$1.400

<b>SPSE Model Valuation</b>	First 5,000 per mth	Next 5,000 per mth	Next 10,000 per mth	Next 25,000 per mth	Next 50,000 per mth	Next 75,000 per mth	Over 170,00 0 per mth
<b>Model Valuations for Global Corporates &amp; Governments for securities including:</b> Investment Grade Corporate Bonds, Sovereign Bonds, Convertible Bonds, Adjustable/Floating Rate Bonds or Notes, Inverse Floaters, Medium Term Notes, TBAs, Treasuries, Agencies, Non-Linked Certificates of Deposit, Governments, and Money Market, High Yield Corporate Bonds and Covered Bonds	\$0.210	\$0.160	\$0.095	\$0.060	\$0.040	\$0.020	\$0.010

C. CMA NAVigate fees.

1.) Fees for valuation of OTC Derivative positions via the CMA NAVigate Model.

SPSE provides valuations on OTC derivatives and derivative positions via the CMA NAVigate proprietary system. Fees are charged based on the following factors: (i) frequency of valuation; (ii) complexity of the product; and (iii) volume of instruments.

Discrepancy reports: The CMA NAVigate group provides discrepancy reports to those clients who submit alternatively sourced valuations and sufficient information about the valuation such that it can be analyzed. The charge is USD \$3,750 per report.

Monthly CMA NAVigate Desk Top Fee—Clients may be charged a fee of \$150 per month/ per desk top.

Transparency reports –CMA NAVigate’s methodology reports are available for all types of derivatives.

SPSE reserves the right to negotiate fees and in certain situations, discounts may apply.

CMA NAVigate fees for end-of-day valuations are quoted and invoiced in US dollars per valuation delivered unless otherwise specified:

Frequency of Valuation	Credit & Interest Rate Swaps, including Single Name, Sovereign Single Name & Indices Underlying Single Index or Name	Vanilla IRS	European style Swaption	Cross- Currency Interest Rate Swap	Vanilla FX Option G20 Major & Other Minor Underlying.
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<b>Initial Volume</b>	<b><u>First 250 Deals</u></b>	<b><u>First 250 Deals</u></b>	<b><u>First 250 Deals</u></b>	<b><u>First 250 Deals</u></b>	<b><u>First 250 Deals</u></b>
<b>Daily Valuation</b>	1.14	0.45	1.14	0.55	0.55
<b>Weekly Valuation</b>	5.00	2.25	5.00	2.75	2.75
<b>Monthly Valuation</b>	17.00	7.00	17.00	9.00	9.00
<b>Volume discounts:</b>	<u>Next 250 deals</u>	<u>Next 250 deals</u>	<u>Next 250 deals</u>	<u>Next 250 deals</u>	<u>Next 250 deals</u>
<b>Daily Valuation</b>	1.02	0.41	1.02	0.49	0.49
<b>Weekly Valuation</b>	4.50	2.03	4.50	2.43	2.48
<b>Monthly Valuation</b>	15.30	6.30	15.30	8.10	8.10
<b>Volume discounts:</b>	<u>Next 500 deals</u>	<u>Next 500 deals</u>	<u>Next 500 deals</u>	<u>Next 500 deals</u>	<u>Next 500 deals</u>
<b>Daily Valuation</b>	0.93	0.37	0.93	0.45	0.45
<b>Weekly Valuation</b>	4.10	1.85	4.10	2.46	2.26
<b>Monthly Valuation</b>	13.94	5.74	13.94	7.38	7.38
<b>Volume discounts:</b>	<u>Remaining deals</u>	<u>Remaining deals</u>	<u>Remaining deals</u>	<u>Remaining deals</u>	<u>Remaining deals</u>
<b>Daily Valuation</b>	0.80	0.32	0.80	0.38	0.38
<b>Weekly Valuation</b>	3.50	1.58	3.50	1.93	1.93
<b>Monthly Valuation</b>	11.90	4.90	11.90	6.30	6.30

## 2.) Fees for valuations obtained from Prism Valuation.

The CMA NAVigate group may use the services of Prism Valuation, a third party vendor, to provide valuations of OTC derivative positions. In these circumstances, fees will be determined based on the following factors: (i) frequency of the valuation; (ii) volume of derivative position; and (iii) nature of the position (significant holdings, liquid/illiquid and minor holdings). Fees may be negotiable and SPSE may offer discounts to certain clients.

<b>Range of fees per position per month for Prism Valuations</b>		
<b>Complexity category</b>	<b>Low Volume (US\$)</b>	<b>High Volume (US\$)</b>
B	50 to 125	30 to 80
C	27 to 118	18 to 80
D	480 to 1320	288 to 990
E	1200 to 3300	800 – 2200

## D. Fees for Other Products and Services

### 1) Municipal Bond – SPSE Evaluated Prices and Yield Curves Fees via Bloomberg Desktop

#### a. Municipal Yield Curves

<b>DATA</b>	<b>FEE</b>
Municipal Yield Curves	Terminals 1-2 \$100/month per ID
	Terminals 3-6 \$75/month per ID
	Terminals 7+ \$50/month per ID
	Number of Terminals _____
	State/Province Enterprise Fee \$15,000/yr (for a single state or province, e.g. NY, CA, Ontario, etc.)
	Country Enterprise Fee \$30,000/yr (for a single country, e.g. US, UK, etc.)
	Global Enterprise Fee \$50,000/yr



## b. Municipal - Evaluated Prices

DATA	FEE
<b>Municipal Evaluations - Level 1 Access- Look-Up</b> (For viewing on Bloomberg screen, copying and printing; downloading of the Data off the Bloomberg desktop is expressly prohibited.)	Terminals 1-5 \$250/month per ID Terminals 6-15 \$150/month per ID Terminals 16-25 \$100/month per ID Number of Terminals _____ State/Province Enterprise Fee \$55,000/yr (for a single state or province, e.g. NY, CA, Ontario, etc.) Country Enterprise Fee \$100,000/yr (for a single country, e.g. US, UK, etc.) Global Enterprise Fee \$150,000/yr
<b>Municipal Evaluations - Level 2 Access-Portfolio</b> (Includes Level 1 usage as specified above, plus the ability to access and analyze a portfolio on the specified Bloomberg desktop(s); downloading of the Data off the Bloomberg desktop is expressly prohibited.)	Terminals 1-5 \$500/month per ID Terminals 6-15 \$300/month per ID Terminals 16-25 \$150/month per ID Number of Terminals _____ State/Province Enterprise Fee \$110,000/yr (for a single state or province, e.g. NY, CA, Ontario, etc.) Country Enterprise Fee \$200,000/yr (for a single country, e.g. US, UK, etc.) Global Enterprise Fee \$300,000/yr

### 2) Risk to Price on the Global Credit Portal

Desktop Use for Large Functional Group*	Fee per annum
First 10 IDs	<b>\$75,000</b>
Subsequent IDs	<b>\$6,000 per ID</b>

Desktop Use for Small Functional Group*	Fee per annum
First 5 IDs	<b>\$45,000</b>
Subsequent IDs	<b>\$6,000 per ID</b>

Discounts may apply based on geographic scope, functional use and volume.

\* Determination of Functional Group type is based on a Statement of Use completed by the client.

### 3) S&P Municipal Bond Indices via Investor Tools Custom Index Manager

<u>Number of Workstations</u> (Seats)	<u>Monthly Price Tier*</u>
1	\$1,200
2-3	\$1,500
4-5	\$1,800
6-10	\$2,400
11-15	\$3,000

\*Monthly Fee is based on the number of seat licensed at a given time.

**Daily Bond Pricing:** Add \$2,100 monthly  
**Weekly Bond Pricing:** Add \$1,225 monthly  
*(Bond files with description data and monthly prices included with Workstation Fees)*

**Standard & Poor's Municipal Bond Indices via FTP direct (non-Custom Index Manager users (no redistribution rights))**

Statistics-only file, per CIM-generated custom report: \$500 monthly  
 Bond files with descriptive data and monthly prices: \$ 2,000 monthly

Daily Bond Pricing: Add \$2,100 monthly  
 Weekly Bond Pricing: Add \$1,225 monthly

**4) Municipal Yield Curve**

\$150/mth for Generic Scales  
 \$2,000/mth for Sector Scales

**5) Municipal Reset Indices**

\$150/week for weekly delivery per index  
 \$500/week for daily delivery per index  
 \$750/week for daily delivery for 2 indices

**6) Municipal Reports**

\$65 per report for the first 25 reports per month  
 \$35 per report for the next 50 reports per month  
 \$25 per report for any reports over 75 reports per month

A 10% surcharge per quarter for any quarter with fewer than 1,000 portfolio reports

**Note: This service is no longer being offered to new clients.**

**7) Municipal Yield Curves Fees via Thomson Reuters Desktop**

\$115/mth for Generic Scales per terminal per site  
 \$57,500 per annum for global enterprise site license

**8) Municipal Evaluations via HTD Online Desktop**

DATA	FEE
<b>Municipal Bond Evaluations</b>  For viewing & screen print on HDTOnline. Downloading of the data off the desktop is expressly prohibited.	Terminals 1-5                \$250/month per ID Terminals 6-15              \$150/month per ID Terminals 16-25            \$100/month per ID

**\*\*These services have the ability to provide clients with data and pricing from unaffiliated third party sources designed to provide clients with a fuller coverage. The services may be used to combine evaluated prices, exchange based prices, pricing related data, and market quotes etc from multiple sources based on**

a hierarchy, which is applied when there is overlap in coverage. A constant array of suppliers is included and for no apparent reason they may be rearranged or eliminated. We may choose unaffiliated third parties based on those which provide coverage where there is a gap, or based on an economic incentive to our clients or ourselves. Fees for third party data are available upon request. S&P Supplemental Feeds reflect evaluations and equity pricing services of other, unaffiliated firms with which SPSE has contracted to distribute to its client base. Prices and data provided by these third-party firms are the responsibilities of those firms and not SPSE and are produced under the firms' methodologies and policies and procedures.

## **9) Credit Default Swap Yield Curves**

SPSE also provides derived Credit Default Swap (CDS) term structures and charges \$1 per day per derived CDS curve. SPSE may offer discounts to certain clients. These curves are not provided by CMA NAVigate, but are derived by SPSE.

## **ITEM 6**

### **PERFORMANCE-BASED FEES AND SIDE BY SIDE MANAGEMENT**

SPSE does not charge performance-based fees for its advisory services.

## **ITEM 7**

### **TYPES OF CLIENTS**

SPSE does not provide investment management services (i.e. discretionary portfolio management services) or investment advisory services on a non-discretionary basis. SPSE's advisory services are limited to evaluated prices and model valuations, related non-advisory services and Risk to Price scores, and the provision of economic research to clients. SPSE's clients are primarily limited to institutions, including investment advisers, banks, custodians, unit investment trusts, non-profit organizations, corporations, broker-dealers, public accounting firms state or municipal government entities and insurance companies. SPSE's valuation services may be used by SPSE's clients in valuing their end user clients' portfolios, which may include, among other things: open-end mutual funds, closed end funds and other investment companies.

While SPSE does not impose a minimum account size, it may require a certain minimum level of service to be received by a client, resulting in a minimum charge.

## ITEM 8

### METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

#### A. Methods of Analysis and Investment Strategies

(1) **Evaluated Prices.** The primary pricing approach and methodology used by SPSE for evaluated pricing is a Market Approach. SPSE utilizes its own proprietary pricing models and pricing systems, mathematical tools and the experienced judgment of SPSE's pricing analysts to determine an evaluated price for an instrument based upon market information regarding that instrument or instruments with similar characteristics. SPSE compares securities with similar characteristics by classifying securities into sectors, based on key characteristics. For derivative positions, SPSE's pricing analysts use their expertise to interpret market data to value positions.

To assist it in carrying out its evaluated pricing service, SPSE purchases trade, material notice, and other reports from the Municipal Securities Rulemaking Board ("MSRB"), trade reports from FINRA's Bond Trade Dissemination Service, and market information from other commercial market data providers. SPSE also obtains other market information from market participants, which may include clients, when preparing evaluated prices. If a client passes along information to SPSE that the client received from an original source, including without limitation the issuer, underwriter, obligor, project manager, bond trustees, placement agent or servicer bank relating to such instruments, SPSE may in its judgment rely on such information. If a client transmits information to SPSE verbally, or by email, fax, etc. when the information is not clearly from an original source, SPSE will review such information and will utilize it only if SPSE is able to corroborate the information. SPSE may corroborate client information by one of several means, including by contacting another market participant or by confirming that the client's information is consistent with other market information received by SPSE.

SPSE obtains most required indicative data from clients when evaluating certificates of deposit, commercial paper and syndicated bank loans. For derivative valuations, SPSE relies on clients to identify the terms of their OTC derivative positions entered into by such clients and counterparties when evaluating these instruments.

SPSE conducts periodic credit reviews of primarily non-rated high yield municipal bonds held by any client that uses SPSE's 4:00 p.m. EST evaluated pricing for valuing its portfolio. For example, some sectors within the municipal bond asset class including healthcare, housing, industrial development and land secured are not rated by a Nationally Recognized Statistical Ratings Organization ("NRSRO"). For a limited number of municipal high yield securities, mostly non-rated securities or bonds for which creditworthiness has deteriorated, SPSE may use an alternative pricing approach for valuations: (i) the cash flow approach or (ii) the liquidation approach. Generally, SPSE relies on the following for its main sources of information when conducting credit reviews or preparing cash flow or liquidation value assessments: (i) financial newspapers and magazines, (ii) research materials prepared by third parties; (iii) information from ratings agencies, (iv) annual reports, prospectuses and filings made by publicly listed companies with the US Securities & Exchange Commission; (v) company press releases; and (vi) notices from The Municipal Securities Rule Making Board's EMMA system.

SPSE does not undertake to collect and analyze the credit data for the entire universe of municipal non-rated bond issues it prices, and the non-rated bonds that do not receive credit reviews generally are priced based on market data and other information that SPSE receives during the course of its business or that is

brought to its attention by a client, without getting the same level of evaluated pricing research services for such bonds as would bonds that are part of SPSE's daily 4:00 evaluated prices for portfolio pricing. Generally, SPSE charges more for its daily 4:00 evaluated prices delivered for pricing purposes than for other evaluated prices because clients may not be getting the same level of evaluated pricing research services for the bonds described above. If SPSE does not believe it possess a sufficient basis to prepare an evaluated price for a security, SPSE will withdraw from pricing that security and promptly notify all affected clients. If SPSE subsequently obtains sufficient information, it may recommence preparing evaluated prices for discontinued securities.

SPSE provides its evaluated prices at different times during the day and will take a "snapshot" of its evaluated prices, depending on a client's needs as follows:

<b><u>US Municipals, Swaps</u></b>	<b><u>European (Non US) Bonds</u></b>	<b><u>US Corporate, Government &amp; Structured Finance Bonds</u></b>
4 pm ET snapshot	10 am GMT snapshot	12:30 pm ET
	12 pm GMT snapshot	snapshot
	2 pm GMT snapshot	3 pm ET snapshot
	5 pm GMT snapshot	4 pm ET snapshot
	4 pm ET snapshot	

(2) **CMA NAVigate Derivative Valuations.** The CMA NAVigate proprietary system provides end-of-day valuations of certain OTC derivatives. The CMA NAVigate model uses the "net present value" or NPV method to value OTC derivatives. The NPV of a derivative position generally represents a mid-market valuation unless sufficient data exists to provide bid or offer based valuations. CMA NAVigate utilizes data and curve methodologies according to market conventions for the type of instrument being valued. Inputs may include credit default swap data from CMA Datavision, observable rates such as FX, volatility and option data, and "fixing" data such as LIBOR, Euribor, etc. CMA NAVigate uses data inputs to build yield curves and calculates a zero curve, also called a discount curve, from which discount factors can be obtained, which are then used in the present value calculation of cash flows. Either LIBOR or OIS may be used for discounting in the model, and a client may select the approach it considers appropriate. Due to the complex structure, contract terms, type and nature of OTC derivatives, positions vary greatly in complexity as does the data required to value them, and accordingly, the CMA NAVigate model provides an opinion of an investment's value. For instruments that the CMA NAVigate does not model or when CMA NAVigate considers it appropriate, SPSE may obtain valuations from Prism Valuations, a third party vendor.

Clients may provide the CMA NAVigate group with their derivative positions, or they may directly upload their derivative portfolios to the CMA NAVigate Desktop, which is a web-based user interface that provides clients with access to underlying market data, the zero curve, discount factors and other proprietary market and screening factors and other proprietary market and screening factors for their derivative valuations. Desktop users can access and review valuations in their portfolios and may enter counterparty valuations and other information into portfolio reports. Desktop users also may obtain intraday valuations based on multiple curve snaps during the day for some deal types provided sufficient data is available.

SPSE will offer valuations of OTC derivatives, except for municipal derivatives, exclusively through CMA NAVigate through December 31, 2012. Until such time, SPSE will continue to provide valuations of interest rate swaps and inflation swaps using its Market Approach valuation, which may produce a valuation that is different from CMA NAVigate's valuation on the same position. The difference in valuation will be attributed to curve methodology, data input, a security's settlement date and/or discounting differences.

**(3) Model Valuation.** The methodology used by SPSE for its model valuation services is model approach valuation. Model valuation is prepared using SPSE's proprietary pricing model, systems and mathematical tools to offer an alternative but complementary viewpoint to the traditional market approach. Model valuation isolates the market's view of credit risk inherent within a particular security, through analysis of the credit default swap market and the creation of a risk-neutral probability of default to derive a security's valuation. In the absence of a CDS contract, an adjustment factor is utilized to provide an indication of the credit risk of a bond and generate probability of default.

**(4) Risk-to-Price.** SPSE also provides analyses of certain U.S. and European fixed-income securities using its proprietary R2P (risk-to-price) score methodology. This methodology is designed to rank the extent to which a bond's current market value is compensating the owner for market and credit risks (as measured under the R2P methodology) and to allow users to identify bonds that potentially may be disregarding such relationship in the market. The assumptions and methodologies used may differ from those used by SPSE in generating evaluated prices and may produce a different relative value than SPSE provides in an evaluated price for the same security. SPSE also provides a web-based screening tool that allows clients to add their own criteria when reviewing securities.

SPSE also publishes research and related market commentary relating to various securities, markets and sectors some of which may be related to SPSE's R2P scores.

SPSE's evaluated prices, model valuations, CMA NAVigate derivative valuations, and R2P service involve SPSE providing an opinion on the value of a fixed income security or other instrument or an indication of a security's current market value relative to its credit risk or other factors. SPSE's opinion on a security's value, credit risk or relative value does not constitute a recommendation to buy, hold or sell any security.

McGraw-Hill has entered into agreements to outsource, beginning in the fourth quarter of 2012, certain IT and Finance activities. These outsourcing agreements are intended to optimize services for McGraw-Hill's business lines and to facilitate the upcoming reorganization of McGraw-Hill into two separate companies, McGraw-Hill Financial and McGraw-Hill Education.

Atos will assume IT infrastructure and support activities, beginning initially with ownership of service delivery as currently provided to McGraw-Hill business lines, and increasing to cover IT infrastructure, including servers, networks, and data centers. Atos also will manage the logical and physical separation of McGraw-Hill Financial and McGraw-Hill Education activities. Certain Finance activities will also be outsourced to Genpact, including certain client billing and collection functions. Neither Atos nor Genpact are affiliated with SPSE or McGraw-Hill.



## **B. Risks Associated with SPSE's Services**

The provision of evaluated prices and valuations requires SPSE to obtain market information and rely on third parties for certain information, including affiliated and non-affiliated data vendors who provide information that is used as "inputs" into the valuations process. From time to time SPSE may rely on one significant data supplier to furnish it with information that is critical to its price valuation process, and any reduction in SPSE's ability to obtain such information could impact its future ability to generate evaluated prices in a timely manner.

SPSE evaluated prices and derivative valuations are used by some clients to value their portfolios at the end of each business day. Clients may experience delays in receiving these valuations due to technical transmission problems, internet power outages and other unforeseen technical problems.

Evaluated prices and derivative valuations are SPSE's good faith opinion of a security's value. Evaluations may not conform to actual purchase or sales prices in the marketplace or to information available from third parties. Valuations based on different information, models, methodologies or assumptions may differ, in some cases materially, from SPSE's evaluations. Clients will be responsible for, and must use their own independent judgment on whether to use SPSE's evaluated prices and other valuations for any particular reason.

## **C. Portfolio Investment Risks**

SPSE does not manage client portfolios or assets and this section is not applicable to SPSE.

**ITEM 9**  
**DISCIPLINARY INFORMATION**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of SPSE's advisory business or the integrity of SPSE's management. SPSE currently has no information applicable to this Item.

**ITEM 10**  
**OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

**SPSE is a wholly-owned subsidiary of McGraw-Hill, a corporation whose shares are publicly traded on the New York Stock Exchange under the symbol “MHP”. McGraw-Hill operates through various subsidiaries and affiliates involved in the global education business, issuing credit ratings through a Nationally Recognized Statistical Rating Organization (NRSRO), global provider of indices; research and digital analytical tools and investment advisory services for institutional investors and wealth management providers, and a provider of specialized information for the commodities and related commercial markets. As a result, SPSE’s clients may have relationships with SPSE’s affiliates beyond having a relationship with SPSE. These relationships may cause potential conflicts of interest. To mitigate any conflicts of interest, SPSE and certain affiliates have adopted procedures intended to identify and mitigate conflicts of interest related to their business activities.**

**A. Registration as a Broker-Dealer or Registered Representative**

Neither SPSE nor its management persons are registered as broker dealers or have an application pending to register, as broker-dealers or registered representatives of a broker-dealer.

**B. Registration as a Futures Commission Merchant, Commodity Pool Operator, Commodity Trading SPSE or Associated Person**

Neither SPSE nor its management persons are registered or have an application pending to register, as futures commission merchants, commodity pool operators, commodity trading advisers, or associated persons of the foregoing entities.

**C. Material Relationships**

- (1) With broker-dealer, municipal securities dealer, or government securities dealer or broker.

SPSE does not have any material relationships with a broker-dealer, municipal securities dealer or government securities dealer or broker.

- (2) With investment company or other pooled investment vehicle (including a mutual fund, closed-end investment company, unit investment trust, private investment company or “hedge fund,” and offshore fund).

Not applicable.

- (3) With other investment adviser or financial planner.

SPSE’s related person, Standard & Poor’s Investment Advisory Services, LLC (“**SPIAS**”), is an affiliate of SPSE and a registered investment adviser. SPSE provides R2P information and research to SPIAS for use in the security selection process for its fixed income model portfolios. SPIAS does not pay compensation to SPSE for the R2P information and does not consider its relationship with SPIAS to be material to its overall business operation.

SPSE is also affiliated with the following non-US investment advisers: Standard & Poor's Investment Advisory Services (HK) Limited ("**SPIAS HK**"), McGraw-Hill Financial Japan KK ("**MHF Japan**"), McGraw-Hill Financial Europe Research Ltd. (**MHF Europe**) and McGraw-Hill Financial Singapore Pte. Limited ("**MHF Singapore**"). Certain persons associated with MHF Europe are also associated with SPSE's London branch operations.

(4) With futures commission merchant, commodity pool operator, or commodity trading SPSE.

Not applicable.

(5) With banking or thrift institution.

Not applicable.

(6) With accountant or accounting firm.

Not applicable.

(7) With lawyer or law firm.

Not applicable.

(8) With insurance company or agency.

Not applicable.

(9) With pension consultant.

Not applicable.

(10) With real estate broker or dealer.

Not applicable.

(11) With sponsor or syndicator of limited partnerships.

Not applicable.

(12) Other: Nationally Recognized Statistical Rating Organization (NRSRO)

SPSE is affiliated with Standard & Poor's Ratings Services ("**Ratings Services**"), a Nationally Recognized Statistical Rating Agency (NRSRO). SPSE uses certain information from Rating Services when it determines evaluated prices and Risk-to-Price service. SPSE does not compensate Ratings Services for its rating information when it is used in SPSE's business. SPSE redistributes Ratings Services' ratings information to clients and receives compensation for redistributing the ratings information. The relationship SPSE has with Ratings Services does not create a material conflict of interest with any client of SPSE.

#### **D. Recommendation of Other Investment Advisers**

SPSE's evaluated price service and Risk-to Price scores may be distributed by SPSE's advisory affiliates in certain countries as follows: in Hong Kong, by SPIAS HK, in Singapore, by MHF Singapore, in London, by MHF Europe and in Malaysia, by Standard & Poor's Malaysia Sdn. Bhd. Two of SPSE's directors also serve as Directors of SPIAS HK. SPSE does not receive additional compensation from these advisers for selling its evaluated prices, model valuation or Risk-to-Price service, other than the fees paid by clients to SPSE for its services.

#### **E. Registration with Foreign Financial Regulatory Authorities**

In addition to being registered with the U.S. Securities and Exchange Commission as an investment adviser, SPSE is also registered with the Kanto Financial Bureau in Japan as a non-discretionary investment adviser. SPSE also relies on a class order exemption issued by the Australian Securities and Investments Commission and provides its pricing service to only wholesale clients in Australia.

**ITEM 11**  
**CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND**  
**PERSONAL TRADING**

**A. Description of Code of Ethics**

SPSE has adopted a Code of Ethics (the “**Code**”), pursuant to Rule 204A-1 under the Advisers Act, for the purposes of setting the standard of ethical and professional business conduct that SPSE requires of its employees, requiring employees to comply with applicable federal securities laws and regulations, and setting forth provisions regarding personal securities transactions by employees.

The Code contains policies and procedures with respect to material, non-public information and other confidential information, and the fiduciary obligations that SPSE and each of its employees owes to each advisory client. The terms of the Code requires, among other things, that SPSE’s employees put a client’s interest first and prohibits employees from using any information obtained during the course of their employment for personal gain or in a manner that would be harmful to the interest of any client. The Code also requires employees to maintain information about clients in strict confidence and prohibits employees from using any confidential or proprietary information for personal gain, or passing on such information to anyone who does not have a need to know such information. All of these policies and procedures are designed to prevent, among other things, any improper or abusive conduct when potential conflicts of interest may exist with respect to a client, as well as the misuse of material non-public information and insider trading by any employee of SPSE.

The Code is made available to all employees, and each employee must affirm on an annual basis that he or she has received and followed the Code and any amendments thereto.

SPSE will provide a copy of the Code to any client or prospective client upon request.

SPSE has also adopted a Confidential and Proprietary Information Policy and Guidelines relating to the preservation of confidential and proprietary information that requires all employees to comply with applicable laws and regulations regarding the use of confidential or proprietary information and to avoid situations that may create an appearance of impropriety.

**B. Participation or Interest in Client Transactions**

If certain employees participate in the evaluated pricing decision of a particular security, and such employees or their immediate family members have a material financial interest in such securities, a conflict of interest may arise. Accordingly, SPSE has prohibited such employees (and their immediate family members) from trading in such securities.

**C. Personal Trading**

SPSE has also adopted a Securities Disclosure Policy (SDP), which requires SPSE’s employees to pre-clear most trades, report these transactions on a periodic basis and maintain their personal security accounts (as well as those of “immediate family” members) at certain designated brokerage firms, from which it will receive real time feeds of employees (and immediate family members) trades for comparison against trades that were pre-cleared by the employee and immediate family members. The SDP’s blackout

periods, pre-clearance procedures and periodic reporting of transactions is designed to monitor transactions in employees' personal securities accounts and prevent conflicts of interest that may arise between employees' personal securities transactions and the SPSE's evaluated pricing service and Risk to Price service.

An employee's Securities Classification Profile level will determine if an employee (including an immediate family member) is prohibited from trading in certain securities and will also determine which Restricted List an employee must follow before submitting a trade pre-clearance request. All employees are required to pre-clear the majority of trades. Pre-clearance is only valid from the receipt of approval until the end of that same trading day in the principal market for that security.

SPSE believes that the adoption of the Code of Ethics and SDP will provide for strong internal controls and will mitigate any risks that an employee or covered person (and immediate family members) will trade in a security in contravention of SPSE's aforementioned policies or when certain employees or covered persons are in possession of confidential and/or price sensitive information as a result of their involvement in determining the price of a security.

#### **D. Concurrent Trading Activity**

Under SPSE's Code and employee trading policy, employees are generally subject to restricted lists and black-out periods surrounding activity occurring in SPSE's business unit and therefore, certain employees and their immediate family members will be prohibited from trading in securities that are subject to this same business unit activity.

**ITEM 12**  
**BROKERAGE PRACTICES**

Not applicable to SPSE's business.



**ITEM 13**  
**REVIEW OF ACCOUNTS**

Not applicable to SPSE's business.

**ITEM 14**  
**CLIENT REFERRALS AND OTHER COMPENSATION**

**A. Compensation by Non-Clients**

SPSE collects fees from clients in connection with the transmittal to clients by SPSE of Third-Party Sources prices and data, which clients have elected to receive. As a general matter, pursuant to fee sharing arrangements with such Third Party Sources, SPSE retains a portion of such fees and remits a portion of the fees to such Third Party Sources.

**B. Compensation for Client Referrals**

SPSE compensates salespersons who are employed by SPSE or its affiliates for selling its valuation services to clients. SPSE does not compensate any third parties for client referrals. Generally, such compensation will be calculated based initially on a portion of the fees paid by clients to SPSE.

**ITEM 15**  
**CUSTODY**

Not applicable. SPSE does not take custody of any client assets/funds.

**ITEM 16**  
**INVESTMENT DISCRETION**

SPSE does not have discretion over any client assets/funds. SPSE does not provide advisory services on a non-discretionary basis to any client.

**ITEM 17**  
**VOTING CLIENT SECURITIES**

SPSE does not have investment discretion over client accounts or assets and does not vote proxies.

**ITEM 18**  
**FINANCIAL INFORMATION**

**A. Prepayment of Fees**

SPSE does not require prepayment of fees of more than \$1,200, six months or more in advance. This section is not applicable to SPSE, and it is not required to file an audited balance sheet with its Form ADV.

**B. Impairment of Contractual Commitments**

Not applicable to SPSE's business.

**C. Bankruptcy Petitions**

SPSE has not been subject to bankruptcy proceedings within the last 10 years.