S&P INDICES

S&P/TSX NORTH AMERICAN PREFERRED STOCK INDEX

INDEX METHODOLOGY

TMX

August 2010

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Introduction

The S&P/TSX North American Preferred Stock Index is designed to serve the investment community's need for a North American investable benchmark of the preferred share market across Canada and the United States.

Highlights

The index is comprised of a 50% weighting in the S&P/TSX Preferred Share Index and a 50% weighting in the S&P U.S. Preferred Stock Index at each index rebalancing.

Several currency versions of the index are available, including one in which the U.S. exposure is hedged back to the Canadian dollar.

The index is rebalanced on a quarterly basis; changes are effective after the close of trading on the third Friday of January, April, July and October. Corporate actions such as maturity, conversion, calls and delistings are treated according to a set of rules further defined in the respective underlying index methodologies.

For more information on corporate actions, please refer to the S&P/TSX Preferred Share Index and the S&P U.S. Preferred Stock Index Methodologies.

The reference date for additions and deletions is the last trading date of the month immediately preceding the rebalancing month.

Eligibility Criteria

Index Eligibility

At each quarterly rebalancing, the index is comprised of equal weightings in the S&P/TSX Preferred Share Index and the S&P U.S. Preferred Stock Index. For eligibility details of each sub-index consult the relevant index methodology.

Eligibility Factors

Each sub-index methodology covers details of constituent eligibility factors including requirements with respect to listing, types of issuance, maturity or conversion schedules, market capitalization, volume, yield, and maximum number of lines per issuer.

Timing of Changes

Additions. Additions occur only at the quarterly rebalancings. There are no intra-period additions.

Deletions. A constituent is deleted intra-period if it is called or undergoes mandatory conversion. The quarterly rebalancing also results in deletions, if constituents no longer meet the eligibility requirements of the underlying indices.

Index Construction

Approaches

The index is comprised of a 50% weighting in the S&P/TSX Preferred Share Index and a 50% weighting in the S&P U.S. Preferred Stock Index at each index rebalancing.

Currency Hedging

Within the index, the S&P U.S. Preferred Stock Index exposure is hedged back to Canadian dollars using beginning-of-the-period balances and rolling one-month forward contracts.

For details of currency hedging, refer to the S&P Index Mathematics Methodology.

Sub-Index Calculations

For details of the sub-index calculations, refer to the respective index methodology.

Index Maintenance

Rebalancing

Index membership is reviewed quarterly. Rebalancing occurs after the close of trading on the third Friday of January, April, July, and October. The reference date for additions and deletions is the last trading date of the month immediately preceding the rebalancing month.

At each rebalancing, the index is set to a 50% weighting in the S&P/TSX Preferred Share Index and a 50% weighting in the S&P U.S. Preferred Stock Index using closing prices and exchange rates on the Wednesday prior to the 2nd Friday of the rebalancing month and membership, shares outstanding and IWFs as of the rebalancing effective date.

Base Date

The index base date is March 19, 2003. The base value, for both the price return and total return series on that date is 1000.

Historical daily returns are available beginning on March 19, 2003.

Historic index levels were calculated using a weighted average of the underlying S&P U.S. Preferred Stock and S&P/TSX Preferred Share index returns. For calculation purposes, all corporate actions impacting the underlying indices during the historic period were reinvested directly into the underlying index and were not reinvested across the composite index.

Corporate Actions

Corporate Action	Adjustment Made to the Index	Divisor Adjustment?
Shares called for cash or par value	If the issuer calls a constituent, it is removed from the index with five-day notice at the closing price of the date at which it is dropped. Note that the issuer may choose not to call, in which case no change is necessary.	Yes
Shares called for conversion or automatically converted	The constituent is removed from the index with five-days notice at the closing price of the date at which it is dropped If the issuer chooses not to invoke the right to convert and conversion is not automatic, no change is necessary.	Yes
Delisting from primary exchange	The constituent is removed at the closing price of the delisting date. (Occasionally, a constituent may be removed at zero price.)	Yes
Special cash distribution	The price of the stock making the special payment is reduced by the per share special payment amount after the close of trading on the day before the ex-date.	Yes
Rights offering on preferred share class	The price is adjusted to the Price of Parent shares minus (Price of Rights shares/Rights Ratio).	Yes
Preferred Stock Split	Index shares are multiplied by and the price is divided by the split factor.	No
Issuance of additional shares for the preferred share class in the index	None. Shares are revised semiannually	No

Index Data

Total Return and Net Return Indices

The index has a total return counterpart, which assumes dividends are reinvested in the index after the close on the ex-date. On any given date *t*:

$$\text{Total Return Multiplier}_t = \frac{[\text{Index Value}_t + \text{Index Dividend Points}_t]}{\text{Index Value}_{t-1}} \quad (1)$$

$$\text{Total Return Index Value}_t = (\text{Total Return Index Value}_{t-1}) * (\text{Total Return Multiplier}_t) \quad (2)$$

$$\text{Index Dividend Points}_t = \sum_{i=1}^{N} (\text{Index Shares})_{i,t} * (\text{Ex-dividends})_{i,t} \Big/ \text{Divisor}_t \quad (3)$$

Index Governance

Index Committee

The S&P/TSX Canadian Index Committee maintains the Index. The committee is comprised of four members representing Standard & Poor’s and three members representing the Toronto Stock Exchange. The Index Committee meets on a regular basis, or as-needed. At each meeting, the Index Committee reviews pending corporate actions that may affect index constituents, statistics comparing the composition of the indices to the market, companies that are being considered as candidates for addition to an index, and any significant market events. In addition, the Index Committee may revise index policy covering rules for selecting companies, treatment of dividends, share counts or other matters.

Standard & Poor’s considers information about changes to its indices and related matters to be potentially market moving and material. Therefore, all Index Committee discussions are confidential.

Index Policy

Announcements

Index rebalancing announcements are made to clients at 05:15PM Eastern Time (ET) three-to-ten business days before the effective date. No separate announcements are made for routine corporate actions whose index implications are discussed in this document. If required, special or unusual events may warrant an additional announcement to clients.

Pricing

The pricing of index constituents is taken from the stocks included in the underlying indices – specifically their primary market listing. The index is calculated in Canadian dollars.

Holiday Schedule

The index is calculated daily when the Canadian equity market is open.

A complete holiday schedule for the year is available on the TSX Web site, www.TMX.com.

Unscheduled Market Closures

In situations where an exchange is forced to close early due to unforeseen events, such computer or electric power failures, weather conditions or other events, Standard & Poor's will calculate the closing price of the indices based on (1) the closing prices published by the exchange, or (2) if no closing price is available, the last regular trade reported for each stock before the exchange closed. In all cases, the prices will be from the exchange listing included in the index. If an exchange fails to open due to unforeseen circumstances, the index will use the prior day's closing prices. If all exchanges fail to open, Standard & Poor's may determine not to publish the index for that day.

Index Dissemination

Index Data

The Toronto Stock Exchange (TSX) serves as the distributor of both real-time and historical index data. In addition, index levels are available on the TSX Web site, www.TMXmoney.com, through major quote vendors, through numerous investment-oriented Web sites and various print and electronic media.

Tickers

Index	**Bloomberg**
S&P/TSX North American Preferred Stock Index (Price Return) (CAD)	STNC
S&P/TSX North American Preferred Stock Index (Price Return) (USD)	STNU
S&P/TSX North American Preferred Stock Index (Price Return) (CAD Hedged)	STNCH
S&P/TSX North American Preferred Stock Index (Net Total Return) (CAD)	STNCN
S&P/TSX North American Preferred Stock Index (Net Total Return) (USD)	STNUN
S&P/TSX North American Preferred Stock Index (Net Total Return) (CAD Hedged)	STNCHN
S&P/TSX North American Preferred Stock Index (Total Return) (CAD)	STNCT
S&P/TSX North American Preferred Stock Index (Total Return) (USD)	STNUT
S&P/TSX North American Preferred Stock Index (Total Return) (CAD Hedged)	STNCHT

S&P Contact Information

Index Management

David M. Blitzer, Ph.D. – Managing Director & Chairman of the Index Committee
david_blitzer@standardandpoors.com +1.212.438.3907
Steven Abel – Director, US & Canadian Indices
steven_abel@standardandpoors.com +1.212.438.3629
Paul Demskie – Team Leader, US & Canadian Indices
paul_demskie@standardandpoors.com +1.212.438.6426

Media Relations

David Guarino – Communications
dave_guarino@standardandpoors.com +1.212.438.1471

Index Operations & Business Development

North America
New York - Client Services
index_services@sandp.com +1.212.438.2046
Toronto
Tony North +1.416.507.3204
Europe
London
Susan Fagg +44.20.7176.8888
Asia
Tokyo
Masako Cox +813.4550.8564
Beijing
Andrew Webb +86.10.6569.2919
Sydney
Guy Maguire +61.2.9255.9822
Mumbai
Koel Ghosh +91.22.26598359
Middle East & North Africa
Dubai
Charbel Azzi +971.4.3727100

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