Research

SIFMA
Securities Industry and Financial Markets Association

Municipal Bond Credit Report

Based on analysis conducted by The Securities Industry and Financial Markets Association, the *Municipal Bond Credit Report* synthesizes, analyzes and presents aggregate credit information and trends in the municipal bond market. The report includes municipal bond rating information from the three major rating agencies—Moody's Investor Services, Standard and Poor's and Fitch Ratings.

December 2006

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Credit Quality Trends

Through the third quarter of the year, 59.9 percent of new issues were rated Aaa and 77.2 percent rated Aa and above through the first three quarters of the year. Municipal credit quality continued to be strong on sustained though decelerating economic growth, rising state and local government tax revenues and restrained spending at the state and local level. Reduced municipal bond funding costs following the surge in refunding activity over the last few years has also contributed to municipalities' solid credit quality. State and local fiscal conditions have benefited from the strong housing market and the associated trend in real property tax assessments over the last few years. The housing market slowdown, however, will likely affect the state and local government fiscal outlook. Other challenges to state and local governments include the need to update infrastructure and increased costs associated with education, healthcare and post-employment benefit programs. According to the National Association of State Budget Officers (NASBO), state revenues are expected to grow 5.0 percent in fiscal year 2006, lower than the 9.0 percent increase for fiscal year 2005. Total state expenditures are expected to hit $1.34 trillion, up 8.1 percent from $1.24 trillion in fiscal year 2005. According to the Nelson A. Rockefeller Institute of Government, tax collections for 34 states (78 percent of total tax collections for all states) totaled $111.6 billion in the third quarter, a 4.2 percent increase from the third quarter of 2005.

Based on dollar volume, 68.6 percent, or $56.1 billion, of all new, long-term general obligation (G.O.) issuance was rated Aaa by Moody's in the first three quarters of 2006, compared to 69.4 percent in the same period of 2005. While the dollar amount of Aaa rated G.O. issuance has declined due in part to slower issuance volume this year, the proportion of Aaa rated issues has remained fairly stable year-over-year. By dollar volume, 82.3 percent of all G.O. issues were rated Aa or better, slightly lower than the 86.2 percent from the first three quarters of 2005. Excluding un-rated issues, nearly 75.9 percent of new G.O. volume this year was rated Aaa, and no G.O. issues were rated below Baa. Within the revenue bond sector, 56.0 percent, or $102.7 billion, was rated Aaa and 18.9 percent was rated Aa in the first three quarters compared to 60.6 percent and 16.2 percent, respectively in the same period of 2005.

The generally favorable municipal credit conditions have contributed to a slight drop in the volume of bond insurance supported municipal debt issuance. However, third party credit enhancement continues to be an important characteristic of the municipal market. In the first three quarters, 47.5 percent of all long-term issuance carried bond insurance compared to 58.6 percent in the same period of 2005. About 26 percent of unenhanced new issues on a dollar volume basis were rated Aaa and 58.2 percent were rated Aa or above by Moody's in the first three quarters of 2006.

Regional Trends

Ratings on state general obligation debt across regions continued to be relatively stable during the third quarter. During the year since hurricanes hit the coast of Louisiana, rebuilding efforts and increased economic activity have helped to generate tax revenue replenishment. Issuers in the state were able to emerge with credit ratings relatively intact as a result of the use of bond insurance, as well as aid from the federal government and charitable organizations.

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Though challenges remain, Louisiana's outlook was lifted in August to stable from negative by all three agencies in the third quarter as they sold $500 million in debt in September. Also midway through the third quarter, Indiana's outlook was changed to stable from negative with an Aa1 rating by Moody's on an improved economy and strong fiscal management. In the Southwest, the rating outlook on Kansas' general obligation debt was raised from negative to stable by Moody's in October due to a strong upturn in their economy. It should also be noted that the earthquake that struck the islands of Hawaii in the third quarter are not expected to have a long-term effect on the state's credit quality or the rating on any outstanding issues. Midway in the fourth quarter, Tennessee's G.O. rating was lifted to AA+ from AA by both Standard & Poor's and Fitch on continued improvement in the state's financial position, changes to their healthcare program, conservative fiscal management and growth in their reserve balance. Moody's affirmed their Aa2 rating and upgraded the state's outlook to positive from stable ahead of its $110 million deal.

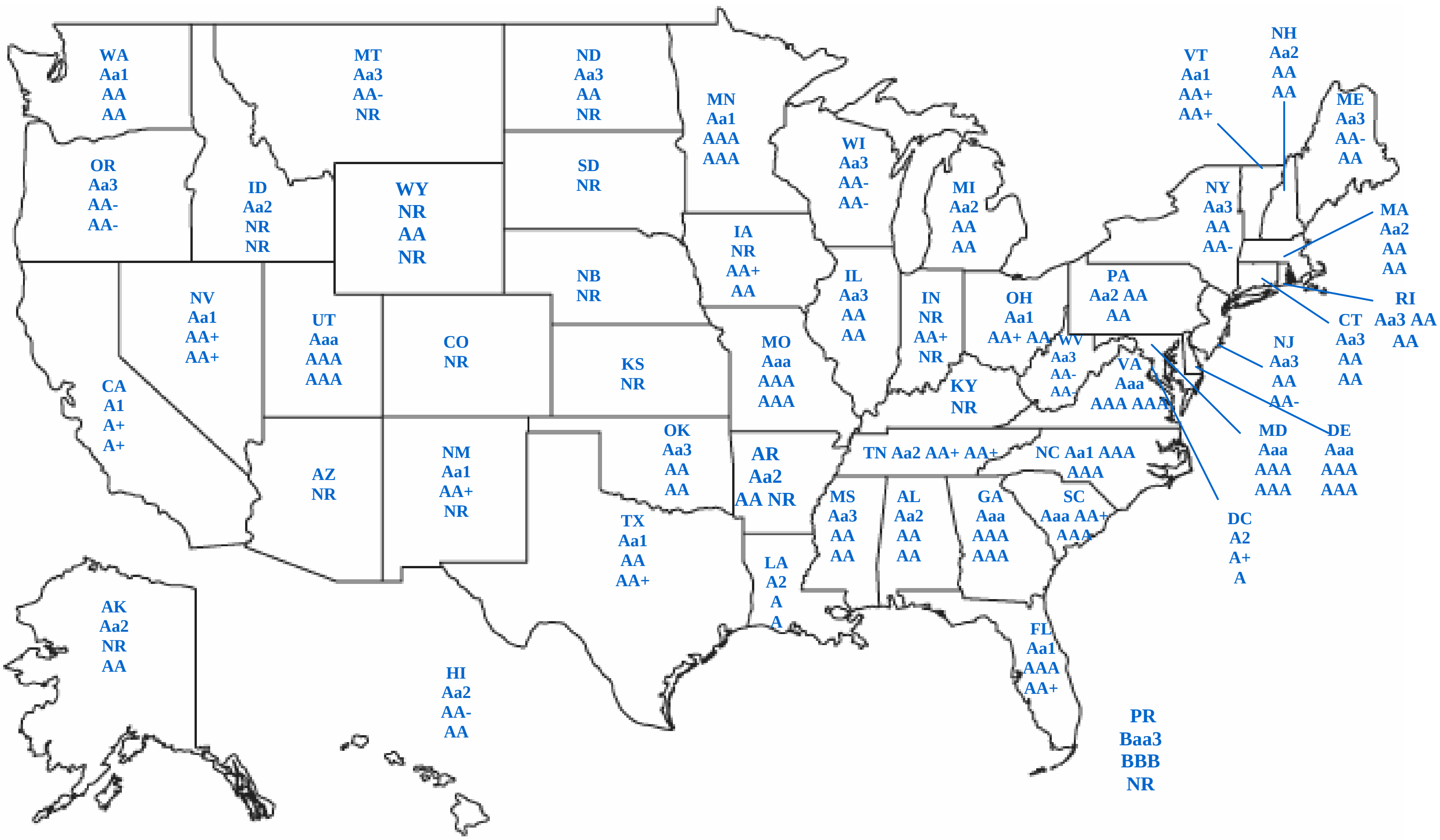
In dollar terms, the Far West had the highest percentage of its new G.O. bond volume carrying an Aaa rating at 75.2 percent. Almost 80 percent of the $17.6 billion issued was rated Aa or above. The Midwest ranked second with 73.3 percent of the $18.8 billion in overall G.O. debt rated Aaa and 89.2 percent rated Aa or better. The Southeast was third with 69.8 percent rated Aaa, followed by the Southwest and the Northeast with 65.5 and 60.1 percent, respectively.

Municipal-to-Treasury Yield Ratios

The ratio of the AAA-rated, 10-year municipal yield to comparable maturity Treasury securities at the end of the third quarter was at 81.1 percent, a slight reduction from the 82.2 percent at the end of the second quarter and well below the 85.2 percent ratio a year ago as yields on municipal bonds declined relative to comparable Treasury securities in the past year. The ratio has been stable since the end of the quarter and stood at 81.5 percent as of early November. According to the Municipal Market Advisors' (MMA) Consensus scale, over the three month period ending November 14, on an absolute basis, yields across the maturity spectrum fell and prices rose, reflecting declines in benchmark Treasury yields. Compared to one year ago, the municipal yield curve has flattened with short-term yields slightly higher and longer-term yields lower. The MMA Consensus scale presents cumulative changes in AAA-rated municipal bond prices and yields for each maturity on the yield curve based on input from buy-side and sell-side firms.

State General Obligation Bond Ratings[1]

As of 11/8/2006



[1] The Moody's rating is listed first, S&P rating is second and Fitch rating is third.

Long-Term Municipal State Issuance by Type

As of September 30, 2006

Amounts in $ Million

State	Total Amount	G.O.	Revenue	State	Total Amount	G.O.	Revenue	State	Total Amount	G.O.	Revenue
Alabama	2,631.7	630.3	2,001.4	**Kentucky**	3,626.6	115.3	3,511.3	**Ohio**	7,168.8	3,274.3	3,894.5
Alaska	2,032.2	295.5	1,736.7	**Lousiana**	4,149.9	1,146.1	3,003.8	**Oklahoma**	2,700.8	602.0	2,098.8
Arizona	4,055.8	1,177.5	2,878.3	**Maine**	864.7	187.1	677.6	**Oregon**	2,124.6	373.8	1,750.8
Arkansas	1,541.7	314.6	1,227.1	**Maryland**	4,228.7	1,727.1	2,501.6	**Pennsylvania**	10,168.9	3,549.5	6,619.4
California	33,858.6	11,319.5	22,539.1	**Massachusetts**	6,258.5	2,192.1	4,066.4	**Puerto Rico**	4,708.5	2,052.1	2,656.4
Colorado	4,763.3	1,231.4	3,531.9	**Michigan**	8,276.4	2,465.1	5,811.3	**Rhode Island**	1,413.9	432.6	981.3
Connecticut	3,247.5	1,515.2	1,732.3	**Minnesota**	3,631.5	2,242.2	1,389.3	**South Carolina**	3,996.6	581.8	3,414.8
Delaware	2,003.5	342.3	1,661.2	**Mississippi**	1,314.2	563.2	751.0	**South Dakota**	348.3	75.1	273.2
D. of Columbia	275.6	-	275.6	**Missouri**	6,724.5	933.6	5,790.9	**Tennessee**	5,457.7	1,006.7	4,451.0
Florida	21,182.0	1,315.7	19,866.3	**Montana**	1,051.1	98.8	952.3	**Texas**	24,002.7	11,531.4	12,471.3
Georgia	4,500.0	2,010.7	2,489.3	**Nebraska**	1,780.5	594.3	1,186.2	**Utah**	1,939.4	328.6	1,610.8
Guam	-	-	-	**Nevada**	2,826.8	1,660.5	1,166.3	**Vermont**	575.3	8.6	566.7
Hawaii	1,504.6	588.4	916.2	**New Hampshire**	1,082.6	81.0	1,001.6	**Virginia**	1,208.5	981.7	226.8
Idaho	849.8	257.5	592.3	**New Jersey**	6,991.3	2,253.7	4,737.6	**Virgin Islands**	2,971.2	-	2,971.2
Illinois	11,309.2	5,857.9	5,451.3	**New Mexico**	1,621.4	279.4	1,342.0	**Washington**	6,281.9	3,015.3	3,266.6
Indiana	6,459.5	542.4	5,917.1	**New York**	21,082.4	5,204.4	15,878.0	**West Virginia**	903.9	156.2	747.7
Iowa	2,344.6	793.6	1,551.0	**North Carolina**	5,197.6	1,088.0	4,109.6	**Wisconsin**	3,694.2	1,989.8	1,704.4
Kansas	1,670.9	757.0	913.9	**North Dakota**	304.1	68.0	236.1	**Wyoming**	318.7	4.4	314.3

G.O. Issuance 81,813.3
Revenue Issuance 183,413.9
Total LT Issuance 265,227.2

Sources: Thomson Financial Securities Data

Long-Term Municipal Issuance

Regional Issuance by Moody's Long-Term Rating

As of September 30, 2006

Amounts in $ Million

General Obligation

	Far West	Midwest	Northeast	Southeast	Southwest
Aaa	13,250.8	13,804.8	11,746.9	6,693.3	10,630.7
Aa	795.3	2,996.1	3,242.1	2,274.9	1,927.9
A	2,653.3	247.6	1,695.6	247.1	135.6
Baa	534.6	24.9	946.1	17.0	56.8
Below Baa	-	-	-	-	-
Total Rated	17,234.0	17,073.4	17,630.7	9,232.3	12,751.0
Not Rated	379.7	1,762.8	1,915.0	363.3	3,470.9
Totals	**17,613.7**	**18,836.2**	**19,545.7**	**9,595.6**	**16,221.9**
% of Total LT Volume	**21.5%**	**23.0%**	**23.9%**	**11.7%**	**19.8%**

Revenue

	Far West	Midwest	Northeast	Southeast	Southwest
Aaa	20,482.5	19,109.7	21,047.2	25,090.8	16,933.7
Aa	4,990.5	4,082.4	8,221.8	14,101.8	3,273.0
A	1,018.8	1,509.1	3,741.5	1,439.9	526.5
Baa	1,006.2	960.5	1,695.0	405.9	579.0
Below Baa	-	-	94.0	-	-
Total Rated	27,498.0	25,661.7	34,799.5	41,038.4	21,312.2
Not Rated	5,782.0	7,588.9	8,601.5	6,324.3	4,807.3
Totals	**33,280.0**	**33,250.6**	**43,401.0**	**47,362.7**	**26,119.5**
% of Total LT Volume	**18.1%**	**18.1%**	**23.7%**	**25.8%**	**14.2%**

Source: Thomson Financial Securities Data

Long-Term Unenhanced Municipal Issuance

Regional Issuance by Moody's Long-Term Rating

As of September 30, 2006

Amounts in $ Million

General Obligation - Unenhanced

	Far West	Midwest	Northeast	Southeast	Southwest
Aaa	31.0	1,374.2	3,784.0	2,860.5	4,707.1
Aa	266.1	2,623.5	5,497.5	9,555.2	2,285.2
A	4.3	24.9	1,102.3	1,184.3	354.6
Baa	534.6	161.9	1,531.0	401.0	527.3
Below Baa	-	-	94.6	-	-
Total Rated	836.0	4,184.5	12,009.4	14,001.0	7,874.2
Not Rated	329.0	1,560.6	5,876.4	4,698.3	3,254.0
Totals	**1,165.0**	**5,745.1**	**17,885.8**	**18,699.3**	**11,128.2**
% of Total LT Volume	**2.1%**	**10.5%**	**32.7%**	**34.2%**	**20.4%**

Revenue - Unenhanced

	Far West	Midwest	Northeast	Southeast	Southwest
Aaa	1,764.6	1,316.8	1,927.7	2,485.0	5,223.4
Aa	2,732.8	2,676.0	2,245.7	1,700.9	1,419.0
A	801.5	1,483.2	94.8	36.9	135.6
Baa	977.9	960.5	237.2	17.0	56.8
Below Baa	-	-	-	-	
Total Rated	6,276.8	6,436.5	4,505.4	4,239.8	6,834.8
Not Rated	4,726.6	4,764.0	1,448.6	343.8	2,867.7
Totals	**11,003.4**	**11,200.5**	**5,954.0**	**4,583.6**	**9,702.5**
% of Total LT Volume	**25.9%**	**26.4%**	**14.0%**	**10.8%**	**22.9%**

Source: Thomson Financial Securities Data

Long-Term Municipal Issuance - General Obligation

General Use of Proceeds
By Moody's Rating Category
As of September 30, 2006
Amounts in $ Million

Sector	Aaa Rating	Number of Issues	Aa Rating	Number of Issues	A Rating	Number of Issues	Baa Rating	Number of Issues	Below Baa Rating	Number of Issues	Unknown Rating	Number of Issues	Total Amount	Number of Issues
Education	30,000.2	1,370	3,639.7	145	191.0	61	12.0	5	-	-	3,345.7	628	37,188.6	2,209
General Purpose	19,458.2	935	5,159.1	177	4,712.1	88	1,549.6	13	-	-	3,532.3	567	34,411.3	1,780
Utilities	2,903.0	167	582.4	26	15.2	7	8.6	5	-	-	584.5	219	4,093.7	424
Public Facilities	1,087.3	106	132.1	11	20.7	7	1.8	1	-	-	199.7	89	1,441.6	214
Transportation	2,038.4	58	1,190.4	13	20.1	10	-	-	-	-	102.3	76	3,351.2	157
Housing	31.1	4	206.0	8	-	-	-	-	-	-	28.9	7	266.0	19
Other	608.3	26	326.6	15	20.1	2	7.4	2	-	-	98.3	19	1,060.7	64
Totals	**56,126.5**	**2,666**	**11,236.3**	**395**	**4,979.2**	**175**	**1,579.4**	**26**	**-**	**-**	**7,891.7**	**1,605**	**81,813.1**	**4,867**
% of Total LT G.O.	**68.6%**	**54.8%**	**13.7%**	**8.1%**	**6.1%**	**3.6%**	**1.9%**	**0.5%**	**-**	**-**	**9.6%**	**33.0%**	**100.0%**	**100.0%**

Source: Thomson Financial Securities Data

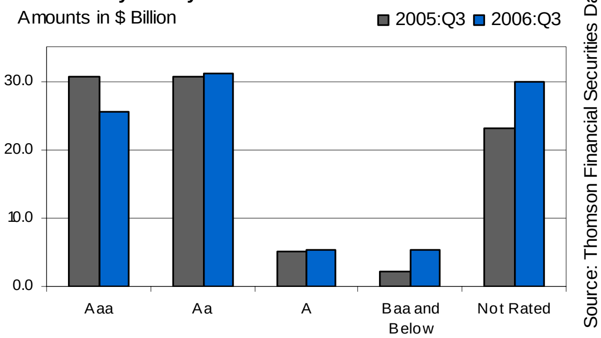
Long-Term Municipal Issuance - Revenue

General Use of Proceeds
By Moody's Rating Category
As of September 30, 2006
Amounts in $ Million

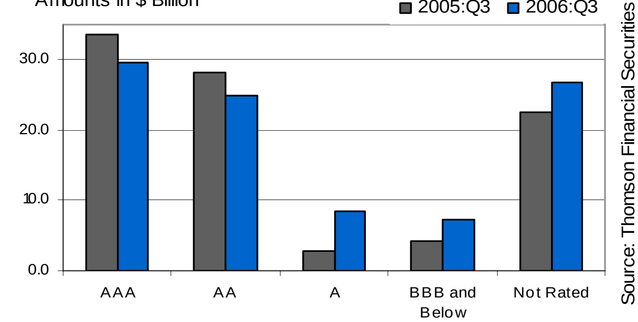
Sector	Aaa Rating	Number of Issues	Aa Rating	Number of Issues	A Rating	Number of Issues	Baa Rating	Number of Issues	Below Baa Rating	Number of Issues	Unknown Rating	Number of Issues	Total Amount	Number of Issues
Education	25,099.9	426	4,248.9	161	1,255.3	45	602.2	11	-	-	6,269.8	279	37,476.1	922
General Purpose	13,364.4	278	5,943.9	50	566.4	17	2,477.0	10	-	-	7,099.3	379	29,451.1	734
Utilities	13,798.0	344	6,465.5	35	65.0	12	-	-	-	-	1,051.1	126	21,379.6	517
Public Facilities	7,811.4	114	312.7	20	172.0	7	284.8	6	-	-	761.0	87	9,341.9	234
Transportation	12,563.2	114	5,103.9	27	2,721.8	11	329.4	3	-	-	1,666.4	52	22,384.7	207
Housing	8,269.1	245	7,158.4	165	93.4	13	18.7	8	-	-	5,773.3	204	21,312.9	635
Other	21,757.9	278	5,436.2	124	3,361.9	63	934.5	20	94.0	1	10,483.2	472	42,067.7	958
Totals	**102,663.9**	**1,799**	**34,669.5**	**582**	**8,235.8**	**168**	**4,646.6**	**58**	**94.0**	**1**	**33,104.1**	**1,599**	**183,413.9**	**4,207**
% of Total LT Rev.	**56.0%**	**42.8%**	**18.9%**	**13.8%**	**4.5%**	**4.0%**	**2.5%**	**1.4%**	**0.1%**	**0.0%**	**18.0%**	**38.0%**	**100.0%**	**100.0%**

Source: Thomson Financial Securities Data

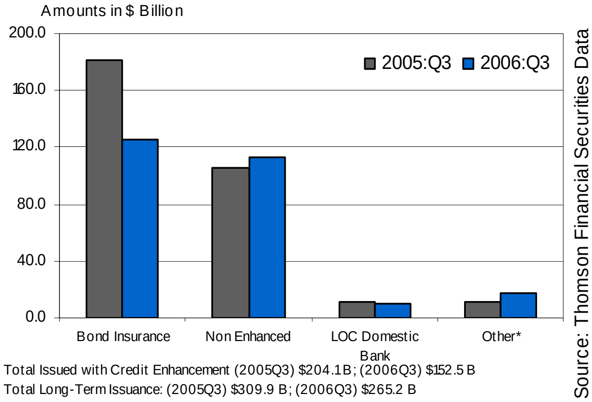
Long-Term Unenhanced Issuance
As Rated by Moody's
Amounts in $ Billion



Long-Term Unenhanced Issuance
As Rated by Standard & Poor's
Amounts in $ Billion

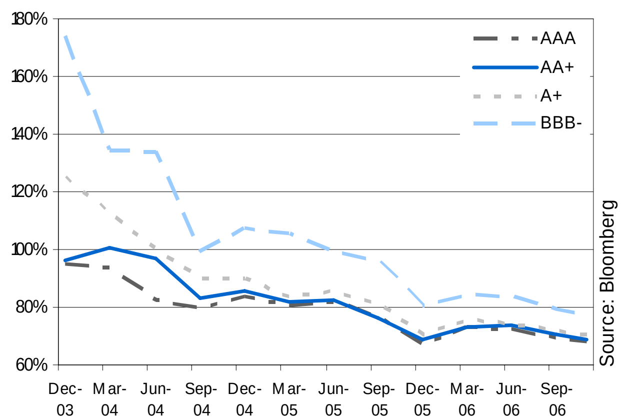


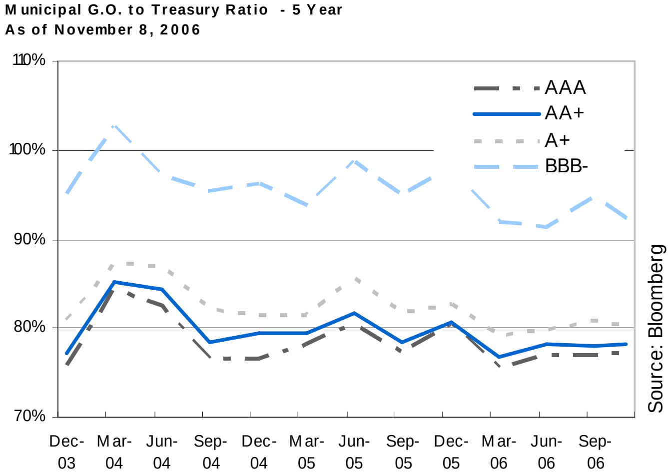
Long-Term Municipal Issuance by Enhancement Type
Amounts in $ Billion

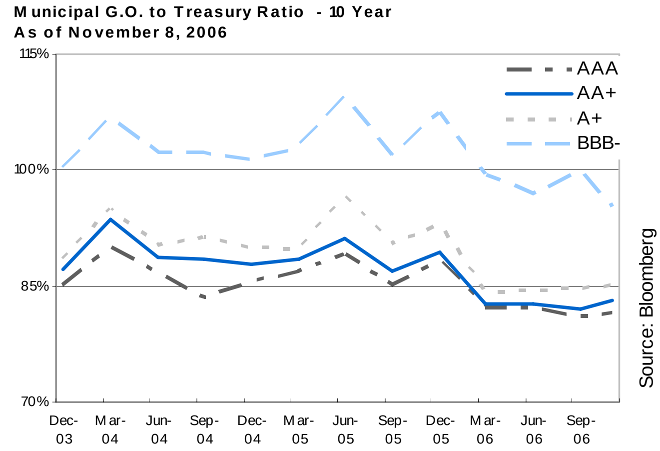


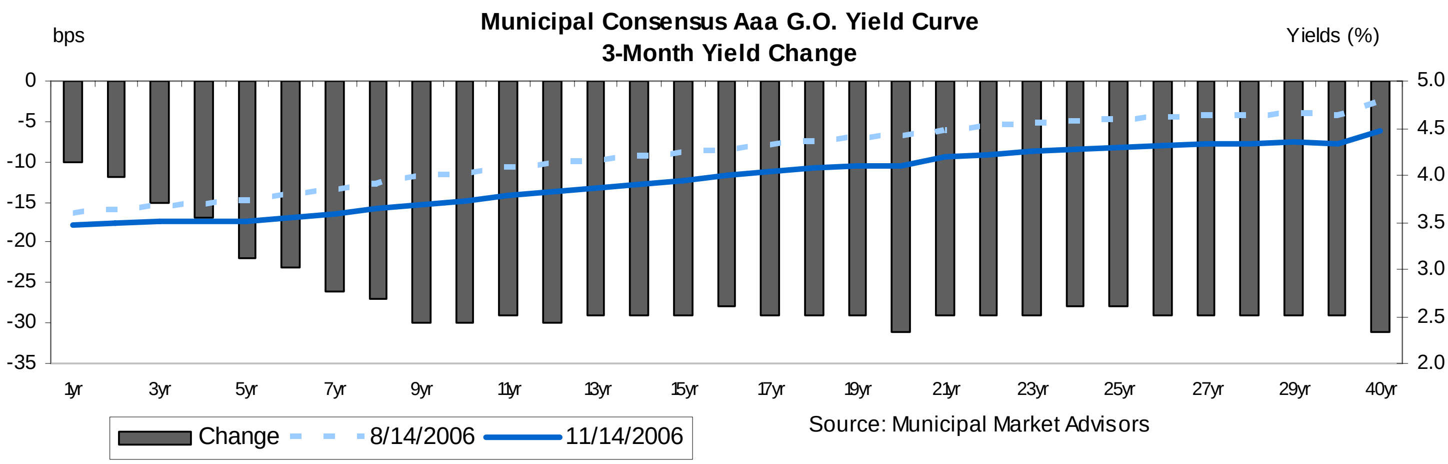
Total Issued with Credit Enhancement (2005Q3) $204.1B; (2006Q3) $152.5 B
Total Long-Term Issuance: (2005Q3) $309.9 B; (2006Q3) $265.2 B
*Includes Standby Purchase Agreement, Mortgage-backed, LOC Foreign Bank, Investment Agreement and Guaranteed

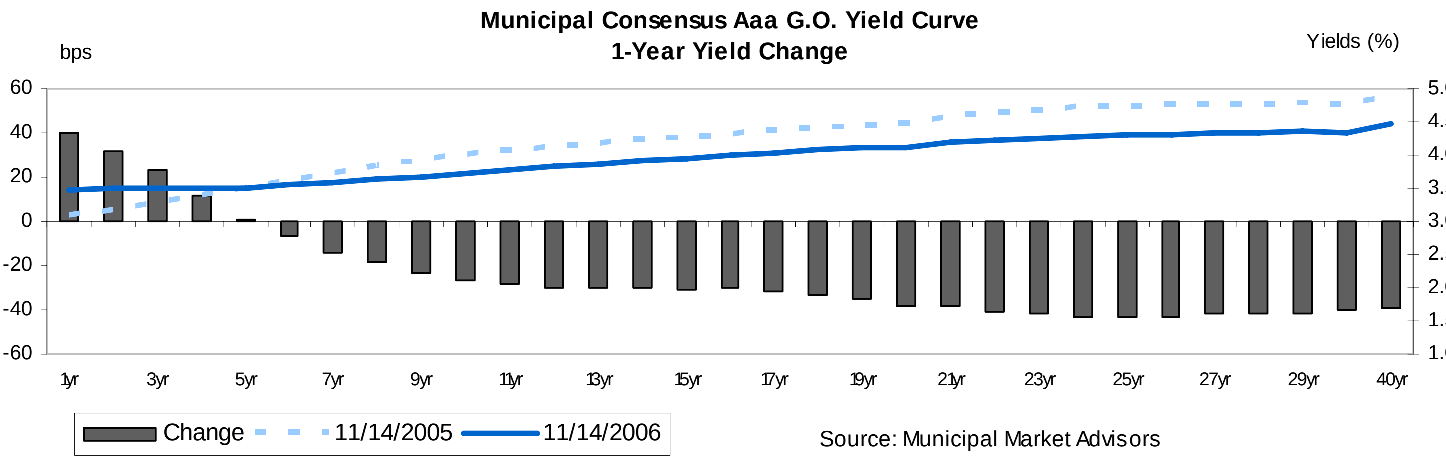
Municipal G.O. to Treasury Ratio - 3-Month
As of November 8, 2006




Municipal G.O. to Treasury Ratio - 5 Year
As of November 8, 2006
110%
100%
90%
80%
70%
AAA
AA+
A+
BBB-
Source: Bloomberg
Dec-03
Mar-04
Jun-04
Sep-04
Dec-04
Mar-05
Jun-05
Sep-05
Dec-05
Mar-06
Jun-06
Sep-06


Municipal G.O. to Treasury Ratio - 10 Year
As of November 8, 2006
115%
100%
85%
70%
AAA
AA+
A+
BBB-
Source: Bloomberg
Dec-03
Mar-04
Jun-04
Sep-04
Dec-04
Mar-05
Jun-05
Sep-05
Dec-05
Mar-06
Jun-06
Sep-06


Municipal Consensus Aaa G.O. Yield Curve
3-Month Yield Change
bps
Yields (%)
0
-5
-10
-15
-20
-25
-30
-35
5.0
4.5
4.0
3.5
3.0
2.5
2.0
1yr
3yr
5yr
7yr
9yr
11yr
13yr
15yr
17yr
19yr
21yr
23yr
25yr
27yr
29yr
40yr
Change
8/14/2006
11/14/2006
Source: Municipal Market Advisors


Municipal Consensus Aaa G.O. Yield Curve
1-Year Yield Change
bps
Yields (%)
60
40
20
0
-20
-40
-60
5.0
4.5
4.0
3.5
3.0
2.5
2.0
1.5
1.0
1yr
3yr
5yr
7yr
9yr
11yr
13yr
15yr
17yr
19yr
21yr
23yr
25yr
27yr
29yr
40yr
Change
11/14/2005
11/14/2006
Source: Municipal Market Advisors

A Description of Terminology in the Municipal Bond Credit Report[1] [2]

Long-Term Municipal Issue: municipal securities with a maturity of 13 months or longer at the time the municipal security is issued[3]. Unless otherwise noted, the issuance volume is stated in millions of dollars.

General Obligation or (G.O.) Bonds: bonds issued by state or local units of government. The bonds are secured by the full faith, credit and taxing power of the municipal bond issuer. Such bonds constitute debts by the issuer and often require approval by election prior to issuance. In the event of default, the bondholders of G.O. bonds have the right to compel a tax levy or legislative appropriation to cover debt service.

Revenue Bonds: payable from a specific source of revenue and to which the full faith and credit of an issuer and its taxing power are not pledged. Revenue bonds are payable from identified sources of revenue and do not permit the bondholders to compel taxation or legislative appropriation of funds not pledged for payment of debt service. Pledged revenues may be derived from sources such as the operation of the financed project, grants or a dedicated specialized tax. Generally, no voter approval is required prior to issuance of such obligations.

Ratings: are evaluations of the credit quality of bonds and other debt financial instruments made by rating agencies. Ratings are intended to measure the probability of the timely repayment of principal and interest on municipal securities. Ratings are typically assigned upon initial bond issuance. Ratings are periodically reviewed and may be amended to reflect changes in the issue or issuer's credit position. The ratings may be affected by the credit worthiness of the issuer itself or from a credit enhancement feature of the security such as guarantor, letter of credit provider, and bond insurer. Some rating agencies provide both long-term and short-term ratings on variable rate demand obligations. The ratings described herein are "long-term" ratings – that is, ratings applied to municipal bond issues with original maturity of 13 months or longer.

State Rating: indicates the G.O. credit rating a rating agency may apply to a state. The rating on a specific municipal bond issue or issuer located with the state may differ from the state rating.

Rating Agency: is a company that provides ratings that indicate the relative credit quality or liquidity characteristics of municipal securities as well as other debt securities. Moody's Investors Service ("Moody's") and Standard and Poor's are the largest agencies in terms of municipal securities rated, followed by Fitch Ratings.

Moody's Ratings[4]
Moody's describes its municipal credit ratings as "opinions of the investment quality of issuers and issues in the U.S. municipal and tax-exempt markets. These ratings incorporate a rating agency's assessment of the probability of default and loss severity of issuers and issues."

Moody's ratings are based upon the analysis of four primary factors relating to municipal finance: economy, debt, finances and administrative/management strategies. The rating classifications are defined as:

Aaa: the strongest creditworthiness relative to other U.S. municipal or tax-exempt issues of issuers.

Aa: very strong creditworthiness relative to other U.S. municipal or tax-exempt issues.

A: above-average creditworthiness relative to other U.S. municipal or tax-exempt issues of issuers.

Baa: average creditworthiness relative to other U.S. municipal or tax-exempt issues of issuers.

Ba: below-average creditworthiness relative to other U.S. municipal or tax-exempt issues of issuers.

B: weak creditworthiness relative to other U.S. municipal or tax-exempt issues of issuers.

Caa: very weak creditworthiness relative to other U.S. municipal or tax-exempt issues of issuers.

Ca: extremely weak credit worthiness relative to other U.S. municipal or tax-exempt issues of issuers.

C: issuers or issues demonstrate the weakest credit worthiness relative to other U.S. municipal or tax-exempt issues of issuers.[5]

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[1] The order of presentation is based on when the term first appears in the tables and graphs starting on page 2 of *The Municipal Bond Credit Report.*
[2] Unless otherwise specified, the definitions are based on the definitions in the Municipal Securities Rulemaking Board *Glossary of Municipal Securities Terms* (2004).
[3] Authors' own definition.
[4] Moodys.com, "Ratings Definitions."
[5] The lowest rating is a "D" at both Moody's and Standard and Poor's.

Standard and Poor's Ratings[6]
Standard and Poor's describes a municipal issue credit rating as "a current opinion of the credit worthiness with respect to a specific financial obligation(s) or a specific program. It takes into consideration the credit worthiness of credit enhancement on the obligation."

Long-term issue credit ratings are based on:

- Likelihood of payment—capacity and willingness to meet the financial commitment in accordance with the terms of the obligation;
- Nature of and provisions of the obligation; and
- Protection afforded by, and relative position of, the obligation in the event of bankruptcy, reorganization, or other arrangement under the laws of bankruptcy and other laws affecting creditors' rights.

AAA: extremely strong capacity to meet its financial commitments – the highest rating category.

AA: very strong capacity to meet financial commitments.

A: strong capacity to meet its financial commitments but is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligors in the higher rated categories.

BBB: adequate capacity to meet its financial commitments though adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity to meet financial commitments.

Rating "BB", "B", "CCC, and "CC" are regarded as having significant speculative characteristics. 'BB' indicates the least degree of speculation and 'CC' the highest.

BB: less vulnerable in the near term than other lower-rated obligors. However, it faces major ongoing uncertainties and exposure to adverse business, financial, or economic conditions which could lead to inadequate capacity to meet its financial commitments.

B: an obligation rated 'B' is more vulnerable to nonpayment than obligations rated 'BB', but the capacity to meet its financial commitment. Adverse business, financial, or economic conditions will likely impair the capacity or willingness to meet financial obligations.

CCC: currently vulnerable, and is dependent upon favorable business, financial, and economic conditions to meet financial commitments.

CC: highly vulnerable and is dependent upon favorable business, financial and economic conditions.

Fitch Ratings

Fitch Ratings provide an opinion on the ability of an entity or a securities issue to meet financial commitments such as interest, preferred dividends, or repayment of principal, on a timely basis.

Credit ratings are used by investors as indications of the likelihood of repayment in accordance with the terms on which they invested. Thus, the use of credit ratings defines their function: "investment grade" ratings (long-term 'AAA' - 'BBB' categories) indicate a relatively low probability of default, while those in the "speculative" or "non-investment grade" categories (international long-term 'BB' - 'D') may signal a higher probability of default or that a default has already occurred. Entities or issues carrying the same rating are of similar but not necessarily identical credit quality since the rating categories do not fully reflect small differences in the degrees of credit risk.

The ratings are based on information obtained directly from issuers, other obligors, underwriters, their experts, and other sources Fitch believes to be reliable. Fitch does not audit or verify the truth or accuracy of such information. Ratings may be changed or withdrawn as a result of changes in, or the unavailability of, information or for any other reasons.

Credit ratings do not directly address any risk other than credit risk. In particular, these ratings do not deal with the risk of loss due to changes in interest rates and other market considerations.

Note: "Not rated" refers to municipal bonds that were not rated by one of the major rating agencies listed above.

General Use of Proceeds: Refers to the type of project the proceeds or funds received from bond issuance are used. In the Municipal Bond Credit Report, the use of proceed classifications are general government use, education, water, sewer and gas, health care and a miscellaneous category, "other."[7]

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[6] Standardandpoors.com "Long-Term Issue Credit Ratings, May 17, 2002.
[7] Authors' own definition.

Geographic Regions[8]
The following states comprise the regions in this report

Far West: Alaska, California, Hawaii, Idaho, Montana, Nevada, Oregon, Washington, Wyoming
Midwest: Iowa, Illinois, Indiana, Michigan, Minnesota, Missouri, North Dakota, Nebraska, Ohio, South Dakota, and Wisconsin
Northeast: Connecticut, District of Columbia, Delaware, Massachusetts, Maryland, Maine, New Hampshire, New Jersey, New York, Pennsylvania, Puerto Rico, Rhode Island, Vermont
Southeast: Virginia, Alabama, Florida, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, South Carolina, Tennessee, West Virginia
Southwest: New Mexico, Texas, Utah, Arkansas, Arizona, Colorado, Kansas, Oklahoma

Municipal G.O. to Treasury Ratio: is a common measure of credit risk of municipal bonds relative to risk-free securities, Treasuries. It is a measure comparable to the "spread to Treasury" measure in the taxable markets. Note that the municipal yield is typically less than 100% of the Treasury yield due to the tax-free nature of municipal securities.

Credit Enhancement: is the use of the credit of an entity other than the issuer to provide additional security in a bond. The term is usually used in the context of bond insurance, bank letters of credit state school guarantees and credit programs of federal and state governments and federal agencies but also may apply more broadly to the use of any form of guaranty secondary source of payment or similar additional credit-improving instruments.

Bond Insurance: is a guaranty by a bond insurer of the payment of principal and interest on municipal bonds as they become due should the issuer fail to make required payments. Bond insurance typically is acquired in conjunction with a new issue of municipal securities, although insurance also is available for outstanding bonds traded in the secondary market.

Letter of Credit: a commitment, usually made by a commercial bank, to honor demands for payment of a debt upon compliance with conditions and/or the occurrence of certain events specified under the terms of the commitment. In municipal financings, bank letters of credit are sometimes used as additional sources of security with the bank issuing the letter of credit committing to in the event the issuer is unable to do so.

[8] The geographic region definitions are taken from the definitions provided by Thomson Financial SDC database (the source of the data for the geographic region section of the report) which in turn sources the *Bond Buyer* newspaper.