



**MUNICIPAL BOND
CREDIT REPORT
1Q 2010**

Volume V
No. **9**

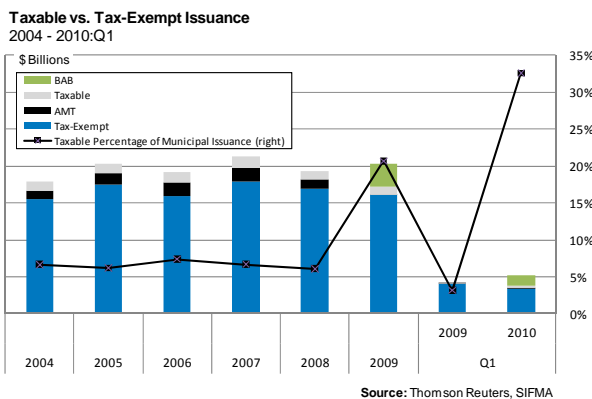
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The U.S. financial markets continued to remain in recovery mode in the first quarter of 2010, with the Federal Reserve Bank continuing its accommodative policy and keeping its Fed fund rates low. Regulatory reform has taken center stage in 1Q'10 and, regardless of outcome, its effects will certainly impact the municipal market.

Municipal Issuance: Taxables Surge

According to Thomson Reuters, long-term municipal issuance volume, including both taxable and tax-exempt issuance, totalled \$103.7 billion in the first quarter of 2010, up 21.1 percent from \$85.4 billion in 1Q'09 and a decline of 14.1 percent from Q4'09. Excluding taxables, tax-exempt issuance totaled \$68.5 billion, a decline of 16.1 and 18.7 percent, respectively, from Q1'09 and Q4'09.

Taxable issuance continued to gain market share, claiming 32.6 percent of all municipal issuance in the first quarter of 2010 compared to 29.4 percent in 4Q'09. Since 2009, Build America Bonds (BABs) have accounted for the majority of the increased share of taxable municipal issuance, representing 25.9 percent of 2010's first quarter long-term issuance total.



The ratio of AAA 10-year G.O.s to 10-year Treasuries was 83.9 percent at end-March, well below the 90.7 percent 10-year average, but slightly below the 86.1 percent 5-year average from 2003-2007 that preceded the financial-crisis. Yields for tax-exempts in 1Q'10, moved slightly with the 10-year yield at 3.22 percent end-March up from 3.05 end-December 2009, due, in part, to seasonal sales for tax-related reasons.

Build America Bonds: Stronger than Ever

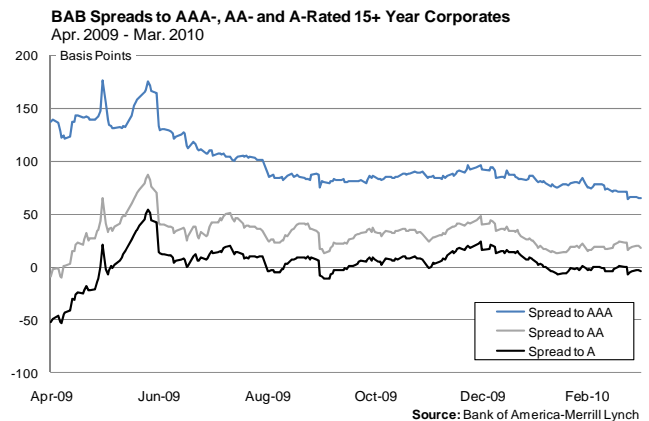
BABs continued to dampen tax-exempt supply in 1Q'10 with issuance of \$18.6 billion, 6.5 percent less than the prior quarter; despite the drop, BAB share of total issuance increased to 25.9 percent from the prior quarter's share of 23.7 percent. The program been seen as a success; U.S. Treasury analysis indicated that the

interest cost savings for state and local governments using BABs was \$12 billion in 2009 compared to the cost of using the tax-exempt market.¹

In February, the Administration released its FY 2011 budget, proposing to permanently extend the BABs program, albeit at a reduced subsidy rate of 28 percent from the original 35 percent subsidy rate. The proposal also would expand the use of BABs to include refunding and working capital, as well as allow 501(C)(3) organizations to issue BABs.²

The Small Business and Infrastructure Jobs Act of 2010 (H.R. 4849, which passed the House of Representatives on March 24, 2010) proposes to extend the BABs program through March 31, 2013, although the proposed subsidy in the bill would decline annually from an initial rebate of 35 percent for 2009-2010, to 33, 31, and 30 percent in 2011, 2012, and 2013, respectively.³

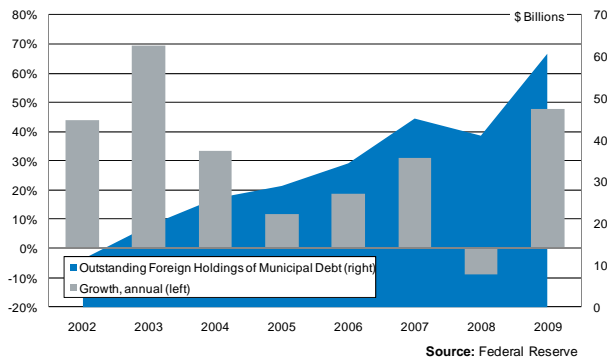
As the market has grown more comfortable with the product, BAB spreads to long corporate bonds have continued to narrow.



Foreign investors appear to maintain strong interest in the taxable municipal sector; according to the Federal Reserve, foreign holders added \$7.1 billion in municipal debt in 4Q'09 for total holdings of \$60.6 billion at year-end 2009, a year-over-year increase of 47.8 percent.

¹ U.S. Department of the Treasury, [Treasury Analysis of Build America Bonds and Issuer Net Borrowing Costs](#), April 2, 2010.
² [Budget of the U.S. Government, Fiscal Year 2011](#), February 1, 2010.
³ Committee on Ways and Means, [H.R. 4849 Small Business and Infrastructure Jobs Tax Act of 2010](#), March 15, 2010.

Foreign Holdings of Municipal Debt
2002 - 2009



The Continued Decline of VRDOs

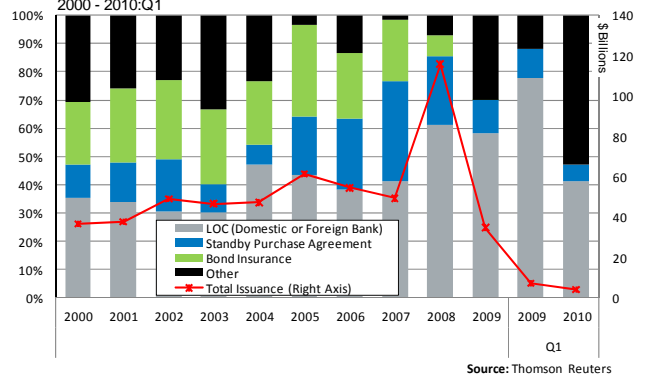
Issuance of variable rate demand obligations (VRDOs), long-term municipal bonds with a floating interest rate that resets daily or weekly and contains a put feature, continued to decline, with \$4.2 billion issued in 1Q'10, 42.5 and 55.2 percent below that issued in 1Q'09 and 4Q'09, respectively. Multi- and single-family housing agencies issuance (which comprised on average 15.0 percent of all VRDO issuance in the 10-year period 2000-2009) remained impacted by the housing crisis in 1Q'10, as only \$297.8 million, or 7.2 percent of total VRDO issuance, were issued in 1Q'10, a further decline from the 10.7 percent share in 2009. The SIFMA Municipal Swap Index, a 7-day high-grade market index comprised of tax-exempt VRDOs, averaged 0.21 percent during 1Q'10 and ended in March at 0.29 percent.

Although VRDO debt remains attractive to issuers in cost terms, issuance continues to face several challenges: a shrinking investor base (e.g., tax-exempt money market funds⁴), the costs to third-party liquidity (standby purchase agreements or letters of credit), and a need to plan for a high volume of bank facility expirations (of which \$204 billion are scheduled to expire in 2010 and 2011) that would require to “actively manage and plan for these expirations given the current market dynamics.”⁵

Although S&P noted in March that issuers had begun pursuing other alternatives in the VRDO space, particularly with regard to bank liquidity alternatives, this trend appears to have begun in earnest in 4Q'09, with 44.9 and 50.7 percent of all VRDO issuance in 4Q'09 and 1Q'10 with non-traditional liquidity facilities, compared to the pre-crisis average prior to 2007 of 15.9 percent.

⁴ According to the Investment Company Institute, tax-exempt money market funds hemorrhaged an additional \$23.2 billion in Q1'10, ending at \$364.2 billion in holdings, compared to the \$19.2 billion drop in Q4'09.
⁵ Standard and Poor's, Changes and Challenges in the Variable-Debt Market, March 10 2010.

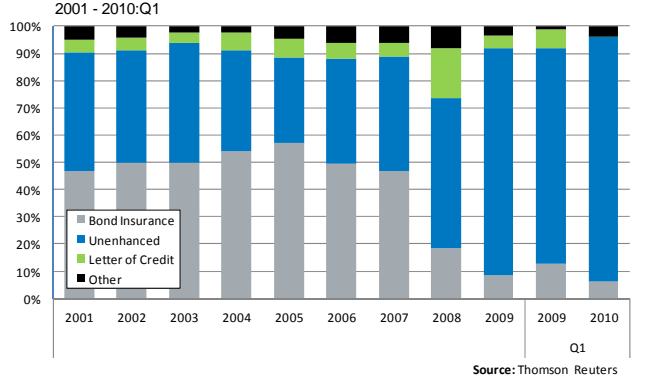
VRDO Issuance by Credit Enhancement Type
2000 - 2010:Q1



Credit Enhancement: The End?

The overall use of credit enhancement for municipal bonds continued to wane. Non-enhanced issuance in 1Q'10 comprised 89.7 percent of total issuance, compared to 79.1 percent non-enhanced issuance in 1Q'09 and 40.9 percent average in the five-year period 2004-2008.

Municipal Issuance by Credit Enhancement Type
2001 - 2010:Q1



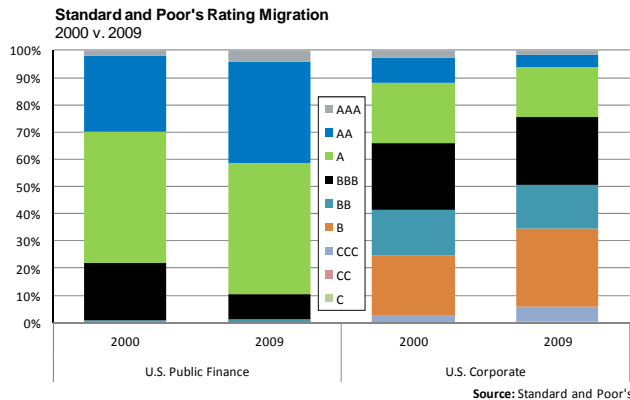
In late March, the Wisconsin Office of the Commissioner of Insurance filed a petition to take control and rehabilitate the segregated accounts of Ambac Insurance Corporation. Two factors - that only one viable insurer remains in this market (Assured Guaranty), combined with a general shift upwards in ratings by the rating agencies through their ratings scale conversions, reinforce the likelihood that for the foreseeable future municipal insurance will be ultimately an outlier in the municipal market, rather than the norm.

Recalibration of Ratings

In March 2010, both Moody's and Fitch Ratings announced changes to their public finance ratings, converting the whole sector to their global corporate scales. Shortly after the end of 1Q'10, the two agencies began their ratings migration; with Fitch beginning on April 5 and Moody's on April 19. Both rating agencies noted that, generally, the shift would raise ratings across the board, with some issuers by sector benefiting from a raise of 2-3 notches.

While Standard and Poor's did not announce a similar adjustment to their ratings scale, they noted that their

public finance ratings migration began in 2001 and, subsequently, were already reflected in current ratings, with public finance entities “weighted toward the higher end of the rating scale, both on an absolute basis and relative to corporate ratings.”⁶



finances continue to be fragile, both in the near- and long-term, even taking federal support into account. According to a U.S. Government Accountability Office report, the fiscal position of state and local governments continued to remain “stressed,” with the primary drivers of fiscal challenges continuing to be health-related costs and pension shortfalls.¹⁰

From Tax Credits to Direct Subsidy Payments & Stripped Tax Credit Guidance

On March 18, President Obama signed the Hiring Incentives to Restore Employment Act (HIRE Act) into law, which, among other things, contained provisions allowing municipal issuers to issue certain tax credit bonds with a direct payment option, similar to BABs: Qualified School Construction Bonds (QSCBs), Qualified Zone Academy Bonds (QZABS), Clean Renewable Energy Bonds (CREBs), and Qualified Energy Conservation Bonds (QECBs). The subsidy for these specific bonds varies on the type of bond: for QSCBs and QZABS, up to 100 percent of their interest costs (subject to a tax credit rate ceiling); for CREBs and QECBs, up to 70 percent. Shortly after the end of 1Q'10, the Treasury issued guidance on the direct payment subsidy option for these tax credit bonds.⁷

On March 23, the Internal Revenue Service (IRS) and the Treasury Department released interim guidance on stripping tax credits from qualified tax-credit bonds under Section 54A of the Internal Revenue Code and for accounting issues associated with holding and stripping the bonds.⁸

State and Government Finances

Public reports of the state and local government financial woes have rekindled concerns over the health of the municipal sector. Historically, municipal bond defaults have been rare, and rarer still for G.O. bonds, with recovery rates at or near par.⁹ Nonetheless, state

⁶ Standard and Poor's, April 19, 2010, U.S. Public Finance and the Global Rating Scale

⁷ Treasury, IRS, April 26, 2010. [Notice 2010-35: Direct Payment Subsidy Option for Certain Qualified Tax Credit Bonds and Build America Bonds](#)

⁸ Internal Revenue Service Notice 2010-28, [Stripping Transactions for Qualified Tax Credit Bonds](#), March 23, 2010.

⁹ Moody's notes only 54 defaults among Moody's rated public finance securities since 1970, only three of which were G.O.s. Moody's, February 2010. U.S. Municipal Bond Defaults and Recoveries, 1970-2009

¹⁰ GAO, March 2010. [State and Local Governments' Fiscal Outlook, March 2010 Update](#), March 2, 2010

LONG-TERM MUNICIPAL STATE ISSUANCE BY TYPE, 1Q'10

Long-Term Municipal State Issuance by Type

First Quarter 2010
\$ Millions

| State | Total Amount | G.O. | Revenue | State | Total Amount | G.O. | Revenue | State | Total Amount | G.O. | Revenue |
|----------------|--------------|---------|---------|----------------|--------------|---------|---------|----------------|--------------|---------|---------|
| Alabama | 380.2 | 164.5 | 215.7 | Louisiana | 664.1 | 83.0 | 581.1 | Ohio | 2,345.3 | 919.0 | 1,426.3 |
| Alaska | 243.0 | 155.9 | 87.1 | Maine | 103.7 | 78.1 | 25.6 | Oklahoma | 729.7 | 329.2 | 400.5 |
| Arizona | 1,284.2 | 217.4 | 1,066.8 | Maryland | 1,773.8 | 1,112.9 | 660.9 | Oregon | 1,145.4 | 107.6 | 1,037.8 |
| Arkansas | 356.0 | 244.9 | 111.1 | Massachusetts | 3,114.0 | 1,193.1 | 1,920.9 | Pennsylvania | 4,453.0 | 2,584.4 | 1,868.6 |
| California | 16,486.8 | 9,217.9 | 7,268.9 | Michigan | 2,185.5 | 536.6 | 1,648.9 | Puerto Rico | 2,646.0 | - | 2,646.0 |
| Colorado | 917.6 | 392.3 | 525.3 | Minnesota | 1,297.7 | 644.6 | 653.1 | Rhode Island | 107.7 | 16.7 | 91.0 |
| Connecticut | 1,681.6 | 439.1 | 1,242.5 | Mississippi | 352.0 | 78.8 | 273.2 | South Carolina | 934.7 | 779.0 | 155.7 |
| D. of Columbia | 962.8 | 29.0 | 933.8 | Missouri | 2,088.8 | 272.7 | 1,816.1 | South Dakota | 42.5 | 39.3 | 3.2 |
| Delaware | 78.4 | - | 78.4 | Montana | 24.8 | 12.8 | 12.0 | Tennessee | 1,345.4 | 353.1 | 992.3 |
| Florida | 6,755.2 | 969.8 | 5,785.4 | Nebraska | 363.1 | 282.6 | 80.5 | Texas | 6,536.5 | 3,016.7 | 3,519.8 |
| Georgia | 4,070.2 | 380.2 | 3,690.0 | Nevada | 1,928.8 | 183.5 | 1,745.3 | Utah | 429.5 | 152.7 | 276.8 |
| Hawaii | 1,486.6 | 841.6 | 645.0 | New Hampshire | 141.8 | 114.3 | 27.5 | Vermont | 229.5 | 140.3 | 89.2 |
| Idaho | 204.5 | 110.2 | 94.3 | New Jersey | 3,139.1 | 478.5 | 2,660.6 | Virgin Islands | 85.3 | - | 85.3 |
| Illinois | 9,261.5 | 8,294.5 | 967.0 | New Mexico | 394.8 | 39.6 | 355.2 | Virginia | 2,155.2 | 648.2 | 1,507.0 |
| Indiana | 1,665.8 | 260.3 | 1,405.5 | New York | 7,873.6 | 2,130.7 | 5,742.9 | Washington | 2,021.4 | 1,055.6 | 965.8 |
| Iowa | 771.9 | 365.2 | 406.7 | North Carolina | 2,166.3 | 1,164.0 | 1,002.3 | West Virginia | 244.5 | 108.3 | 136.2 |
| Kansas | 743.1 | 408.5 | 334.6 | North Dakota | 95.1 | 59.7 | 35.4 | Wisconsin | 1,937.9 | 1,263.3 | 674.6 |
| Kentucky | 1,330.2 | 142.9 | 1,187.3 | | | | | | | | |

| | |
|---------------------|-----------|
| G.O. Issuance | 42,613.1 |
| Revenue Issuance | 61,163.0 |
| *Total L-T Issuance | 103,776.1 |

Source: Thomson Reuters

*Note: Total Long-Term Issuance includes U.S. territories, such as Puerto Rico and Guam.

LONG-TERM MUNICIPAL ISSUANCE BY REGION, 1Q'10

Long-Term Municipal Issuance by Region

First Quarter 2010
\$ Millions

By Moody's Rating Category

| General Obligation | | | | | | Unenhanced General Obligation | | | | | |
|-----------------------|----------|----------|-----------|-----------|-----------|-------------------------------|----------|---------|-----------|-----------|-----------|
| | Far West | Midwest | Northeast | Southeast | Southwest | | Far West | Midwest | Northeast | Southeast | Southwest |
| Aaa | 4.7 | 449.4 | 1,380.4 | 1,708.8 | 768.6 | Aaa | - | 243.4 | 1,380.4 | 1,708.8 | 223.5 |
| Aa | 4,961.3 | 4,120.2 | 4,757.6 | 2,023.2 | 1,924.6 | Aa | 4,618.1 | 2,758.2 | 4,189.6 | 1,912.2 | 1,653.3 |
| A | 54.9 | 5,898.8 | 177.7 | 440.9 | 323.3 | A | 39.4 | 4,967.4 | 177.7 | 440.9 | 158.5 |
| Baa | 5,900.0 | 3.0 | 6.6 | 9.3 | 38.5 | Baa | 5,900.0 | 3.0 | 0.8 | 9.3 | 29.8 |
| Below Baa | - | - | - | - | - | Below Baa | - | - | - | - | - |
| Total Rated | 10,920.9 | 10,471.4 | 6,322.3 | 4,182.2 | 3,055.0 | Total Rated | 10,557.5 | 7,972.0 | 5,748.5 | 4,071.2 | 2,065.1 |
| Not Rated | 764.2 | 2,466.4 | 1,994.7 | 689.6 | 1,746.2 | Not Rated | 560.9 | 1,752.3 | 1,154.2 | 627.0 | 1,103.3 |
| Totals | 11,685.1 | 12,937.8 | 8,317.0 | 4,871.8 | 4,801.2 | Totals | 11,118.4 | 9,724.3 | 6,902.7 | 4,698.2 | 3,168.4 |
| % of Total L-T Volume | 27.4% | 30.4% | 19.5% | 11.4% | 11.3% | % of Total L-T Volume | 31.2% | 27.3% | 19.4% | 13.2% | 8.9% |

Source: Thomson Reuters

| Revenue | | | | | | Unenhanced Revenue | | | | | |
|-----------------------|----------|---------|-----------|-----------|-----------|-----------------------|----------|---------|-----------|-----------|-----------|
| | Far West | Midwest | Northeast | Southeast | Southwest | | Far West | Midwest | Northeast | Southeast | Southwest |
| Aaa | 824.1 | 1,610.0 | 2,421.5 | 476.4 | 716.8 | Aaa | 508.1 | 1,610.0 | 1,659.2 | 342.8 | 716.8 |
| Aa | 6,303.8 | 3,254.8 | 6,108.7 | 4,783.5 | 3,100.2 | Aa | 5,222.0 | 3,144.6 | 5,911.5 | 3,658.8 | 2,039.5 |
| A | 2,661.1 | 1,549.9 | 5,825.2 | 7,670.3 | 1,174.8 | A | 2,318.2 | 1,549.9 | 4,045.4 | 6,067.6 | 1,174.8 |
| Baa | 423.0 | 162.8 | 434.6 | 1,254.5 | 115.4 | Baa | 423.0 | 162.8 | 434.6 | 1,254.5 | 115.4 |
| Below Baa | - | 35.2 | - | - | - | Below Baa | - | 35.2 | - | - | - |
| Total Rated | 10,212.0 | 6,612.7 | 14,790.0 | 14,184.7 | 5,107.2 | Total Rated | 8,471.3 | 6,502.5 | 12,050.7 | 11,323.7 | 4,046.5 |
| Not Rated | 1,644.4 | 2,504.5 | 3,197.9 | 1,341.6 | 1,482.9 | Not Rated | 1,425.7 | 1,556.0 | 2,896.1 | 1,070.6 | 1,326.7 |
| Totals | 11,856.4 | 9,117.2 | 17,987.9 | 15,526.3 | 6,590.1 | Totals | 9,897.0 | 8,058.5 | 14,946.8 | 12,394.3 | 5,373.2 |
| % of Total L-T Volume | 19.4% | 14.9% | 29.5% | 25.4% | 10.8% | % of Total L-T Volume | 19.5% | 15.9% | 29.5% | 24.5% | 10.6% |

Source: Thomson Reuters

LONG-TERM MUNICIPAL ISSUANCE BY GENERAL USE OF PROCEEDS, 1Q'10

Long-Term Municipal Issuance by General Use of Proceeds
By Moody's Rating Category

First Quarter 2010
\$ Millions

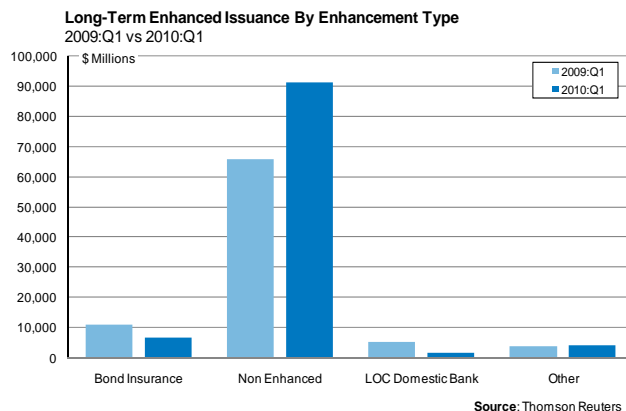
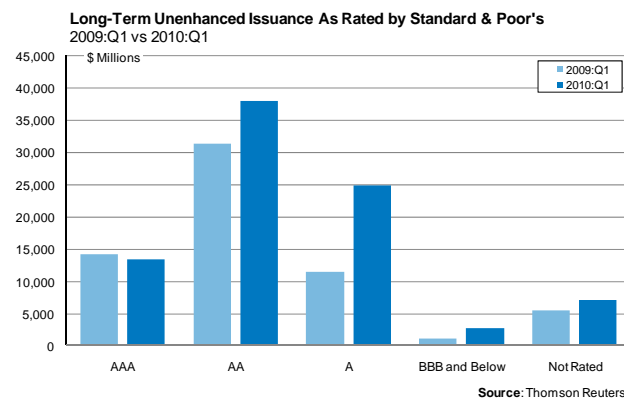
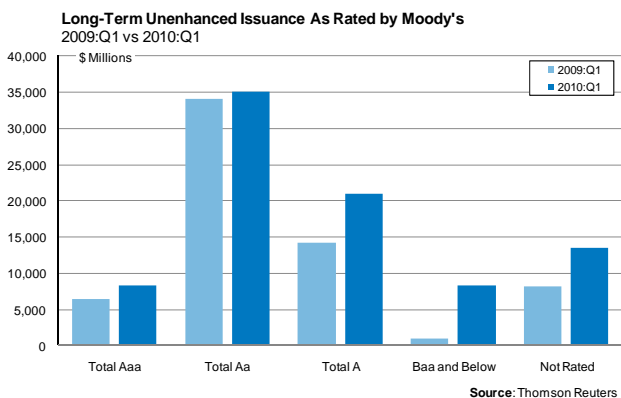
| General Obligation Sector | Investment Grade | Number of Issues | Not Rated | Number of Issues | Total Amount | Number of Issues |
|---------------------------|------------------|------------------|--------------|------------------|-----------------|------------------|
| Development | 282.5 | 6 | 7.8 | 1 | 290.3 | 7 |
| Education | 12,513.0 | 694 | 268.6 | 142 | 12,781.6 | 836 |
| Electric Power | - | - | 0.5 | 1 | 0.5 | 1 |
| Environmental Facilities | 53.0 | 3 | 0.4 | 1 | 53.4 | 4 |
| General Purpose | 25,919.4 | 573 | 237.2 | 96 | 26,156.6 | 669 |
| Healthcare | 387.3 | 9 | 0.2 | 1 | 387.5 | 10 |
| Housing | 75.0 | 1 | - | - | 75.0 | 1 |
| Public Facilities | 449.0 | 51 | 35.6 | 18 | 484.6 | 69 |
| Transportation | 1,595.8 | 30 | 5.8 | 7 | 1,601.6 | 37 |
| Utilities | 717.3 | 92 | 64.8 | 31 | 782.1 | 123 |
| Total | 41,992.3 | 1,459 | 620.9 | 298 | 42,613.2 | 1,757 |

Source: Thomson Reuters

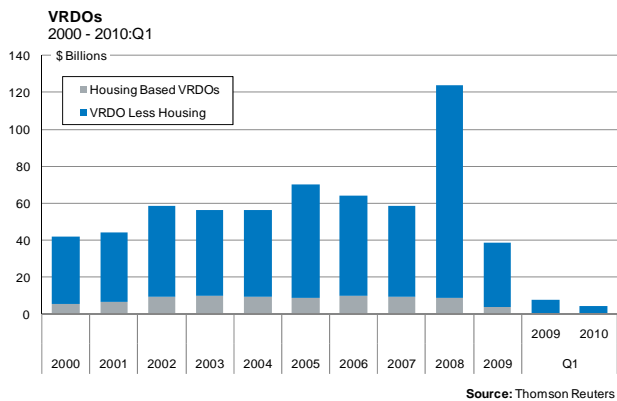
| Revenue Sector | Investment Grade | Number of Issues | Sub-Investment Grade Rating | Number of Issues | Not Rated | Number of Issues | Total Amount | Number of Issues |
|--------------------------|------------------|------------------|-----------------------------|------------------|----------------|------------------|-----------------|------------------|
| Development | 209 | 27 | - | - | 21.9 | 4 | 231.3 | 31 |
| Education | 10,342 | 216 | - | - | 244.4 | 25 | 10,585.9 | 241 |
| Electric Power | 6,306 | 43 | - | - | 67.6 | 10 | 6,373.3 | 53 |
| Environmental Facilities | 1,379 | 12 | - | - | 0.8 | 1 | 1,380.2 | 13 |
| General Purpose | 9,986 | 134 | - | - | 334.0 | 30 | 10,320.1 | 164 |
| Healthcare | 9,498 | 89 | 35 | 1 | 466.0 | 24 | 9,998.8 | 114 |
| Housing | 992 | 33 | - | - | 23.9 | 7 | 1,015.8 | 40 |
| Public Facilities | 698 | 44 | - | - | 37.1 | 10 | 735.1 | 54 |
| Transportation | 11,911 | 80 | - | - | 63.2 | 3 | 11,974.0 | 83 |
| Utilities | 8,477 | 174 | - | - | 71.6 | 26 | 8,548.4 | 200 |
| Total | 59,797.2 | 852 | 35.2 | 1 | 1,330.5 | 140 | 61,162.9 | 993 |

Source: Thomson Reuters

LONG-TERM UNENHANCED ISSUANCE BY RATING & ENHANCEMENT, 1Q'09 AND 1Q'10



VRDO ISSUANCE, 1Q'10



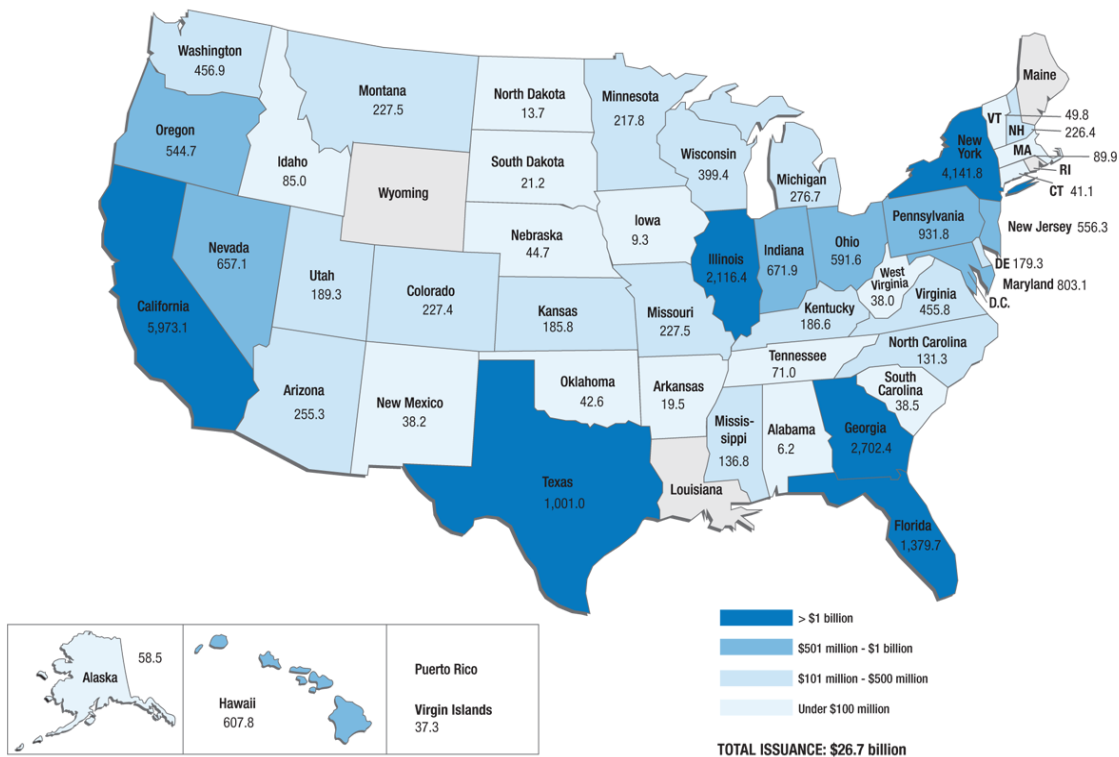
BUILD AMERICA BONDS 1Q'10

Build America Bond Issuance by State

First Quarter 2010
\$ Millions

Build America Bond Issuance By State 1Q '10

Numbers are in \$ Millions



Build America Bond Issuance by State and Month

First Quarter 2010
\$ Millions

| State | Jan | Feb | Mar | State | Jan | Feb | Mar | State | Jan | Feb | Mar |
|-------|---------|---------|---------|-------|--------|---------|---------|-------|----------|----------|----------|
| AK | | | 58.51 | KY | 134.04 | 16.30 | 36.28 | OK | | | 42.58 |
| AL | | 6.16 | | MA | | | 89.91 | OR | | | 544.67 |
| AR | | | 19.52 | MD | 90.12 | 475.66 | 237.29 | PA | 658.42 | 28.76 | 244.59 |
| AZ | 26.57 | 44.13 | 184.65 | MI | 221.09 | 18.98 | 36.64 | SC | 12.00 | 24.55 | 1.91 |
| CA | 898.33 | 1770.65 | 3304.12 | MN | 13.63 | 169.10 | 35.04 | SD | | 2.50 | 18.74 |
| CO | | 111.05 | 116.39 | MO | 85.00 | 67.78 | 74.68 | TN | | 35.40 | 35.58 |
| CT | | 41.13 | | MS | | | 136.78 | TX | 198.68 | 13.23 | 789.09 |
| FL | 736.91 | 323.85 | 318.96 | NC | | | 131.34 | UT | 16.95 | 164.13 | 8.26 |
| GA | 82.54 | 2619.91 | | ND | 3.67 | 10.00 | | VA | 131.78 | 256.71 | 67.35 |
| HI | | 500.00 | 107.84 | NE | 43.84 | | 0.83 | VI | | | 37.33 |
| IA | 7.69 | | 1.57 | NJ | 541.09 | | 15.22 | VT | 40.80 | 9.00 | |
| ID | 71.84 | | 13.15 | NM | 38.25 | | | WA | 203.41 | 121.95 | 131.59 |
| IL | 1303.37 | 201.55 | 611.52 | NV | 70.77 | 486.88 | 99.45 | WI | 56.47 | 68.64 | 274.33 |
| IN | 158.35 | 513.53 | | NY | 768.42 | 1318.48 | 2054.86 | WV | 37.95 | | |
| KS | 41.90 | 143.95 | | OH | 300.30 | 205.98 | 85.35 | | | | |
| Total | | | | | | | | | Jan | Feb | Mar |
| | | | | | | | | | 4,719.32 | 4,345.43 | 9,552.08 |

Source: Thomson Reuters

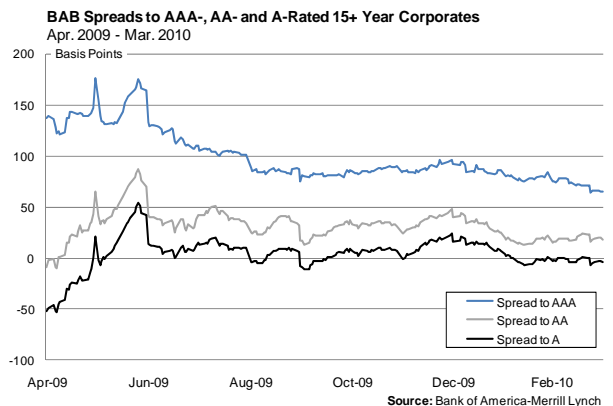
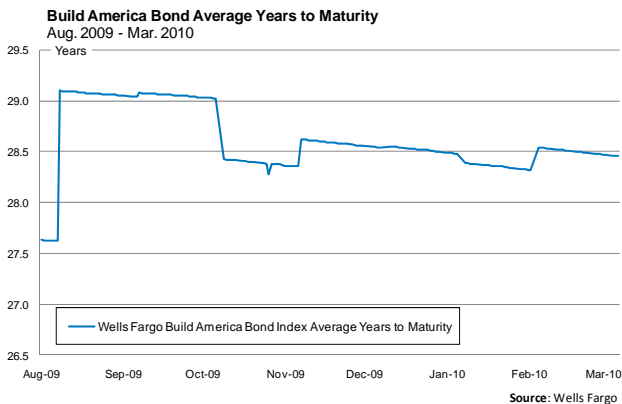
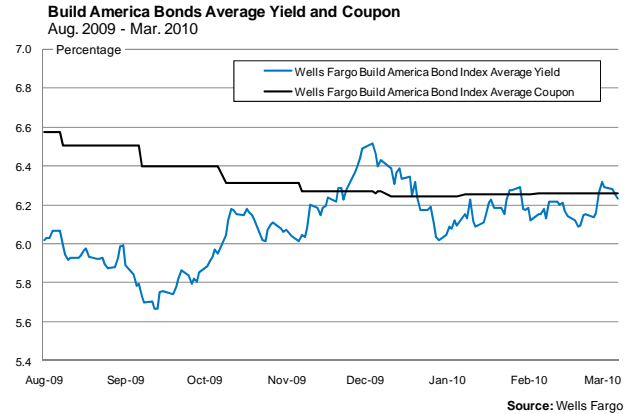
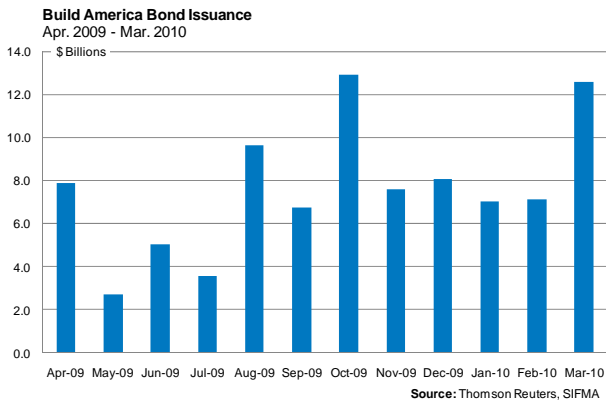
Build America Bond Issuance by Use of Proceeds

First Quarter 2010
\$ Millions

| Use of Proceeds | Jan | Feb | Mar |
|---------------------------|----------|----------|-----------|
| Airports | | 454.28 | |
| Combined Utilities | | | 380.00 |
| Economic Development | | 6.16 | |
| Education | 1,263.50 | 2,157.36 | 1,812.57 |
| Electric & Public Power | 200.00 | 130.94 | 2,782.16 |
| Genl Purpose/ Public Imp | 2,569.59 | 1,958.87 | 4,863.46 |
| Health Care | 108.89 | 513.53 | 17.21 |
| Industrial Development | | | 7.33 |
| Multi Family Housing | | 12.72 | |
| Pollution Control | | 196.46 | 33.04 |
| Seaports/Marine Terminals | 22.43 | | |
| Single Family Housing | 4.48 | 26.05 | 52.19 |
| Transportation | 1,143.39 | 939.15 | 1,973.83 |
| Water, Sewer & Gas Facs | 1,717.25 | 709.07 | 673.94 |
| Total | 7,029.52 | 7,104.57 | 12,595.72 |

Source: Thomson Reuters

Other Build America Bond Charts



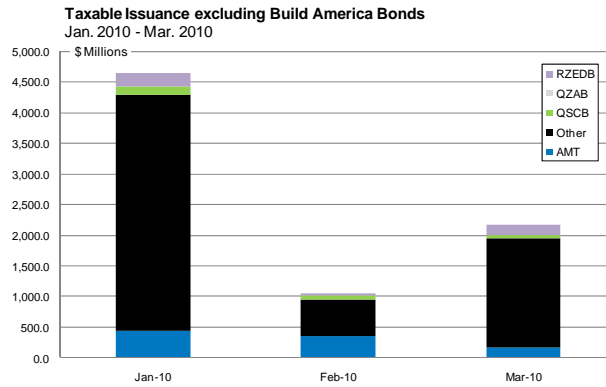
TAXABLE ISSUANCE EXCLUDING BABS, 1Q'10

Taxable Issuance Excluding BABs by Type

First Quarter 2010
\$ Millions

| State | Other | QSCB | QZAB | RZEDB | State | Other | QSCB | QZAB | RZEDB | State | Other | QSCB | QZAB | RZEDB |
|-------|---------|------|------|-------|-------|-------|------|------|-------|-------|-------|------|------|-------|
| AK | 7.4 | | | 12.0 | MA | 87.2 | 17.4 | | 16.7 | OH | 61.2 | 64.6 | | 11.6 |
| AL | 7.8 | | | 7.3 | MD | 13.2 | | | | OK | 74.9 | | | |
| AR | | 55.3 | | | ME | 3.5 | | | | OR | | | | 3.3 |
| AZ | 17.3 | | | | MI | 40.1 | | | 12.9 | PA | 4.9 | | | 11.6 |
| CA | 1,172.9 | | | 3.4 | MN | 6.7 | 17.9 | 2.0 | 2.6 | SC | 25.0 | | | |
| CT | 134.4 | | | 16.0 | MO | 26.9 | | | 13.0 | SD | | | | 1.5 |
| DC | 14.0 | | | | MS | 7.0 | | | | TN | 84.3 | | | 5.0 |
| FL | 39.3 | | | 9.1 | MT | | 10.8 | | | TX | 127.0 | 6.7 | | |
| GA | 1.6 | | | 2.1 | NC | | | | 44.3 | UT | 18.5 | | | 28.2 |
| HI | | | | 12.2 | ND | | 3.8 | | | VA | 38.3 | | | 29.8 |
| IA | 15.9 | | | | NH | | | | | VT | 5.0 | | | |
| IL | 3,657.7 | | | 153.3 | NJ | 33.4 | | | | WA | 10.5 | | | |
| IN | 58.0 | 69.1 | | | NM | 12.6 | | | | WI | 90.0 | 0.5 | | 7.5 |
| KS | 40.3 | | | 8.1 | NV | | | | 20.5 | WV | 0.1 | | | |
| KY | | | | 1.0 | NY | 302.8 | | | | | | | | |

Source: Thomson Reuters

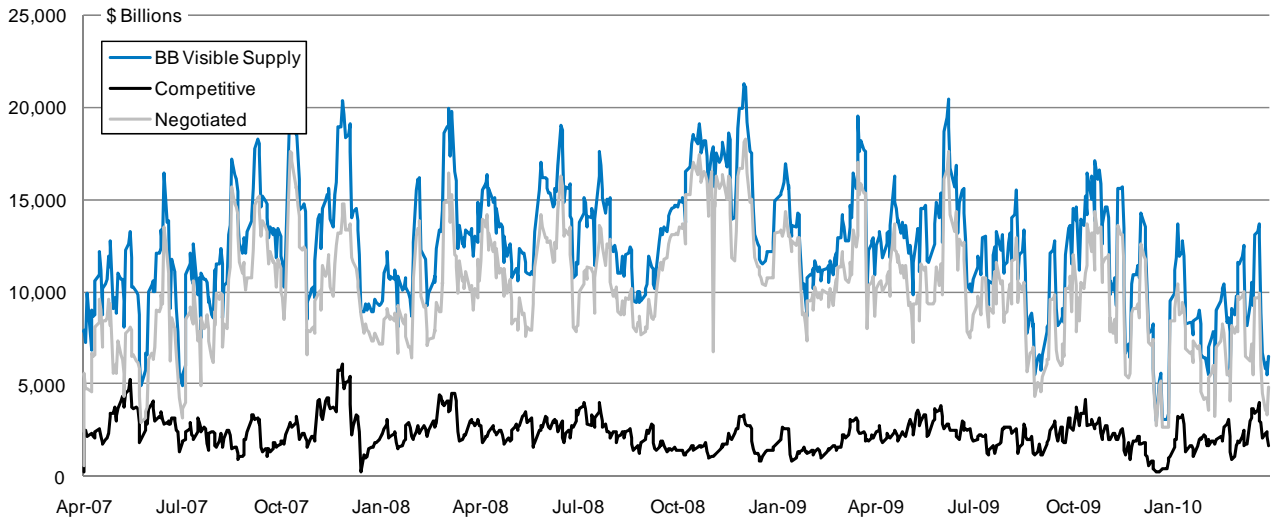


Source: Thomson Reuters, SIFMA

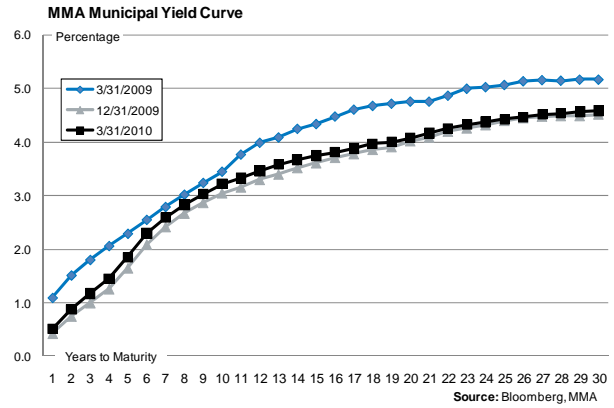
VISIBLE SUPPLY, YIELD CURVES, & RATIOS

Bond Buyer 30-Day Visible Supply

Apr. 1, 2007 - Mar. 31, 2010



Source: Bond Buyer, Bloomberg



RATINGS¹¹

S&P Rating Changes

2009 – 2010:Q1

Source: Standard and Poor's

| Upgrades / Downgrades | 2010:Q1 | 2010:Q2 | 2010:Q3 | 2010:Q4 | Total | 2009:Q1 | 2009:Q2 | 2009:Q3 | 2009:Q4 | Total |
|-----------------------|-----------|---------|---------|---------|-----------|-----------|-----------|----------|----------|------------|
| Healthcare | 9 / 10 | | | | 9 / 10 | 3 / 25 | 5 / 21 | 2 / 12 | 12 / 12 | 22 / 70 |
| Higher Education | 2 / 2 | | | | 2 / 2 | 2 / 3 | 11 / 4 | 11 / 1 | 14 / 2 | 38 / 10 |
| Housing | 4 / 99 | | | | 4 / 99 | 22 / 159 | 11 / 62 | 6 / 13 | 18 / 35 | 57 / 269 |
| Utility Revenue | 55 / 7 | | | | 55 / 7 | 85 / 4 | 145 / 1 | 65 / 4 | 37 / 3 | 332 / 12 |
| Tax-secured | 515 / 47 | | | | 515 / 47 | 516 / 15 | 327 / 16 | 219 / 3 | 316 / 13 | 1378 / 47 |
| Transportation | 3 / 2 | | | | 3 / 2 | 3 / 7 | 6 / 0 | 6 / 4 | 1 / 4 | 16 / 15 |
| Appropriation | 93 / 197 | | | | 93 / 197 | 140 / 143 | 132 / 40 | 76 / 3 | 74 / 28 | 422 / 214 |
| Total | 681 / 364 | | | | 681 / 364 | 771 / 356 | 637 / 144 | 385 / 40 | 472 / 97 | 2265 / 637 |

TRADING SUMMARY, 1Q'10

| Total Number of Trades | | | | | | | | | |
|------------------------|-----------------|---------------|--------------------|------------|-----------------|---------------|--------------------|------------|--|
| | # of Trades | | | | Par Amount | | | | |
| | Customer Bought | Customer Sold | Inter-Dealer Trade | All Trades | Customer Bought | Customer Sold | Inter-Dealer Trade | All Trades | |
| 2009:Q1 | 1393222 | 479599 | 682747 | 2555568 | 340979 | 229235 | 134029 | 704243 | |
| 2010:Q1 | 1258047 | 496834 | 768299 | 2523180 | 415337 | 282578 | 136340 | 834255 | |

| Daily Average Trade Summary | | | | | | | | |
|-----------------------------|-----------------|---------------|--------------------|------------|-----------------------|---------------|--------------------|------------|
| | # of Trades | | | | Par Amount (Millions) | | | |
| | Customer Bought | Customer Sold | Inter-Dealer Trade | All Trades | Customer Bought | Customer Sold | Inter-Dealer Trade | All Trades |
| 2009:Q1 | 22,840 | 7,862 | 11,193 | 41,895 | \$5,590 | \$3,758 | \$2,197 | \$11,545 |
| 2010:Q1 | 20,624 | 8,145 | 12,595 | 41,364 | \$6,809 | \$4,632 | \$2,235 | \$13,676 |

| | # of Trades | | | | | Par Amount (Millions) | | | | |
|---------|-------------|-------------------|---------------------|------------|------------|-----------------------|-------------------|---------------------|------------|------------|
| | 0 - 100,000 | 100,001 - 500,000 | 500,001 - 1,000,000 | 1,000,000+ | All Trades | 0 - 100,000 | 100,001 - 500,000 | 500,001 - 1,000,000 | 1,000,000+ | All Trades |
| 2009:Q1 | 81% | 13% | 2% | 4% | 2,555,568 | 10% | 12% | 7% | 71% | \$704,243 |
| 2010:Q1 | 82% | 12% | 2% | 4% | 2,523,180 | 8% | 9% | 6% | 77% | \$834,255 |

| Trades by Sector | | | | | | | | | |
|------------------|-----------|--------|---------|-----------------|----------------|-------------|---------|-------|------------------|
| | Education | Health | Utility | Various Purpose | Transportation | Tax-Revenue | Housing | Other | Total (Millions) |
| 2009:Q1 | 20% | 12% | 12% | 9% | 10% | 5% | 5% | 27% | \$704,243 |
| 2010:Q1 | 16% | 12% | 12% | 9% | 9% | 6% | 4% | 32% | \$834,243 |

| Trades by Maturity | | | | | | |
|--------------------|----------------|--------------------|----------------------|-----------------------|-----------|------------------|
| | 1 Year or Less | 1+ Year to 5 Years | 5+ Years to 10 Years | 10+ Years to 20 Years | 20+ Years | Total (Millions) |
| 2009:Q1 | 2% | 9% | 13% | 33% | 43% | \$704,243 |
| 2010:Q1 | 6% | 8% | 13% | 29% | 45% | \$834,255 |

| Trades by Source of Repayment | | | | | |
|-------------------------------|---------|--------------------|---------------|---------------|------------------|
| | Revenue | General Obligation | Double Barrel | Not Available | Total (Millions) |
| 2009:Q1 | 72% | 25% | 3% | 1% | \$704,243 |
| 2010:Q1 | 71% | 23% | 4% | 2% | \$834,255 |

| Trades by Coupon Type | | | | | |
|-----------------------|------------|---------------|-------------|---------------|------------------|
| | Fixed Rate | Variable Rate | Zero Coupon | Not Available | Total (Millions) |
| 2009:Q1 | 54% | 44% | 3% | 0% | \$700,887 |
| 2010:Q1 | 49% | 48% | 3% | 0% | \$834,267 |

¹¹ As Moody's and Fitch Ratings transitions to the new ratings scale, rating changes for both issuers will not be displayed.

OUTSTANDING MUNICIPAL DEBT BY INSURANCE

Outstanding and Insured Volume by State

First Quarter 2010
\$ Billions

| State | Outstanding | Insured | AMBAC | NATL | FGIC | FSA | RADIAN | ASSURED | XLCA | BHAC | Other |
|-----------------|-------------|---------|-------|-------|-------|-------|--------|---------|------|------|-------|
| ALABAMA | 32.7 | 17.0 | 4.4 | 3.3 | 2.1 | 2.8 | 0.1 | 2.0 | 2.0 | 0.1 | 0.1 |
| ALASKA | 12.0 | 7.1 | 0.7 | 4.0 | 1.1 | 0.9 | - | 0.3 | 0.1 | - | 0.1 |
| AMER SAMOA | - | - | - | - | - | - | - | - | - | - | - |
| ARIZONA | 56.7 | 25.1 | 4.2 | 9.5 | 5.1 | 4.9 | 0.1 | 0.9 | 0.4 | - | 0.2 |
| ARKANSAS | 13.3 | 4.7 | 1.3 | 1.0 | 0.5 | 1.1 | 0.0 | 0.2 | 0.1 | - | 0.5 |
| CALIFORNIA | 545.6 | 248.3 | 45.0 | 95.7 | 37.3 | 51.8 | 1.3 | 10.2 | 5.4 | 0.2 | 1.5 |
| CANAL ZONE | - | - | - | - | - | - | - | - | - | - | - |
| COLORADO | 58.9 | 29.4 | 3.9 | 11.8 | 3.1 | 6.8 | 0.9 | 1.1 | 1.4 | - | 0.3 |
| CONNECTICUT | 45.0 | 16.3 | 3.0 | 7.1 | 2.1 | 2.7 | 0.5 | 0.5 | 0.4 | - | 0.1 |
| D. OF COLUMBIA | 28.2 | 15.0 | 2.1 | 5.1 | 2.8 | 2.8 | - | 1.3 | 0.1 | 0.6 | 0.2 |
| DELAWARE | 8.0 | 2.2 | 0.5 | 1.2 | 0.4 | 0.2 | 0.0 | - | 0.0 | - | 0.0 |
| FLORIDA | 173.8 | 96.9 | 19.5 | 36.8 | 13.4 | 17.8 | 0.6 | 5.6 | 2.1 | 0.4 | 0.8 |
| GEORGIA | 75.4 | 26.1 | 3.0 | 9.7 | 3.7 | 7.0 | 0.1 | 1.4 | 0.9 | - | 0.3 |
| GUAM | 1.6 | 0.4 | 0.1 | 0.2 | - | 0.0 | - | - | - | - | 0.0 |
| HAWAII | 14.8 | 10.4 | 1.8 | 4.7 | 2.0 | 1.8 | 0.1 | - | 0.1 | - | 0.1 |
| IDAHO | 11.7 | 2.5 | 0.2 | 1.0 | 0.3 | 0.6 | 0.0 | 0.2 | 0.1 | - | 0.0 |
| ILLINOIS | 155.3 | 92.3 | 13.9 | 32.2 | 14.0 | 19.6 | 0.4 | 9.0 | 2.1 | 0.2 | 0.8 |
| INDIANA | 58.2 | 27.2 | 4.2 | 9.6 | 3.8 | 7.8 | 0.1 | 0.8 | 0.7 | - | 0.2 |
| IOWA | 20.8 | 6.9 | 2.8 | 1.2 | 0.2 | 1.0 | 0.2 | 0.8 | 0.4 | - | 0.3 |
| KANSAS | 22.4 | 10.0 | 1.4 | 3.6 | 1.1 | 2.4 | 0.1 | 0.8 | 0.5 | 0.1 | - |
| KENTUCKY | 36.0 | 13.6 | 2.5 | 5.1 | 1.3 | 2.8 | 0.0 | 1.3 | 0.4 | - | 0.2 |
| LOUISIANA | 33.4 | 19.8 | 4.6 | 6.2 | 2.8 | 2.8 | 0.2 | 1.9 | 0.4 | 0.1 | 0.8 |
| MAINE | 9.9 | 3.5 | 0.9 | 0.9 | 0.3 | 1.1 | - | 0.3 | 0.1 | - | - |
| MARYLAND | 46.8 | 7.9 | 1.6 | 2.2 | 0.9 | 2.1 | 0.2 | 0.3 | 0.4 | - | 0.2 |
| MASSACHUSETTS | 95.7 | 38.2 | 8.8 | 12.3 | 3.9 | 10.2 | 0.4 | 1.2 | 1.0 | - | 0.5 |
| MICHIGAN | 84.6 | 48.1 | 6.3 | 15.9 | 8.2 | 14.0 | 0.1 | 1.5 | 1.2 | 0.8 | 0.2 |
| MINNESOTA | 50.4 | 13.5 | 1.8 | 4.4 | 0.7 | 4.2 | 0.1 | 1.3 | 0.9 | - | 0.2 |
| MISSISSIPPI | 18.9 | 5.5 | 1.3 | 1.3 | 0.8 | 1.3 | 0.1 | 0.4 | 0.2 | - | 0.1 |
| MISSOURI | 68.4 | 17.2 | 4.2 | 5.6 | 1.7 | 3.8 | 0.3 | 0.6 | 0.8 | 0.1 | 0.2 |
| MONTANA | 14.8 | 1.5 | 0.6 | 0.5 | 0.0 | 0.1 | - | 0.2 | 0.1 | - | 0.0 |
| N. CAROLINA | 58.2 | 13.5 | 3.3 | 4.1 | 1.0 | 2.9 | 0.2 | 1.7 | 0.3 | - | 0.0 |
| N. DAKOTA | 4.1 | 1.9 | 0.6 | 0.7 | 0.1 | 0.2 | 0.0 | 0.3 | 0.1 | - | 0.0 |
| NEBRASKA | 17.1 | 6.0 | 1.5 | 1.9 | 1.1 | 1.1 | 0.1 | 0.2 | 0.0 | 0.1 | - |
| NEVADA | 32.9 | 19.8 | 4.2 | 6.6 | 3.5 | 4.8 | 0.1 | 0.1 | 0.4 | - | 0.0 |
| NEW HAMPSHIRE | 11.6 | 3.3 | 0.5 | 1.3 | 0.3 | 0.8 | 0.0 | - | 0.0 | - | 0.2 |
| NEW JERSEY | 123.7 | 69.0 | 12.0 | 25.9 | 8.1 | 18.2 | 0.3 | 2.6 | 1.3 | - | 0.5 |
| NEW MEXICO | 16.9 | 5.0 | 1.6 | 2.0 | 0.2 | 1.0 | 0.0 | 0.1 | 0.1 | - | 0.1 |
| NEW YORK | 336.4 | 113.9 | 19.6 | 40.8 | 17.6 | 26.2 | 0.8 | 3.9 | 3.1 | 0.4 | 1.7 |
| OHIO | 100.3 | 33.8 | 6.1 | 11.3 | 5.1 | 8.0 | 0.4 | 1.9 | 0.7 | - | 0.4 |
| OKLAHOMA | 19.5 | 7.9 | 1.9 | 2.4 | 1.0 | 0.9 | 0.2 | 0.4 | 0.4 | 0.6 | 0.2 |
| OREGON | 54.0 | 19.9 | 2.2 | 7.5 | 4.0 | 5.5 | 0.1 | 0.2 | 0.3 | - | 0.1 |
| OTHER TERR | 5.4 | 0.3 | 0.1 | 0.2 | - | 0.1 | - | - | - | - | - |
| PENNSYLVANIA | 138.6 | 70.1 | 10.2 | 17.9 | 10.0 | 22.3 | 1.2 | 4.9 | 2.2 | 0.3 | 1.2 |
| PUERTO RICO | 83.0 | 26.9 | 5.8 | 9.6 | 4.5 | 4.7 | - | 1.0 | 0.5 | - | 0.8 |
| RHODE ISLAND | 14.3 | 6.6 | 1.6 | 1.7 | 0.4 | 1.7 | 0.2 | 0.6 | 0.2 | - | 0.1 |
| S. CAROLINA | 37.8 | 17.1 | 3.9 | 4.0 | 1.0 | 5.2 | 0.4 | 1.5 | 0.7 | 0.1 | 0.4 |
| S. DAKOTA | 7.9 | 1.4 | 0.2 | 0.3 | 0.1 | 0.6 | - | 0.2 | 0.0 | - | 0.0 |
| TENNESSEE | 45.8 | 12.7 | 1.9 | 4.5 | 1.0 | 3.1 | 0.1 | 1.6 | 0.5 | - | 0.0 |
| TEXAS | 291.1 | 95.7 | 18.4 | 30.8 | 11.6 | 20.2 | 2.4 | 8.5 | 2.2 | 0.5 | 1.0 |
| TRUST TERR | 0.3 | - | - | - | - | - | - | - | - | - | - |
| UTAH | 21.8 | 5.7 | 2.3 | 1.3 | 0.1 | 1.5 | 0.0 | 0.3 | 0.1 | 0.1 | 0.1 |
| VERMONT | 5.8 | 3.7 | 2.2 | 0.5 | 0.1 | 0.9 | 0.0 | 0.1 | - | - | 0.0 |
| VIRGIN ISLANDS | 2.1 | 0.8 | 0.1 | 0.2 | 0.2 | 0.1 | 0.1 | - | - | - | 0.1 |
| VIRGINIA | 62.3 | 10.6 | 1.5 | 4.7 | 0.8 | 2.9 | 0.1 | 0.4 | 0.1 | - | 0.1 |
| WASHINGTON | 75.0 | 44.8 | 6.4 | 17.5 | 6.2 | 12.4 | 0.3 | 0.7 | 0.8 | - | 0.4 |
| WEST VIRGINIA | 11.4 | 5.1 | 0.8 | 2.2 | 1.4 | 0.6 | 0.0 | 0.0 | - | - | - |
| WISCONSIN | 45.2 | 19.9 | 2.2 | 7.2 | 2.3 | 6.6 | 0.1 | 0.5 | 0.8 | - | 0.3 |
| WYOMING | 4.0 | 0.2 | 0.1 | 0.1 | - | 0.1 | - | 0.0 | - | - | 0.0 |
| TOTAL (3/31/10) | 3,419.7 | 1,421.8 | 256.0 | 498.5 | 195.3 | 327.1 | 12.9 | 75.3 | 36.8 | 4.4 | 15.6 |
| TOTAL (1/28/10) | 3,384.4 | 1,438.2 | 259.0 | 506.7 | 198.5 | 328.6 | 13.1 | 75.1 | 37.3 | 4.4 | 15.6 |

Source: Bloomberg

A Description of the Terminology in the Municipal Bond Credit Report

Long-Term Municipal Issue: municipal securities with a maturity of 13 months or longer at the time the municipal security is issued.¹²

General Obligation (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, bondholders of G.O. bonds have the right to compel a tax levy or legislative appropriation to cover debt service.

Revenue Bonds: 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.

¹²Authors' own definition.

Moody's Ratings¹³

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: obligations rated Aaa are judged to be of the highest quality, with minimal credit risk.

Aa: obligations rated Aa are judged to be of high quality and are subject to very low credit risk.

A: obligations rated A are considered upper-medium grade and are subject to low credit risk.

Baa: obligations rated Baa are subject to moderate credit risk. They are considered medium-grade and as such may possess certain speculative characteristics.

Ba: obligations rated Ba are judged to have speculative elements and are subject to substantial credit risk.

B: obligations rated B are considered speculative and are subject to high credit risk.

Caa: obligations rated Caa are judged to be of poor standing and are subject to very high credit risk.

Ca: obligations rated Ca are highly speculative and are likely in, or very near, default, with some prospect of recovery of principal and interest.

C: obligations rated C are the lowest rated class of bonds and are typically in default, with little prospect for recovery of principal or interest.¹⁴

Standard and Poor's Ratings¹⁵

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:

¹³Moody's.com, "Ratings Definitions."

¹⁴The lowest rating is a "D" at both Moody's and Standard and Poor's.

¹⁵Standardandpoors.com "Long-Term Issue Credit Ratings," May 17, 2002.

- 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 non-payment 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 provides 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" rat-

ings (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.”¹⁶

Bond Buyer Sectors

The following divisions comprise the sectors in this report

Development: Office Building (non-governmental), Industrial Development, Economic Development

Education: Primary and Secondary Education, Higher Education, Student Loans, Other Education

Environmental Facilities: Pollution Control, Solid Waste, Recycling

Electric Power: Public Power Facilities

General Purpose: Veterans, General Purpose/Public Improvement, Agriculture

Healthcare: Nursing Homes, Single Specialty Hospitals, Hospital Equipment Loans, Assisted Living, Continuing Care Retirement, General Acute Care Hospitals, Children’s Hospitals, General Medical

Housing: Single Family Housing, Multi Family Housing

Public Facilities: Libraries and Museums, Correction-

¹⁶Authors' own definition.

al Facilities, Convention and Civic Centers, Stadiums and Sports Complexes, Theatres, Other Recreation, Parks and Zoos, Police Stations and Equipment, Fire Stations and Equipment, Government Buildings

Transportation: Toll Roads and Street Improvements, Highways, Airports, Seaports/Marines, Other Transportation, Mass Transit, Public Parking, Tunnels, Bridges

Utilities: Combined Utilities, Water and Sewer, Gas, Telecommunications, Sanitation, Flood Control

Geographic Regions¹⁷

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 percent 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 out-

standing 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.

¹⁷The 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.

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