

## VARIABLE RATE DEMAND OBLIGATIONS 2010 UPDATE

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## Variable Rate Demand Obligations Q2 2009 - 2010

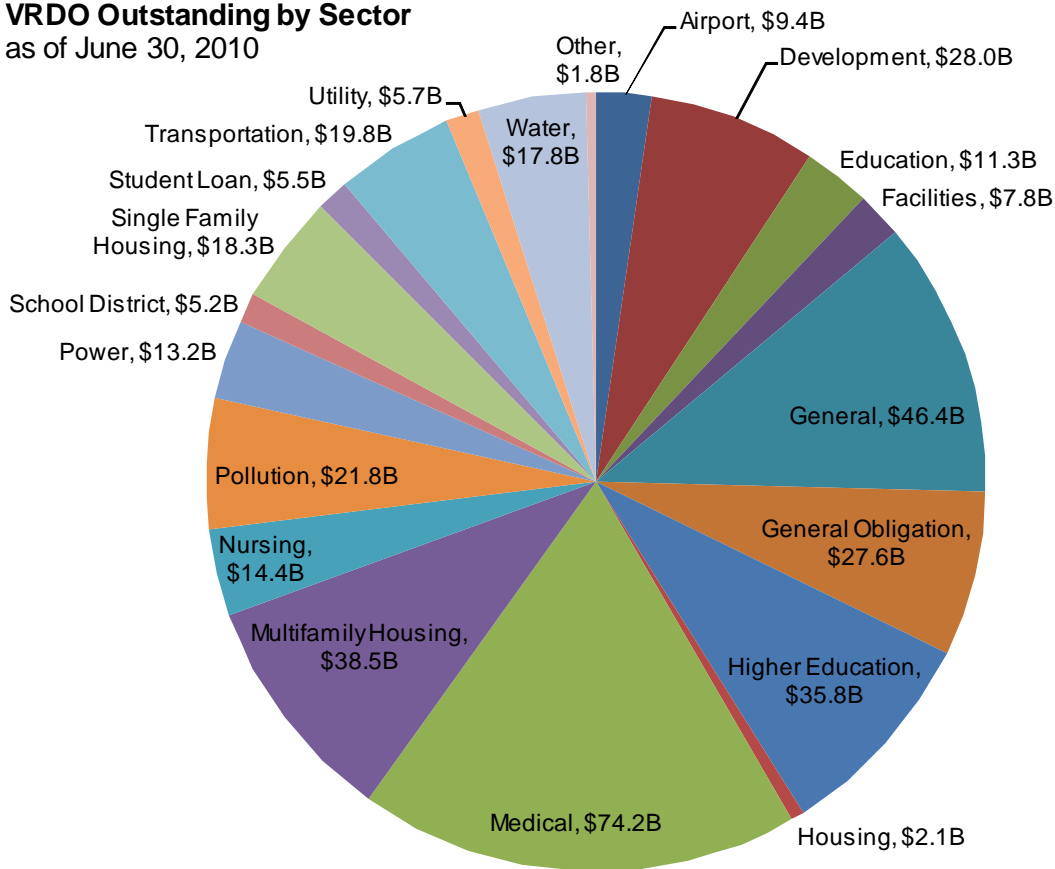
Variable rate demand obligations (VRDO) are long-term debt instruments typically sold by municipalities. The rates on VRDOs are set at periodic remarketings based on the bids of potential buyers.

As of the end of June 2010, the VRDO market stood at an estimated \$404.6 billion on approximately 15,100 CUSIPs outstanding. Since 2008, the VRDO market, like the municipal auction rate securities (municipal ARS) market, has been shrinking as new issues declined and issuers disfavoured variable rate tax-exempts, down \$44.7 billion to \$404.6 billion end-June 2010 from \$449.4 billion end-June 2009.

California, New York, and Texas had the largest amount of VRDOs outstanding, at \$54.4 billion, \$46.7 billion, and \$23.9 billion outstanding, respectively, at the end of June 2010. Of the \$404.6 billion outstanding VRDOs, 90.8 percent are revenue-based issues, with relatively few general obligation (\$35.9 billion) outstanding. By tax status, tax-exempt bonds accounted for 75.6 percent (\$306.0 billion) of all issues, followed by AMT (19.1 percent, or \$77.4 billion).

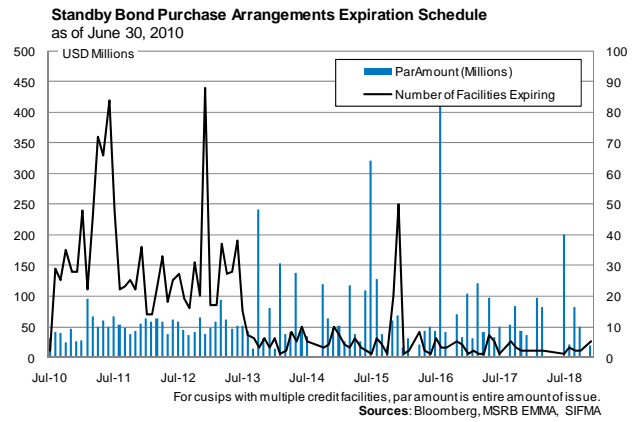
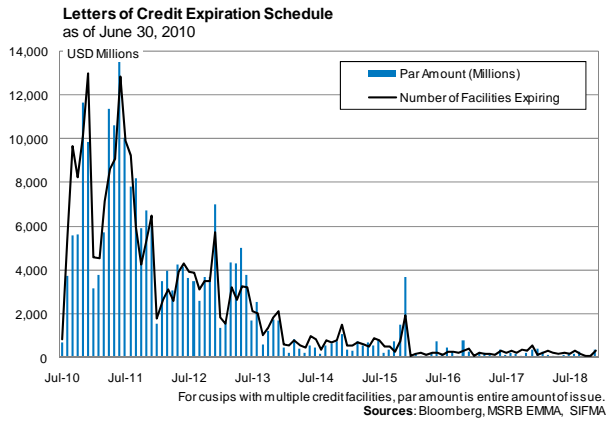
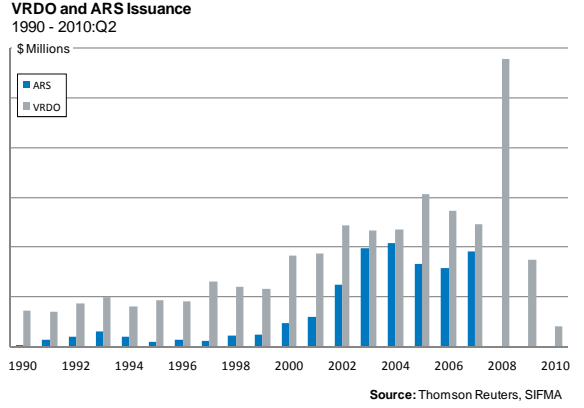
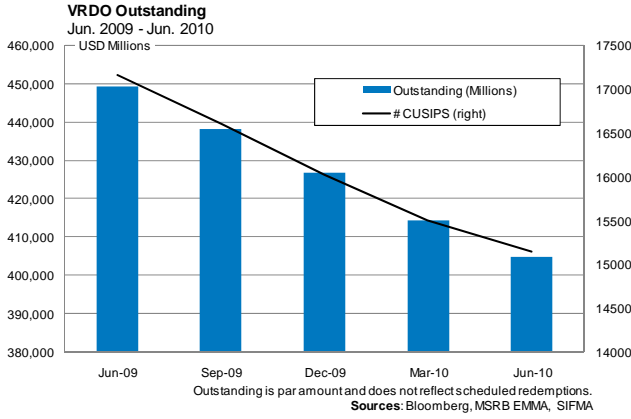
VRDOs require a liquidity backstop in the form of third-party letters of credit (LOCs) or standby bond purchase agreements (SBPAs) or, more rarely, from issuers themselves. Liquidity arrangements are largely from LOCs rather than SBPAs. As of end June 2010, \$37.1 billion in letters of credit were scheduled to expire in 2010, followed by \$93.1 billion in 2011; in the case of standby bond purchase agreements, \$204.5 million were scheduled to expire in 2010, followed by \$646.7 million in 2011. In recent years, the number of banks participating in the market for LOCs and SBPAs has shrunk, making the liquidity products less available and more expensive to borrowers.

**VRDO Outstanding by Sector**  
as of June 30, 2010



Sources: Bloomberg, MSRB EMMA, SIFMA

# VARIABLE RATE DEMAND OBLIGATIONS



## Municipal VRDO Expiration Schedule as of June 30, 2010

	Jul-10	Aug-10	Sep-10	Oct-10	Nov-10	Dec-10	Jan-11	Feb-11	Mar-11	Apr-11	May-11	Jun-11
<b>Letters of Credit</b>												
Par Amount (Millions)	672.2	3733.8	5567.1	5603.0	11676.6	9852.0	3168.7	3785.6	5704.0	11406.2	10639.4	13593.6
Number of Facilities Expiring	34	230	413	352	434	556	195	193	305	369	388	549
<b>Standby Bond Purchase Arrangements</b>												
Par Amount (Millions)	29.8	40.4	39.4	23.8	45.1	26.0	26.8	95.9	66.0	50.1	59.4	49.5
Number of Facilities Expiring	2	29	25	35	28	28	48	22	46	72	66	84

	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11	Jan-12	Feb-12	Mar-12	Apr-12	May-12	Jun-12
<b>Letters of Credit</b>												
Par Amount (Millions)	10034.4	7837.6	8183.0	5893.6	6737.2	6072.5	1526.0	3498.0	3980.6	3080.8	4235.9	4145.3
Number of Facilities Expiring	424	395	254	182	228	277	76	112	132	109	167	183
<b>Standby Bond Purchase Arrangements</b>												
Par Amount (Millions)	65.6	52.7	47.4	37.7	42.0	53.6	63.2	58.1	63.5	57.0	36.9	62.0
Number of Facilities Expiring	48	22	23	25	22	36	14	14	23	33	18	25

	Jul-12	Aug-12	Sep-12	Oct-12	Nov-12	Dec-12
<b>Letters of Credit</b>						
Par Amount (Millions)	3629.6	3495.5	2567.9	3691.7	3689.8	7028.7
Number of Facilities Expiring	166	164	132	149	148	245
<b>Standby Bond Purchase Arrangements</b>						
Par Amount (Millions)	58.6	43.4	35.9	41.6	64.2	38.0
Number of Facilities Expiring	27	19	16	31	20	88

Source: Bloomberg, MSRB EMMA, SIFMA

## Municipal VRDO Outstanding By Industry

	2009Q2	2009Q3	2009Q4	2010Q1	2010Q2
Airport	10,052.41	9,836.03	9,543.59	9,563.63	9,369.59
Development	30,546.92	30,150.19	28,783.09	28,415.38	27,987.35
Education	12,570.82	12,342.36	11,991.23	11,526.09	11,286.82
Facilities	8,200.41	8,092.72	7,970.69	7,822.47	7,772.42
General	48,889.84	48,347.48	48,520.77	47,194.24	46,439.22
General Obligation	32,297.16	31,874.28	28,788.21	28,127.54	27,579.73
Higher Education	41,405.37	39,627.09	38,024.67	37,108.49	35,829.29
Housing	2,253.23	2,224.70	2,162.40	2,102.40	2,120.43
Medical	83,573.93	81,376.31	78,327.09	75,805.64	74,168.03
Multifamily Housing	39,870.45	39,826.19	39,407.10	38,951.63	38,461.11
Nursing	16,387.55	16,090.81	15,304.26	14,728.40	14,444.53
Pollution	23,563.77	22,394.35	22,705.49	22,390.13	21,832.47
Power	14,873.60	15,357.15	15,238.74	14,319.24	13,215.76
School District	6,107.42	5,828.91	5,715.91	5,647.69	5,164.52
Single Family Housing	20,721.47	20,308.23	20,141.18	18,347.13	18,347.13
Student Loan	7,614.50	7,242.74	6,904.06	6,416.56	5,542.53
Transportation	20,831.41	19,230.65	19,465.22	19,326.14	19,769.56
Utility	6,604.05	6,334.49	6,069.39	5,688.32	5,671.32
Water	20,422.66	19,779.91	19,671.82	18,900.49	17,819.54
Other	2,553.39	1,973.91	1,934.51	1,874.83	1,817.47
<b>Total</b>	<b>449,340.33</b>	<b>438,238.48</b>	<b>426,669.39</b>	<b>414,256.40</b>	<b>404,638.79</b>

Source: Bloomberg, MSRB EMMA, SIFMA

## Municipal VRDO Outstanding By Issue Type

	2009Q2	2009Q3	2009Q4	2010Q1	2010Q2
GO	41,663.66	40,879.51	37,754.83	36,900.45	35,914.64
Revenue	406,115.17	395,795.35	387,353.53	375,810.61	367,238.07
Unknown or Other	1,561.51	1,563.62	1,561.02	1,545.34	1,486.08
<b>Total</b>	<b>449,340.33</b>	<b>438,238.48</b>	<b>426,669.39</b>	<b>414,256.40</b>	<b>404,638.79</b>

Source: Bloomberg, MSRB EMMA, SIFMA

## Municipal VRDO Outstanding By Taxable Type

	2009Q2	2009Q3	2009Q4	2010Q1	2010Q2
AMT	87,388.94	84,487.77	82,093.64	79,650.38	77,354.49
BQ	809.42	878.57	1,055.84	1,059.58	1,146.84
Tax Exempt	338,283.23	330,819.88	322,380.22	313,610.45	306,015.08
Taxable	21,801.84	21,082.15	20,180.97	19,014.20	19,254.86
Unknown	1,056.90	970.12	958.72	921.78	867.52
<b>Total</b>	<b>449,340.33</b>	<b>438,238.48</b>	<b>426,669.39</b>	<b>414,256.40</b>	<b>404,638.79</b>

Source: Bloomberg, MSRB EMMA, SIFMA

# Municipal VRDO Outstanding By State

	2009Q2	2009Q3	2009Q4	2010Q1	2010Q2
AK	2,427.25	2,466.41	2,476.10	2,368.71	2,359.21
AL	5,215.32	5,051.05	4,919.26	4,807.38	4,751.64
AR	602.05	573.57	571.97	571.97	556.14
AZ	3,991.40	3,985.30	3,856.46	3,514.07	3,380.10
CA	64,297.31	62,406.48	59,160.81	56,792.76	54,370.18
CO	13,414.56	13,197.08	12,944.29	11,894.79	11,536.92
CT	5,151.84	5,148.57	4,889.33	5,078.63	4,875.85
DC	4,411.70	4,601.03	4,168.17	3,649.81	3,474.07
DE	1,829.98	1,649.98	1,501.95	1,505.81	1,475.08
FL	20,645.13	19,682.83	18,850.02	18,096.06	18,117.99
GA	12,715.12	12,023.66	11,062.74	10,223.51	9,854.14
HI	325.73	325.73	325.73	325.73	235.28
IA	2,711.02	2,419.34	2,417.34	2,393.68	2,336.95
ID	1,642.44	1,645.80	1,642.30	1,617.60	1,587.60
IL	20,853.82	20,797.71	20,519.28	20,099.16	19,572.18
IN	10,951.10	10,151.83	9,265.26	8,899.76	8,555.68
KS	1,831.90	1,826.01	1,613.16	1,613.16	1,579.86
KY	6,995.37	6,892.44	6,403.79	6,254.77	6,227.77
LA	5,644.47	5,190.33	5,082.16	4,981.34	4,709.84
MA	15,982.15	15,690.66	15,257.88	14,976.13	15,369.91
MD	7,141.92	7,003.91	6,837.65	6,666.32	6,478.45
ME	926.42	907.42	890.50	873.71	871.18
MI	12,268.64	11,742.77	11,130.91	10,980.76	10,670.30
MN	6,329.33	6,248.40	5,951.52	5,508.17	5,366.96
MO	6,467.66	6,449.96	6,352.23	6,320.64	6,238.47
MS	4,385.39	4,706.10	4,308.72	4,248.49	4,218.19
MT	405.67	399.67	399.67	399.67	399.67
NC	14,518.45	14,155.60	13,594.01	12,984.21	12,880.59
ND	533.58	583.99	583.99	512.53	505.53
NE	1,953.62	2,626.80	2,524.51	2,522.01	2,477.89
NH	2,295.01	2,030.12	1,955.12	1,959.86	1,956.76
NJ	8,579.29	8,690.49	8,902.75	8,859.11	9,028.68
NM	2,068.36	2,071.86	2,847.82	2,843.02	2,818.02
NV	3,611.00	3,553.91	3,588.91	3,580.69	3,380.69
NY	48,300.76	47,836.46	48,007.91	47,878.71	46,658.29
OH	17,694.64	16,992.50	16,157.94	15,350.34	15,005.31
OK	3,113.40	2,734.99	2,662.47	2,596.13	2,362.13
OR	3,583.03	3,577.53	3,587.19	3,409.49	3,056.99
OT	1,850.37	1,824.66	1,824.66	1,801.83	1,887.31
PA	25,585.99	23,775.13	23,336.25	22,367.02	22,108.80
PR	2,433.20	2,336.37	2,329.71	2,329.71	2,215.36
RI	1,179.39	1,179.39	1,165.45	1,165.45	1,065.45
SC	4,447.98	4,426.66	4,317.94	4,221.03	4,179.02
SD	1,073.96	1,066.31	1,088.31	1,088.31	1,088.31
TN	11,177.78	10,864.67	10,749.78	10,479.72	10,328.32
TX	24,911.87	24,291.05	24,554.78	24,193.00	23,897.50
UT	3,929.73	4,052.98	4,016.92	4,002.92	3,827.00
VA	8,234.16	8,061.32	8,006.37	8,016.64	7,906.95
VT	1,166.46	1,027.27	1,015.68	1,015.68	1,010.85
WA	7,572.25	7,514.56	7,405.47	6,865.21	6,541.36
WI	6,729.08	6,646.83	6,421.17	6,344.34	6,142.10
WV	1,598.19	1,598.19	1,690.31	1,680.31	1,619.58
WY	1,634.17	1,534.87	1,534.87	1,526.62	1,520.45
<b>Total</b>	<b>449,340.33</b>	<b>438,238.48</b>	<b>426,669.39</b>	<b>414,256.40</b>	<b>404,638.79</b>

Note: "OT" stands for Other Territories.

Sources: Bloomberg, MSRB EMMA, SIFMA

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