

MUNICIPAL MARKET DYNAMICS: POST SUB-PRIME, BAB'S & WHITNEY

Thomas G. Doe, Founder and CEO

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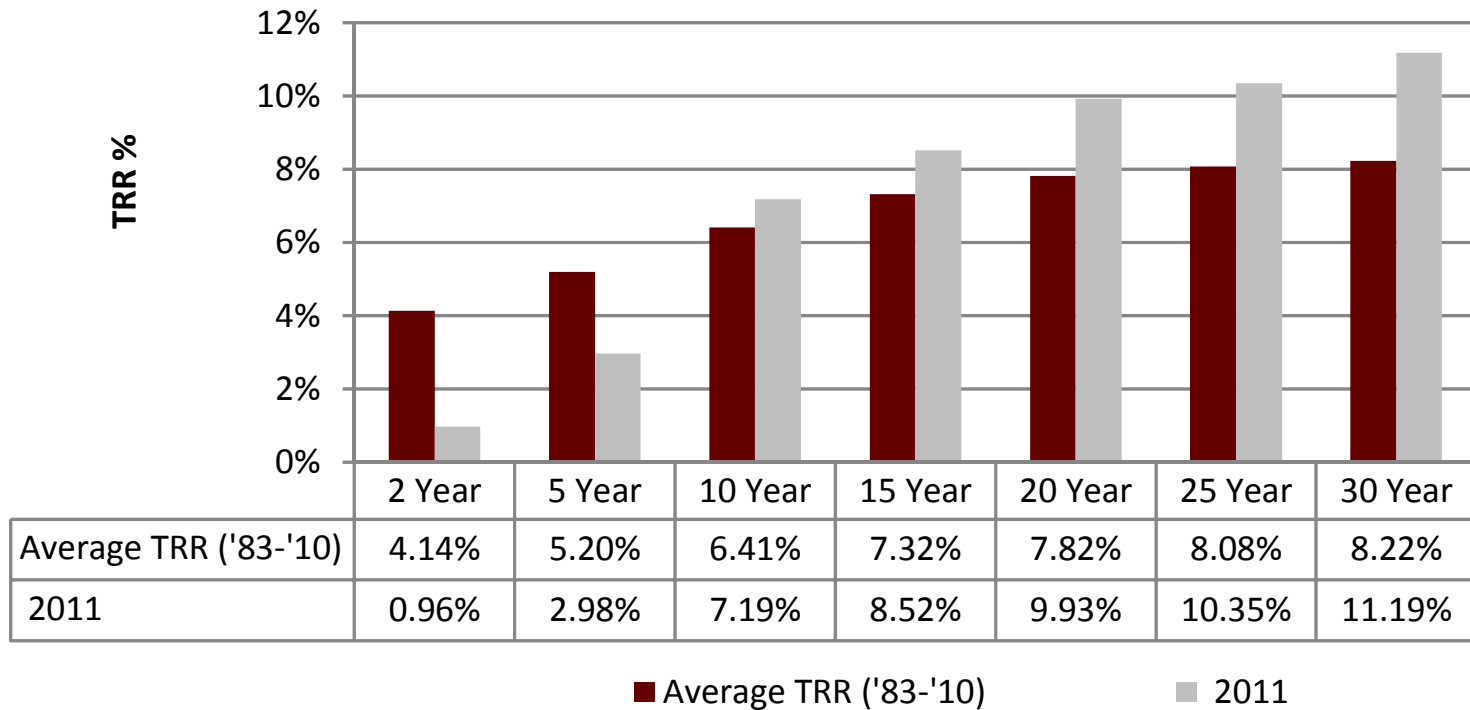
MMA The Power
of Independence



www.mma-research.com

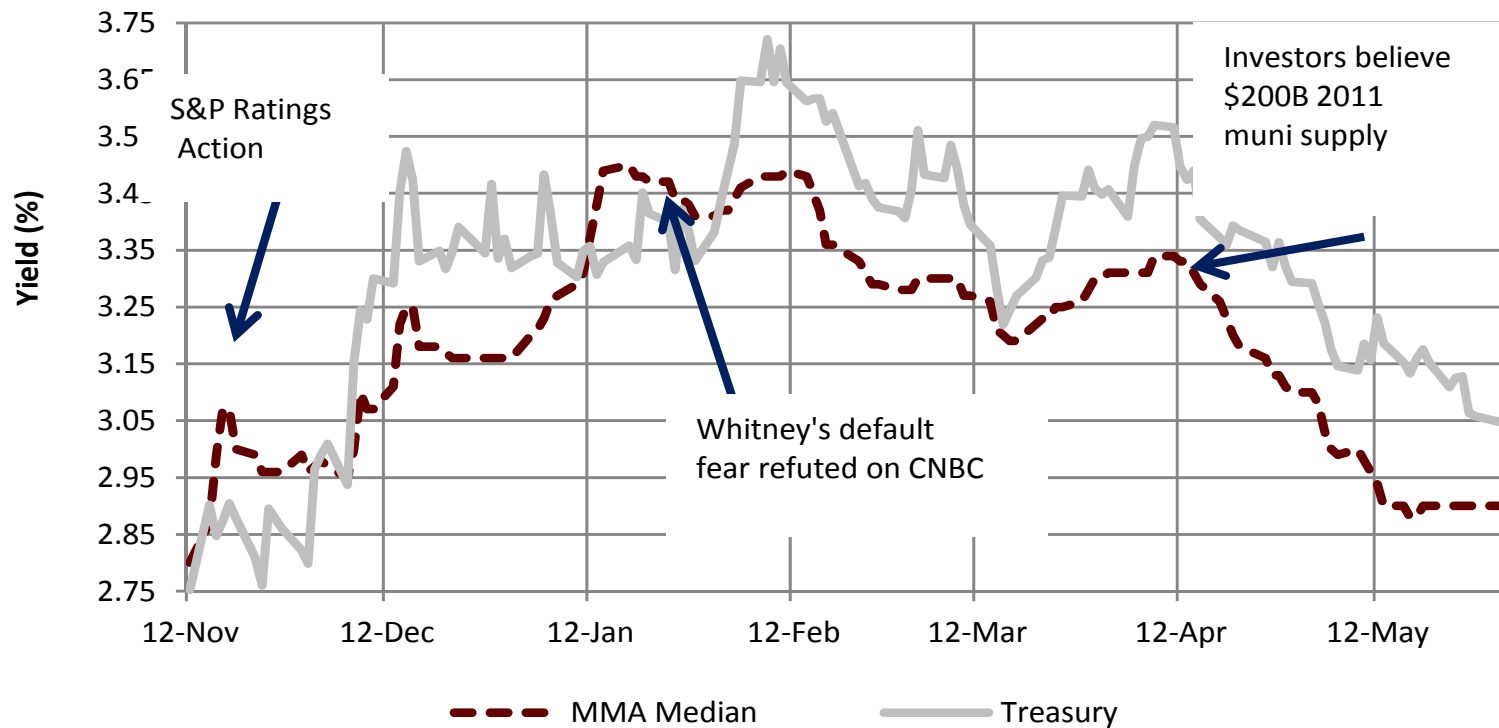


MMA Total Rate of Return (TRR): 2011 v. Average



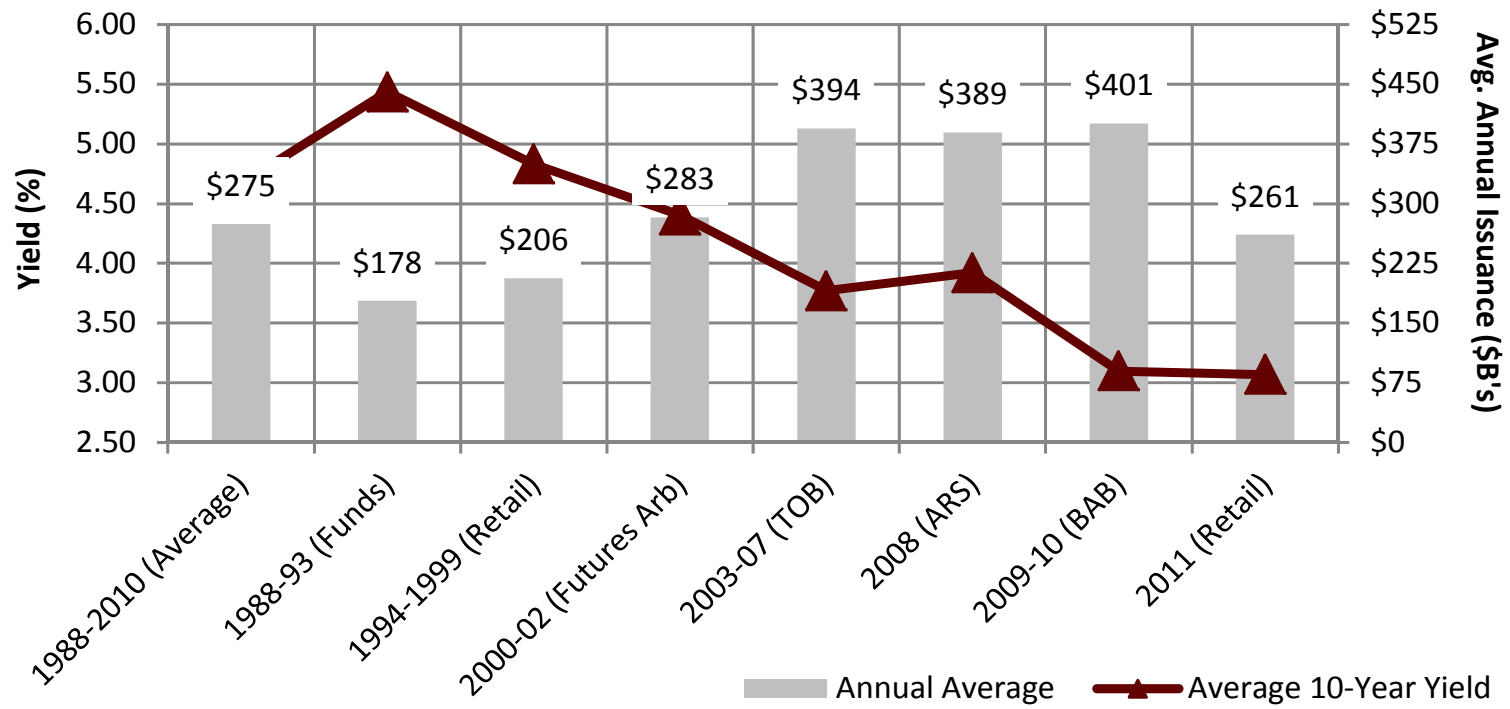


MMA Median Municipal & Treasury 10-Yields Since the S&P Tobacco Downgrade on Veteran's Day 2011

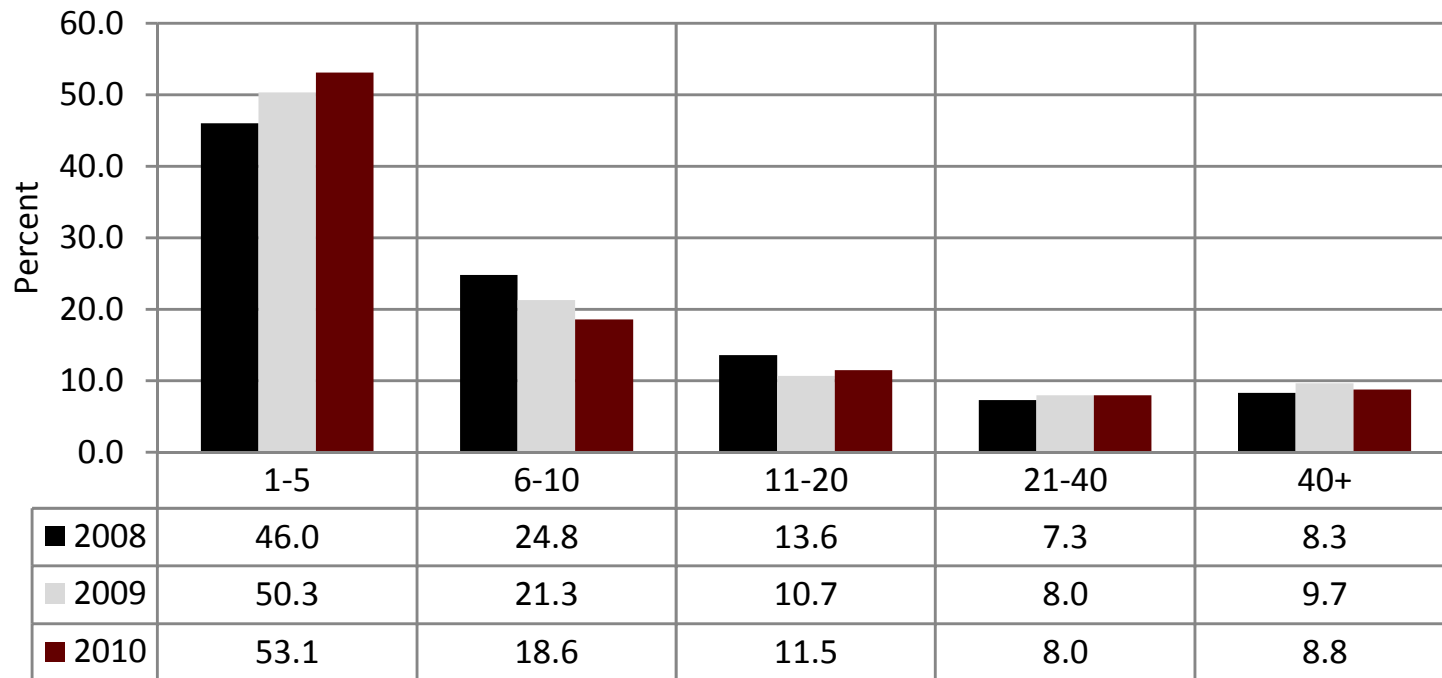




Average MMA AAA Municipal 10-Year Yield vs. Annual Total Issuance (By Era of Demand)



Percent of Customer Trades by Tiers of Dealer Volume



■ 2008 ■ 2009 ■ 2010

Source: MSRB

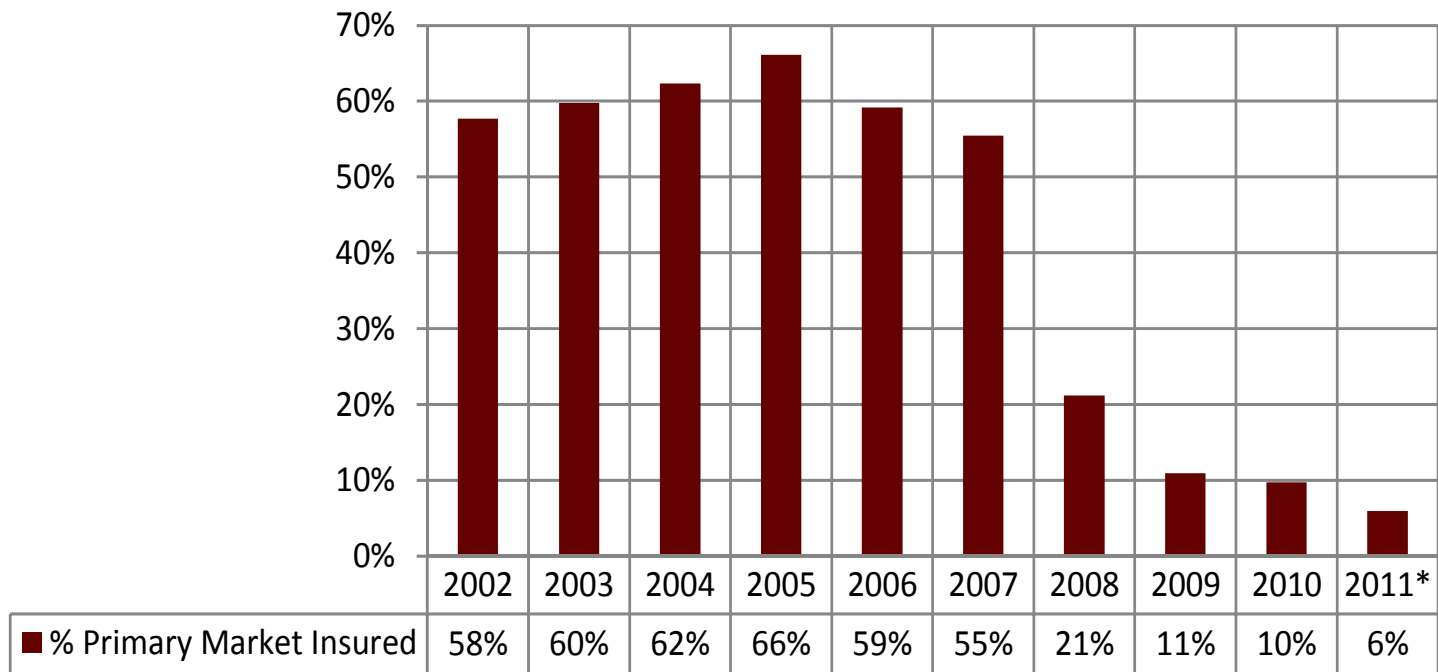


Comparison of Number of Tax-Exempt Municipal Transactions by Trade Size: 2007-2010			
Tax-Exempt Total	2007 (#)	2010 (#)	2010 vs. 2007 (% Change)
0-\$25,000	12,425	17,259	38.9%
\$25,001-\$50,000	5,725	7,025	22.7%
\$50,001-\$75,000	1,353	1,477	9.2%
\$75,001-\$100,000	3,291	3,038	-7.7%
\$100,001-\$500,000	5,434	4,382	-19.4%
\$500,001-\$1,000,000	1,231	788	-36.0%
\$1,000,001-\$2,000,000	785	467	-40.5%
\$2,000,000+	1,499	846	-43.6%

Comparison of Par of Tax-Exempt Municipal Transactions by Trade Size: 2007-2010			
Tax-Exempt Total	2007 (\$millions)	2010 (\$millions)	2010 vs. 2007 (% Change)
0-\$25,000	\$203.30	\$276.1	35.8%
\$25,001-\$50,000	\$250.20	\$303.4	21.3%
\$50,001-\$75,000	\$91.80	\$98.9	7.7%
\$75,001-\$100,000	\$324.20	\$297.7	-8.2%
\$100,001-\$500,000	\$1,427.30	\$1,104.2	-22.6%
\$500,001-\$1,000,000	\$1,001.00	\$639.4	-36.1%
\$1,000,001-\$2,000,000	\$1,199.00	\$714.4	-40.4%
\$2,000,000+	\$14,648.00	\$8,396.8	-42.7%



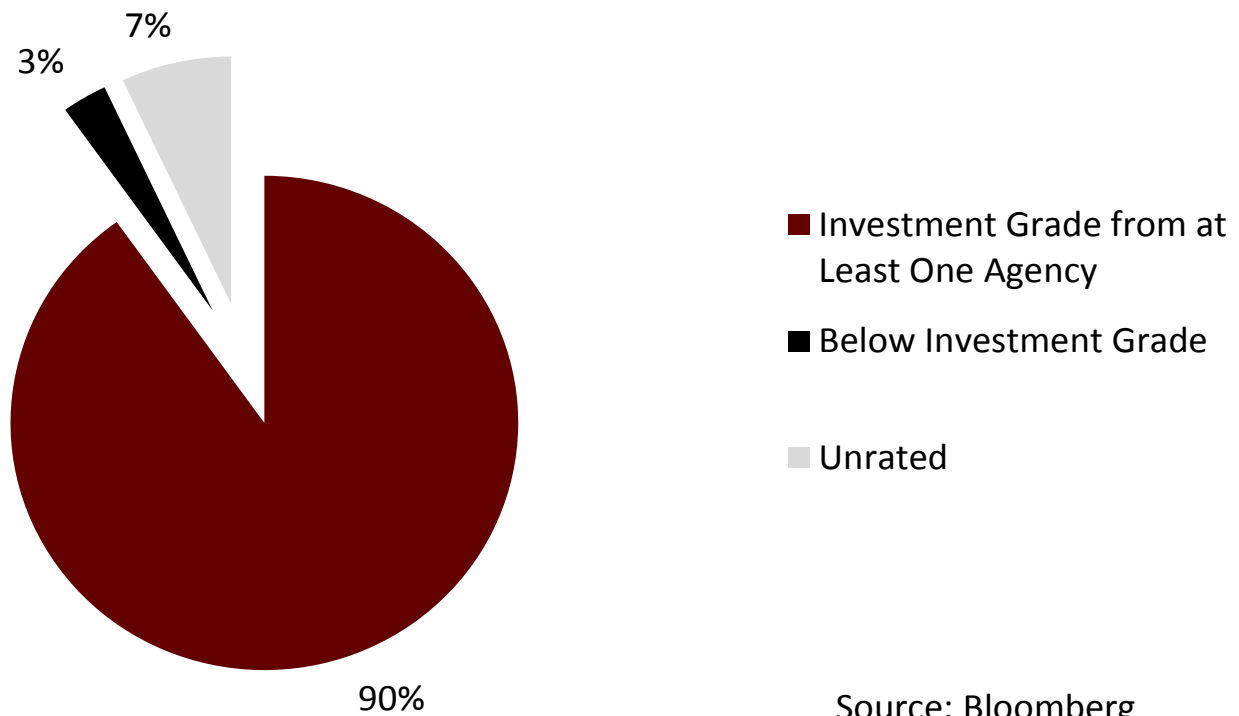
Percent of Municipal Primary Market Insured: 2002-2011



■ % Primary Market Insured

* through August

Breakdown of Outstanding Municipals (%)



Source: Bloomberg

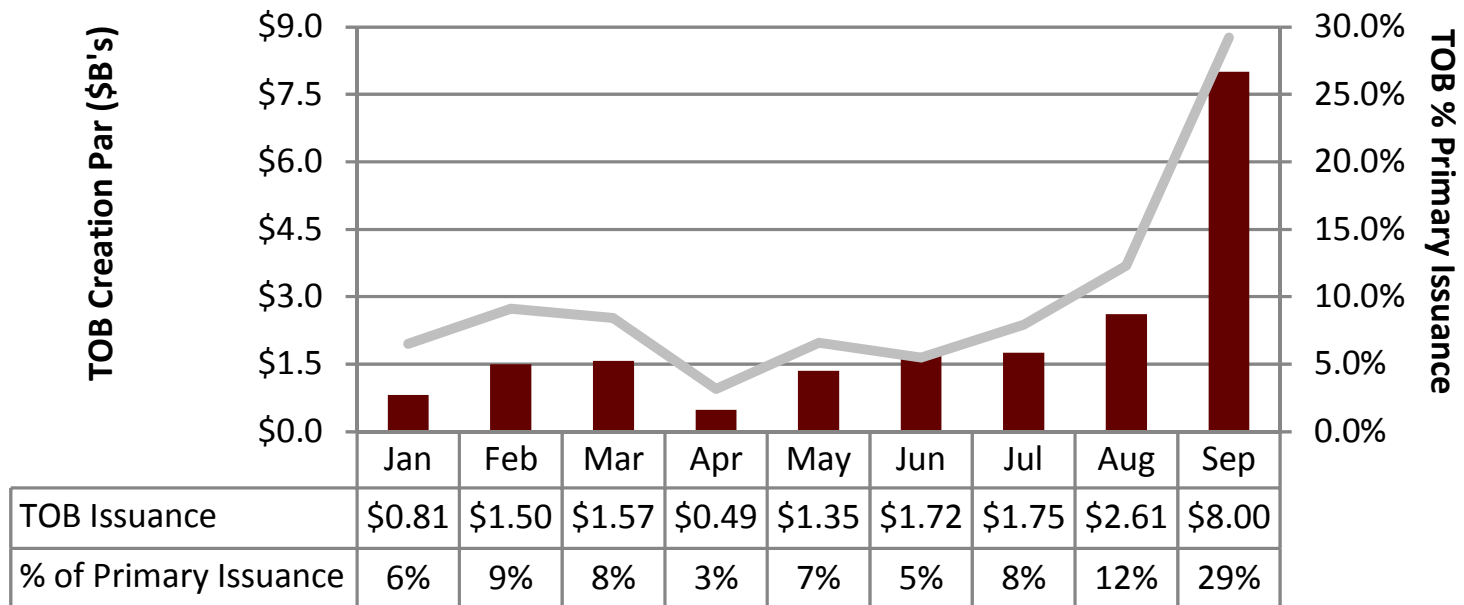


10yr 2010	MMA: 5%	MMD	LMIS: (Barclays): 10yr	Wake Co., NC
MMA: PAR	0.97	0.96	0.93	0.98
MMA: 5%		1.00	0.97	0.99
MMD			0.98	0.99
LMIS				0.97
10yr 2011	MMA: 5%	MMD	LMIS: (Barclays): 10yr	Wake Co., NC
MMA: PAR	0.99	0.98	0.99	0.97
MMA: 5%		1.00	1.00	0.99
MMD			1.00	1.00
LMIS				0.99

30yr 2010	MMA: 5%	MMD	LMIS: (Barclays): Long-Term	Salt River, AZ
MMA: PAR	0.97	0.95	0.95	0.94
MMA: 5%		0.99	0.97	0.96
MMD			0.99	0.98
LMIS: Long				0.99
30yr 2011	MMA: 5%	MMD	LMIS: (Barclays): Long-Term	Salt River, AZ
MMA: PAR	0.99	0.99	0.98	0.92
MMA: 5%		1.00	1.00	0.94
MMD			1.00	0.93
LMIS: Long				0.95



Monthly TOB Creation (\$B's) vs. % of Primary Issuance



■ TOB Issuance — % of Primary Issuance

Source: Bloomberg

“What we’re going to ask our examiners to ask our banks...do you know what you’re holding? What do you have? How do you break it down?”

-- OCC’s Director for Market Risk Policy

Par (and #) of Outstanding Muni Bonds With an Uncured Default, Reserve Draw, or Other Impairment (\$MM)					
Sector	SEP	All Notices	DEFAULT	Support	Other
ALL	\$5,797 (80)	\$36,266 (650)	\$8,795 (321)	\$19,204 (211)	\$8,266 (118)
Land Secured	\$438 (24)	\$4,641 (260)	\$2,767 (149)	\$1,616 (101)	\$258 (10)
Tribal	none	\$940 (4)	\$940 (4)	none	none
IDB	\$128 (6)	\$1,233 (35)	\$919 (16)	\$301 (16)	\$13 (3)
Toll Road/Transit	\$541 (2)	\$4,650 (7)	\$889 (4)	\$1,403 (1)	\$2,358 (2)
Retirement	\$402 (8)	\$2,221 (67)	\$737 (28)	\$285 (10)	\$1,199 (29)
Housing	\$200 (12)	\$837 (70)	\$685 (53)	\$85 (9)	\$67 (8)
Hotel	\$125 (3)	\$715 (13)	\$422 (8)	\$194 (4)	\$98 (1)
Other Risky Sectors	\$337 (14)	\$13,494 (141)	\$1,410 (54)	\$10,373 (51)	\$1,712 (36)
Safe Sectors (GO,Wtr/Swr,SalesTx)	\$3,626 (11)	\$7,534 (52)	\$26 (4)	\$4,947 (19)	\$2,561 (29)
Initially Non-Rated Bonds	\$1,216 (55)	\$10,768 (462)	\$6,031 (268)	\$2,919 (136)	\$1,819 (58)
Initially Insured/LOC Bonds	\$4,011 (8)	\$14,434 (88)	\$541 (5)	\$9,191 (47)	\$4,702 (36)
Initially Rated, Uninsured Bonds	\$522 (15)	\$10,182 (57)	\$1,699 (21)	\$6,880 (22)	\$1,602 (14)

GASB Initiative

Expected to provide additional information on pension funding and some standardization in calculations.

■ **Discount Rate**

- While there are plan assets: an expected rate of return on plan investments as recommended by actuary based on actual returns of the plan.
- After plan assets depleted: based on a high quality municipal bond index rate.

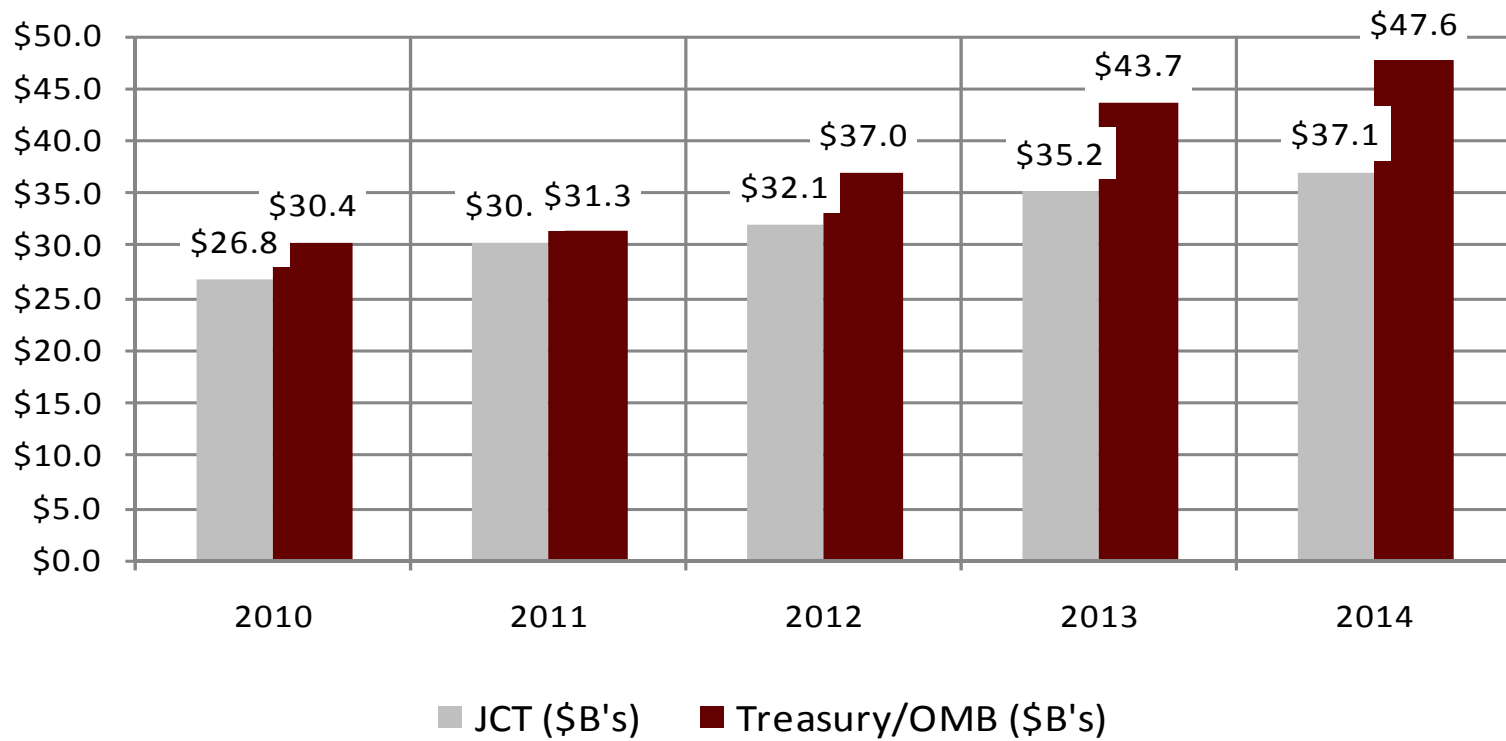
■ **Attribution Method**

- Single method to be utilized.
 - Based on entry age normal principles; Level percentage of payroll.
 - Beginning in first period employee's services lead to benefits and ending in last period of service.

■ **Increased Transparency**

- **Net Pension Liability to be in financial statements.**
- **More disclosures in notes, including actuarial assumptions.**
- **10 years of information in requirement supplementary section.**

Estimates of the Cost of the Municipal Tax-Exemption (\$B's)



Four Critical Themes for the Balance of 2011 & 2012:

- Credit Risks Garnering Increased State and Federal Regulatory Interest Amid Ratings Ambiguity.
- Illiquidity and Poor Price Discovery Prompting Scrutiny of Evaluation Primary Pricing Processes.
- Issuers' Ability to Sustain Fiscal Discipline and.....
-Defend the Value of the Tax-Exemption.