



Presentation to:

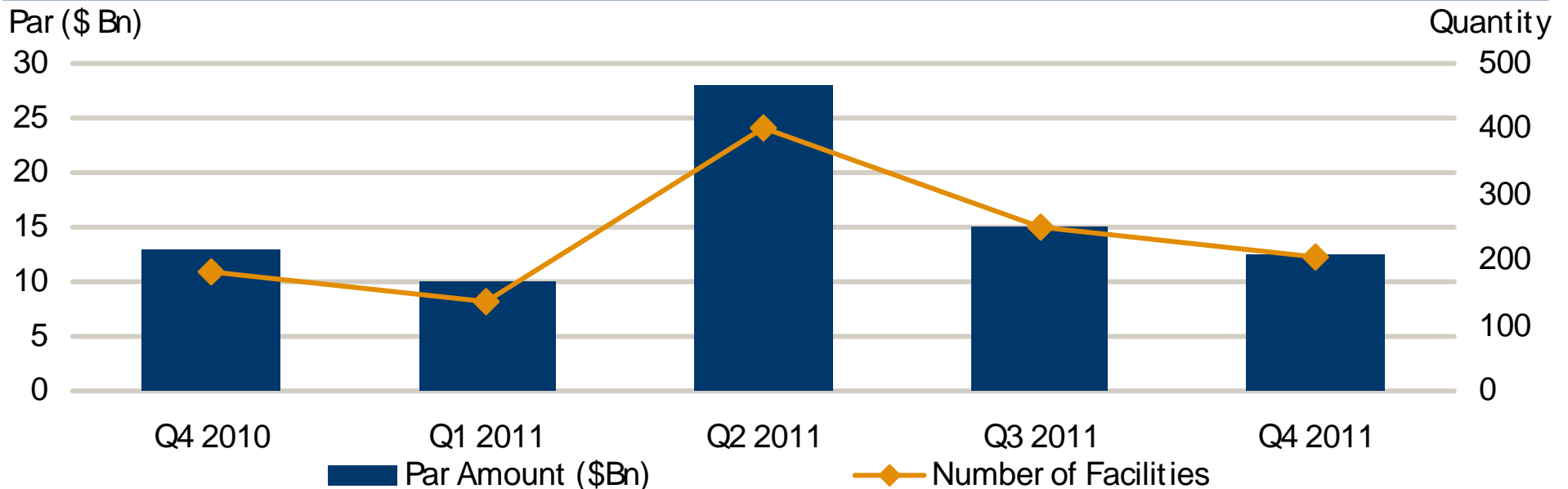
**National Association of Health and Educational
Facilities Finance Authorities**

October 4th, 2011

As recently as 2010, the market was worried about LOC capacity

- In 2008, many municipal issuers replaced auction rate debt and insured VRDBs with new bank facilities having a 3-year term
- Many Bank facilities secured in 2009 and early 2010 also had one or two-year terms, compounding the problem
- Moody's estimated nearly \$80 billion of bank facility expirations between 4Q 2010 and through 2011, with a pronounced spike in 2Q 2011
- Sectors with large concentration of bank facility expirations included local government, health care and infrastructure
- Major providers were exiting the bank liquidity market (e.g., Dexia, BNP Paribas)

Bank Facility Expirations through 2011²



1. Source: Moody's Investors Service, "Special Comment: U.S. Public Finance Borrowers Face Increasing Renewal Risk of Bank Facilities," September 28, 2010.
 2. Source: Moody's Investors Service data; includes Moody's-rated VRDBs and CP with bank facilities and a public underlying long-term rating.

Rating agencies issued alerts on renewal risk

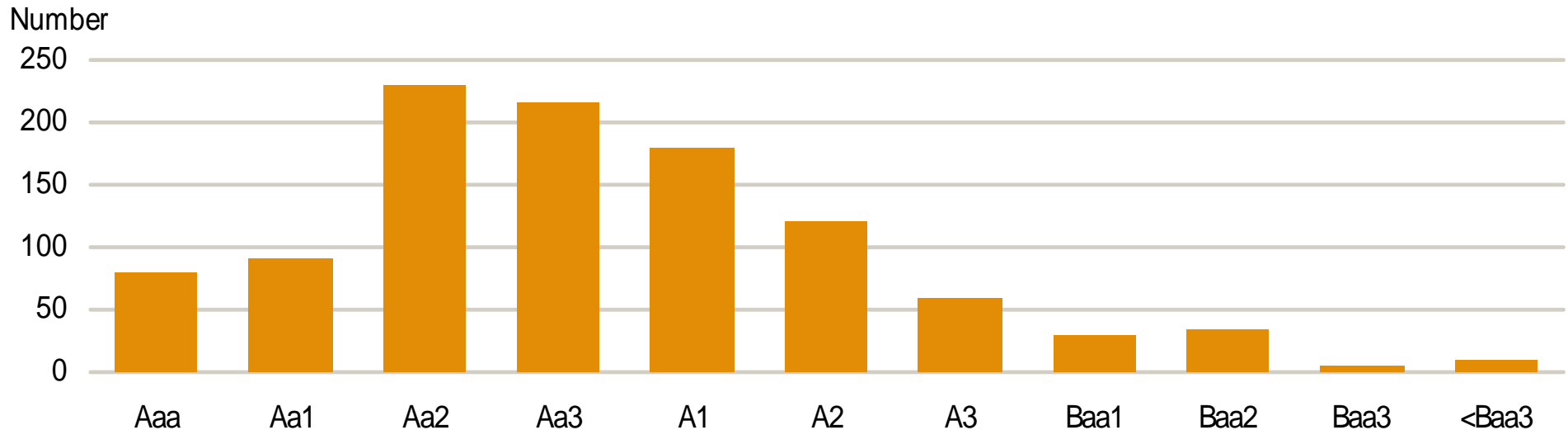
Factors Contributing to Renewal Risk

- Rating level A1 or below
- Recent multi-notch rating downgrade
- Lack of bank diversification
- Concentration of expiration dates
- Immediate repayment terms
- Operating pressures
- Swap collateral requirements

Factors Mitigating Renewal Risk

- Rating level Aa3 or higher
- Rating stability
- Diversification of banks
- Long repayment terms
- Cash or reserve fund balances
- Demonstrated market access
- Predictable cashflows

Bank Facility Expirations by Rating Level, Number of Facilities²



1. Source: Moody's Investors Service, "Special Comment: U.S. Public Finance Borrowers Face Increasing Renewal Risk of Bank Facilities," September 28, 2010.
 2. Source: Moody's Investors Service data; includes Moody's-rated VRDBs and CP with bank facilities and a public underlying long-term rating.

Problem has not materialized!

In Healthcare & Higher Ed, Most Client Finding Access to Bank Credit

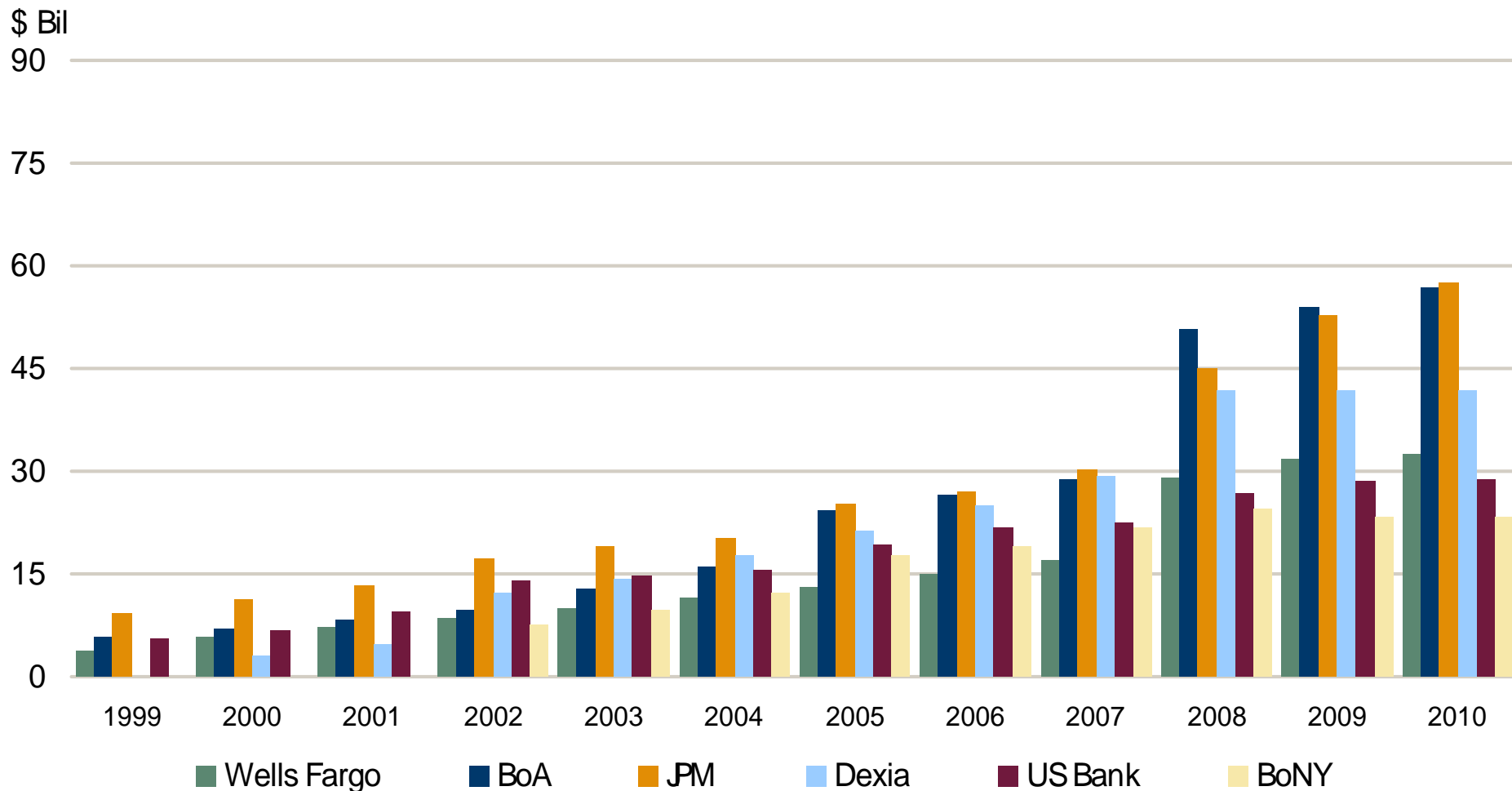
- Even in the current challenging credit environment, issuers across all sectors with an array of credit profiles:
 - Extended existing facilities;
 - Found substitute bank facility providers;
 - Issued refunding debt; and/or
 - Secured direct bank loans to refund existing bank supported VRDBs
- Given the array of options available, terms for liquidity are improving
 - It is a buyer's market to a large extent

However, challenges remain and the market is fragile

- Real-estate related sectors have been hurt: eg continuing care.
- Market is over-concentrated at LOC and remarketing agent level
- The global banking industry is still under pressure from the economy and regulators
- The traditional buyer base for VRDB's is losing liquidity

Money Market exposure to banks has become increasingly concentrated

Tax-Exempt MMF Exposure to Current Top 6 Liquidity / LOC Providers



1. Rule 2a-7, paragraph (c) (4) (iii) (A).

Note: This chart is for illustrative purposes only and does not intend to imply that money market funds are the only buyers in the short-term market.

Credit pressures on banks are reflected in declining ratings

2007

Bank	Ratings ¹
Wells Fargo Bank N.A.	Aaa/AAA/AA
Bank of America N.A.	Aaa/AA+/AA+
JP Morgan Chase Bank N.A.	Aa1/AA/AA-
Dexia Credit Local	Aa1/AA/AA+
US Bank. N.A.	Aa1/AA+/AA-
The Bank of NY Mellon	Aaa/AA-/AA-

2010

Bank	Ratings ¹
Wells Fargo Bank N.A.	Aa3/AA/AA-
Bank of America N.A.	A2/A+/A+
JP Morgan Chase Bank N.A.	Aa1/AA-/AA-
Dexia Credit Local	A3/A/A+
US Bank, N.A.	Aa2/AA-/AA-
The Bank of NY Mellon	Aaa/AA/AA-

1. Credit ratings represent the long-term unsecured, senior ratings of each banking subsidiary.

Basel III Overview

Once fully implemented, Basel III could significantly impact the cost and availability of bank credit facilities

Improved Capital Quantity

- Narrower definition of Tier 1 capital
 - More conservative risk weighting
-

Improved Capital Quality

- Tier 1 Common raised from 2% to 4.5%; Tier 1 Total Capital increased from 4% to 6%
 - Capital conservation buffer of 2.5%
 - Countercyclical buffer of 0-2.5%
-

Introduction of Liquidity Metrics

- Designed to supplement capital standards to provide greater security
 - Assets calculated at full value and not risk-weighted
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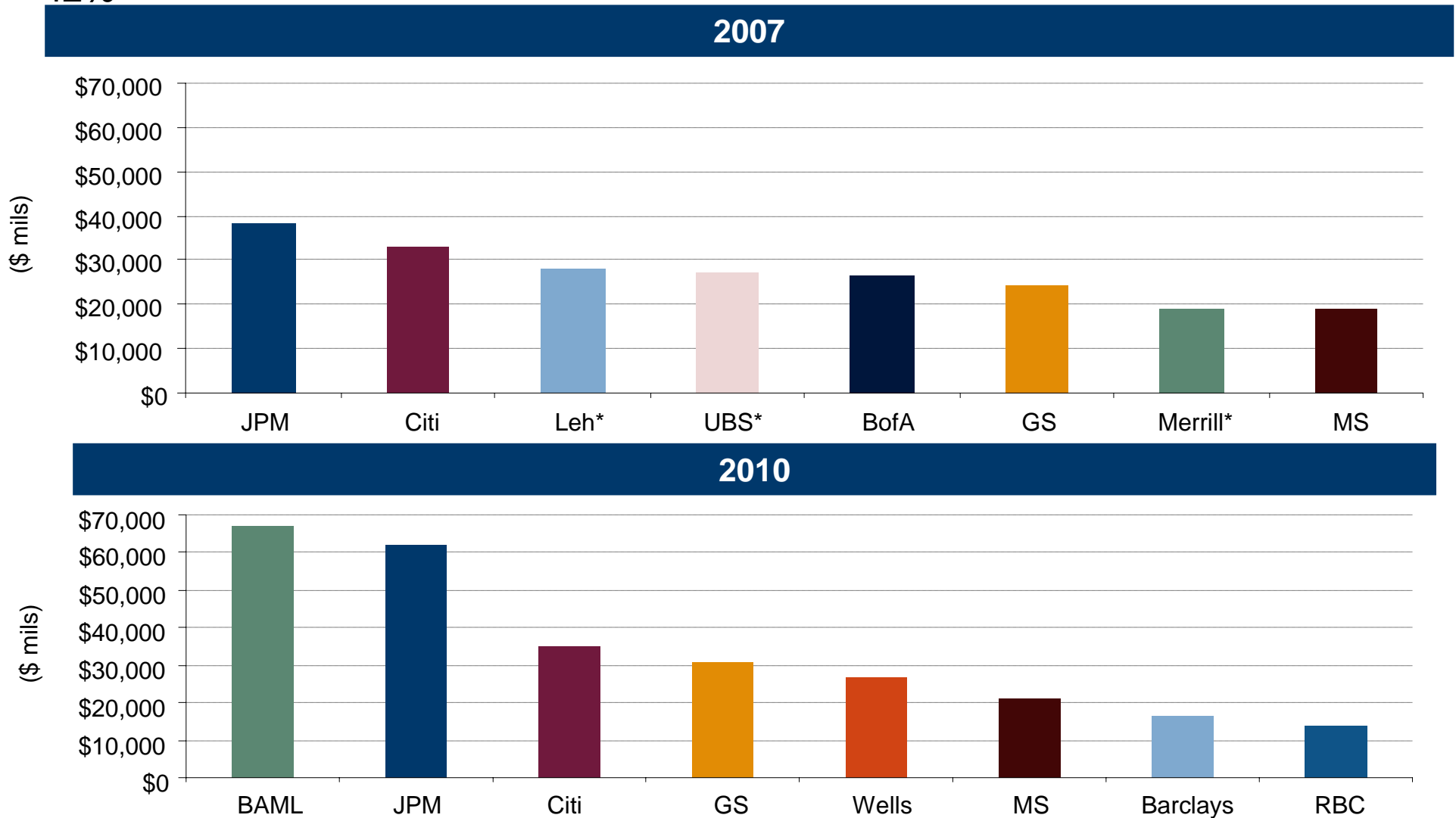
Introduction of Leverage Ratios

- Contemplates a liquidity coverage ratio and a net stable funding ratio
 - Both metrics require significant calibration and are scheduled for roll-out in January 2015 and January 2018, respectively
-

- These proposed regulations will likely have the cumulative effect of increasing the cost of capital for banks in countries that comply with Basel III.
- Most bank documents provide for increased fees costs pass on to clients through increased fees cost language

The remarketing business too has become concentrated since 2008

In the past 3 years, the market share of the top remarketing agents grew from 27% to 42%

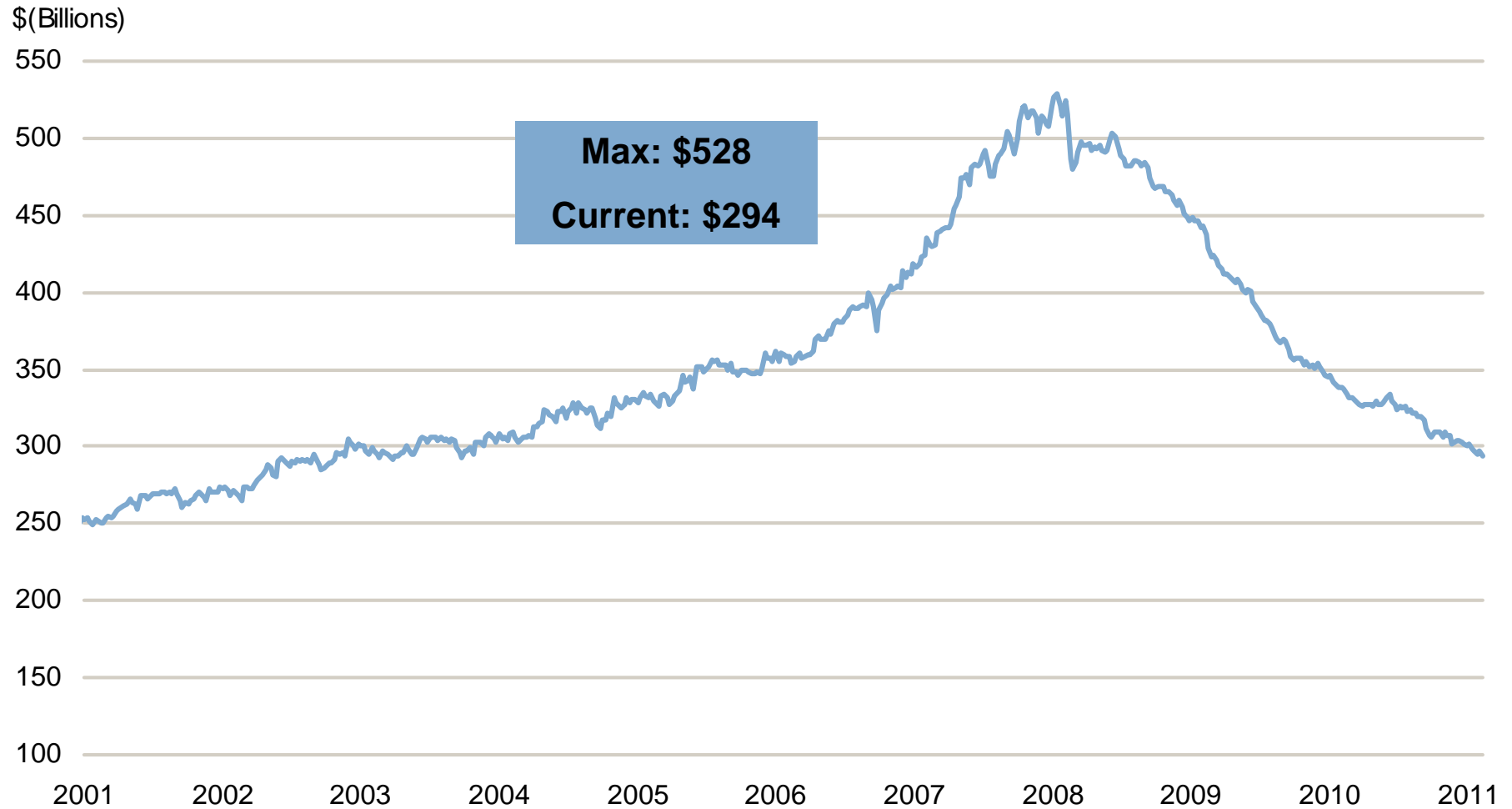


*No longer in municipal remarketing business as a separate entity.

Source: Thomson Reuters Data

Money Market Funds are losing assets

TE Money Market Fund Assets Under Management

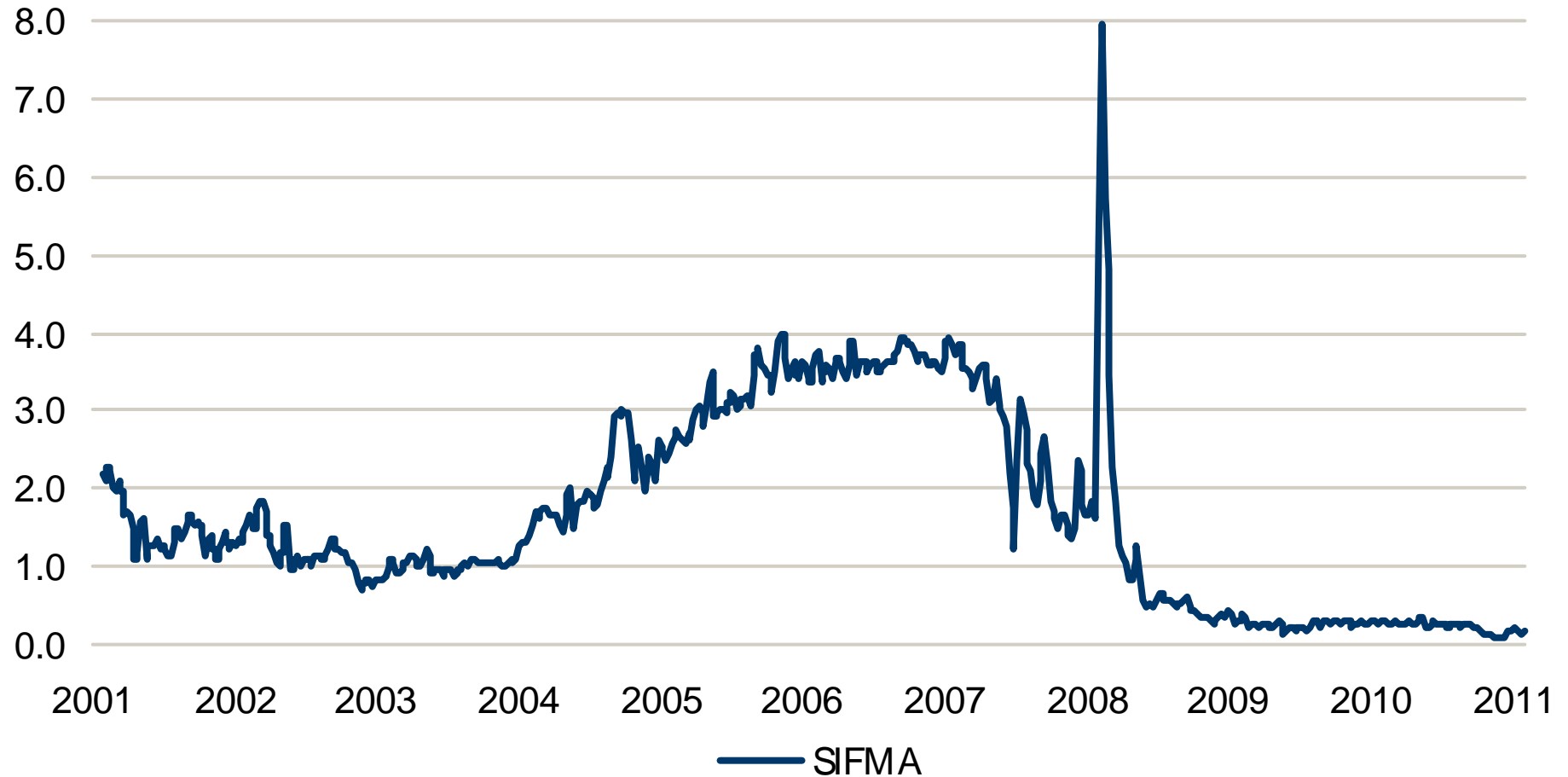


Source: BarCap Live and Bloomberg
Note: Rates and statistics as of September 16, 2011.

But rates are at historic low levels

SIFMA (2001 to Present)

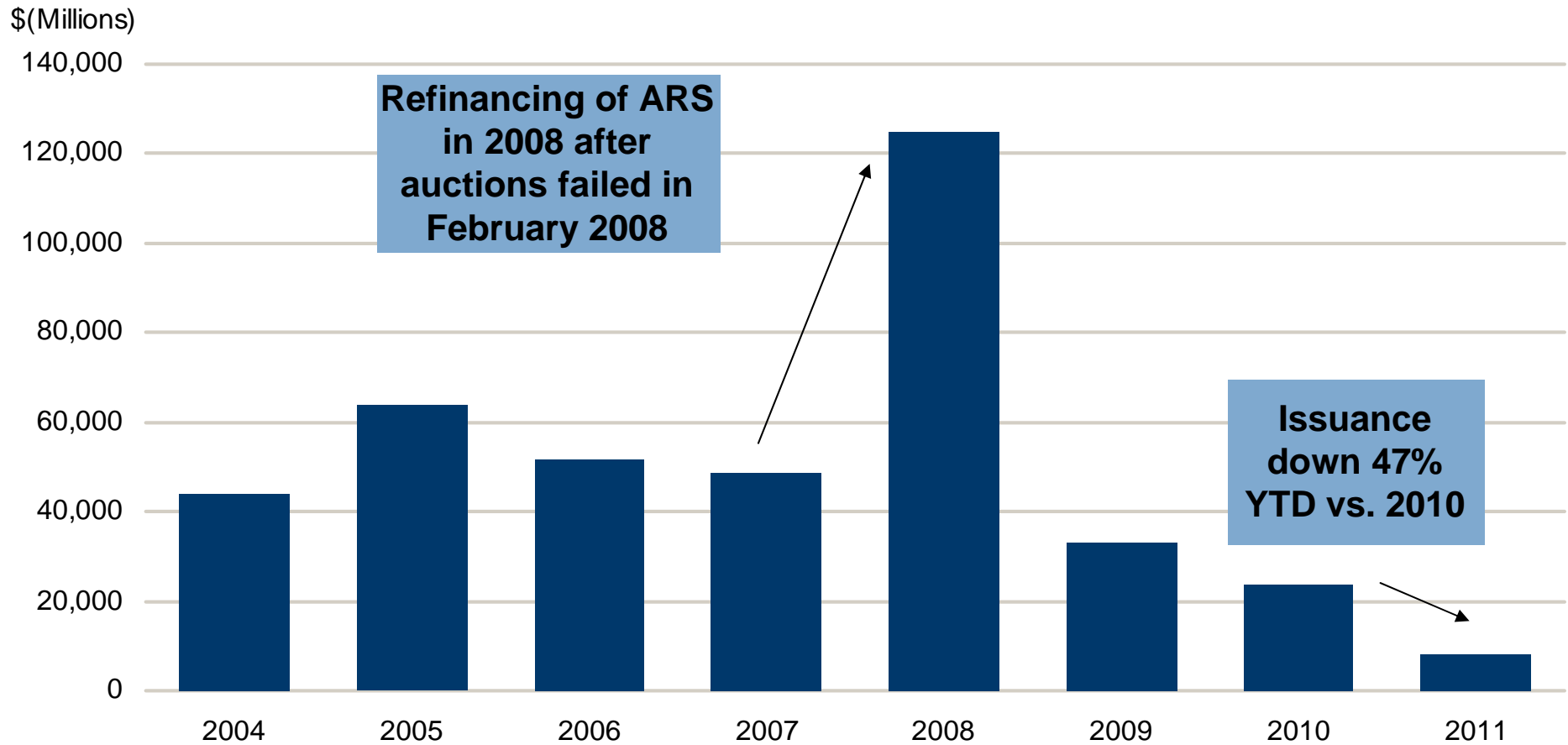
(Percent)



Source: BarCap Live and Bloomberg
Note: Rates and statistics as of September 16, 2011.

New issuance has collapsed. . .

VRDB Issuance Trends

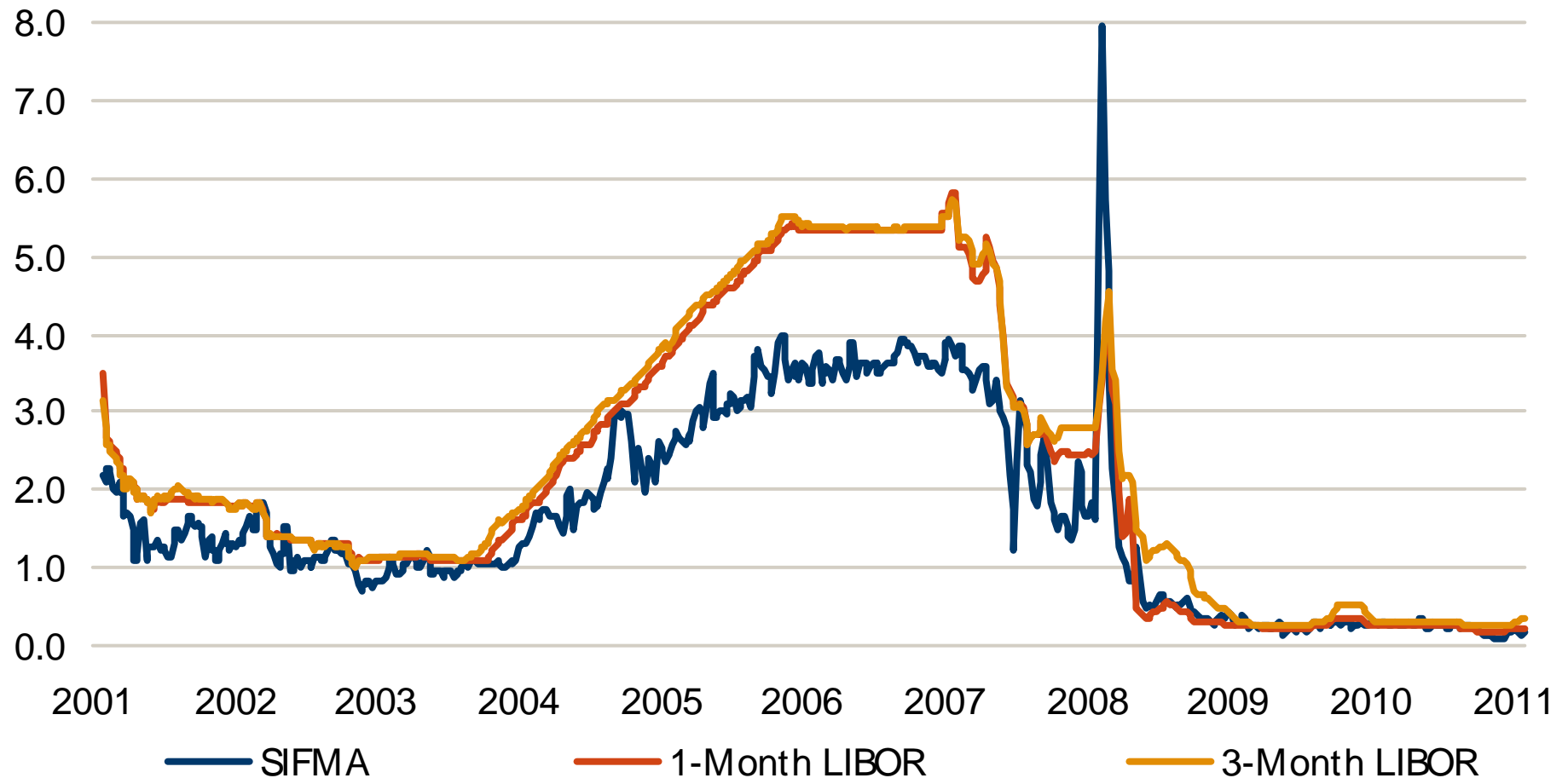


Source: BarCap Live and Bloomberg
Note: Rates and statistics as of September 16, 2011.

And the convergence of taxable and tax exempt rates saves the day!

SIFMA vs. 1-Month and 3-Month LIBOR

(Percent)



Source: BarCap Live and Bloomberg
Note: Rates and statistics as of September 16, 2011.

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