



Invested in America

MUNICIPAL BOND CREDIT REPORT

Fourth Quarter and Full Year 2010

RESEARCH REPORT

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MARKET SUMMARY

Municipal credit concerns, an unexpectedly heavy issuance calendar, year-end expiration of the popular Build America Bond (BABs) program, and state and local government fiscal pressures all made for a turbulent fourth quarter in the municipal markets.

Municipal Issuance Overview

According to Thomson Reuters, long-term municipal issuance volume, including taxable and tax-exempt issuance, totaled \$132.3 billion in the fourth quarter of 2010, a sharp increase of 41.2 percent from \$93.7 billion in 3Q'10 and a 10.3 percent increase from 4Q'09. The large increase in issuance is primarily due to the then pending expiration of the BAB program, with issuers rushing to sell BABs before the program expired on December 31, 2010; excluding taxables, issuance totaled \$73.6 billion, an increase of 16.0 percent and a decline of 12.6 percent, respectively, from 3Q'10 and 4Q'09.

For the full year 2010, long-term municipal issuance volume totaled a record high \$430.1 billion, 5.7 percent above the \$406.8 billion issued in 2009. Taxable issuance rose as a percentage of the total due to the popularity of the BABs program and its expiration; which, in turn, may lead to lower issuance in 2011. Moreover, the loss of the BABs program, under which issuance was concentrated in longer maturities, will mean increased new-issue supply in the longer-maturity tax-exempt market going forward.

According to Investment Company Institute (ICI) data¹, after inflows of \$32.2 billion into long-term municipal funds for the first 10 months of 2010, the trend abruptly reversed in the remaining two months, with \$20.7 billion withdrawn. The flow reversal was due to several reasons, including: the sudden increase in municipal debt issuance (which increased yields and caused prices to fall); municipal credit concerns in the media; the extension of the Bush tax cuts in early December, and the desire to look for better absolute returns elsewhere.²

Spreads between the 10-year AAA G.O. and 10-year Treasury yields narrowed in 4Q'10, averaging 95.2 compared to 99.2 in 3Q'10 and ending at 91.4. An unexpectedly heavy issuance calendar, combined with enormous money outflows, contributed to municipal yields rising faster than Treasury yields.

Tax-Exempt Issuance

Tax-exempt issuance totaled \$73.6 billion in 4Q'10, an increase of 16 percent from the \$63.4 billion issued in 3Q'10 but a decline of 12.6 percent from the \$84.2 billion issued in 4Q'09.

For the full-year 2010, tax-exempt issuance totaled \$273.1 billion, down 15.0 percent from 2009 and a low not seen since 2001 due to tax-exempts' displacement by BABs.³

Build America Bonds and Non-BAB Taxable Issuance

After the mid-term elections, it became increasingly clear that the BABs program would not be extended into 2011, municipalities issued a whopping \$44.1 billion of BABs in 4Q'10, representing nearly a quarter of all BABs issued in 2009 and 2010 combined, to take advantage of the 35 percent subsidy on interest payments. For the full year 2010, BAB issuance totaled \$117.3 billion, or 27 percent of total long term municipal issuance. Since its inception in April 2009, municipal issuers from every state (excluding Montana) issued \$181.4 billion of BABs.

Non-BABs taxable issuance also jumped sharply in 4Q'10, with \$12.3 billion sold, up from the \$7.3 billion issued in 3Q'10 and \$6.6 billion in 4Q'09, increases of 68.8 percent and 85.6 percent, respectively. For the full year, non-BAB taxable issuance totaled \$33.9 billion, an increase of 70 percent from the \$20 billion issued in 2009. This was chiefly due to the authorization of direct-payment

¹ Investment Company Institute (ICI), [Long-Term Mutual Fund Flows](#)

² The tax relief extension was signed into law on December 17, 2010, as the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010.

³ According to Thomson Reuters, long-term tax-exempt issuance in 2001 was \$242.7 billion; the five-year average from 2004-2009 was \$333.2 billion.

options for certain bonds (e.g., the American Recovery and Reinvestment Act (ARRA), Hiring Incentives to Restore Employment Act (HIRE), which included, among others, Qualified School Construction Bonds (QSCBs) and Clean Renewable Energy Bonds (CREBs).

ARS & VRDO Issuance and Update

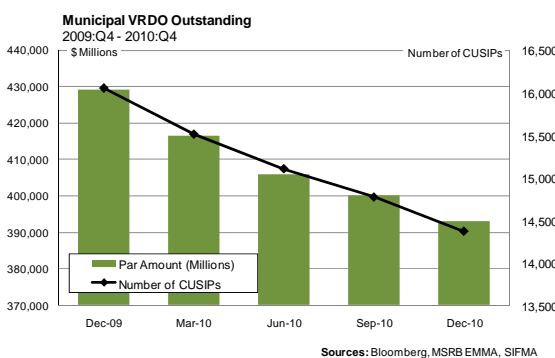
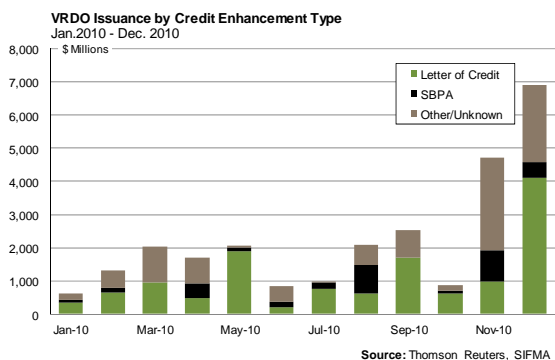
Variable rate demand obligations (VRDOs), long-term municipal bonds with a floating interest rate that resets periodically (daily, weekly, or some other specified short-term period) and a put feature, experienced a sharp increase in issuance in the last quarter of 2010, with \$12.5 billion sold, more than double the amount in 3Q'10 (\$5.6 billion) and a return to pre-crisis levels. For full year 2010, VRDO issuance totaled \$26.7 billion, down 25 percent from the \$35.6 billion issued in 2009.

Although the market share of bonds with liquidity facilities (e.g., letters of credit (LOCs) or standby bond purchase arrangements (SBPAs)) have not varied substantially from pre-crisis averages, the disappearance of bond insurance has resulted in a greater market share of VRDOs issued without a "traditional" liquidity arrangement. According to Thomson Reuters, a third of the VRDO issues in 2010 were floated with a nontraditional form of liquidity arrangement, as compared to the 22-percent average in the five-year period from 2005 to 2009.

As of end-December 2010, \$131.4 billion of LOCs and SBPAs (\$101.3 billion in LOCs, \$30.1 billion SBPAs) were scheduled to expire in 2011, and \$68.1 billion in 2012, for a total of \$199.5 billion over the next two years. In December, the Basel Committee issued the Basel III rules text,⁴ which finalized details on global regulatory standards on bank capital adequacy and liquidity. The text set a 100 percent credit conversion factor⁵ on off-balance sheet items (which include commitments such as liquidity facilities and LOCs) for determining a bank's leverage ratio, which would, in turn, impact the pricing and/or offering of short-term bank liquidity facilities. Although the number of liquidity providers are numerous in the VRDO space, the market is relatively concentrated, with the top 10 banking entities⁶ with outstanding VRDO liquidity arrangements representing about 65 percent of the market (by dollar amount outstanding) and the top five representing about 50 percent of the market. Moody's noted that, due to the mismatch between the length of liquidity facility agreements (1 to 5 years) versus VRDO debt structures (20 to 30 years), VRDO issuers were vulnerable to risk of being unable to renew their liquidity facilities⁷, although those issuers with underlying long-term ratings of A1 or less were particularly vulnerable.⁸

The SIFMA Municipal Swap Index, a seven-day high-grade market index composed of tax-exempt VRDOs, ended December at 0.34 percent and averaged 0.28 percent throughout 4Q'10.

The number and par amount outstanding of municipal auction rate securities (ARS), long-term debt securities whose rates are set by periodical auctions⁹, continued to slowly dwindle. As of end-December, about \$64.1 billion of municipal ARS remained outstanding, down 3.6 percent and 14.2 percent respectively from end-September 2010 (\$66.6 billion) and end-December 2009 (\$74.7 billion). Student loan issuers remain a substantial portion of outstanding municipal ARS outstanding, with 70.7 percent of all outstanding municipal ARS comprised of student loan issuance from 36



⁴ "Basel III: International Framework for liquidity risk measurement, standards and monitoring," BIS, <http://www.bis.org/publ/bcbs188.htm>

⁵ There is an exception for unconditionally cancellable commitments where a 10 percent credit conversion factor is applied instead, but these generally would not apply to short-term liquidity facilities provided to municipal issuers.

⁶ "Banking entities" are determined by the ultimate parent entity and aggregated accordingly.

⁷ Although it would depend on the terms of the VRDO, an issuer unable to renew its liquidity facility would have to redeem their VRDO issuance through issuance of traditional long-term debt, or allow VRDOs to convert to "bank bonds," which typically carry higher penalty rates and/or an accelerated payment schedule.

⁸ Moody's. "Municipal Market Investor Confidence: Linkages to Credit Quality," January 6, 2011.

⁹ Municipal ARS differs principally from a VRDO due to their lack of a liquidity facility.

states. By state, Pennsylvania, Texas, and New York remain the largest outstanding issuer locations in the municipal ARS space.

Municipal Finances

State and local governments continued to experience budgetary pressure in the near-term, due to both cyclical and structural factors. Several states already faced forecasted budget gaps for fiscal 2012 and 2013 as state budgets continue to feel the impact from both the recession and fading federal assistance from ARRA. Headlines on state and city budget woes in the news have also contributed to market volatility while keeping municipal credit concerns at the forefront.

According to the Nelson A. Rockefeller Institute of Government, preliminary tax collection data showed improvement in overall state tax collections in the third quarter of 2010, particularly personal income tax (PIT) and, to a lesser extent, sales tax.¹⁰ The pickup in both business and consumer spending in 2010, particularly in the second half of 2010¹¹, will likely bode well for future state tax receipts, although the depressed housing market will remain a hindrance¹² for local governments, who, in part, rely on property taxes for revenue.¹³

Moody's noted that although municipal balance sheets were noticeably weaker than before the downturn, most issuers were able to weather certain market stresses (*e.g.*, elevated bond yields, decreased investor appetite, diminished access to the capital markets), while municipal debt was structured to be generally shielded from market volatility (*e.g.*, amortizing debt, interest payments absorbing a relatively low percentage of government expenditures, etc.). Since the downturn in 2008 to the end of 2010, there were only two defaults on rated general government debt (both on Jefferson County, Ala.), with an additional five defaults occurring in the housing and healthcare sectors.

At the margin, however, Moody's noted that certain issuers would be most affected by decreased market access, including issuers that: use debt to fund operating deficits; rely on seasonal cash flow borrowing; need to roll bond anticipation notes (BANs); and have issued or need to issue VRDOs. The Center of Budget and Policy Priorities (CBPP) noted that while it was extremely rare for an issuer to sell bonds specifically to fund operating expenses,¹⁴ Moody's observed that it was far more common to simply refund issuances that ultimately pushed debt payments into later years, which made issuers whose structural budget imbalances exceed internal sources of funding most vulnerable to loss of market access.

Standard and Poor's noted that the crisis that state and local governments faced were more "policy crises rather than questions of governments' continued ability to exist and function...[m]ore about tough decisions than potential defaults."¹⁵

¹⁰ Nelson A Rockefeller Institute of Government, [State Revenue Report](#), November 30, 2010.

¹¹ U.S. Bureau of Economic Analysis, Personal Income and Outlays.

¹² Bernanke, Ben. "[The Economic Outlook and Monetary and Fiscal Policy](#)," Testimony before the Committee on the Budget, U.S. Senate, January 7, 2011.

¹³ Although declines will be relatively modest due to lagging property assessments and tax rate changes. See Wells Fargo, "States Face Numerous Challenges," January 20, 2011; see also Federal Reserve (Lutz, Molloy, Shan), "The Housing Crisis and State and Local Government Tax Revenue: Five Channels," August 2010.

¹⁴ Center on Budget and Policy Priorities, "[Misunderstandings Regarding State Debt, Pensions, and Retiree Health Costs Create Unnecessary Alarm](#)," January 20, 2011.

¹⁵ Standard and Poor's. "U.S. States and Municipalities Face Crises More of Policy Than Debt," November 8, 2010.

CHARTS & DATA

LONG-TERM MUNICIPAL STATE ISSUANCE BY TYPE, 4Q'10 AND FULL YEAR 2010¹⁶

Long-Term Municipal State Issuance by Type, 4Q'10

\$ Millions

State	Total Amount	G.O.	Revenue	State	Total Amount	G.O.	Revenue	State	Total Amount	G.O.	Revenue
Alabama	1,676.2	449.0	1,227.2	Kentucky	1,455.2	149.0	1,306.2	Ohio	6,275.3	1,445.3	4,830.0
Alaska	394.7	380.2	14.5	Louisiana	2,501.0	374.6	2,126.4	Oklahoma	798.0	148.0	650.0
Arizona	644.4	253.0	391.4	Maine	252.7	77.9	174.8	Oregon	618.8	209.0	409.8
Arkansas	613.9	318.2	295.7	Maryland	1,045.4	228.7	816.7	Pennsylvania	4,138.3	2,217.8	1,920.5
California	21,018.5	5,547.1	15,471.4	Massachusetts	3,915.3	1,105.8	2,809.5	Puerto Rico	355.7		355.7
Colorado	2,583.9	358.2	2,225.7	Michigan	3,547.6	1,157.1	2,390.5	Rhode Island	234.2	33.3	200.9
Connecticut	2,224.3	923.5	1,300.8	Minnesota	2,220.6	877.5	1,343.1	South Carolina	2,589.8	257.5	2,332.3
D. of Columbia	1,232.8	181.3	1,051.5	Mississippi	1,690.4	737.7	952.7	South Dakota	260.8	30.2	230.6
Delaware	1,047.0	331.9	715.1	Missouri	1,843.3	522.4	1,320.9	Tennessee	1,182.8	571.4	611.4
Florida	4,416.3	414.8	4,001.5	Montana	320.3	48.1	272.2	Texas	12,119.3	4,746.1	7,373.2
Georgia	2,908.4	962.9	1,945.5	Nebraska	1,531.8	402.1	1,129.7	Utah	1,181.4	202.5	978.9
Guam	118.8		118.8	Nevada	876.0	382.2	493.8	Vermont	288.2	75.0	213.2
Hawaii	928.1	421.5	506.6	New Hampshire	277.2	242.2	35.0	Virginia	2,856.7	419.5	2,437.2
Idaho	226.6	28.5	198.1	New Jersey	5,764.3	1,344.4	4,419.9	Washington	2,446.2	1,014.2	1,432.0
Illinois	7,647.1	2,363.5	5,283.6	New Mexico	581.3	87.9	493.4	West Virginia	203.8		203.8
Indiana	1,549.5	302.4	1,247.1	New York	15,129.7	4,454.9	10,674.8	Wisconsin	1,729.7	763.9	965.8
Iowa	951.2	366.0	585.2	North Carolina	2,118.6	270.9	1,847.7	Wyoming	65.9	25.3	40.6
Kansas	809.1	257.0	552.1	North Dakota	213.8	64.8	149.0				

G.O. Issuance	38,546.2
Revenue Issuance	95,074.0
*Total L-T Issuance	133,620.2

Source: Thomson Reuters

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

Long-Term Municipal State Issuance by Type, Full Year 2010

\$ Millions

State	Total Amount	G.O.	Revenue	State	Total Amount	G.O.	Revenue	State	Total Amount	G.O.	Revenue
Alabama	4,093.2	1,311.4	2,781.8	Kentucky	5,430.2	468.8	4,961.4	Ohio	16,018.5	4,565.4	11,453.1
Alaska	942.6	562.3	380.3	Louisiana	6,540.8	761.8	5,779.0	Oklahoma	3,425.0	922.6	2,502.4
Arizona	6,266.6	938.1	5,328.5	Maine	958.9	271.1	687.8	Oregon	3,813.9	1,081.3	2,732.6
Arkansas	2,439.4	1,409.5	1,029.9	Maryland	5,733.8	3,005.4	2,728.4	Pennsylvania	18,933.2	8,262.7	10,670.5
California	61,012.1	19,552.1	41,460.0	Massachusetts	13,495.7	4,209.8	9,285.9	Puerto Rico	9,512.5		9,512.5
Colorado	7,386.9	2,045.3	5,341.6	Michigan	8,601.2	3,420.3	5,180.9	Rhode Island	807.3	306.7	500.6
Connecticut	6,116.9	3,144.0	2,972.9	Minnesota	7,539.5	4,524.9	3,014.6	South Carolina	5,147.0	1,914.2	3,232.8
D. of Columbia	3,744.4	348.3	3,396.1	Mississippi	3,090.3	909.0	2,181.3	South Dakota	637.2	242.3	394.9
Delaware	1,576.4	735.8	840.6	Missouri	7,514.2	1,620.9	5,893.3	Tennessee	6,023.0	2,893.4	3,129.6
Florida	19,817.3	1,691.9	18,125.4	Montana	699.6	148.2	551.4	Texas	37,056.0	17,001.2	20,054.8
Georgia	9,607.7	2,189.1	7,418.6	Nebraska	2,964.6	1,161.3	1,803.3	Utah	3,618.9	1,562.0	2,056.9
Guam	391.1		391.1	Nevada	3,795.9	1,124.4	2,671.5	Vermont	636.7	300.9	335.8
Hawaii	2,930.5	1,323.1	1,607.4	New Hampshire	1,146.5	819.4	327.1	Virgin Islands	484.4		484.4
Idaho	764.5	176.3	588.2	New Jersey	14,819.1	4,206.1	10,613.0	Virginia	8,576.4	2,347.2	6,229.2
Illinois	26,040.6	15,902.9	10,137.7	New Mexico	2,893.3	498.8	2,394.5	Washington	12,403.5	6,213.4	6,190.1
Indiana	5,056.3	505.5	4,550.8	New York	40,479.8	11,186.6	29,293.2	West Virginia	1,005.3	143.4	861.9
Iowa	3,132.5	1,266.5	1,866.0	North Carolina	7,832.6	3,255.5	4,577.1	Wisconsin	5,778.7	3,598.0	2,180.7
Kansas	3,428.3	1,422.4	2,005.9	North Dakota	567.6	220.6	347.0	Wyoming	358.6	49.1	309.5

G.O. Issuance	147,741.2
Revenue Issuance	285,345.8
*Total L-T Issuance	433,087.0

Source: Thomson Reuters

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

¹⁶ Issuance totals do not include private placements.

LONG-TERM MUNICIPAL ISSUANCE BY REGION, 4Q'10 AND FULL YEAR 2010

Long-Term Municipal Issuance by Region, 4Q'10

\$ Millions

General Obligation						Unenhanced General Obligation					
	Far West	Midwest	Northeast	Southeast	Southwest		Far West	Midwest	Northeast	Southeast	Southwest
Aaa	197.0	852.4	1,001.3	1,327.2	2,992.8	Aaa	164.6	846.6	946.3	1,327.2	427.3
Aa	2,793.5	4,495.6	8,289.5	2,675.0	1,675.6	Aa	2,260.2	3,899.8	7,526.0	2,462.0	1,160.7
A	4,654.3	354.9	413.3	68.5	46.4	A	4,654.3	354.9	407.4	68.5	46.3
Baa			19.5		2.0	Baa			19.5		2.0
Below Baa	-	-	-	-	-	Below Baa	-	-	-	-	-
Total Rated	7,644.8	5,702.9	9,723.5	4,070.6	4,716.8	Total Rated	7,079.0	5,101.3	8,899.2	3,857.5	1,636.2
Not Rated	411.2	2,592.3	1,493.1	536.7	1,654.1	Not Rated	350.7	1,672.3	682.1	245.9	1,067.2
Totals	8,056.0	8,295.2	11,216.6	4,607.3	6,370.9	Totals	7,429.7	6,773.6	9,581.3	4,103.4	2,703.4
% of Total L-T Volume	20.9%	21.5%	29.1%	12.0%	16.5%	% of Total L-T Volume	24.3%	22.1%	31.3%	13.4%	8.8%

Source: Thomson Reuters

Revenue						Unenhanced Revenue					
	Far West	Midwest	Northeast	Southeast	Southwest		Far West	Midwest	Northeast	Southeast	Southwest
Aaa	1,043.3	2,526.5	2,431.0	1,288.5	811.1	Aaa	203.4	1,589.0	2,054.7	826.7	267.4
Aa	10,990.5	5,820.8	11,103.0	9,056.0	6,428.5	Aa	10,616.4	4,094.3	9,944.3	6,612.3	5,723.9
A	3,388.9	5,061.4	6,055.1	3,009.4	2,061.3	A	3,372.2	4,071.5	5,224.5	1,782.2	2,021.3
Baa	336.5	481.0	1,272.6	828.3	435.5	Baa	336.5	481.0	1,108.6	528.3	435.5
Below Baa		295.0				Below Baa		295.0			
Total Rated	15,759.0	14,184.5	20,861.5	14,290.4	9,736.4	Total Rated	14,528.4	10,530.5	18,332.0	9,749.5	8,448.1
Not Rated	3,080.0	5,290.8	3,826.9	4,701.5	3,223.9	Not Rated	2,485.4	4,040.6	3,370.5	2,626.9	2,034.0
Totals	18,839.0	19,475.3	24,688.5	18,991.9	12,960.3	Totals	17,013.8	14,571.2	21,702.5	12,376.4	10,482.0
% of Total L-T Volume	19.8%	20.5%	26.0%	20.0%	13.6%	% of Total L-T Volume	22.3%	19.1%	28.5%	16.3%	13.8%

Source: Thomson Reuters

Long-Term Municipal Issuance by Region, Full Year 2010

\$ Millions

General Obligation						Unenhanced General Obligation					
	Far West	Midwest	Northeast	Southeast	Southwest		Far West	Midwest	Northeast	Southeast	Southwest
Aaa	574.8	2,942.6	4,703.6	5,591.7	10,702.5	Aaa	308.8	2,720.7	4,648.6	5,591.7	5,489.2
Aa	16,102.1	16,150.4	23,782.6	9,188.9	7,555.4	Aa	14,238.2	13,546.8	21,590.1	8,037.7	5,760.0
A	4,962.2	8,085.7	900.5	791.4	479.5	A	4,942.8	7,151.1	867.2	784.4	287.2
Baa	5,905.2	29.1	44.3	13.1	53.9	Baa	5,905.2	29.1	36.6	13.1	45.1
Below Baa						Below Baa					
Total Rated	27,544.2	27,209.1	29,447.6	15,612.9	18,791.2	Total Rated	25,394.9	23,447.6	27,142.7	14,454.8	11,581.5
Not Rated	2,700.5	9,819.4	7,349.2	2,272.8	7,023.8	Not Rated	1,982.9	6,301.9	3,636.5	1,717.6	3,937.2
Totals	30,244.7	37,028.5	36,796.7	17,885.7	25,815.0	Totals	27,377.7	29,749.5	30,779.2	16,172.4	15,518.7
% of Total L-T Volume	78.5%	96.1%	95.5%	46.4%	67.0%	% of Total L-T Volume	89.5%	97.2%	100.6%	52.9%	50.7%

Source: Thomson Reuters

Revenue						Unenhanced Revenue					
	Far West	Midwest	Northeast	Southeast	Southwest		Far West	Midwest	Northeast	Southeast	Southwest
Aaa	3,387.1	6,326.1	7,020.8	4,839.4	5,559.4	Aaa	2,127.7	4,194.9	4,724.1	3,192.4	10,175.1
Aa	31,408.6	14,180.5	34,992.1	27,503.6	17,587.6	Aa	29,055.3	11,328.0	29,576.4	21,410.2	32,010.3
A	11,312.6	11,154.3	20,144.0	14,066.8	5,689.9	A	10,936.5	9,277.7	15,603.9	10,547.4	11,229.6
Baa	1,085.1	983.9	3,070.6	2,709.4	2,535.7	Baa	1,070.1	930.1	2,746.3	2,409.4	5,071.4
Below Baa		461.8				Below Baa		461.8			
Total Rated	47,193.4	33,106.6	65,227.6	49,227.4	31,382.1	Total Rated	43,189.5	26,192.5	52,650.5	37,559.5	58,495.7
Not Rated	9,297.6	13,715.5	15,936.7	10,050.5	9,332.4	Not Rated	7,455.4	10,241.3	14,087.7	6,514.6	16,446.8
Totals	56,490.9	46,822.2	81,164.2	59,277.9	40,714.5	Totals	50,645.0	36,433.8	66,738.2	44,074.1	74,942.5
% of Total L-T Volume	59.5%	49.3%	85.5%	62.4%	42.9%	% of Total L-T Volume	66.5%	47.8%	87.6%	57.9%	98.4%

Source: Thomson Reuters

LONG-TERM MUNICIPAL ISSUANCE BY GENERAL USE OF PROCEEDS, 4Q'10 AND FULL YEAR 2010

Long-Term Municipal Issuance by General Use of Proceeds, 4Q'10

\$ Millions

General Obligation Sector	Investment Grade	Number of		Number of	Total	Number of
		Issues	Not Rated			
Development	113.2	7	125.0	1	238.2	8
Education	13,106.3	785.0	219.4	97	13,325.7	882
Electric Power	116.8	6			116.8	6
Environmental Facilities	67.4	4.0			67.4	4
General Purpose	19,917.5	799	251.9	124	20,169.4	923
Healthcare	156.0	10.0	23.0	4	179.0	14
Housing	205.7	8			205.7	8
Public Facilities	732.6	98.0	24.2	31	756.8	129
Transportation	2,524.5	60	11.0	11	2,535.5	71
Utilities	817.8	122.0	133.5	52	951.3	174
Total	37,757.8	1,899	788.0	320	38,545.8	2,219

Revenue Sector	Investment Grade	Number of	Sub-Investment		Number of	Number of	Total	Number of	
			Grade	Rating					Issues
Development	3,785	86	295		3	1,658.7	31	5,738.6	120
Education	15,192	349				156.7	32	15,348.5	381
Electric Power	8,286	72				74.0	10	8,360.3	82
Environmental Facilities	2,733	38				222.9	8	2,955.9	46
General Purpose	11,960	252				236.3	52	12,196.4	304
Healthcare	6,125	100				556.8	37	6,682.1	137
Housing	3,995	118				140.2	12	4,135.0	130
Public Facilities	2,988	74				67.8	11	3,055.4	85
Transportation	21,632	131				52.4	8	21,684.1	139
Utilities	14,722	319	119		1	120.6	38	14,961.5	358
Total	91,417.6	1,539.0	413.8		4.0	3,286.4	239.0	95,117.8	1,782.0

Source: Thomson Reuters

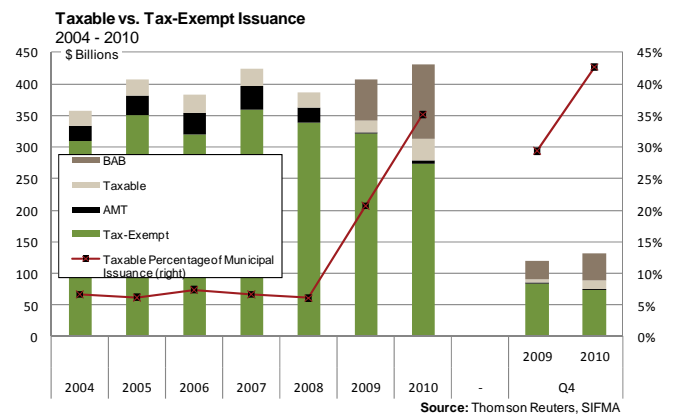
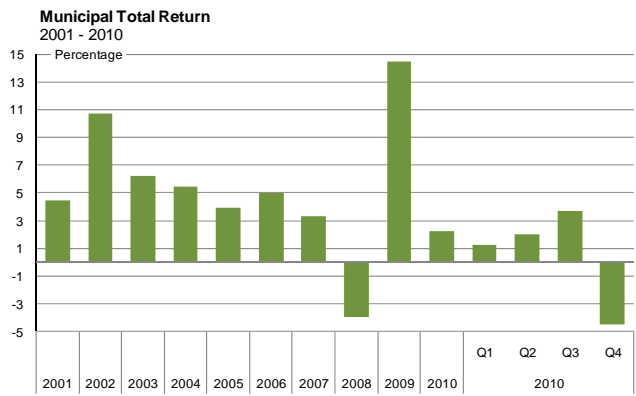
Long-Term Municipal Issuance by General Use of Proceeds, Full Year 2010

\$ Millions

General Obligation Sector						
	Investment Grade	Number of Issues	Not Rated	Number of Issues	Total Amount	Number of Issues
Development	427.3	19	137.7	3	565.0	22
Education	48,134.3	3,129.0	1,342.5	619	49,476.8	3,748
Electric Power	169.6	12	4.9	3	174.5	15
Environmental Facilities	285.0	15.0	0.4	1	285.4	16
General Purpose	77,704.9	2,838	1,181.7	492	78,886.6	3,330
Healthcare	1,435.8	41.0	87.8	10	1,523.6	51
Housing	581.2	21			581.2	21
Public Facilities	2,279.4	283.0	121.0	89	2,400.4	372
Transportation	9,602.3	184	66.6	56	9,668.9	240
Utilities	3,809.3	445.0	369.3	163	4,178.6	608
Total	144,429.1	6,987	3,311.9	1,436	147,741.0	8,423

Revenue Sector							Sub-Investment	
	Investment Grade	Number of Issues	Grade Rating	Number of Issues	Not Rated	Number of Issues	Total Amount	Number of Issues
Development	6,514	193	295	3	2,227.5	53	9,036.0	249
Education	50,611	1,253	43	1	751.3	119	51,405.4	1,373
Electric Power	28,881	234	207	2	138.0	42	29,225.5	278
Environmental Facilities	6,359	94	89	1	905.0	29	7,352.4	124
General Purpose	40,887	783			1,045.2	161	41,932.2	944
Healthcare	28,133	354	35	1	1,793.5	124	29,961.5	479
Housing	8,982	270			189.4	20	9,171.0	290
Public Facilities	8,547	256			177.7	35	8,724.3	291
Transportation	57,495	361			86.3	18	57,581.0	379
Utilities	40,509	931	119	1	328.7	127	40,956.0	1,059
Total	276,915.6	4,729.0	787.1	9.0	7,642.6	728.0	285,345.3	5,466.0

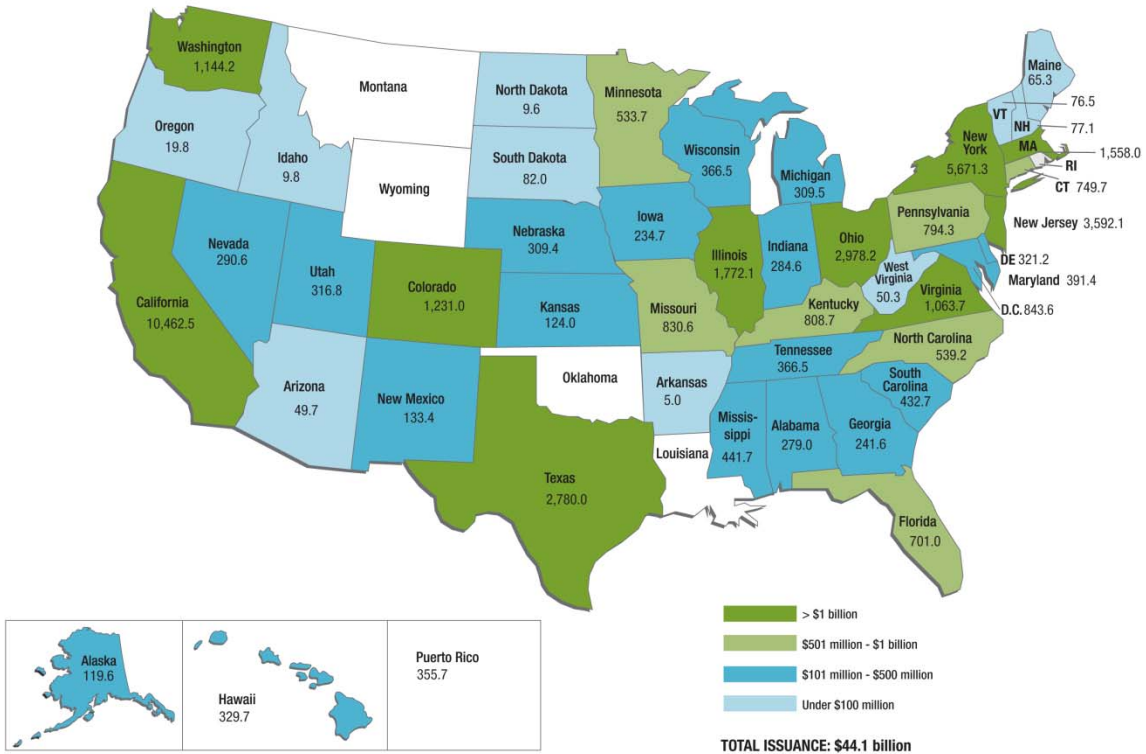
Source: Thomson Reuters



BUILD AMERICA BONDS 4Q'10 AND FULL YEAR 2010

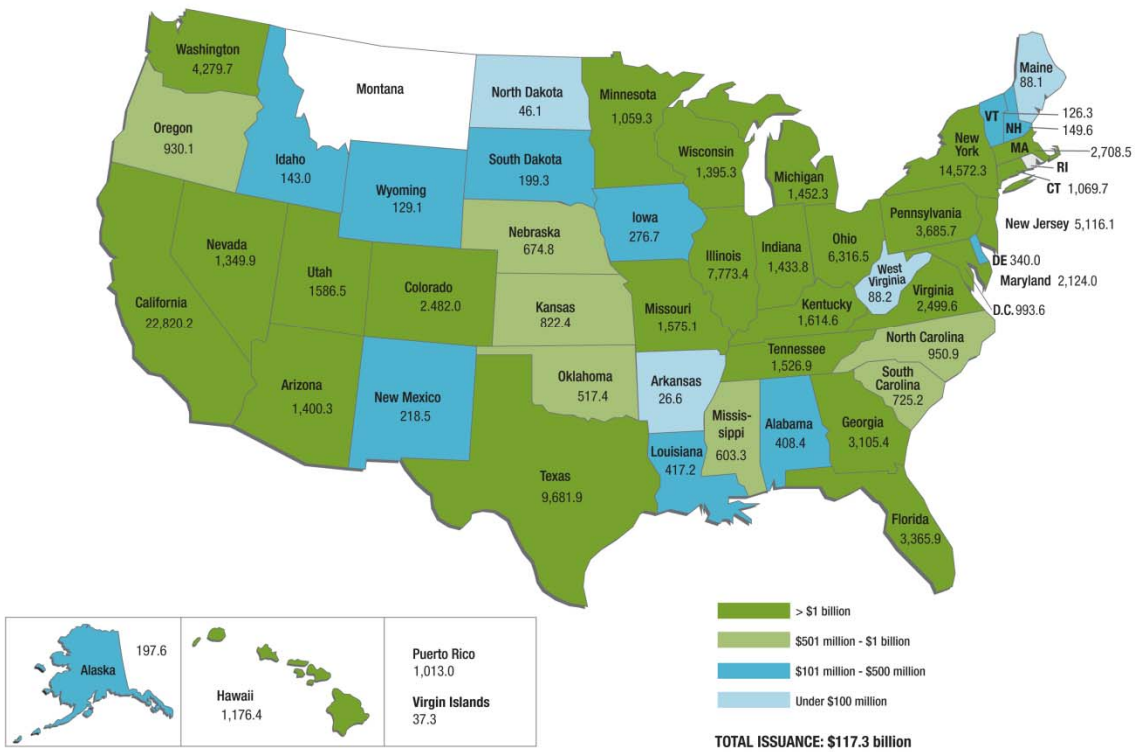
Build America Bond Issuance By State 4Q '10

Numbers are in \$ Millions



Build America Bond Issuance By State Full Year 2010

Numbers are in \$ Millions



Build America Bond Issuance by State and Quarter, Full Year 2010

\$ Millions

State	Q1	Q2	Q3	Q4	State	Q1	Q2	Q3	Q4	State	Q1	Q2	Q3	Q4
AK	58.51		19.54	119.57	KY	186.62	489.85	129.44	808.73	OH	609.33	623.98	2104.99	2978.24
AL	6.16	60.78	62.49	279.03	LA		357.84	59.41		OK	42.58	204.99	269.89	
AR	19.52		2.04	5.00	MA	89.91	702.60	358.00	1557.97	OR	544.68	365.69		19.75
AZ	255.34	546.55	548.78	49.69	MD	803.06	280.04	649.48	391.43	PA	931.76	1157.20	802.50	794.26
CA	5983.17	3840.42	2570.20	10426.46	ME		22.77		65.32	PR		409.61	247.67	355.73
CO	227.43	514.88	508.73	1230.97	MI	276.71	716.25	149.94	309.45	SC	38.46	109.50	144.55	432.73
CT	72.52	206.58	40.86	749.73	MN	217.77	92.39	215.39	533.71	SD	21.24	84.71	11.40	81.99
DC		150.00		843.62	MO	251.61	253.15	239.71	830.61	TN	70.98	1078.34	11.10	366.53
DE		18.86		321.15	MS	136.78	24.87		441.70	TX	947.33	1561.33	4393.27	2779.98
FL	1379.71	285.99	999.28	700.98	NC	122.43	124.59	164.70	539.22	UT	189.34	381.80	698.53	316.85
GA	2702.45	9.51	151.91	241.57	ND	13.67	22.82		9.63	VA	488.36	622.37	325.10	1063.74
HI	607.84		238.80	329.74	NE	44.67	96.95	223.80	309.38	VI		37.33		
IA	9.26	29.81	3.00	234.67	NH		12.54	60.00	77.08	VT		49.80		76.52
ID	84.99	48.23		9.80	NJ	556.31	900.27	67.41	3592.15	WA	456.94	1903.58	775.03	1144.20
IL	2115.48	2593.50	1292.28	1772.14	NM	38.25	13.80	33.00	133.43	WI	405.11	152.45	471.21	366.50
IN	671.88	326.35	150.95	284.59	NV	657.09	239.82	162.39	290.62	WV		37.95		50.27
KS	192.39	98.62	407.33	124.03	NY	4141.76	3379.75	1379.51	5671.32	WY			40.71	88.38
											Q1	Q2	Q3	Q4
Total											26,794.36	25,156.55	21,231.91	44,111.67

Source: Thomson Reuters

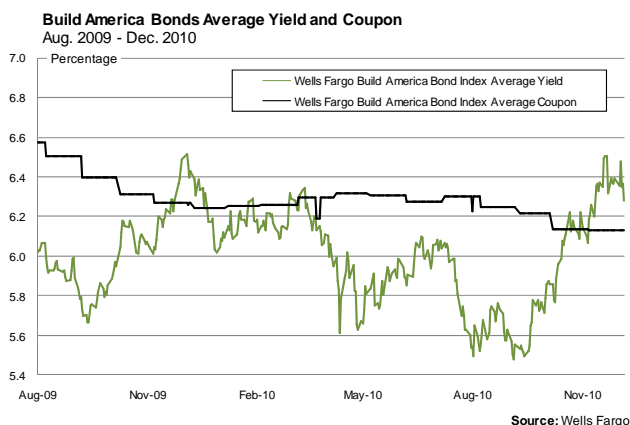
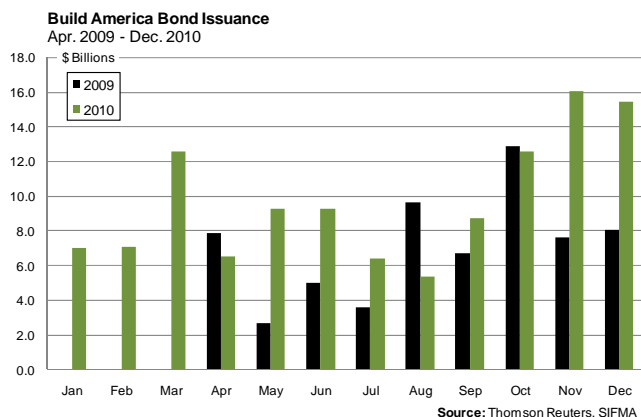
Build America Bond Issuance by Use of Proceeds, Full Year 2010

\$ Millions

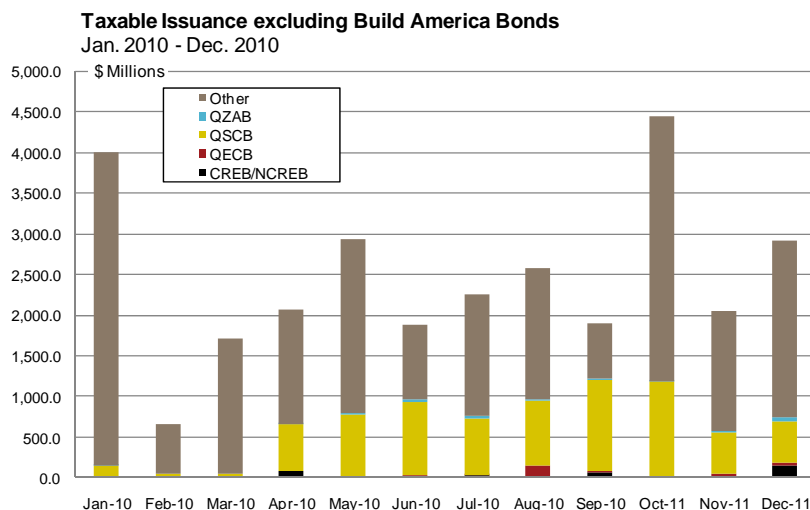
Use of Proceeds	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Airports		454.28		578.00					234.90	59.36	28.68	
Combined Utilities			386.78		50.38	3.87			126.17	500.00	132.45	107.26
Economic Development			6.16							52.01		7.17
Education	1,263.50	2,157.36	1,745.28	2,407.20	1,492.65	1,828.70	1,666.00	872.40	3,177.43	2,784.65	3,788.35	3,029.03
Electric & Public Power	200.00	130.94	2,781.08	535.12	1,474.84	448.17	597.26	56.83	1,193.48	194.71	1,258.99	2,817.86
Genl Purpose/ Public Imp	2,574.07	2,014.39	4,904.74	2,350.91	2,734.52	3,137.52	1,575.61	2,097.13	712.00	3,304.21	5,799.58	3,406.70
Health Care	133.05	513.53	17.21	103.57	44.65	106.67		228.28	42.39	415.28	63.10	143.27
Industrial Development			7.33							11.16		
Multi Family Housing		12.72				1.24			2.04			
Pollution Control			33.04									
Seaports/Marine Terminals					2.35							
Solid Waste/ Resource Rec				75.00		25.14	13.54		2.36			19.60
Transportation	1,143.39	939.15	1,973.84	228.97	2,245.22	2,291.68	1,947.87	1,232.59	2,224.43	3,084.09	1,899.49	4,288.78
Water, Sewer & Gas Facs	1,722.84	905.53	774.21	253.52	1,224.46	1,512.24	645.30	891.26	1,692.66	2,198.28	3,113.92	1,603.74
Total	7,036.84	7,134.05	12,623.48	6,532.28	9,269.06	9,355.21	6,445.58	5,378.49	9,407.84	12,603.72	16,084.56	15,423.40

Source: Thomson Reuters

Other Build America Bond Charts



TAXABLE ISSUANCE EXCLUDING BABS, FULL YEAR 2010



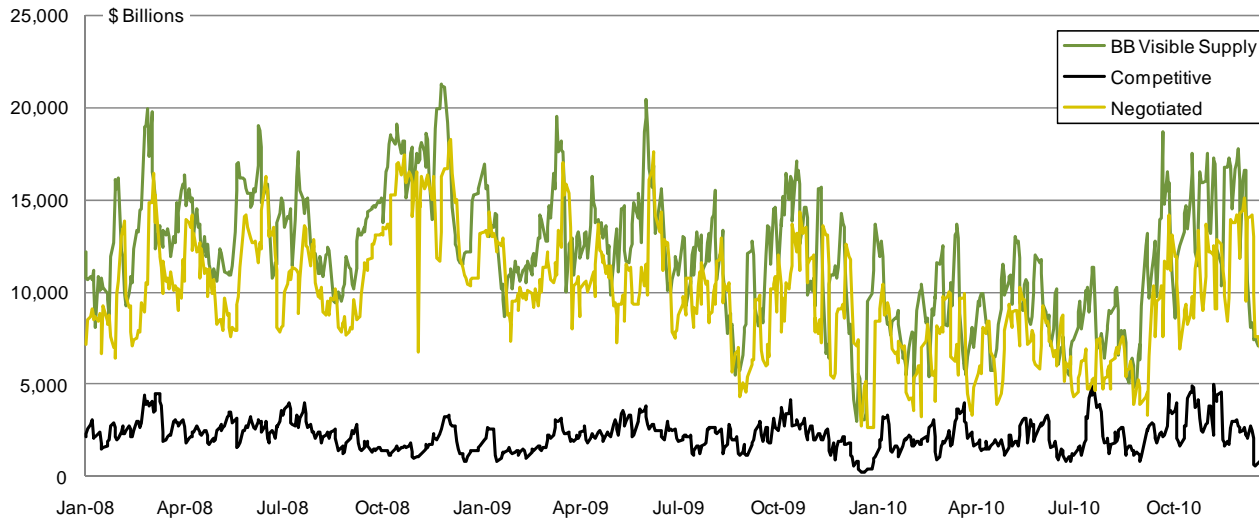
Source: Thomson Reuters, SIFMA

Taxable Issuance Excluding BABS by Type, Full Year 2010
\$ Millions

State	CREB/NCREB	Other	QECB	QSCB	QZAB	RZEDB	State	CREB/NCREB	Other	QECB	QSCB	QZAB	RZEDB
AK		81.4		45.0		12.0	MT		74.4		38.3	5.17	32.3
AL		118.4		180.1		232.1	NC		525.6		73.4	3.80	246.3
AR		92.7		181.0			ND		1.4		46.2	5.00	53.3
AZ	2.4	18.5	5.6	158.9		21.3	NE		26.2		33.8		76.3
CA	83.4	3,157.2	131.0	817.9		667.1	NH		2.3				89.7
CO		143.3	20.7	125.0		43.8	NJ		487.6				159.7
CT		243.8	4.7	203.4		82.7	NM		46.6		65.9		10.0
DC		228.3		32.9		90.0	NV		13.5		119.2		27.5
DE		15.9		59.6		50.9	NY	2.0	2,588.2	2.2	530.5	50.35	45.0
FL		161.3		346.4		240.6	OH	136.0	926.1		446.9		466.8
GA		186.9		199.3		236.7	OK		432.8				
GU		56.1					OR		248.1		72.7	2.00	74.7
HI						60.2	PA		133.5	26.7	402.5	22.94	55.7
IA		96.1		31.6		33.0	PR						92.8
ID		30.0		18.2			RI		98.8		49.0	9.67	80.0
IL		4,676.9	30.4	257.1	18.6	353.5	SC		46.5		195.2		75.6
IN		129.3		265.3	10.0	61.8	SD		4.9	1.7	39.9		64.3
KS		130.7	20.3	33.0		49.4	TN		223.0		212.4		184.3
KY		546.9	28.3	175.6	7.1	55.5	TX		584.1		264.1		
LA		726.4					UT		38.2		22.9		75.7
MA		199.2		186.3		180.9	VA		160.0		87.6		48.8
MD		143.1		65.1		29.4	VT		5.0		11.1	2.00	34.3
ME		27.3				27.2	WA	114.2	281.2	11.4	147.9		86.1
MI		1,394.5		515.9	3.7	388.2	WI		441.4	3.4	132.9	18.60	39.9
MN		122.4		136.2	21.0	118.7	WV		10.8		72.3		19.6
MO		866.0		205.8	17.2	205.3	WY		5.5				28.5
MS		294.6				65.0							

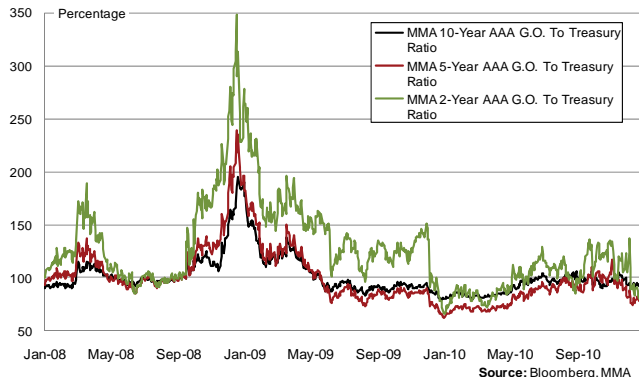
VISIBLE SUPPLY, YIELD CURVES, & RATIOS

Bond Buyer 30-Day Visible Supply
Jan. 1, 2008 - Dec. 31, 2010



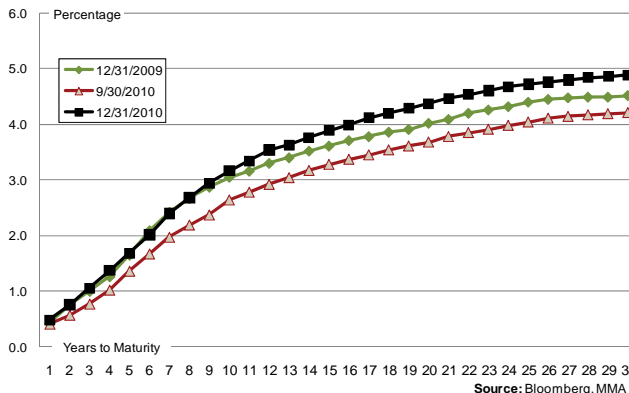
Source: Bond Buyer, Bloomberg

MMA 2-, 5-, and 10-Year AAA G.O. to Treasury Ratios
Jan. 2008 - Dec. 2010



Source: Bloomberg, MMA

MMA Municipal Yield Curve

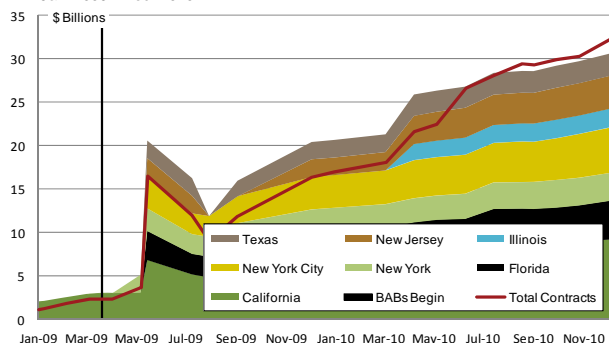


Source: Bloomberg, MMA

MUNICIPAL CDS

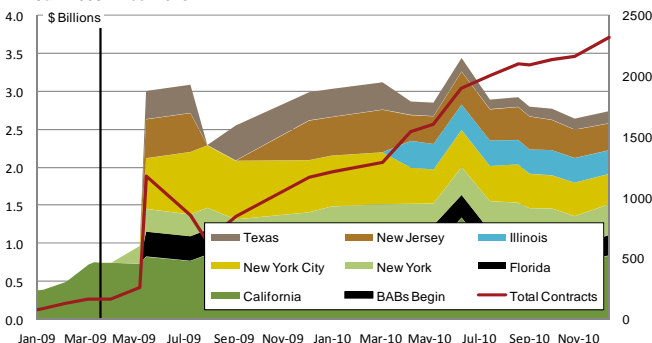
Gross and Net Notional of Single-Name Municipal CDS, 2009-2010
(From Top 1,000 Reference Entities)

Gross Notional Single-Name Muni CDS
Jan. 2009 - Dec. 2010



Source: DTCC

Net Notional Single-Name Muni CDS
Jan. 2009 - Dec. 2010



Source: DTCC

RATINGS

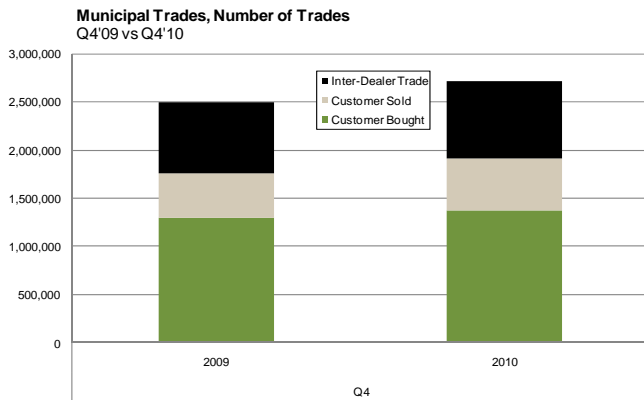
S&P Rating Changes¹⁷

Upgrades / Downgrades	2010:Q1	2010:Q2	2010:Q3	2010:Q4	Total	2009:Q1	2009:Q2	2009:Q3	2009:Q4	Total
Healthcare	9/10	9/15	8/10		26/35	3/25	5/21	2/12	12/12	22/70
Higher Education	2/2	8/2	9/2		19/6	2/3	11/4	11/1	14/2	38/10
Housing	4/99	133/129	5/38		142/266	22/159	11/62	6/13	18/35	57/269
Utility Revenue	55/7	40/4	41/2		136/13	85/4	145/1	65/4	37/3	332/12
Tax-secured	515/47	446/53	157/16		1118/116	516/15	327/16	219/3	316/13	1378/47
Transportation	3/2	1/2	0/3		4/7	3/7	6/0	6/4	1/4	16/15
Appropriation	93/197	71/15	36/2		200/214	140/143	132/40	76/3	74/28	422/214
Total	681/364	708/220	256/73		1645/657	771/356	637/144	385/40	472/97	2265/637

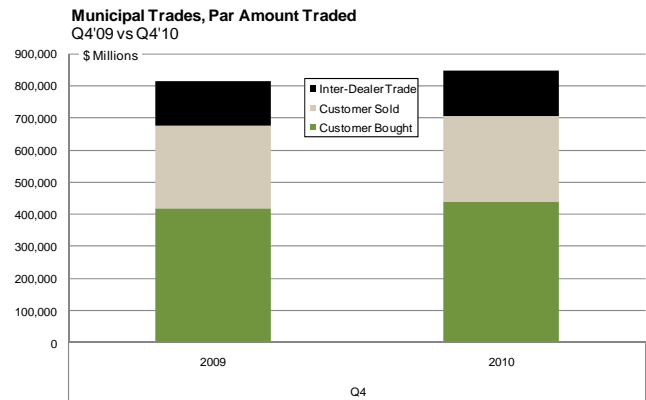
Source: Standard and Poor's

TRADING SUMMARY, 4Q'10 AND FULL YEAR 2010

Trading Summary, 4Q'10



Source: MSRB



Source: MSRB

	Total Number of Trades							
	# of Trades				Par Amount (Millions)			
	Customer Bought	Customer Sold	Inter-Dealer Trade	All Trades	Customer Bought	Customer Sold	Inter-Dealer Trade	All Trades
2009:Q4	1,297,340	459,507	736,361	2,493,208	\$417,875	\$259,463	\$137,707	\$815,045
2010:Q4	1,370,699	537,172	811,326	2,719,197	\$439,884	\$265,093	\$143,931	\$848,908

	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:Q4	20,271	7,180	11,506	38,957	\$6,529	\$4,054	\$2,152	\$12,735
2010:Q4	21,417	8,393	12,677	42,487	\$6,873	\$4,142	\$2,249	\$13,264

	# of Trades									
	# 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:Q4	82%	12%	2%	4%	2,493,208	8%	9%	6%	77%	\$815,045
2010:Q4	82%	12%	2%	4%	2,719,197	8%	10%	6%	76%	\$848,908

	Trades by Sector							
	Education	Health	Utility	Various Purpose	Transportation	Tax-Revenue	Other	Total (Millions)
	2009:Q4	16%	13%	12%	9%	8%	6%	36%
2010:Q4	16%	10%	12%	9%	10%	7%	37%	\$848,908

	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:Q4	4%	8%	14%	29%	46%	\$815,045
2010:Q4	8%	8%	11%	26%	47%	\$848,908	

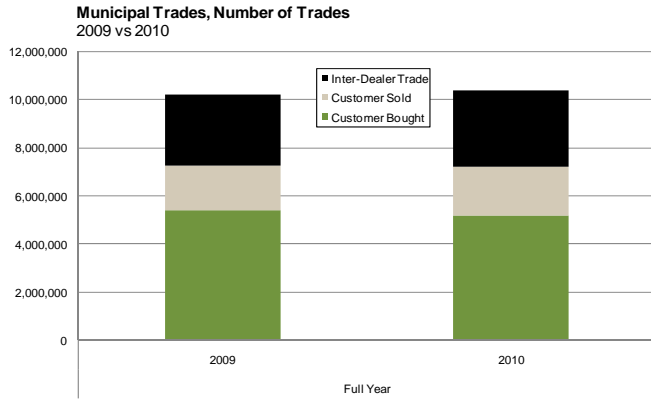
	Trades by Source of Repayment				
	General				Total (Millions)
	Revenue	Obligation	Double Barrel	Not Available	
2009:Q4	73%	23%	2%	2%	\$815,045
2010:Q4	74%	21%	2%	3%	\$848,908

¹⁷ Due to timing of publication, ratings figures may be a quarter behind.

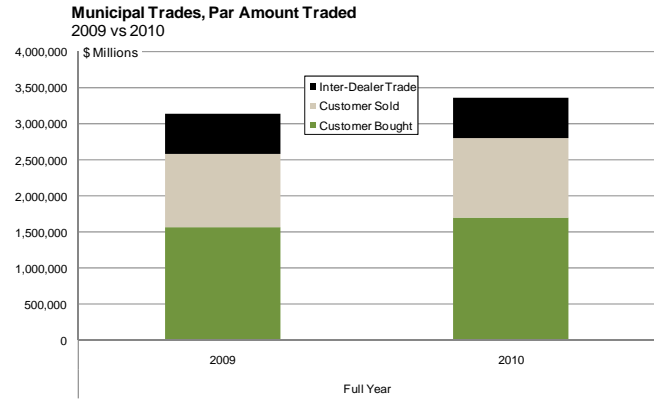
Trades by Coupon Type					
	Fixed Rate	Variable Rate	Zero Coupon	Not Available	Total (Millions)
2009:Q4	49%	49%	3%	0%	\$815,045
2010:Q4	55%	43%	2%	0%	\$848,908

Source: MSRB EMMA

Trading Summary, Full Year 2010



Source: MSRB



Source: MSRB

Total Number of Trades								
	# of Trades				Par Amount (Millions)			
	Customer Bought	Customer Sold	Inter-Dealer Trade	All Trades	Customer Bought	Customer Sold	Inter-Dealer Trade	All Trades
2009	5,395,596	1,875,241	2,940,301	10,211,138	\$1,569,743	\$1,007,300	\$564,578	\$3,141,621
2010	5,175,289	2,044,415	3,151,225	10,370,929	\$1,694,725	\$1,100,390	\$561,162	\$3,356,278

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	21,411	7,441	11,668	40,520	\$6,229	\$3,997	\$2,240	\$12,467
2010	20,537	8,113	12,506	41,155	\$6,725	\$4,367	\$2,227	\$13,319

	# of Trades					Par Amount (Millions)				
	500,001 -					500,001 -				
	0 - 100,000	100,001 - 500,000	1,000,000	1,000,000+	All Trades	0 - 100,000	100,001 - 500,000	1,000,000	1,000,000+	All Trades
2009	82%	12%	2%	4%	10,211,138	9%	10%	7%	75%	\$3,141,621
2010	82%	12%	2%	4%	10,370,929	8%	9%	6%	77%	\$3,356,278

Trades by Sector								
	Education	Health	Utility	Various Purpose	Transportation	Tax-Revenue	Other	Total (Millions)
	2009	18%	12%	12%	9%	9%	6%	34%
2010	16%	12%	12%	9%	9%	6%	37%	\$3,356,278

	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	4%	9%	12%	29%	45%	\$3,141,621
2010	7%	8%	12%	28%	45%	\$3,356,278	

	Trades by Source of Repayment				
	General				
	Revenue	Obligation	Double Barrel	Not Available	Total (Millions)
2009	73%	24%	3%	1%	\$3,141,621
2010	72%	22%	4%	2%	\$3,356,278

	Trades by Coupon Type				
	Fixed Rate	Variable Rate	Zero Coupon	Not Available	Total (Millions)
2009	52%	45%	3%	0%	\$3,141,621
2010	52%	45%	3%	0%	\$3,356,278

Source: MSRB EMMA

OUTSTANDING MUNICIPAL DEBT

Outstanding and by State, Rating, Maturity, and Security Type¹⁸
\$ Millions

¹⁸ Investment-grade outstanding requires a minimum of 1 investment grade rating from either Moody's, Standard and Poor's, or Fitch Ratings and will therefore include split-rated issues (*i.e.*, a bond with both an investment-grade and high yield rating); non-investment grade debt outstanding includes debt both rated junk as well as non-rated securities. Outstanding includes both short- and long-term municipal debt, VRDOs, and ARS. "Due in 13 months" will include debt with an original maturity of 13 months or longer. The chart replaces "Outstanding by Insurance" from prior municipal reports.

State	Total Outstanding	G.O.	Revenue	Investment Grade	Non-Investment Grade	Due in 13 Months	Long-Term	Insured	VRDO Only	ARS Only
AK Alaska	11,098.6	2,432.6	8,665.9	10,467.4	631.2	469.8	10,628.7	5,104.3	2,304.2	147.5
AL Alabama	32,484.6	5,197.2	27,287.4	25,459.9	7,024.7	866.6	31,617.9	15,351.8	4,706.0	1,627.4
AR Arkansas	12,031.1	995.0	11,036.1	9,333.2	2,697.8	709.3	11,321.8	3,478.4	596.1	-
AZ Arizona	56,810.3	6,046.0	50,764.3	51,699.3	5,110.9	2,646.8	54,163.5	19,700.8	3,408.8	659.5
CA California	483,243.2	109,612.8	373,630.3	416,810.6	66,432.5	29,277.1	453,966.1	165,076.3	52,024.8	2,489.7
CO Colorado	55,249.2	2,010.0	53,239.2	49,059.4	6,189.8	2,489.9	52,759.4	21,359.9	11,168.3	228.1
CT Connecticut	44,548.7	21,412.2	23,136.5	41,205.8	3,342.9	3,691.0	40,857.7	12,680.6	4,464.5	969.1
DC District of Columbia	23,894.0	3,620.6	20,273.3	22,018.9	1,875.0	1,227.5	22,666.5	10,311.9	3,556.7	125.3
DE Delaware	8,693.3	2,289.7	6,403.7	8,165.2	528.1	288.3	8,405.0	1,676.6	1,496.4	2,038.6
FL Florida	170,339.8	6,934.5	163,405.3	149,037.8	21,302.0	9,088.7	161,251.1	75,157.7	17,224.0	2,077.2
GA Georgia	74,273.8	12,004.8	62,269.0	64,625.2	9,648.6	3,530.5	70,743.4	21,490.5	10,129.1	159.2
GU Guam	1,823.7	451.1	1,372.6	1,045.7	778.0	42.0	1,781.6	381.3	-	-
HI Hawaii	15,239.6	8,608.2	6,631.4	14,644.2	595.4	506.6	14,733.0	8,051.5	207.9	198.0
IA Iowa	20,086.7	4,098.2	15,988.5	17,141.4	2,945.3	968.7	19,118.0	5,948.3	2,313.0	2,949.3
ID Idaho	11,362.2	96.8	11,265.4	10,232.1	1,130.1	989.0	10,373.2	2,131.2	1,549.8	-
IL Illinois	140,707.9	51,900.5	88,807.4	128,600.2	12,107.7	6,232.6	134,475.3	52,049.0	18,807.9	870.4
IN Indiana	55,141.4	723.4	54,418.0	47,492.3	7,649.1	2,378.8	52,762.6	20,813.4	8,188.6	1,856.5
KS Kansas	22,344.7	4,163.5	18,181.2	19,158.2	3,186.5	1,471.5	20,873.2	7,990.8	1,594.9	121.9
KY Kentucky	35,808.3	1,647.3	34,161.0	33,904.9	1,903.3	1,481.3	34,327.0	11,116.6	5,982.5	1,519.6
LA Louisiana	36,031.4	3,584.6	32,446.8	33,438.2	2,593.2	914.4	35,117.0	15,834.6	5,938.5	1,160.6
MA Massachusetts	94,787.2	29,426.8	65,360.4	87,021.1	7,766.1	5,990.2	88,796.9	28,823.2	15,197.3	1,902.1
MD Maryland	47,332.8	19,632.7	27,700.1	43,002.1	4,330.7	2,138.1	45,194.7	6,605.5	6,483.7	381.5
ME Maine	8,642.7	1,534.6	7,108.1	8,121.1	521.6	560.4	8,082.3	2,779.8	863.7	189.2
MI Michigan	76,236.9	9,932.4	66,304.5	65,826.4	10,410.5	5,383.3	70,853.6	35,814.2	10,400.6	1,757.4
MN Minnesota	50,926.0	15,358.7	35,567.3	45,163.6	5,762.5	3,035.5	47,890.5	10,990.3	4,951.9	670.9
MO Missouri	55,847.1	1,789.2	54,057.9	49,973.2	5,873.8	2,143.1	53,703.9	13,799.7	5,748.0	4,351.9
MS Mississippi	19,570.7	5,067.3	14,503.4	17,473.1	2,097.6	657.5	18,913.2	4,348.8	5,452.9	1,249.9
MT Montana	14,344.5	379.6	13,964.9	13,684.7	659.8	691.0	13,653.5	1,187.1	439.2	1,268.8
NC North Carolina	56,931.6	15,121.1	41,810.5	54,300.4	2,631.2	2,205.5	54,726.1	11,251.0	11,440.5	1,027.7
ND North Dakota	4,083.6	718.6	3,365.0	3,702.8	380.8	204.2	3,879.4	1,614.2	543.5	-
NE Nebraska	17,927.7	2,548.9	15,378.8	14,974.4	2,953.3	695.6	17,232.1	4,364.5	2,487.9	-
NH New Hampshire	11,656.8	1,933.9	9,722.8	10,696.0	960.8	323.8	11,333.0	2,893.9	1,971.7	1,571.2
NJ New Jersey	106,073.3	17,012.3	89,061.0	95,872.1	10,201.2	8,567.2	97,506.0	46,327.2	9,002.9	1,697.8
NM New Mexico	17,103.5	1,298.3	15,805.3	15,971.4	1,132.1	1,045.7	16,057.8	3,854.0	2,170.3	43.8
NV Nevada	31,233.2	10,278.0	20,955.2	27,681.1	3,552.1	1,117.8	30,115.4	15,212.6	3,187.8	358.0
NY New York	338,562.7	61,674.3	276,888.3	313,081.1	25,481.6	18,069.1	320,493.6	91,363.0	44,810.4	5,076.6
OH Ohio	98,752.4	15,381.4	83,371.0	83,679.8	15,072.6	4,572.5	94,179.9	25,868.6	13,656.1	1,350.3
OK Oklahoma	19,293.3	1,625.8	17,667.4	16,735.2	2,558.1	1,304.0	17,989.3	6,092.8	2,329.7	255.8
OR Oregon	32,771.4	9,291.0	23,480.4	30,427.8	2,343.6	2,189.8	30,581.6	12,479.3	3,135.8	351.2
OT Other Territories	7,394.5	25.0	7,369.5	5,808.3	1,586.2	10.1	7,384.4	234.8	1,877.6	-
PA Pennsylvania	128,500.5	20,186.6	108,314.0	116,830.4	11,670.1	6,661.9	121,838.6	50,662.2	20,935.0	6,687.0
PR Puerto Rico	63,048.9	9,884.3	53,164.6	57,751.8	5,297.1	1,304.0	61,745.0	15,891.5	2,138.7	14.6
RI Rhode Island	11,779.0	2,428.5	9,350.6	10,633.4	1,145.7	829.3	10,949.8	5,938.2	1,035.9	672.8
SC South Carolina	37,232.2	4,141.8	33,090.4	34,969.9	2,262.3	2,068.5	35,163.7	14,456.2	3,891.0	668.5
SD South Dakota	7,740.5	63.3	7,677.1	7,049.8	690.7	367.0	7,373.4	1,150.0	1,047.9	4.0
TN Tennessee	44,963.6	12,448.4	32,515.2	40,912.9	4,050.6	1,407.8	43,555.8	10,430.0	10,057.0	2,898.0
TT Trust Territories	290.6	102.0	188.6	-	290.6	-	290.6	-	-	-
TX Texas	279,848.5	55,664.5	224,184.0	243,199.5	36,649.1	16,368.4	263,480.2	71,893.9	24,584.7	6,685.7
UT Utah	21,704.4	4,116.6	17,587.8	19,602.4	2,102.1	899.6	20,804.8	4,485.9	3,803.2	1,616.1
VA Virginia	60,307.7	12,481.1	47,826.6	56,747.4	3,560.3	2,970.3	57,337.4	8,814.7	7,023.7	14.8
VI Virgin Islands	2,441.8	-	2,441.8	2,420.3	21.5	48.9	2,392.9	616.4	-	-
VT Vermont	5,793.0	589.1	5,204.0	5,536.4	256.6	164.6	5,628.4	3,457.6	856.1	1,640.8
WA Washington	75,118.7	23,353.2	51,765.5	72,099.3	3,019.5	2,899.9	72,218.9	31,409.7	6,248.2	414.1
WI Wisconsin	45,090.8	15,137.5	29,953.2	40,163.0	4,927.7	3,585.5	41,505.3	15,558.0	5,866.3	8.3
WV West Virginia	9,302.1	513.4	8,788.7	7,931.1	1,371.1	286.2	9,015.9	3,090.1	1,614.0	101.9
WY Wyoming	4,107.5	70.6	4,036.9	3,995.1	112.4	61.9	4,045.6	159.0	1,458.9	-
TOTAL (1/5/2011)	3,217,953.8	629,039.8	2,588,914.0	2,876,578.3	341,375.6	170,098.7	3,047,855.2	1,039,623.6	392,374.5	64,128.4

Source: Bloomberg, MSRB EMMA, Thomson Reuters, SIFMA

Outstanding by Purpose
\$ Millions

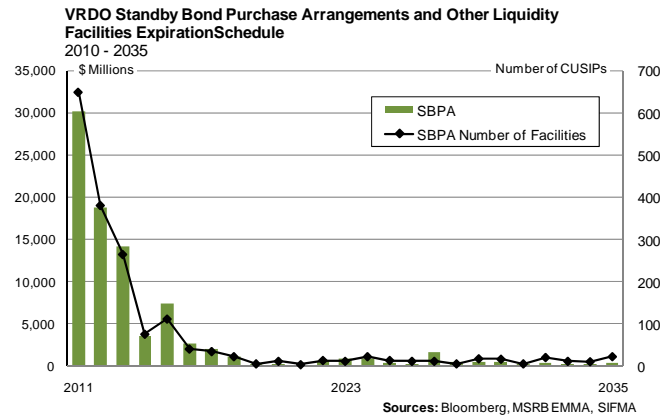
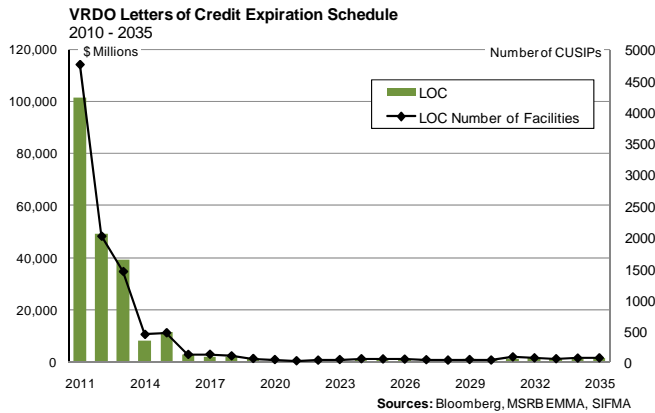
Purpose	Total Outstanding
Development	74,134.1
Education	675,811.9
Environmental Facilities	69,185.2
General Purpose	629,039.8
Healthcare	291,817.9
Housing	179,661.8
Other	459,916.9
Public Facilities	122,957.4
Transportation	298,758.8
Utilities	416,670.0
TOTAL (1/5/2011)	3,217,953.8

Source: Bloomberg, SIFMA

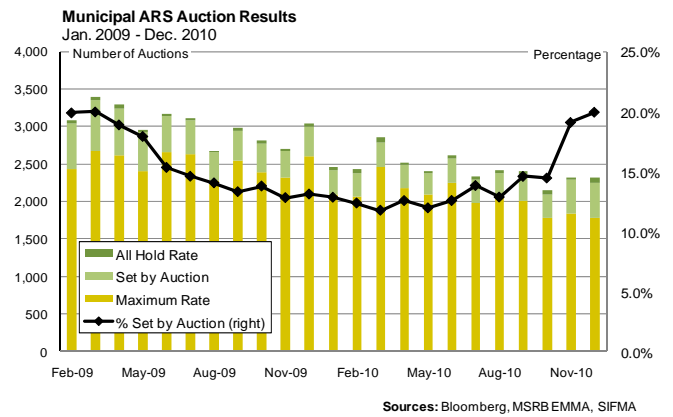
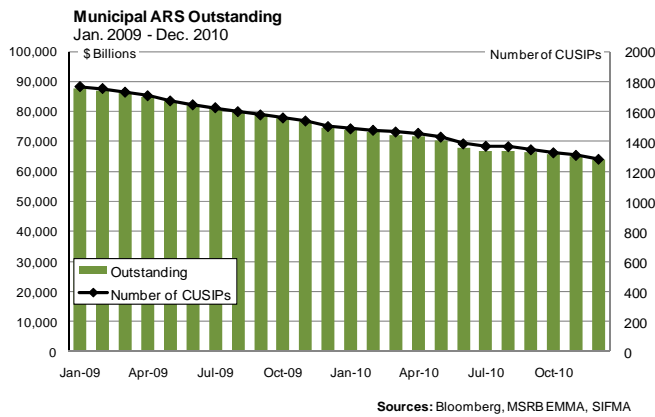
VARIABLE RATE DEMAND OBLIGATIONS, FULL YEAR 2010 UPDATE

Liquidity Facility Expiration Schedule, 2011-2013
As of December 31, 2010

	Jan-11	Feb-11	Mar-11	Apr-11	May-11	Jun-11	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11
By Par Amount (\$ Millions)												
LOC	1,816.0	3,901.7	5,590.9	10,537.6	10,499.7	13,004.4	10,661.1	8,370.4	9,609.5	7,310.3	11,109.6	8,931.9
SBPA	347.4	2,580.3	3,447.5	3,894.7	4,116.1	3,548.0	3,286.9	1,039.0	2,285.2	1,175.0	1,815.6	2,561.9
By Number of Facilities												
LOC	114	226	335	404	415	571	458	492	445	347	436	511
SBPA	9	51	58	84	74	85	54	29	61	48	39	56
	Jan-12	Feb-12	Mar-12	Apr-12	May-12	Jun-12	Jul-12	Aug-12	Sep-12	Oct-12	Nov-12	Dec-12
By Par Amount (\$ Millions)												
LOC	2,410.3	3,578.5	3,793.3	3,581.0	4,346.2	4,323.9	3,754.7	3,785.6	2,766.5	3,920.8	4,715.9	8,385.8
SBPA	1,317.4	902.9	1,854.2	1,882.5	579.5	1,551.2	1,639.5	1,269.0	873.6	1,432.4	2,116.9	3,302.2
By Number of Facilities												
LOC	137	122	137	119	176	184	170	173	147	165	166	311
SBPA	34	16	26	33	18	25	28	25	22	34	30	89
	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13
By Par Amount (\$ Millions)												
LOC	1,520.3	1,617.4	4,360.3	4,138.9	4,842.9	3,943.9	2,108.5	4,123.7	2,113.0	2,133.4	4,500.6	3,716.4
SBPA	737.8	1,090.5	3,270.8	1,734.8	1,215.7	1,998.7	925.5	495.0	254.0	1,226.6	786.9	462.5
By Number of Facilities												
LOC	84	67	144	109	139	163	100	130	102	102	147	155
SBPA	20	18	37	30	28	39	17	13	8	18	17	19



MUNICIPAL AUCTION RATE SECURITIES, FULL YEAR 2010 UPDATE



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.¹⁹

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.

Moody's Ratings²⁰

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

¹⁹Authors' own definition.

²⁰Moodys.com, "Ratings Definitions."

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.²¹

Standard and Poor's Ratings²²

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 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.

²¹The lowest rating is a "D" at both Moody's and Standard and Poor's.

²²Standardandpoors.com "Long-Term Issue Credit Ratings," May 17, 2002.

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."²³

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, Correctional 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 Regions²⁴

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

²³Authors' own definition.

²⁴The 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.

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. Typically 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 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.

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