

**Government Finance Officers Association  
National Association of Bond Lawyers  
Regional Bond Dealers Association  
Securities Industry and Financial Markets Association**

August 5, 2010

Mr. John J. Cross III  
Associate Tax Legislative Counsel  
Office of Tax Policy  
Department of the Treasury  
1500 Pennsylvania Avenue, NW  
Washington, DC 20220

Dear John:

Thank you very much for meeting last month with representatives of the organizations listed above. These representatives have developed this letter which serves to answer many of the questions that were asked and discussed at the meeting. We have also developed possible solutions for your review.

Issuers and others in the marketplace continue to struggle with matters surrounding the question of issue price in the Build America Bonds (BABs) market. Although statements by IRS officials regarding audits of BABs have been very helpful, the BABs questionnaire and other statements by IRS personnel continue to create uncertainty regarding the IRS's interpretation of the rules for establishing "issue price." Therefore, we reiterate the urgent need for further guidance from the Treasury Department.

The best way to alleviate these concerns and difficulties created for the market is to clarify the existing regulatory framework for tax-exempt bonds and apply this directly to Build America Bonds – and other direct pay bond programs. This is the most efficient way to provide clear guidance for the marketplace, address the uncertainties, create the least amount of disruption, and ensure continuity in the municipal securities market. The issue price for tax-exempt bond purposes has been based on the initial offering price to the public for over 25 years. We submit that there is no reason to depart from this approach.

Below is an outline of the issues that we believe should be addressed through IRS guidance:

Issue Price and Reasonable Expectations. The existing regulations provide that the issue price for publicly offered bonds is the initial offering price to the public. In various forms, this has generally been the rule since the early 1980s. We strongly believe this is the correct approach to use and should not be abandoned in favor of an approach based on actual sales or secondary market trading activity. There is nothing in the process of issuing BABs or tax-exempt bonds that necessitates a change from this long-standing regulatory approach. Additionally, requiring verification of sales or an analysis of secondary market trading activity is a fundamental departure from current market practices and places an unreasonable burden on issuers by subjecting tax compliance to the randomness of subsequent market movements and causing uncertainty and second-guessing after a legal commitment has been executed. If, as we suggest, the approach based on the initial offering price to the public is retained, there is no need to modify the 10 percent rule for actual sales to the public.

The current regulatory regime effectively relies on more than just issuer expectations to establish the issue price; the applicable MSRB regulations require much more than that. First, there must actually be a bona fide offering of the bonds to the public at the initial offering price. Second, the issuer and its advisors must establish that it is reasonable to expect that a substantial amount of the bonds will be sold to the public at that initial offering price. The processes that the industry goes through in offering the bonds to the public and developing the price at which the bonds are expected to be sold are both extensive and well documented. Further, the issuer has a direct economic incentive to ensure that the bonds are widely offered and that the bonds are sold at the lowest possible yield. Long before the IRS expressed concerns about issue price determinations, issuers and their financial advisors were regularly participating in marketing efforts, conference calls regarding feedback from investors, and traveling great distances to personally attend the pricings of their bonds. In light of these existing requirements, we see no reason to modify the long-standing regulatory approach, particularly when the current rules require an actual offering of the bonds to the public at their initial offering price.

Moreover, once the initial offering price has been established, the issuer and the underwriter have effectively established the amount of consideration that the issuer is willing to pay the underwriter—increases or decreases in price from that point forward will be a function of a number of factors that have nothing to do with the issuer (for example, movements in interest rates, the success of the underwriter in selling the bonds, etc.). Movements in the pricing of the bonds after the signing of the Bond Purchase Agreement can not be viewed as effecting/impacting the issuer's costs of issuance when the issuer does not realize any benefit or detriment from those changes. An issue price regime based on the actual sales prices of bonds would create a great deal of added complexity and cost to issuers of BABs and tax-exempt bonds; much more than “merely” adjusting the arbitrage yield to reflect actual sales prices and adjusting the amount of BAB subsidy payments to reflect actual prices. The rules applicable to tax-exempt bonds and BABs use “issue price” as a measurement tool for a significant number of rules that would be affected by changes in the issue price of a bond issue after the sale date, and it is essential that issuers and their counsel be able to conclusively determine compliance with these requirements on the date the purchase agreement is signed.

We have developed two charts demonstrating the manner in which negotiated and competitive BABs are priced and sold in the market today. These charts demonstrate the extensive process involved in both developing the offering price for bond issues and ensuring that members of the investing public have the opportunity to buy those bonds. See Exhibit A. We have also prepared a detailed explanation of this process that includes an explanation supporting our view that the forthcoming guidance should follow the procedures currently used in the market with issue price determined based on the initial offering price as documented in the final pricing wire. See Exhibit B.

The information set forth in the final pricing wire represents the culmination of a lengthy process involving the underwriters, the issuer, and the investors, which includes the underwriter and the issuer agreeing to the terms of the transaction. This process, together with the related supporting documentation, establishes the necessary proof of the reasonableness of the parties' expectations regarding the pricing of the bonds at the time the contract of purchase is executed. This pricing scale is the data upon which bond counsel bases its analysis for purposes of demonstrating compliance with the different requirements and constraints of the Internal Revenue Code. The final pricing wire, substantiated by evidence of the offering process, provides the basis for the parties' reasonable expectations regarding the proper issue price of the bonds, irrespective of actual sales executed once the bonds become available to investors.

Price Changes in the Secondary Market Trading are a Function of the Market. There has been a great deal of attention focused on indications that, after the initial sale of BABs, some investors may immediately resell those bonds at a higher price, raising the issue of whether those initial investors are acting in a manner similar to underwriters. (It should be noted that where such investors are actual investors and not persons with either a corporate or contractual relationship with the members of the underwriting syndicate, such transactions should be treated as true secondary market transactions affecting neither the yield on the bonds nor the compensation to the underwriters.) To illustrate the point that all markets (corporate, tax-exempt, and BABs) have upticks in secondary market trading, the Securities Industry and Financial Markets Association has compiled data (Attachment C) which demonstrates the fact that compared to other markets, there is nothing unusual about the trading in the Build America Bond market. As you will see, the changes in BABs pricing are actually lower than other markets. For this reason, the “trading up” that may occur should not be a concern.

Safe Harbors. The forthcoming guidance should include separate safe harbors for competitive and negotiated transactions. In Attachment B, we have included examples to demonstrate the differences between the two types of transactions. We agree with the comments made at the meeting to the effect that transactions done by competitive means inherently address many of the concerns raised. Competitive sales, when conducted consistent with normal market practices, (i.e., public notice, competitive bids by unrelated parties, and award or sale to the bid representing lowest interest cost) should de facto establish that the “issue price” is the reoffering price/yield on the bonds. Subsequent sales at reoffering prices/yields different than the initial offering prices/yields are irrelevant and should not affect the “issue price” established by the competitive market forces at the time of sale.

Parity for all Municipal Securities. As we discussed in our meeting, we strongly believe that the forthcoming rules should apply to both tax-exempt and Build America (and other direct subsidy) Bonds.

Penalties. In the event that penalties for noncompliance with these rules must be assessed, we reiterate the point we made in our April 26, 2010 letter stating that the penalty should be tailored to the violation, rather than causing harm to the entire issue.

Sincerely,

Frank Hoadley, Chairman-Governmental Debt Management Committee, Government Finance Officers Association

Perry Israel, Chairman-Tax Committee, National Association of Bond Lawyers

William Daly, Senior Vice President, Regional Bond Dealers Association

Leslie Norwood, Managing Director and Associate General Counsel, Co-Head of Municipal Securities, Securities Industry and Financial Markets Association

**Attachment A**

**Summary of BABs Competitive Pricing Process**  
**Summary of BABs Negotiated Pricing Process**

## Summary of BABs Competitive Pricing Process

**The pricing of Issuer's Taxable BABs will generally occur over a two or three day period.**

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### Before Pricing

- Notice of the upcoming issue in a publicly available medium (such as through the calendar of upcoming issues in the Bond Buyer, a Bloomberg wire, or the MMD calendar)
- Several days prior: POS posted and distributed

### Pricing Day 1 (this may occur over Day 1 and 2)

- Potential bidder (a "Manager") assesses the market and develops a preliminary pricing scale\*
  - Manager sends preliminary scale and goes to any syndicate members for consensus
  - Syndicate distributes its pricing views in order to obtain pre sale orders or indications of interest from market participants
  - Final conference call with any syndicate members to set the final bid and finalize underwriting commitments in order to submit the bid to the issuer.
- \* Similar steps are being taken by other potential bidders and the members of their syndicates

### Pricing Day 2

- Final conference call with any syndicate members to set the final bid and finalize underwriting commitments in order to submit the bid to the issuer.
- Bids are submitted to the issuer
- Award of bonds to winning bidder (typically 1 hour after the bid time)
- Winning manager/syndicate fills any pre-sale orders and runs an order period for about 1 hour.
- At the end of the order period any unsold bonds are taken into inventory, syndicate is closed, unsold bonds are hedged and the issue is on the secondary market
- Issuer's board passes its final resolution and the BPA is signed

## Summary of BABs Negotiated Pricing Process

**The pricing of Issuer's Taxable BABs will generally occur over a two or three day period.**

### Before Pricing

- Notice of the upcoming issue in a publicly available medium such as listing of financing on *Bond Buyer* and/or Bloomberg new issue calendar (and *New York Times* Monday calendar for financings over \$100mm)
- Several days prior: POS posted and distributed

### Pricing Day 1 – Syndicate Develops Price Views

- Syndicate Manager solicits price views from Co-Managers (if any)
- Syndicate Manager prepares proposed indicative spreads to applicable Treasury maturities
- Syndicate Manager and members distribute indicative spreads to sales people who obtain feedback from investors on proposed spreads
- Syndicate distributes proposed indicative spreads to Treasuries to Issuer
- Meeting/call for Syndicate to provide Issuer with a market update and to discuss the proposed indicative spreads to Treasuries
- Issuer and Syndicate agree on proposed indicative spreads to Treasuries for use on Day 2

### Pricing Day 2

- Syndicate Manager distributes proposed indicative spreads to Treasuries to the market using Dalcomp and/or Bloomberg
- Syndicate solicits “indications of interest” from investors, based on the proposed spread range
- Meeting to review indications of interest and proposed tightening (lowering) or widening (increasing) of spreads to Treasuries (if any), based on indications of interest received (if any)
- Issuer and Syndicate agree to any changes to spreads to Treasuries, or agree to take new indications of interest

### Pricing Day 3 (on small issues Days 2 and 3 may be combined)

- Take new indications of interest, if necessary, and adjust spreads accordingly.
- Launch BABs. Investors notified by wire or Bloomberg and salespeople call investors to provide opportunity to place orders.
- Issuer provides Syndicate with the verbal award for the bonds
- Syndicate Manager makes allotments of sold bonds to investors and unsold bonds to syndicate members
- Coupons and yields on the bonds are locked in, based on spreads to Treasuries and actual Treasury yields as of noon. Investors and Dealers hedge positions
- Syndicate prepares final cash flows based on final pricing results
- Final pricing established by signing BPA or sending final pricing wire

## Attachment B

### Issue Price

1. **Background.** The definition of “issue price” in Treasury Regulations §1.148-1(b) provides a workable and appropriate interpretation of the statute. In particular, with respect to bonds that are sold to the public, that definition recognizes that the crucial date for determining “issue price” is the sale date, which precedes any sales of bonds to the public and certainly is prior to the date that any trade data becomes publicly available on EMMA or other sources. For purposes of determining issue price for publicly offered bonds under §1.148-1(b), both (1) a bona fide public offering of the bonds must be made and (2) the reasonably expected reoffering prices at which a substantial amount of the bonds are expected to be sold must be determined.
2. **Regulatory, Contractual, and Market Factors.** When considering any rule relating to issue price, it is important to have an understanding of the regulatory, contractual, and market factors that govern the municipal market (both tax-exempt and taxable). First, all municipal securities dealers are bound by certain fair dealing rules, such as MSRB Rule #G-17, which states that “[i]n the conduct of its municipal securities activities, each broker, dealer, and municipal securities dealer shall deal fairly with all persons and shall not engage in any deceptive, dishonest, or unfair practice.” This rule has been interpreted by the MSRB to require that, if an underwriter offers all of the bonds pursuant to a syndicate wire, the bonds must in fact be available for sale to recipients of the wire at the prices stated.

Additionally, issuers regularly enter into contractual relationships with underwriters or winning bidders (in competitive sales) that mandate that the underwriter make a bona fide public offering of all the bonds to the public at the prices stated. The following is an example of common bond purchase contract language:

The Underwriter agrees to make a bona fide public offering of the Bonds at the initial offering prices or yields set forth on the inside cover of the Official Statement; however, the Underwriter reserves the right to make concessions to dealers and to change such initial offering prices or yields as the Underwriter shall deem necessary in connection with the marketing of the Bonds.

Similarly, the official notice of sale, which states the contractual arrangement between the issuer and the winning bidder, usually requires a bona fide public offering. Here is an example of common language from a notice of sale:

The winning bidder will be required, as a condition to the delivery of the Bonds by the City, to deliver to the City a certificate identifying the prices at which it reasonably expects to initially offer each maturity of the Bonds to the general public (the “Initial Offering Prices”) as of the date of purchase of the Bonds (the “Sale Date”). *The winning bidder will also be required, on or prior to the date of issue of the Bonds, to actually offer 100% of each maturity of the Bonds to the general public in a bona fide public offering for prices equal to or less than the Initial Offering Prices.*

Through these types of contractual arrangements, the issuer has taken steps to ensure that all the bonds will be reoffered to the general public at the initial offering prices. (The practice in this area continues to develop, so it is possible that some issuers do not currently impose similar contractual obligations upon the underwriters and winning bidders. However, the bond market

community would not object to a rule requiring similar language in bond purchase agreements and notices of sale.)

In situations where there is more than one underwriter or member of the selling group, an agreement among underwriters or members of the selling group imposes a similar obligation on all members of the group. The TBMA Master Agreement Among Underwriters (the “AAU”), for example, requires the lead underwriter to send a pricing wire to all members of the selling group indicating the terms of the proposed purchase of the bonds, including the initial public offering prices. The AAU further requires that the lead underwriter send a final pricing wire to all members of the selling group. The members of the selling group are then required to reoffer their allocated bonds at the prices stated in the final pricing wire.

Finally, there are market forces that essentially obligate the underwriter to reoffer all identical bonds at the same prices (with possible adjustment for concessions). The clients of an underwriter interested in purchasing bonds at a publicly offered price can readily determine that the underwriter is not acting in the best interest of the client if the underwriter falsely states to the client that no more bonds are available at that price, and then later resells the bonds at higher prices. An underwriter or broker who deals with its clients in such a cavalier manner will not only be violating the regulatory obligation of fair dealing, but will be punished by its clients through denial of further business with the clients.

Thus, in summary, the regulatory environment, the contractual arrangements with the issuer, and market forces in general all work together to create a bona fide public offering of the bonds to the public at the prices stated in either the final pricing wire or the official statement. Any tax-driven rule relating to issue price should take into account the fact that a bona fide public offering is generally compelled by forces other than tax rules.

3. **Bona fide public offering:** The requirement of a bona fide public offering in the income tax regulations is not intended to establish new requirements for the market. Accordingly, whether a bona fide public offering has taken place must take into account normal market procedures. The scope and form of a bona fide public offering will differ from bond issue to bond issue and reflect, among other things, the number of underwriters or members of the selling group, the size of the bond issue, the characteristics of the bonds, and the clientele of the underwriter, underwriters, or selling group. A bona fide public offering does not require that the bonds be offered to **all** potential buyers; an offering to a sufficiently large group (such as the customers of the selling group) should suffice. Moreover, normal market mechanisms, such as notice of the coming offer and making available the details and prices of the bonds in some of the ways described below, should be enough to constitute a public offering of the bonds.

In the context of tax-exempt bonds, the issue price is largely used for the purpose of establishing the yield on the bonds (although it is also used to determine the amount of proceeds for purposes of the private activity bond rules). Congress, in overriding the *State of Washington* case (692 F.2d 128, 1982), wanted to make sure that costs of issuance, including underwriters’ compensation, are not taken into account in determining yield. Accordingly, the term “bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters or wholesalers,” used in Treasury Regulation section 1.148-1(b) in the definition of issue price, should be interpreted to be limited to sales to underwriters or others directly purchasing the bonds from an issuer and bound by the terms of the syndicate, their “related persons,” others in privity of contract with respect to the issuance of the bonds, such that compensation payable by the issuer to the underwriter may not be disguised in the difference between the price paid to the issuer and the issue price of the bonds. Sales of bonds (or offers of bonds) to other retailers (including both those in the regular business of retailing and those not in the regular business but



who take advantage of an opportunity to resell the bonds) who are not part of the underwriting or sales groups and sales to other investors that arise as part of the offering of the bonds to the general public should be permitted, even if those retailers or other investors in turn resell to their clients or other persons. Sales by those retailers or investors should be treated as secondary market transactions not taken into account in determining issue price. **This clarification alone would go a long way toward solving concerns about after-sale trading.**

A public offering may take many forms, and the details will vary from transaction to transaction. Moreover, as technology and media change, the means of making a public offering have changed and will continue to change. Because of these variables, the issue price rules should not mandate one particular set of steps or means of communication. Instead, whether there has been a bona fide public offering should be determined based upon all the facts and circumstances and should involve an examination of how the offering took place. Reasonable indicators of a bona fide public offering might include some of the following: (a) notice of the upcoming issue in a publicly available medium (such as through the calendar of upcoming issues in the Bond Buyer, a Bloomberg wire, or the MMD calendar); distribution of the notice may, in smaller offerings, be limited to customers of the underwriter or underwriters; (b) notice of the upcoming issue and possible pricing to the sales force (such as through internal sales force meetings or distribution of one or more wires or emails internally to the sales force indicating the coming availability or current availability of the bonds); (c) solicitations of “indications of interest” from potential investors, even if limited to clients of the underwriting group; and (d) publication of final pricing (for example, through a final pricing wire, a Bloomberg communication, or similar means), even if limited to clients of the underwriting group.

4. **Reasonable expectation of prices.** As with a bona fide public offering, the process for determining the reasonably expected prices at which the bonds will sell to the public in the public offering varies from bond issue to bond issue and may differ fairly substantially from a large issue to a small issue. Typically, the pricing process takes a number of steps, which may include some of the following: (a) solicitation of pricing views from co-managers, (b) distribution of proposed indicative spreads to benchmark interest rate index (e.g. MMD scale or Treasuries), (c) meetings with the issuer and possibly financial advisor to discuss market updates, comparable transactions, and proposed spreads, (d) solicitations of interest from investors (even if limited to customers of the underwriter) based upon the proposed spreads and adjustment of those spreads based upon indications of interest received, (e) pre-sales or contingent sales of bonds, and (f) adjustment of allotments of bonds to investors and possibly among members of the underwriting syndicate or selling group.

Thus, whether the stated prices at the time of the sale are reasonable will depend on all the facts and circumstances and could include a number of factors, such as market pricing analysis by the underwriter, pricing analysis by the underwriter and other members of the selling group, discussions between the underwriter with the issuer and its advisors, and solicitation of interest from potential investors.

**As a safe harbor, we believe the information recorded in the final pricing wire or the bond purchase agreement, as supported by evidence of the negotiations between the underwriters, on behalf of issuers, and bondholders, establishes the reasonable basis for the issue price of tax-exempt bonds or Build America Bonds.** The final pricing wire and the bond purchase agreement document the culmination of negotiations between the underwriters, the issuer, in certain instances, the issuer’s financial advisor, and the investors that take place at the actual point in time at which the underwriter and the issuer agree to the terms of the bond transaction.

The final pricing wire and/or the bond purchase agreement, together with documentation evidencing the processes, provide prima facie proof of the reasonableness of the parties' expectations regarding the pricing of the bonds at the time the contract is executed. This pricing scale is the data upon which bond counsel should be able to base its analysis for purposes of demonstrating compliance with the different requirements and constraints of the Internal Revenue Code. Absent evidence of unfair dealing, the information set forth therein should not be affected by subsequent events relative to the execution of sales of the bond (i.e. secondary market trading).

The pricing of the bonds shown in the final pricing wire and/or the bond purchase agreement also represents the risk accepted by the underwriter in respect of the bond issue. The issuer is guaranteed the benefit of its bargain with the underwriter; the underwriter must then seek to realize the conditional sales agreed to before the bonds were offered to investors. Assuming the process works as it should, the underwriter will be at risk (although the risk may be hedged) for the actual sales to investors of the bonds. That risk is not the issuer's risk, and consequently should not affect the tax analysis undertaken in respect of the issuer's bond deal.

Markets have expanded exponentially in the past fifteen years. The investor population has infinite amounts of information available to it globally and instantaneously. Markets also move with an unprecedented rapidity, responding to all sorts of information immediately available through the means of the internet. This can be seen in the examination of the operation of any market.

The final pricing wire and/or the bond purchase agreement, substantiated by evidence of the offering process, should provide the basis for the parties' reasonable expectations regarding the proper issue price of the bonds, irrespective of actual sales executed once the bonds become available to investors.

5. **IRS Compliance**. Clarification of the issue price rule for tax purposes as proposed above is also readily administrable. There are a number of documents that the IRS could use for audit and compliance purposes. These documents include:
  - a. final pricing wire;
  - b. bond purchase agreement; and
  - c. any other wires or communications to syndicate members or salespeople.

**Attachment C**

**Quantitative Analysis of Municipal Securities Pricing**

# QUANTITATIVE ANALYSIS OF MUNICIPAL SECURITIES PRICING

The information in this booklet represents a quantitative analysis of municipal securities pricing, by tracking settlement period price movements of Build America Bond municipal securities. Information for corporate trades was included for comparison purposes.

Also, an analysis of representative issues for both municipal issues and corporate issues was included for illustrative purposes. The spread to U.S. Treasury securities on trade date was included, as this is the basis upon which dealers who trade these securities mark their relative value.

If you have any questions about this data, or would like further information, please contact Leslie Norwood (email: [lnorwood@sifma.org](mailto:lnorwood@sifma.org); phone: 212.313.1130), Michael Decker (email: [mdecker@sifma.org](mailto:mdecker@sifma.org); phone: 202.762.7430), Kyle Brandon (email: [kbrandon@sifma.org](mailto:kbrandon@sifma.org); phone: 212.313.1280) or Sharon Sung (email [ssung@sifma.org](mailto:ssung@sifma.org); phone: 212.313.1330).

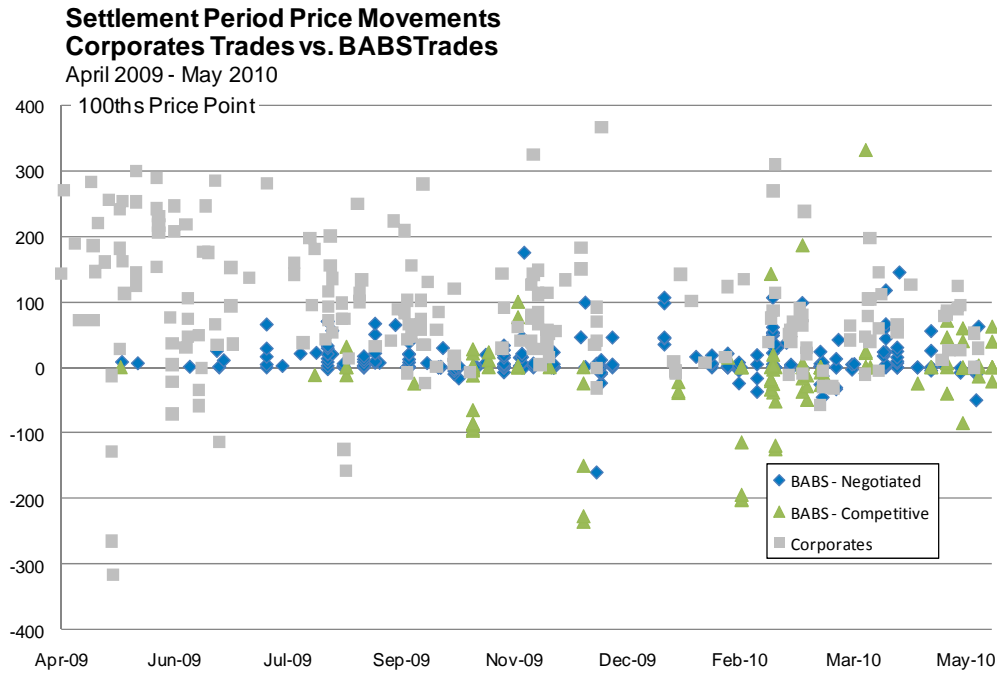
## Table of Contents

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Table of Contents.....	1
Municipal BABs vs Corporates Price Movements.....	2
Tax-Exempt Price Movements.....	3
Municipals vs Corporates – Average Price Movement .....	4
Methodology.....	5
Trade Aggregation and Price Calculation (p. 2-3) .....	6
Average Price Movement (p. 4).....	6
Sample Municipal BAB Trades with Treasury Spreads .....	7
Sample Corporate Trades with Treasury Spreads.....	9
Sample Municipal Tax-Exempt Trades with MMD Spreads.....	11

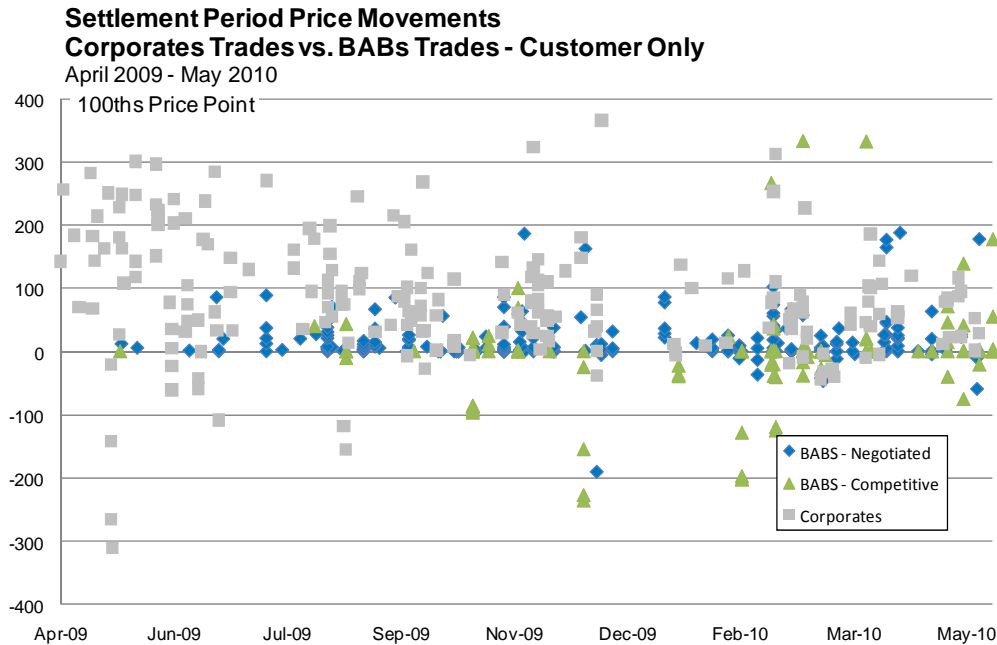
# Municipal BABs vs Corporates Price Movements

The chart below shows that negotiated Build America Bonds have the smallest price movements from pricing to first settlement with an average absolute price change of .161 points, followed by competitive Build America Bonds with an average price movement of .386 points. Corporate bonds had the greatest average price movement of 1.078 points.



Sources: Bloomberg, FINRA TRACE, MSRB EMMA, Thomson Reuters, SIFMA  
 Spreads reflect difference between initial price and trading prices between offer and settlement; a positive spread reflects prices trading up after initial pricing and vice versa.

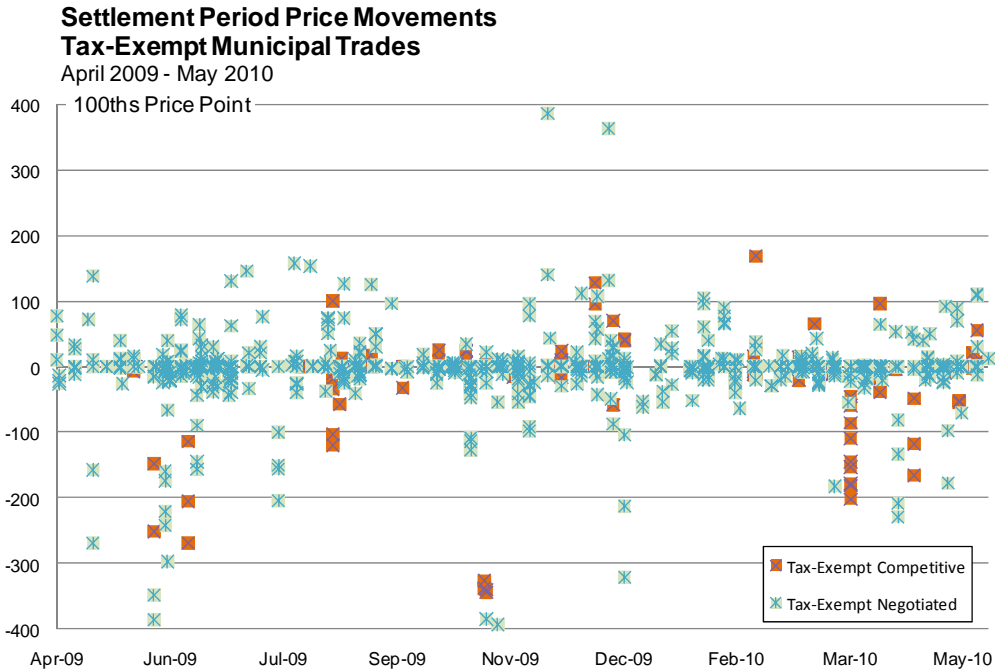
The chart below, which is limited to customer trades only, shows the same trends as noted in the chart above. Again, negotiated Build America Bonds have the smallest price movement (.182 points) from pricing to first settlement, followed by competitive Build America Bonds (.456 points), then corporate bonds (1.062 points)



Sources: Bloomberg, FINRA TRACE, MSRB EMMA, Thomson Reuters, SIFMA  
 Spreads reflect difference between initial price and trading prices between offer and settlement of customer only trades; a positive spread reflects prices trading up after initial pricing

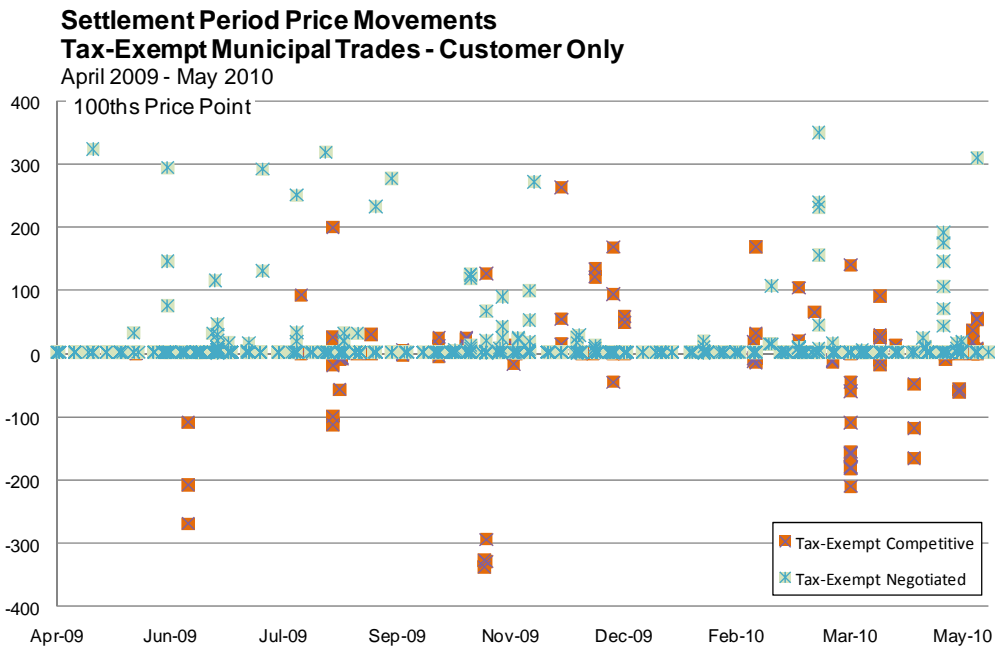
## Tax-Exempt Price Movements

The chart below shows that tax-exempt municipal bonds exhibit similar characters to Build America Bonds. Negotiated tax-exempts have less price variability (.298 points) than competitive tax-exempt municipal bonds (.623 points) in the time period from pricing to first settlement.



Sources: Bloomberg, FINRA TRACE, MSRB EMMA, Thomson Reuters, SIFMA  
Spreads reflect difference between initial price and trading prices between offer and settlement; a positive spread reflects prices trading up after initial pricing and vice versa.

The chart below shows customer trades only. The customer-only trades show the same result as the chart above with dealer trades and customer trades, which is that negotiated tax-exempt municipal bonds have less price variability (.173 points) than competitive tax-exempt bonds (.696 points) in the time period from pricing to first settlement.



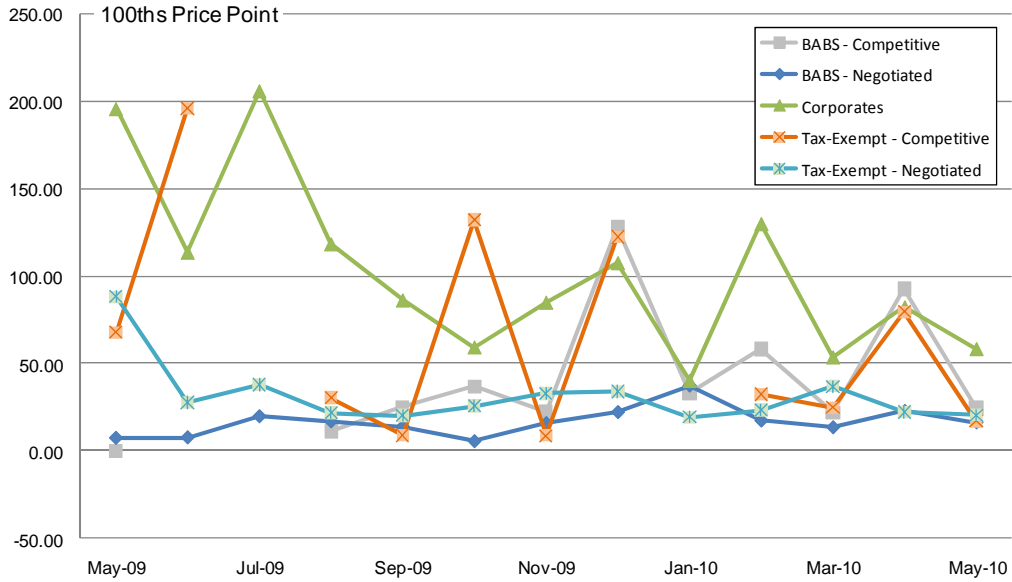
Sources: Bloomberg, FINRA TRACE, MSRB EMMA, Thomson Reuters, SIFMA  
Spreads reflect difference between initial price and trading prices between offer and settlement of customer only trades; a positive spread reflects prices trading up after initial pricing

# Municipals vs Corporates – Average Price Movement

The charts below display the monthly averages of price movements (by absolute value) by product type, to clearly show general trends for all trades in the products described.

**Average Price Movement  
Corporates Trades vs. Municipal Trades**

May 2009 - May 2010

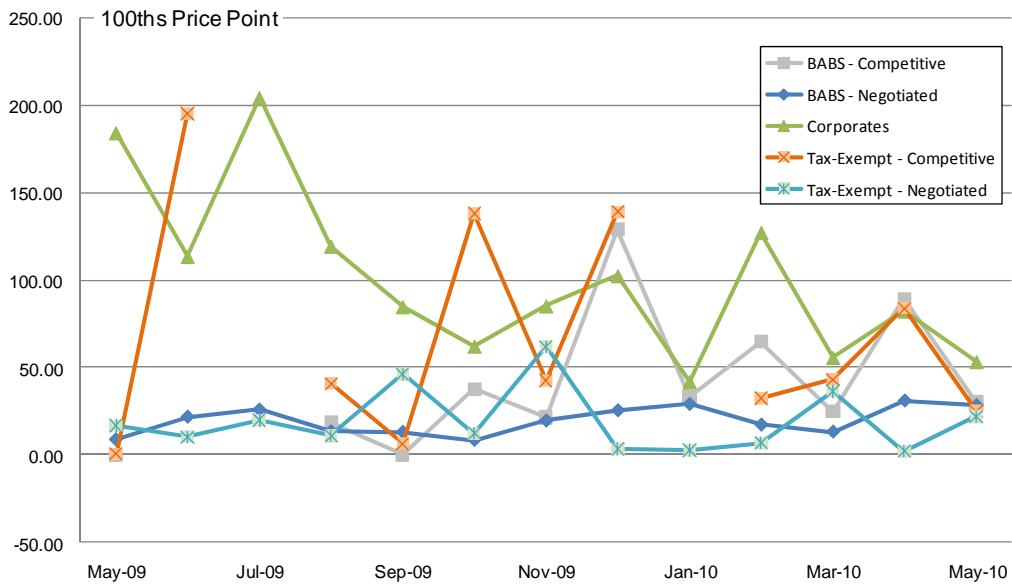


Sources: Bloomberg, FINRA TRACE, MSRB EMMA, Thomson Reuters, SIFMA  
Spreads reflect difference between initial price and trading prices between offer and settlement; a positive spread reflects prices trading up after initial pricing and vice versa.

The charts below display the monthly averages of price movements by product type, to clearly show general trends for customer-only trades in the products described.

**Average Price Movement  
Corporates Trades vs. Municipal Trades - Customer Only**

April 2009 - May 2010



Sources: Bloomberg, FINRA TRACE, MSRB EMMA, Thomson Reuters, SIFMA  
Spreads reflect difference between initial price and trading prices between offer and settlement; a positive spread reflects prices trading up after initial pricing and vice versa.

**Municipals – Tax-Exempt Bonds**

- Securities Examined:
  - Total of 763 securities issued between April 2009 and May 2010 (653 negotiated; 112 competitive)
  - Maturity between 10-15 years from issue date; average 12.6 years (12.8 years negotiated, 12.0 years competitive)
  - CUSIP size between \$10 million and \$507.4 million; average \$25.5 million (\$26.1 million negotiated; \$21.5 million competitive)
- Transactions Examined:
  - All trades tagged “W” in EMMA, defined as a trade in new issue security on or before final issuance and settlement of issue by issuer.
  - Settlement period, defined as the number of days between the offer and settlement date, ranged from zero to 35 days; average 6 days (negotiated 6 days; competitive 5 days).
  - Total number of trades examined: 53,576 trades
  - Average # of trades per security: 70 in a range of 1 to 2917 trades (80 for negotiated; 11 for competitive)

**Municipals - Build America Bonds**

- Securities Examined:
  - Total of 374 securities issued between April 2009 and May 2010 (262 negotiated; 112 competitive)
  - Maturity between 10-16 years from issue date; average 13.5 years (13.4 years negotiated; 13.6 years competitive)
  - CUSIP size between \$10 million and \$417.6 million; average \$25.1 million (25.8 million negotiated; \$23.5 million competitive)
- Transaction Examined:
  - All trades tagged “W” in EMMA, defined as a trade in new issue security on or before final issuance and settlement of issue by issuer.
  - Settlement period, defined as the number of days between the offer and settlement date, ranged from zero to 34 days; average 5 days (negotiated 3 days; competitive 5 days).
  - Total number of trades examined: 13,745 trades
  - Average # of trades per security: 37 in a range of 1 to 681 trades (47 for negotiated; 14 for competitive)

**Corporate Bonds**

- Securities Examined
  - Total of 214 investment grade, nonfinancial securities issued between April 2009 and May 2010
  - Maturity between 10-15 years from issue date; average 10.25 years
- Transactions Examined:
  - All trades between the offer and settlement date as recorded on FINRA’s TRACE system
  - Settlement period, defined as the number of days between the offer and settlement date, ranged from zero to 16 days; average 5 days
  - CUSIP size between \$50 million and \$3.75 billion; average \$580 million
  - Total number of trades examined: 25,800 trades
  - Average # of trades per security: 120 in a range of 1 to 1066 trades



## Trade Aggregation and Price Calculation (p. 2-3)

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Calculated trade price is an average price of all selected trades, weighted by trade size; therefore prices of a smaller trade size are given less weight in the average price used.

In the case of corporate trading data, all quantity sizes of “MM+” were converted to millions for purposes of this weighted calculation (e.g., “5MM+” trades were determined to be 5,000,000).

All trades are selected for this weighted average, including customer bought, customer sold, and interdealer.

Spreads are determined by:  $(\text{calculated trade price} - \text{initial offer price}) * 100$ ; therefore, a positive price spread indicates a bond traded up after the initial pricing, and vice versa.

The “Customer Only” graph includes only trades where the reporting party is labelled customer bought or sold trades; interdealer trades are excluded.

Average price movements are an average of spreads of those securities issued in each month; gaps are where no qualifying securities were issued in that month.

## Average Price Movement (p. 4)

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Average price movement is calculated as an average of the absolute values of the spreads; in text it is an average of the universe; in the charts they are further split out by month. Hence the average is the average of the absolute change from initial price to calculated trade price and does not reflect whether the movement is positive or negative.

# Sample Municipal BAB Trades with Treasury Spreads

Municipal BABs do typically trade up in the secondary market relative to U.S. Treasury securities, but to a lesser degree than corporate bonds. Representative examples of municipal BABs, their post-pricing trading history and relative spreads to U.S. Treasury securities are shown below.

## Metropolitan Transportation Authority (A2/A/A)

Cusip: 59259YDH9		Settlement Date: 7/7/2010		Serial Maturity: 11/15/2020				Coupon: 5.27%				
Par (000's): 12,735		Spread at issuance: 230										
Treasury Spread (10yr)												
Date	Volume (M)	Trades #	Price					Treasury Spread (10yr)				
			First	High	Low	last	Average	First	High	Low	last	Average
7/7/2010	755	15	100.50	101.88	100.25	101.87	100.93	222 bp	226 bp	205 bp	205 bp	217 bp
7/6/2010	1,065	13	101.13	102.15	100.12	101.13	101.05	219	232	207	219	220
7/2/2010	60	6	101.87	101.87	101.78	101.87	101.86	206	207	206	206	206
7/1/2010	15,935	44	99.50	100.10	99.50	100.00	99.79	240	240	233	234	237

## University of Texas System (Aaa/AAA/AAA)

Cusip: 9151375D1		Settlement Date: 6/15/2010		Serial Maturity: 8/15/2020				Coupon: 3.99%				
Par (000's): 14,485		Spread at issuance: 83										
Treasury Spread (10yr)												
Date	Volume (M)	Trades #	Price					Treasury Spread (10yr)				
			First	High	Low	last	Average	First	High	Low	last	Average
6/30/2010	20	2	101.14	102.91	101.14	102.91	102.02	90 bp	90 bp	69 bp	69 bp	79 bp
6/29/2010	300	6	102.50	102.50	101.00	101.00	101.50	72	90	72	90	84
6/28/2010	80	8	100.00	100.00	99.90	100.00	99.96	96	97	96	96	96
6/25/2010	710	16	100.00	100.00	99.90	100.00	99.96	87	89	87	87	88
6/24/2010	150	12	100.00	100.00	99.81	99.90	99.94	87	89	87	88	87
6/23/2010	15,355	28	100.00	100.00	99.81	100.00	99.93	87	90	87	87	88

## Illinois (State of) (A1/A+/A)

Cusip: 452152FZ9		Settlement Date: 6/15/2010		Maturity: 7/1/2021				Coupon: 6.50%				
Par (000's): 24,000		Average Life: 12/30/2020										
Spread at issuance: 292.5 Comp. bid												
Treasury Spread (10yr)												
Date	Volume (M)	Trades #	Price					Treasury Spread (10yr)				
			First	High	Low	last	Average	First	High	Low	last	Average
7/1/2010	80	4	102.97	104.85	102.96	104.84	103.91	319 bp	319 bp	295 bp	295 bp	307 bp
6/30/2010	60	4	105.34	105.34	103.47	104.73	104.26	286	310	286	294	300
6/29/2010	820	23	105.33	105.94	103.31	105.36	104.39	285	310	278	285	297
6/28/2010	720	14	104.42	104.44	102.55	102.56	103.49	290	314	290	314	302
6/25/2010	30	2	104.17	104.17	102.30	102.30	103.23	285	309	285	309	297
6/24/2010	310	8	104.44	104.44	102.56	103.00	103.30	281	304	281	299	295
6/23/2010	695	11	104.02	104.02	102.08	102.14	102.83	287	311	287	311	302
6/22/2010	21,145	21	101.00	102.88	100.00	101.00	101.01	320	333	296	320	320
6/21/2010	675	29	101.88	101.88	100.00	101.88	100.85	301	326	301	301	315
6/18/2010	350	9	100.68	101.88	100.68	101.38	101.08	319	319	303	310	313
6/17/2010	7,710	19	100.00	100.10	99.75	100.10	99.90	331	334	329	329	332

## Bay Area Toll Authority (A1/A+/NR)

Cusip: 072024NU2		Settlement Date: 7/1/2010		Maturity: 4/1/2040				Coupon: 6.92%				
Par (000's): 400,000		Average Life: 5/22/2036										
Spread at issuance: 287.5												
Treasury Spread (30yr)												
Date	Volume (M)	Trades #	Price					Treasury Spread (30yr)				
			First	High	Low	last	Average	First	High	Low	last	Average
7/1/2010	1,420	2	100.84	100.84	100.72	100.72	100.78	298 bp	299 bp	298 bp	299 bp	299 bp
6/30/2010	35,260	12	100.84	101.65	100.00	100.50	100.45	294	301	287	297	297
6/29/2010	4,770	14	100.00	102.44	99.75	100.10	100.40	297	299	277	296	294
6/28/2010	2,180	10	99.70	102.88	99.50	102.88	100.24	293	295	267	267	289
6/25/2010	2,100	8	99.47	100.10	99.47	100.02	99.92	289	289	284	285	286
6/24/2010	424,790	56	100.10	100.10	98.82	98.82	99.96	282	293	282	293	284

## Massachusetts Water Pollution Abatement (Aaa/AAA/AAA)

Cusip: 57604P5P5		Settlement Date: 7/8/2010		Maturity: 8/1/2040				Coupon: 5.19%				
Par (000's): 252,595		Average Life: 1/12/2028										
Spread at issuance: 125												
Treasury Spread (30yr)												
Date	Volume (M)	Trades #	Price					Treasury Spread (30yr)				
			First	High	Low	last	Average	First	High	Low	last	Average
7/6/2010	430	24	99.90	100.00	99.90	99.90	99.95	131 bp	131 bp	130 bp	131 bp	130 bp
7/2/2010	90	6	99.90	100.00	99.90	99.90	99.95	126	126	125	126	126
7/1/2010	160	8	100.00	100.00	99.90	99.90	99.95	133	133	133	133	133
6/30/2010	253,315	65	100.00	100.00	99.81	99.81	99.94	128	130	128	130	129

Metropolitan Transportation Authority (A2/A/A)

Cusip: 59259YDC0		Settlement Date: 7/7/2010		Maturity: 11/15/2040				Coupon: 6.69%				
Par (000's): 290,000				Average Life: 11/25/2036				Spread at issuance: 275				
				Price				Treasury Spread (30yr)				
Date	Volume (M)	Trades #	First	High	Low	last	Average	First	High	Low	last	Average
7/7/2010	5,790	16	100.19	104.38	100.13	104.38	102.70	272 bp	272 bp	239 bp	239 bp	252 bp
7/6/2010	11,235	21	100.02	104.75	99.84	99.93	103.17	279	281	242	280	254
7/2/2010	10,895	26	99.83	104.75	99.83	103.74	102.69	276	276	238	245	253
7/1/2010	337,270	73	100.00	104.80	99.40	100.10	101.18	282	287	244	281	273

University of Texas System (Aaa/AAA/AAA)

Cusip: 9151375F6		Settlement Date: 6/15/2010		Maturity: 8/15/2042				Coupon: 5.13%				
Par (000's): 251,990				Average Life: 1/29/2037				Spread at issuance: 104				
				Price				Treasury Spread (30yr)				
Date	Volume (M)	Trades #	First	High	Low	last	Average	First	High	Low	last	Average
6/30/2010	40	2	102.73	102.83	102.73	102.83	102.78	104 bp	104 bp	103 bp	103 bp	104 bp
6/28/2010	6,610	14	100.09	101.34	99.90	100.00	100.27	112	113	103	112	110
6/25/2010	1,210	5	99.78	100.00	99.78	99.99	99.92	108	108	106	107	107
6/24/2010	41,170	23	100.00	102.64	99.43	99.79	100.10	105	109	87	106	104
6/23/2010	252,990	34	100.00	100.00	100.00	100.00	100.00	108	108	108	108	108

New York City Municipal Water Fin. Auth (Aa2/AA+/AA+)

Cusip: 64972FT30		Settlement Date: 6/30/2010		Maturity: 6/15/2042				Coupon: 5.72%				
Par (000's): 324,045				Average Life: 6/15/2042				Spread at issuance: na				
				Price				Treasury Spread (30yr)				
Date	Volume (M)	Trades #	First	High	Low	last	Average	First	High	Low	last	Average
6/30/2010	1,300	1	103.12	103.12	103.12	103.12	103.11	161 bp	161 bp	161 bp	161 bp	161 bp
6/29/2010	1,745	4	101.00	103.50	100.88	103.50	101.99	171	172	154	154	164
6/28/2010	390	4	105.22	105.25	102.65	102.65	104.59	137	153	137	153	141
6/25/2010	775	2	101.77	101.77	100.24	100.24	101.00	154	164	154	164	159
6/24/2010	20,570	5	99.75	102.09	99.75	101.64	101.11	166	166	150	153	156
6/23/2010	436,685	112	100.00	102.15	99.85	100.97	100.46	167	168	152	160	163

Bay Area Toll Authority (A1/A+/NR)

Cusip: 072024NV0		Settlement Date: 7/1/2010		Maturity: 4/1/2050				Coupon: 7.04%				
Par (000's): 850,000				Average Life: 5/20/2047				Spread at issuance: 300				
				Price				Treasury Spread (30yr)				
Date	Volume (M)	Trades #	First	High	Low	last	Average	First	High	Low	last	Average
7/1/2010	500	1	102.22	102.22	102.22	102.22	102.22	301 bp	301 bp	301 bp	301 bp	301 bp
6/30/2010	40,960	6	101.17	101.68	100.00	101.68	100.85	305	313	301	301	307
6/29/2010	1,050	5	100.56	101.33	99.67	99.67	100.81	305	312	300	312	304
6/28/2010	200,880	8	100.00	101.47	100.00	100.00	100.29	303	303	292	303	301
6/25/2010	2,000	3	99.25	99.25	97.82	97.82	98.77	303	314	303	314	307
6/24/2010	970,660	42	100.00	100.00	99.25	100.00	99.95	296	301	296	296	296

## Sample Corporate Trades with Treasury Spreads

Corporate bonds typically trade up in the secondary market relative to U.S. Treasury securities, and to a greater extent than municipal Build America Bonds. Representative examples of corporate bonds, their post-pricing trading history and relative spreads to U.S. Treasury securities are shown below.

### Duke Power (A2/A)

CUSIP: 263901AC4		Issue Date: 7/6/2010		Maturity: 7/15/2020				Coupon: 3.75%				
Par (000's) 500,000		Price										
		Treasury Spread (10yr)										
Date	Volume (M)	Trades #	First	High	Low	Last	First	High	Low	last		
7/13/2010	21,455	8	99.78	100.08	99.78	100.08	68 bp	68 bp	63 bp	63 bp		
7/12/2010	3,000	3	100.19	100.19	99.97	99.97	70	71	70	71		
7/9/2010	4,935	6	99.86	100.18	99.86	100.00	72	72	68	70		
7/8/2010	3,000	3	100.33	100.39	100.06	100.06	72	73	71	73		
7/7/2010	18,300	22	100.49	100.81	100.09	100.16	77	77	73	75		
7/6/2010	46,750	56	100.16	100.58	99.93	100.29						

### Covidien Med (Baa1/A/A)

CUSIP: 22303QAL4		Issue Date: 6/21/2010		Maturity: 6/15/2020				Coupon: 4.20%				
Par (000's) 600,000		Price										
		Treasury Spread (10yr)										
Date	Volume (M)	Trades #	First	High	Low	Last	First	High	Low	last		
7/13/2010	26,000	8	101.27	101.48	101.12	101.48	94 bp	95 bp	90 bp	90 bp		
7/12/2010	29,430	6	101.77	101.84	101.57	101.57	94	96	93	95		
7/9/2010	6,650	3	101.72	101.72	101.42	101.42	94	98	94	98		
7/8/2010	6,690	7	101.59	101.70	101.59	101.64	97	97	95	97		
7/7/2010	10,680	7	102.26	102.26	101.97	101.98	96	99	96	98		
7/6/2010	5,530	2	101.98	102.40	101.98	102.40	98	98	97	97		
7/1/2010	2,465	3	102.40	102.40	102.26	102.26	98	98	97	97		
6/30/2010	5,000	1	102.34	102.34	102.34	102.34	96	96	96	96		
6/29/2010	9,405	3	101.63	101.85	101.63	101.70	100	102	98	102		
6/28/2010	9,235	7	101.24	101.57	101.19	101.51	98	101	98	99		
6/25/2010	2,500	1	100.89	100.89	100.89	100.89	100	100	100	100		
6/24/2010	14,000	4	101.03	101.35	100.86	101.06	98	100	94	98		
6/23/2010	37,500	14	100.41	100.83	100.41	100.81	98	101	97	99		
6/22/2010	46,325	56	100.16	100.54	99.66	100.54						
6/21/2010	1,000		99.90	99.90	99.90	99.90						

### Puget Util (Baa1/A-)

CUSIP: 745332CC8		Issue Date: 6/24/2010		Maturity: 7/15/2040				Coupon: 5.76%				
Par (000's) 250,000		Price										
		Treasury Spread (30yr)										
Date	Volume (M)	Trades #	First	High	Low	Last	First	High	Low	last		
7/8/2010	15,000	3	102.44	103.14	102.44	103.14	154 bp	154 bp	154 bp	154 bp		
6/29/2010	4,820	3	103.06	103.65	102.78	103.65	161	161	158	158		
6/25/2010	3,250	6	100.64	101.49	100.00	101.49	160	170	158	160		
6/24/2010	2,250	4	100.60	100.60	100.07	100.07						

**Prudential (Baa2/A/BBB)**

CUSIP: 74432QBN4		Issue Date: 6/16/2010		Maturity: 6/21/2040				Coupon: 6.63%			
Par (000's) 350,000		Price									
Date	Volume (M)	Trades #	First	High	Low	Last	First	High	Low	last	
7/13/2010	325	1	102.92	102.92	102.92	102.92	230 bp	230 bp	230 bp	230 bp	
7/12/2010	4,000	1	103.17	103.17	103.17	103.17	235	235	235	235	
7/9/2010	524	1	103.03	103.03	103.03	103.03	236	236	236	236	
7/8/2010	7,525	5	102.94	103.47	102.61	103.05	239	243	236	238	
7/7/2010	2,135	2	103.43	103.63	103.43	103.63	246	246	244	244	
7/1/2010	1,680	2	103.70	103.73	103.70	103.73	247	249	247	249	
6/30/2010	11,560	7	102.91	103.52	102.75	103.52	246	248	245	245	
6/29/2010	9,015	5	102.17	102.87	101.68	102.67	247	252	247	249	
6/28/2010	10,500	4	101.99	102.05	101.99	102.05	244	244	244	244	
6/25/2010	6,650	5	101.60	102.20	100.90	100.90	244	248	240	248	
6/24/2010	1,000	1	101.15	101.15	101.15	101.15	245	245	245	245	
6/23/2010	38,500	10	102.29	103.13	101.61	101.63	237	245	235	245	
6/22/2010	360	1	101.79	101.79	101.79	101.79	239	239	239	239	
6/21/2010	5,500	2	101.31	101.44	101.31	101.44	231	235	231	235	
6/18/2010	17,000	5	101.40	101.77	101.27	101.77	237	238	234	234	
6/17/2010	72,700	83	101.06	103.43	100.18	101.50	236	239	224	239	
6/16/2010	13,250		100.57	101.24	100.13	100.91					

**Lincoln National (Baa2/A/BBB)**

CUSIP: 534187BA6		Issue Date: 6/15/2010		Maturity: 6/15/2040				Coupon: 7.00%			
Par (000's) 500,000		Price									
Date	Volume (M)	Trades #	First	High	Low	Last	First	High	Low	last	
7/13/2010	2,500	1	105.17	105.17	105.17	105.17	250 bp	250 bp	250 bp	250 bp	
7/12/2010	2,500	2	105.15	105.16	105.15	105.16	256	256	255	255	
7/8/2010	6,650	5	104.88	105.69	104.88	105.01	263	263	256	262	
7/1/2010	4,230	4	106.24	106.62	106.24	106.45	265	265	262	264	
6/30/2010	7,070	4	106.06	106.17	105.30	105.73	260	264	260	264	
6/29/2010	5,250	2	105.77	105.77	105.76	105.76	262	262	262	262	
6/25/2010	3,250	1	103.75	103.75	103.75	103.75	265	265	265	265	
6/23/2010	10,320	3	104.11	104.73	103.68	103.68	263	266	259	266	
6/22/2010	4,600	3	103.68	104.44	103.55	103.55	259	263	256	263	
6/21/2010	12,100	3	102.36	102.36	102.30	102.30	259	261	259	261	
6/18/2010	7,400	4	103.29	103.29	102.57	102.57	260	265	260	265	
6/17/2010	1,000	1	102.42	102.42	102.42	102.42	264	264	264	264	
6/16/2010	30,400	32	101.43	102.33	101.16	101.81	270	272	265	267	
6/15/2010	22,000		100.15	101.39	100.15	100.41					

**Walmart (Aa2/AA/AA)**

CUSIP: 931142CV3		Issue Date: 6/30/2010		Maturity: 7/8/2040				Coupon: 4.88%			
Par (000's) 750,000		Price									
Date	Volume (M)	Trades #	First	High	Low	Last	First	High	Low	last	
7/13/2010	3,075	1	95.67	95.67	95.67	95.67	106 bp	106 bp	106 bp	106 bp	
7/12/2010	8,750	6	96.59	97.15	96.19	96.58	106	108	105	105	
7/9/2010	6,400	3	96.31	96.79	96.31	96.38	109	109	106	106	
7/8/2010	60,741	17	97.15	97.22	96.58	96.58	105	109	105	108	
7/7/2010	5,000	1	97.49	97.49	97.49	97.49	108	108	108	108	
7/6/2010	5,500	2	98.07	98.07	98.05	98.05	107	107	107	107	
7/1/2010	69,450	66	98.62	99.35	97.87	98.91	112	114	105	105	
6/30/2010	11,000		98.57	98.67	98.27	98.48					

# Sample Municipal Tax-Exempt Trades with MMD Spreads

Tax-exempt municipal bonds also typically trade up in the secondary market relative to the MMD indices, and to a lesser extent than corporate bonds. Representative examples of tax-exempt municipal bonds, their post-pricing trading history and relative spreads to MMD are shown below.

Illinois (State of) (NR/AAA/AA+)													
CUSIP:	452227DN	Settlement Date:	6/25/2010	Serial Maturity Date:	6/15/2020	Coupon:	5.00%	First Call Date:	Non-Callable				
Par (000's)	32,870	Issue Price:		Issue Price:	107.99	Issue Yield:	4.02%	Spread at Issuance:	112 bp				
								Spread to 10-Yr MMD					
Date	Volume (M)	Trades #	First	High	Low	Last	Average	First	High	Low	last	Average	
6/16/2010	39,170	27	107.99	108.67	107.99	107.99	108.05	103 bp	103 bp	95 bp	103 bp	102 bp	
Connecticut (State of) (Aa2/AA/AA)													
CUSIP:	20772G7B	Settlement Date:	6/23/2010	Serial Maturity Date:	12/1/2020	Coupon:	5.00%	First Call Date:	12/1/2019				
Par (000's)	34,735	Issue Price:		Issue Price:	114.30	Issue Yield:	3.23%	Spread at Issuance:	29 bp				
								Spread to 10-Yr MMD					
Date	Volume (M)	Trades #	First	High	Low	Last	Average	First	High	Low	last	Average	
6/22/2010	23,160	1	114.38	114.38	114.38	114.38	114.38	26 bp	26 bp	26 bp	26 bp	26 bp	
6/16/2010	275	7	116.77	116.77	114.94	115.04	115.26	(4)	17	(4)	16	13	
6/15/2010	2,000	1	113.69	113.69	113.69	113.69	113.69	31	31	31	31	31	
6/11/2010	37,245	27	113.80	114.30	113.80	114.30	114.07	36	36	31	31	33	
Kentucky State Property and Building Authority (Aa2/A+/AA-)													
CUSIP:	49151E5L	Settlement Date:	7/13/2010	Serial Maturity Date:	8/1/2020	Coupon:	5.00%	First Call Date:	Non-Callable				
Par (000's)	45,780	Issue Price:		Issue Price:	111.45	Issue Yield:	3.63%	Spread at Issuance:	97 bp				
								Spread to 10-Yr MMD					
Date	Volume (M)	Trades #	First	High	Low	Last	Average	First	High	Low	last	Average	
7/7/2010	17,505	1	113.52	113.52	113.52	113.52	113.52	73 bp	73 bp	73 bp	73 bp	73 bp	
7/6/2010	17,505	3	113.25	113.25	113.07	113.07	113.19	68	70	68	70	69	
6/30/2010	40,780	7	111.45	111.45	111.45	111.45	111.45	84	84	84	84	84	
Cook County (IL) (Aa2/AA/AA)													
CUSIP:	213185DY	Settlement Date:	6/23/2010	Maturity Date:	11/15/2033	Coupon:	5.25%	First Call Date:	11/15/2020				
Par (000's):	165,440	Average Life:	9/20/2032	Issue Price:	104.39	Issue Yield:	4.71%	Spread at Issuance:	177 bp				
								Spread to 10-Yr MMD					
Date	Volume (M)	Trades #	First	High	Low	Last	Average	First	High	Low	last	Average	
6/23/2010	1,000	1	104.39	104.39	104.39	104.39	104.39	177 bp	177 bp	177 bp	177 bp	177 bp	
6/18/2010	85	7	104.88	106.19	104.88	105.74	105.39	168	168	153	158	162	
6/17/2010	225	5	102.84	103.56	102.84	103.21	103.20	193	193	184	188	188	
6/11/2010	165,440	8	104.39	104.39	104.39	104.39	104.39	178	178	178	178	178	
Puerto Rico Sales Tax Financing (A1/A+/A+)													
CUSIP:	74529JLK	Settlement Date:	6/30/2010	Serial Maturity Date:	8/1/2039	Coupon:	6.00%	First Call Date:	8/1/2020				
Par (000's)	150,000	Issue Price:		Issue Price:	105.6	Issue Yield:	5.28%	Spread at Issuance:	249 bp				
								Spread to 10-Yr MMD					
Date	Volume (M)	Trades #	First	High	Low	Last	Average	First	High	Low	last	Average	
6/29/2010	1,000	1	106.29	106.29	106.29	106.29	106.29	238 bp	238 bp	238 bp	238 bp	238 bp	
6/25/2010	1,000	1	106.25	106.25	106.25	106.25	106.25	230	230	230	230	230	
6/24/2010	155,000	24	105.57	106.37	105.57	106.37	105.67	236	236	226	226	235	
Illinois Finance Authority (A3/A/A)													
CUSIP:	45200F3R	Settlement Date:	6/29/2010	Maturity Date:	5/15/2039	Coupon:	6.00%	First Call Date:	5/15/2020				
Par (000's)	162,905	Average Life:	8/10/2028	Issue Price:	97.32	Issue Yield:	6.20%	Spread at Issuance:	339 bp				
								Spread to 10-Yr MMD					
Date	Volume (M)	Trades #	First	High	Low	Last	Average	First	High	Low	last	Average	
6/29/2010	185	6	101.00	101.90	101.00	101.85	101.72	305 bp	305 bp	293 bp	294 bp	296 bp	
6/28/2010	890	18	99.60	102.82	99.60	99.72	100.94	318	318	277	317	302	
6/25/2010	420	14	101.86	101.90	99.53	100.88	100.71	285	313	284	298	300	
6/24/2010	4,070	41	99.46	101.86	98.76	101.71	100.90	312	317	283	285	296	
6/23/2010	5,340	32	99.86	102.26	99.18	99.98	100.62	307	312	276	306	298	
6/22/2010	1,115	37	100.75	102.96	97.50	101.00	100.67	294	323	265	290	295	
6/21/2010	1,135	12	98.81	102.26	98.81	101.00	100.79	312	312	273	289	292	
6/18/2010	72,170	64	98.25	101.90	97.32	101.90	99.47	316	323	277	277	307	
6/17/2010	163,405	47	97.32	97.44	97.32	97.44	97.32	323	323	322	322	323	
New York State Dormitory Authority (Aa1/AA/NR)													
CUSIP:	649905R9	Settlement Date:	6/9/2010	Maturity Date:	7/1/2040	Coupon:	5.00%	First Call Date:	7/1/2020				
Par (000's)	159,670	Average Life:	8/5/2038	Issue Price:	105.92	Issue Yield:	4.27%	Spread at Issuance:	142 bp				
								Spread to 10-Yr MMD					
Date	Volume (M)	Trades #	First	High	Low	Last	Average	First	High	Low	last	Average	
6/9/2010	10,000	2	105.91	106.00	105.91	106.00	105.95	142 bp	142 bp	141 bp	141 bp	142 bp	
6/1/2010	490	1	105.92	105.92	105.92	105.92	105.92	147	147	147	147	147	
5/28/2010	185,440	27	105.42	105.92	105.42	105.67	105.80	153	153	147	150	149	

**Puerto Rico Sales Tax Financing (A1/A+/A+)**

CUSIP:	74529JLL	Settlement Date:	6/30/2010	Maturity Date:	8/1/2040	Coupon:	5.50%	First Call Date:	8/1/2020			
Par (000's)	299,995	Average Life:	7/15/2040	Issue Price:	100.00	Issue Yield:	5.50%	Spread at Issuance:	550 bp			
Spread to 10-Yr MMD												
Date	Volume (M)	Trades #	First	High	Low	Last	Average	First	High	Low	last	Average
6/24/2010	299,995	3	100.00	100.00	100.00	100.00	100.00	258 bp	258 bp	258 bp	258 bp	258 bp

**Texas Private Activity Bond Surface Transportation Corporation (Baa3/NR/BBB-)**

CUSIP:	882667AD	Settlement Date:	6/22/2010	Maturity Date:	6/30/2040	Coupon:	7.00%	First Call Date:	6/30/2020			
Par (000's)	418,955	Average Life:	12/11/2037	Issue Price:	96.96	Issue Yield:	7.25%	Spread at Issuance:	429 bp			
Spread to 10-Yr MMD												
Date	Volume (M)	Trades #	First	High	Low	Last	Average	First	High	Low	last	Average
6/22/2010	22,850	132	99.00	102.45	98.75	101.75	100.62	412 bp	414 bp	370 bp	380 bp	395 bp
6/21/2010	13,070	117	100.00	102.57	98.50	99.95	100.65	403	415	367	403	394
6/18/2010	37,915	215	98.50	101.90	98.37	99.23	100.22	415	416	377	409	400
6/17/2010	52,160	410	98.74	101.26	96.96	101.26	99.89	413	428	385	385	404
6/16/2010	495,785	400	96.96	100.00	96.96	100.00	99.04	426	426	401	401	409

**Puerto Rico Sales Tax Financing (A1/A+/A+)**

CUSIP:	74529JLM	Settlement Date:	6/30/2010	Maturity Date:	8/1/2041	Coupon:	5.25%	First Call Date:	8/1/2020			
Par (000's)	668,440	Average Life:	4/19/2041	Issue Price:	96.7	Issue Yield:	5.47%	Spread at Issuance:	268 bp			
Spread to 10-Yr MMD												
Date	Volume (M)	Trades #	First	High	Low	Last	Average	First	High	Low	last	Average
6/30/2010	18,870	132	100.00	102.50	97.75	100.00	99.61	246 bp	261 bp	214 bp	246 bp	249 bp
6/29/2010	14,920	157	100.38	102.60	97.85	97.88	99.70	239	258	211	258	246
6/28/2010	36,650	168	98.94	102.60	97.75	98.38	99.72	247	255	207	251	242
6/25/2010	11,631	157	97.75	101.40	97.62	100.00	99.32	250	251	217	235	239
6/24/2010	675,940	85	96.72	98.81	96.72	97.75	97.39	255	255	241	248	250

**Puerto Rico Sales Tax Financing (Aa3/AAA/NR)**

CUSIP:	74529JLN	Settlement Date:	6/30/2010	Serial Maturity Date:	8/1/2042	Coupon:	5.13%	First Call Date:	8/1/2020			
Par (000's)	150,000			Issue Price:	99.75	Issue Yield:	5.14%	Spread at Issuance:	235 bp			
Spread to 10-Yr MMD												
Date	Volume (M)	Trades #	First	High	Low	Last	Average	First	High	Low	last	Average
6/30/2010	5,790	72	103.98	103.98	100.99	102.56	102.47	184 bp	221 bp	184 bp	201 bp	202 bp
6/29/2010	3,835	82	103.00	103.98	100.43	101.98	102.23	194	226	182	206	203
6/28/2010	17,285	63	102.50	104.25	99.75	100.24	101.30	196	229	174	224	211
6/25/2010	25,856	151	100.25	102.75	99.75	101.75	100.78	219	224	188	200	213
6/24/2010	271,030	580	99.13	100.31	99.13	100.00	99.62	226	226	216	220	223

**New York Liberty Development Corporation (NR/AAA)**

CUSIP:	649519AD	Settlement Date:	7/8/2010	Maturity Date:	1/15/2044	Coupon:	5.13%	First Call Date:	1/15/2020			
Par (000's)	206,200	Average Life:	7/9/2042	Issue Price:	98.04	Issue Yield:	5.25%	Spread at Issuance:	258 bp			
Spread to 10-Yr MMD												
Date	Volume (M)	Trades #	First	High	Low	Last	Average	First	High	Low	last	Average
7/8/2010	12,895	54	98.88	102.23	98.69	100.79	100.00	253 bp	254 bp	216 bp	235 bp	245 bp
7/7/2010	5,755	33	99.42	101.50	98.14	99.00	99.45	249	257	226	252	249
7/6/2010	7,910	35	100.94	101.63	98.14	99.25	100.14	225	249	216	242	236
7/2/2010	10,690	43	98.14	101.88	98.14	101.00	99.68	248	248	212	223	238
7/1/2010	239,650	192	98.04	101.00	97.54	98.80	98.53	249	252	223	244	246

**New York Liberty Development Corporation (NR/BBB-/BBB-)**

CUSIP:	649519AF	Settlement Date:	7/8/2010	Maturity Date:	7/15/2049	Coupon:	6.38%	First Call Date:	1/15/2020			
Par (000's)	211,300	Average Life:	8/1/2048	Issue Price:	100.00	Issue Yield:	6.38%	Spread at Issuance:	371 bp			
Spread to 10-Yr MMD												
Date	Volume (M)	Trades #	First	High	Low	Last	Average	First	High	Low	last	Average
7/8/2010	6,700	26	102.06	104.00	102.06	104.00	102.26	342 bp	342 bp	315 bp	315 bp	339 bp
7/7/2010	9,575	14	101.88	104.25	101.73	102.95	102.60	344	346	312	329	334
7/6/2010	3,700	8	101.75	102.00	100.10	102.00	101.52	338	361	334	334	341
7/2/2010	20,575	25	100.10	103.00	100.10	100.64	101.54	360	360	320	352	340
7/1/2010	269,750	114	100.63	101.75	99.97	100.54	100.36	353	362	337	354	356

Data for sample corporate, municipal tax-exempt, and municipal BABs trades with spreads are sourced from Bloomberg and SIFMA member firms.