

US Fixed Income Debt

Outstanding and Issuance, Selected Years

Outstanding debt in all sectors of the US fixed income market has gone from \$4.6 trillion in 1985 to \$33 trillion in 2008.

In 2008, NYSE total domestic (US) market capitalization was \$10.1 trillion.

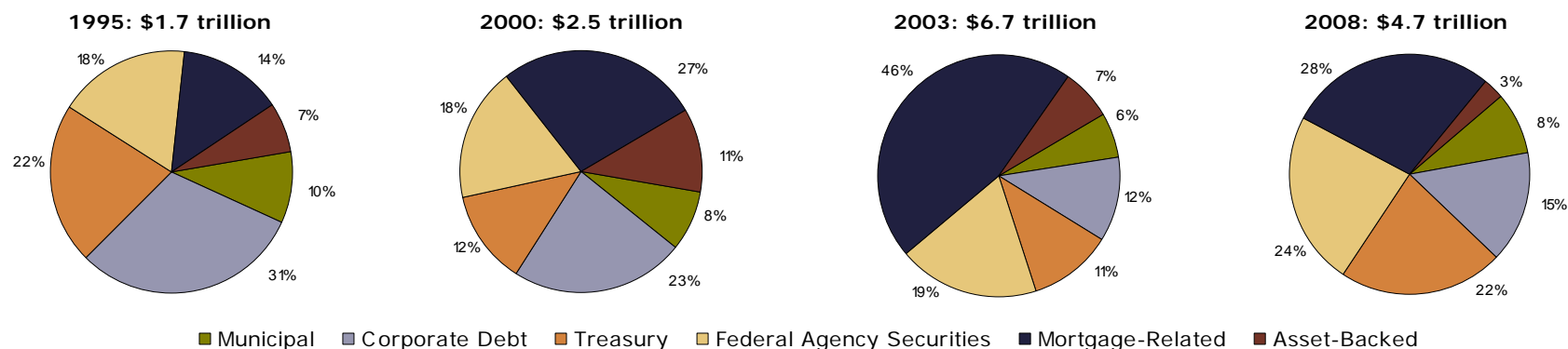
Over the past two decades the more traditional securities declined as a percentage of the market, while newer securities such as mortgage related and asset-backed debt increased rapidly.

Lower interest rates led to searching for more yield in riskier sectors.

Outstanding US Fixed Income Debt

Sector	1985	1995	2000	2005	2008
Mortgage-Related	8%	21%	21%	23%	27%
Corporate Debt	17%	17%	20%	19%	19%
Treasury	31%	29%	19%	18%	18%
Money Markets	18%	10%	16%	13%	11%
Federal Agy Sec	6%	8%	11%	10%	10%
Asset-Backed	0%	3%	6%	8%	8%
Municipal	19%	12%	9%	9%	8%
Total	100%	100%	100%	100%	100%
Total Outstanding (\$ trillions)	\$4.59	\$11.23	\$17.20	\$25.69	\$33.49

U.S. Fixed Income Markets Annual Issuance



Source: U.S. Department of Treasury, Federal Reserve System, Federal Agencies, Dealogic, Thomson Financial, SIFMA, Bloomberg, The Bond Market Association

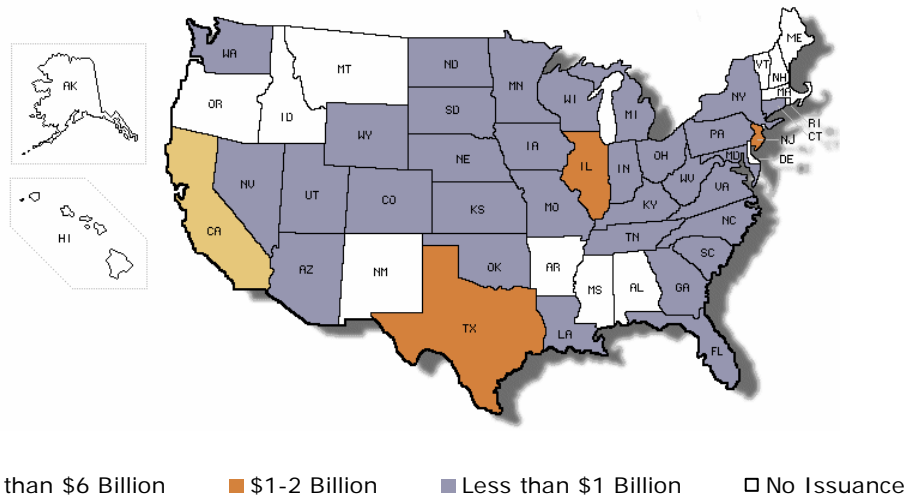
Changes to tax exempt bond provisions aim to broaden the base of buyers

- Build America Bonds (taxable tax credit)
- Increasing bank qualified bonds to \$30 million
- New category of taxable tax credit qualified school construction bonds
- Loosening of AMT for private activity bonds
- Recovery Zone Economic Development Bonds

Top 10 Build America Bond Issues

Issue	Issue Size	Maturity
California	5,000,000,000	4/1/2034 - 4/1/2039
New Jersey Turnpike	1,375,000,000	01/01/2040
Dallas Rapid Transit	829,615,000	12/1/2034 - 12/1/2044
MTA	750,000,000	11/15/2039
Illinois Thruway	500,000,000	1/1/2024 - 1/1/2034
San Antonio Elec.	375,000,000	02/01/2039
North Carolina Turnpike	352,675,000	1/1/2017 - 1/1/2039
University of Texas	330,545,000	08/15/2041
Colorado COPs	299,760,000	9/15/2019 - 9/15/2045
Illinois Municipal Elec.	294,755,000	2/1/2016 - 2/1/2035

Build America Bonds Issuance By State Through August 1, 2009 Total \$20 billion



Source: Bloomberg

Holders of Municipal Bonds

1980-2008

The mix of municipal bond investors changed dramatically from 1980 to 1995, and has remained relatively constant to the present time.

The biggest changes were the increase in mutual funds, and the decrease in commercial bank and property and casualty insurance holdings.

Direct holdings by households declined from 1990, and were picked up by mutual funds.

Decline in 2008 of municipal hedge funds and other purchasers.

Holders of Municipal Bonds (1980-2008)

	1980	1985	1990	1995	2000	2005	2008
Households	26%	40%	48%	35%	36%	39%	34%
Mutual, Money Market and Closed End Funds ¹	2%	8%	18%	31%	37%	33%	37%
Property and Casualty Insurance Companies ²	20%	10%	12%	12%	12%	13%	16%
Commercial Banks ³	37%	27%	10%	7%	8%	7%	11%
Other ⁴	15%	14%	12%	14%	7%	8%	2%
Total Outstanding Debt (\$Billions)	\$399	\$859	\$1,184	\$1,294	\$1,481	\$2,227	\$2,690

¹ Includes mutual funds, money market funds and close-end funds.

² Includes property-casualty and life insurance companies.

³ Includes commercial banks, savings institutions and brokers and dealers.

⁴ Includes nonfinancial corporate business, nonfarm noncorporate business, state and local governments and retirement funds and government-sponsored enterprises.

Source: Federal Reserve

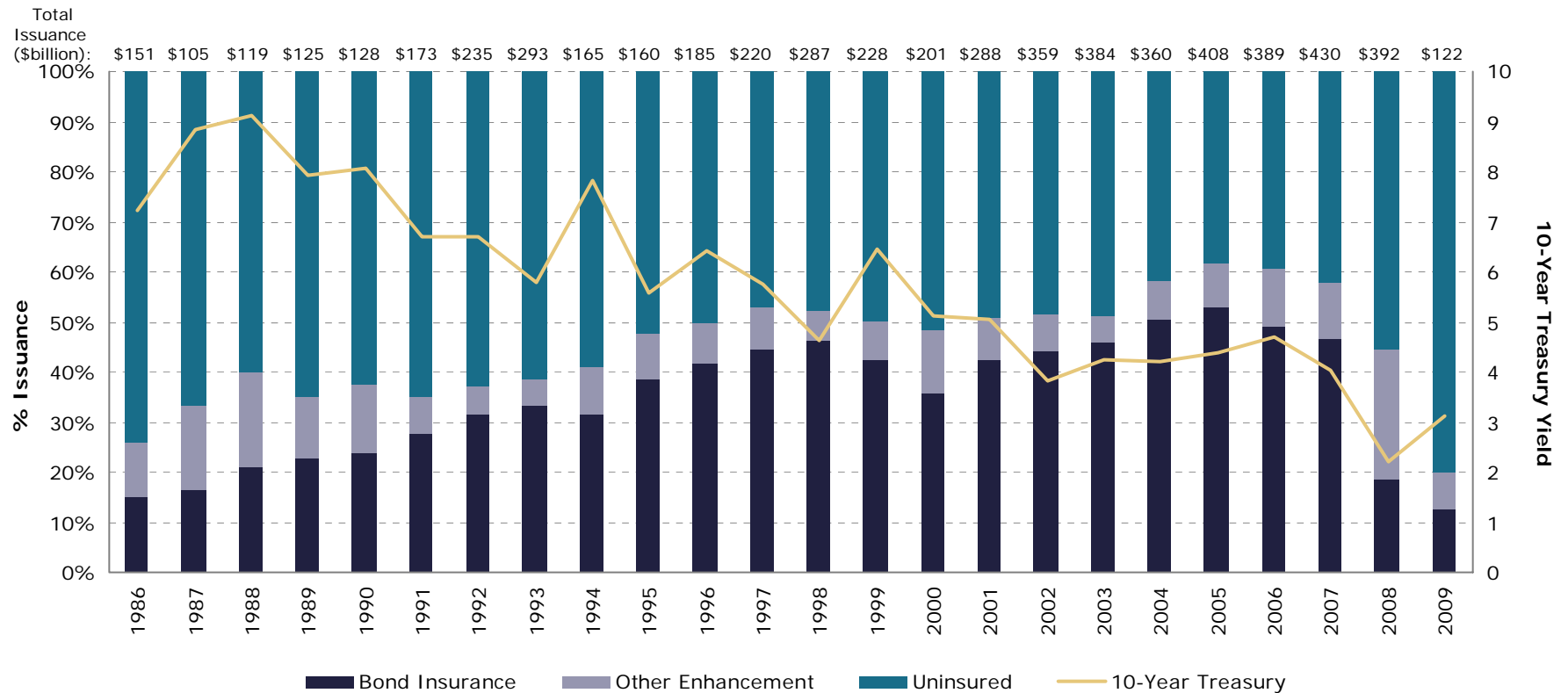
Credit, which was always important, has come to the forefront.

Underlying Credit

Decline in the use of bond insurance

Skepticism about ratings/Global rating scale

Bond Insurance as a Percentage of Long-Term New-Issue Market



Source: The Bond Buyer and Bloomberg

Fundamental Comparisons

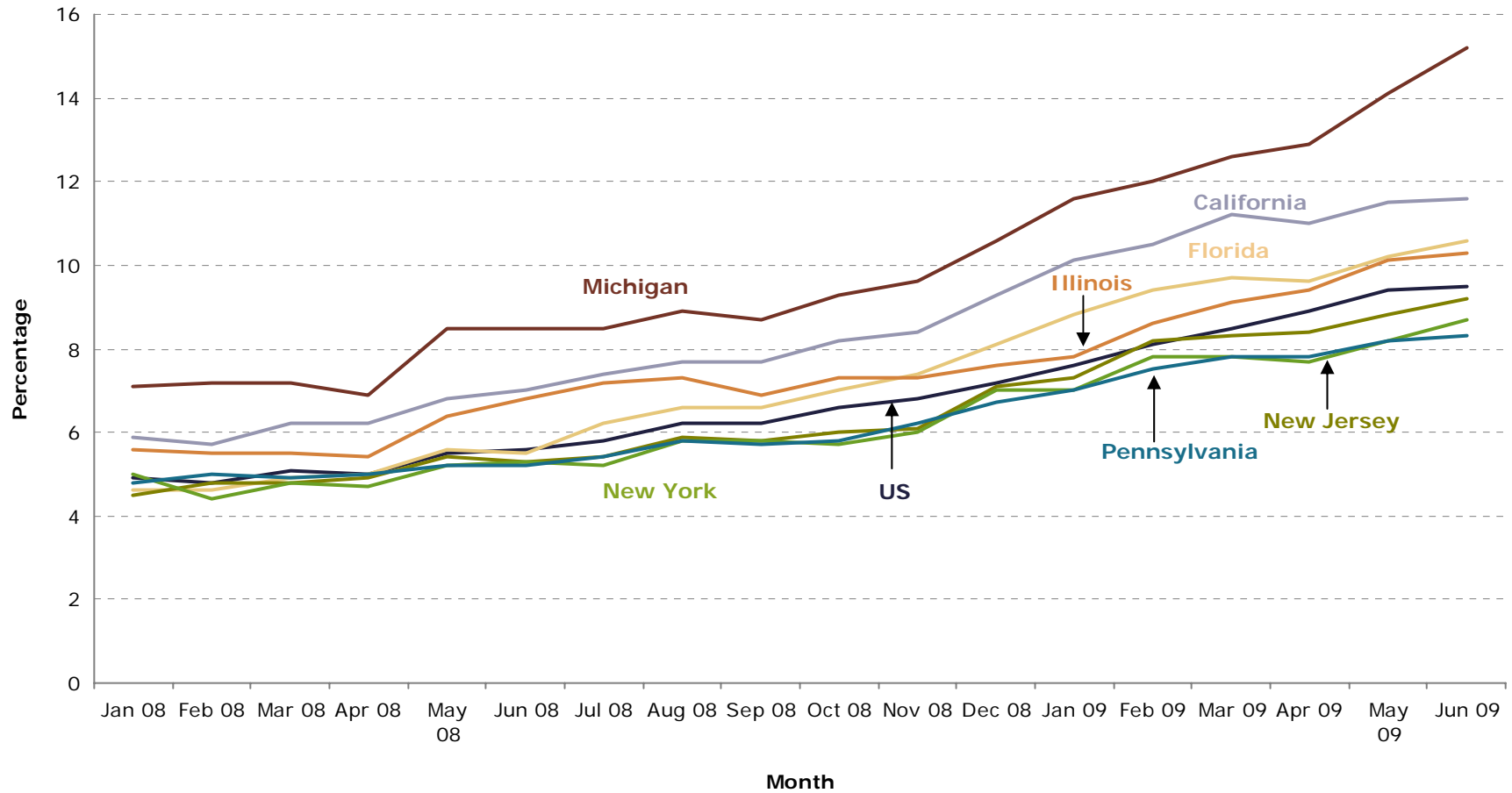
	US	California	Florida	Illinois	Michigan	New Jersey	New York	Pennsylvania
All Industries % Gross State Product 2008	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Private industries	87.71	88.26	87.82	90.33	88.36	89.61	89.73	90.24
Real estate, rental, and leasing	12.59	16.72	18.00	12.50	11.50	15.66	15.38	11.80
Manufacturing	11.56	9.81	4.80	12.43	16.14	9.23	6.04	13.64
Finance and insurance	7.52	5.83	6.37	9.16	6.03	7.67	16.36	7.28
Professional and technical services	7.73	9.46	6.82	9.09	8.48	9.64	9.01	7.88
Health care and social assistance	7.20	6.26	7.75	6.77	8.60	7.47	7.22	9.69
Retail trade	6.25	6.42	7.50	5.55	6.73	6.23	5.01	6.03
Wholesale trade	5.78	5.69	6.26	6.94	6.08	7.93	4.65	5.97
Information	4.39	6.11	4.10	3.65	2.76	4.65	7.00	3.64
Other Private	24.69	21.97	26.22	24.24	22.03	21.13	19.07	24.30
Government	12.29	11.74	12.18	9.67	11.64	10.39	10.27	9.76

largest sector
 second largest sector
 third largest sector

Source: Bureau of Economic Analysis

Unemployment

Monthly Unemployment, Selected States



Source: U.S. Bureau of Labor Statistics