



Presentation to the National Association of State Treasurers



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BABs Issuance Has Also Helped to Improve Tax-Exempt Rates

- The stimulus package effectively has created competition among classes of investors for municipal debt
 - The BABs program has allowed issuers to choose the lowest all-in funding levels for various maturities and structures, depending on taxable versus tax-exempt demand
- By reducing tax-exempt supply, BABs have helped the tax-exempt market to trade at lower yields
- AAA municipal tax-exempt bonds are now trading at the lowest ratios to US Treasuries and LIBOR since the ARRA was enacted in February of 2009

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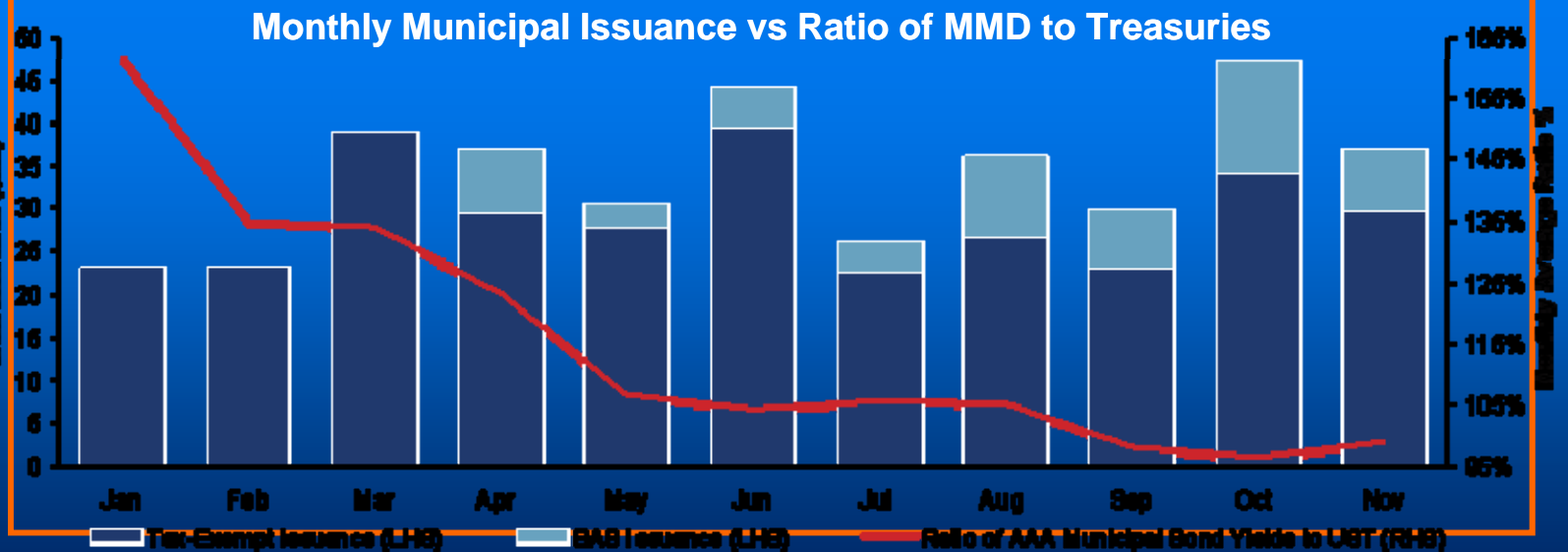


Chart was compiled from the most recent data available as of 11/24/2009
Sources: Bloomberg, Thomson Financial TM3, SDC Thomson and Goldman, Sachs & Co. data and calculations



BABs Issuance Has Accelerated in Recent Months

■ If BAB issuance continued at its current average weekly rate, issuance would reach \$90 billion per year

BAB Issuance Run Rate (\$mm)

Issuance Year to Date	\$55,351
Average Weekly Issuance to Date	1,730
Average Weekly Issuance to reach \$75bn per year	1,442
Average Weekly Issuance to reach \$100bn per year	1,923

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Monthly and Cumulative BAB Issuance

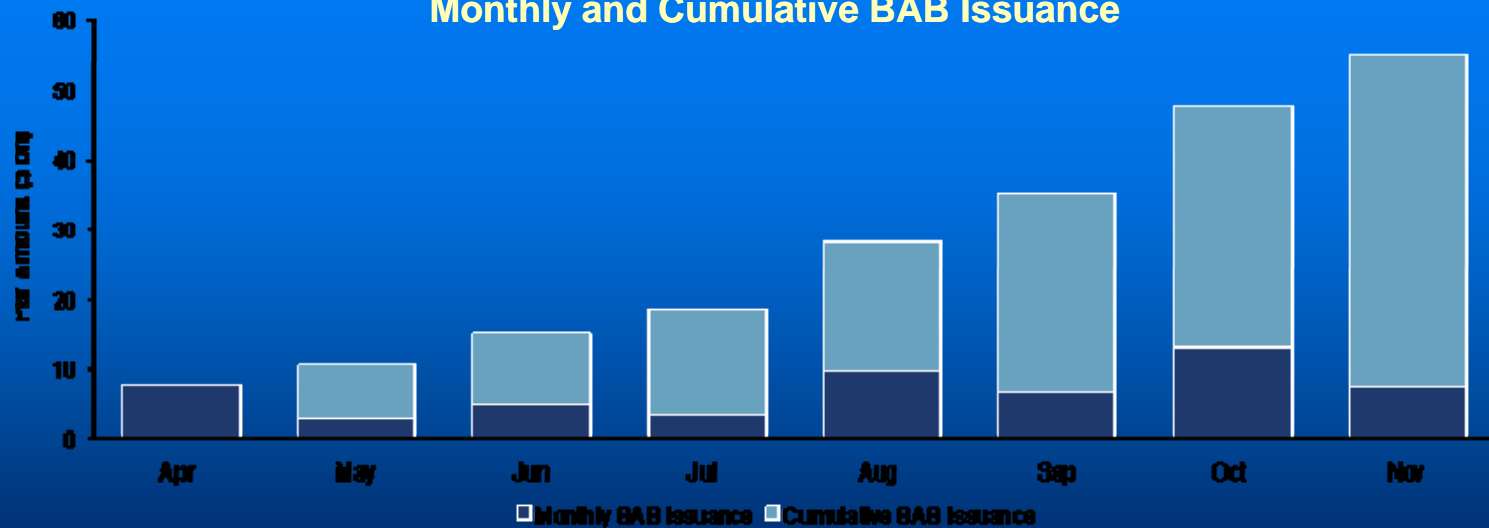


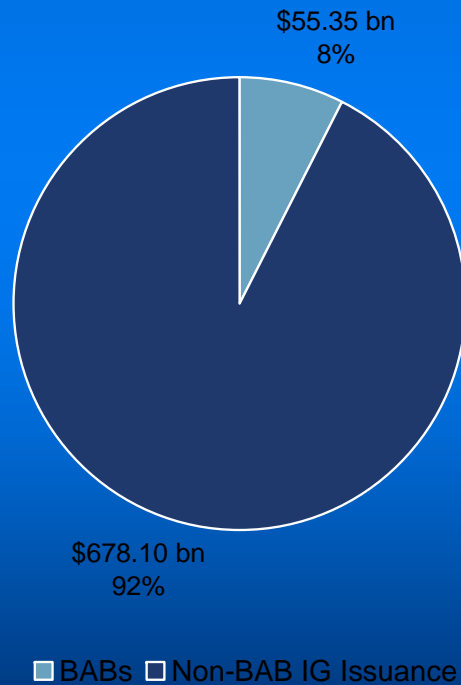
Chart was compiled from the most recent data available as of 11/24/2009
Sources: Bloomberg Data Service, Thomson Reuters TM3 and SDC Thomson



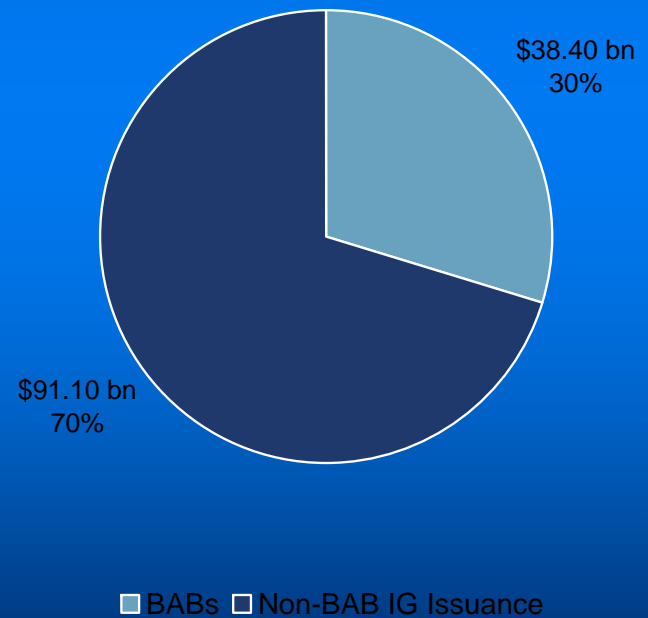
BABs Account for 30% of Long-Dated Taxable Issuance

- This long duration makes BABs particularly attractive to many portfolio managers, such as pension plans, seeking to offset duration liabilities

Investment Grade Issuance YTD, Overall Market



Investment Grade Issuance YTD, >20 yr Avg Life



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Chart was compiled from the most recent data available as of 11/24/2009; total corporate investment grade issuance YTD excludes government guaranteed issues. Sources: SDC Thomson and Goldman, Sachs & Co. data and calculations



Conclusions

■ **Extending and expanding BABs would benefit all stakeholders**

- As a permanent program, BABs would allow more investors to fund state and local infrastructure projects at a lower cost to taxpayers
 - Ports and Airports
 - 501(c)(3) hospitals, colleges and universities
- By making the BABs program permanent, investors will treat taxable munis as a permanent asset class, helping to reduce spreads
- Allowing BABs for working capital and refundings would further lower the borrowing costs of states and localities
- Expanding the BABs program would further reduce the supply of tax-exempt bonds, further driving down the cost of tax-exempt debt for issuers that choose not to issue BABs
- The tax-exempt market will still be important for certain sectors and maturities

■ **As the Administration considers extending the program, support from the States will be critical**

- There has been discussion amongst stakeholders of extending the program beyond its current end date of December 31, 2010
 - Some market participants believe that the Build America Program will be extended, albeit with an issuer subsidy of less than 35%
- NAST should support a permanent extension of the program and an expansion of its scope to include all financings
- The level of the subsidy might differ for various programs, e.g. 35% for capital improvements and 29% for other financing needs

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