



## **Conference Call Summary 4/10/08**

### **Municipal Bond Market next major problem**

- Auction rate refinancing pressure on Muni Market since supply causes yield spreads to widen.
- Highly leveraged Municipalities with shrinking tax revenues/lower credit ratings cannot afford higher rates/costs forcing them to seek aid or file bankruptcy.
- Spreads widen further caused by headline risk from failing Municipalities.
- Problem is not a liquidity problem, but a credit quality issue.
- Auction Rate debt refinancing/fallout should be complete in 6-9 months.

### **Dow 8800 by end of Summer**

- Spreads between Muni and Treasuries highest in 17 years.
- Current High Yield Spread over Treasuries at 900, spreads to go higher to 1100-1200.
- Equity positions are cutting dividend rates, have lower profits and returns.
- The final leg down in the market caused by Muni spreads and Corporate Bond spreads widening, applying pressure to Equity markets.