The Electronic Platform for Variable-Rate Securities

Robert Novembre, Chief Executive Officer and President
Clarity BidRate Alternative Trading System
What is Clarity BidRate ATS?

Clarity is a new electronic platform for remarketing variable-rate securities
- Powerful combination of an electronic platform and a team of active market experts
- Replaces pricing role of traditional remarketing agent

Key points
- Competitive bid process
- Allocations determined by bid level – encourages buyers to compete on price
- Pre-trade price transparency
- Multi-modal security – Clarity is simply an additional mode
- New deals and/or conversions of outstanding deals

Goals of the Clarity system
1. Improve Execution
2. Lower Volatility
3. Provide Data
4. Promote Transparency, Competition and Centralization
Market Dynamics

TEAM
- Broad Experience
- Tier 1 Professionals
- Independent

ATS
- Competitive Bidding
- Transparent
- Centralized Liquidity

STRATEGY
- Market Standardization
- Lessons Learned
- Clarity Securities

CLARITY
Bidrate Alternative Trading System™
Clarity ATS vs. Current Market

Important Similarities

• Multi-modal
• 2a7-eligible products
• Marketing team of experienced professionals
• Access to existing investor base
• Fees competitive with current market
• Uses traditional underwriting process

Important Differences

• Pricing and allocation is competitive
• All positions re-bid at each reset period
• Pre-trade price transparency
• Multiple order types, including Good-Til-Cancelled (GTC)
• Access to data – both historical and real-time markets
• Does not use dealer balance sheet
Market Dynamics

Dealer Balance Sheet

- Hold positions sold by investors
- Average of only 1.3% of outstanding VRDNs [Moody’s 4/14/2014]
- Capital is expensive given new regulations (Basel III, Fed Leverage Ratio)

Clarity Operates Without Balance Sheet

- Active Competition – full-time buyer participation in the market
- Buyer Base – extension of equal access to all institutional investors
- Intelligent Bidding – resting GTC orders to create layers of liquidity
- Real-Time Data and Transparency – alerts sideline investors to buying opportunities
- Centralized – immediate, one-stop access to investors that may not participate frequently
Clarity ATS Market Dynamics

- Transparency
- Competition
- Centralization

Deeper, Broader Marketplace
## Market Dynamics Comparison

<table>
<thead>
<tr>
<th>Clarity</th>
<th>Rmktg Agents</th>
<th>2a7 Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Asset Managers, SMA/RIAs, Trust Companies., Private Wealth</td>
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<td></td>
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<td>Opportunistic / Hedge Funds</td>
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<td>Remarketing Agents</td>
<td>Clarity</td>
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<td>-----------------------------</td>
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<td>Market</td>
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<td>Pricing</td>
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WELCOME
to Clarity Bidrate Alternative Trading System. Enter your account info below.

User ID: 

Password: 

LOGIN

TECHNICAL SUPPORT  212.849.5026
Clarity BidRate ATS

- Full Rate History – table and graph view
- On-demand and in real-time
- Download all historical data
- Export in PDF, Excel or email
### Clarity BidRate ATS

#### PRIMARY BIDDING

**Bid Summary**

- **Reset Date:** 10/9/2015
- **Cusip:** 64972FWK8
- **Deadline Time:** 5:12 PM  
  **Current Time:** 5:04 PM

**Municipal Bond Ser A 2015**

- **Outstanding Size:** $125,000,000.00
- **Security Name:** EVRDO

**Ceiling Rate:** 11.00%  
**All Sell Rate:** 1.100%  
**Previous Reset:** 0.052%  
**Projected Final Rate:** 0.046%

#### Bid Distribution

- **# of Bonds:** 117,400  
  **# of Accounts:** 3
- **Total Buys:** 112,500  
  **Total Rolls:** 6
- **Total Sells:** 12,500  
  **Total Missing:** 0

### Actions:

- Rate History
- Report

### Market Activity

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<th>Account</th>
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<th>Opening Position</th>
<th>Bid Type</th>
<th>Bid Amt</th>
<th>Bid Rate</th>
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*All amounts are in 000's*
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