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## The Electronic Platform for Variable-Rate Securities

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Clarity BidRate Alternative Trading System*

# What is Clarity BidRate ATS?

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## 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

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## TEAM

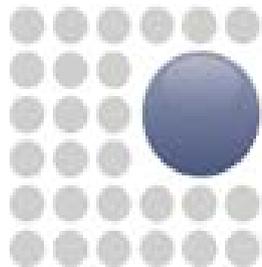
- Broad Experience
- Tier 1 Professionals
- Independent

## ATS

- Competitive Bidding
- Transparent
- Centralized Liquidity

## STRATEGY

- Market Standardization
- Lessons Learned
- Clarity Securities



**CLARITY**<sup>®</sup>  
BIDRATE ALTERNATIVE TRADING SYSTEM<sup>SM</sup>

# Clarity ATS vs. Current Market

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## 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

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## Dealer Balance Sheet

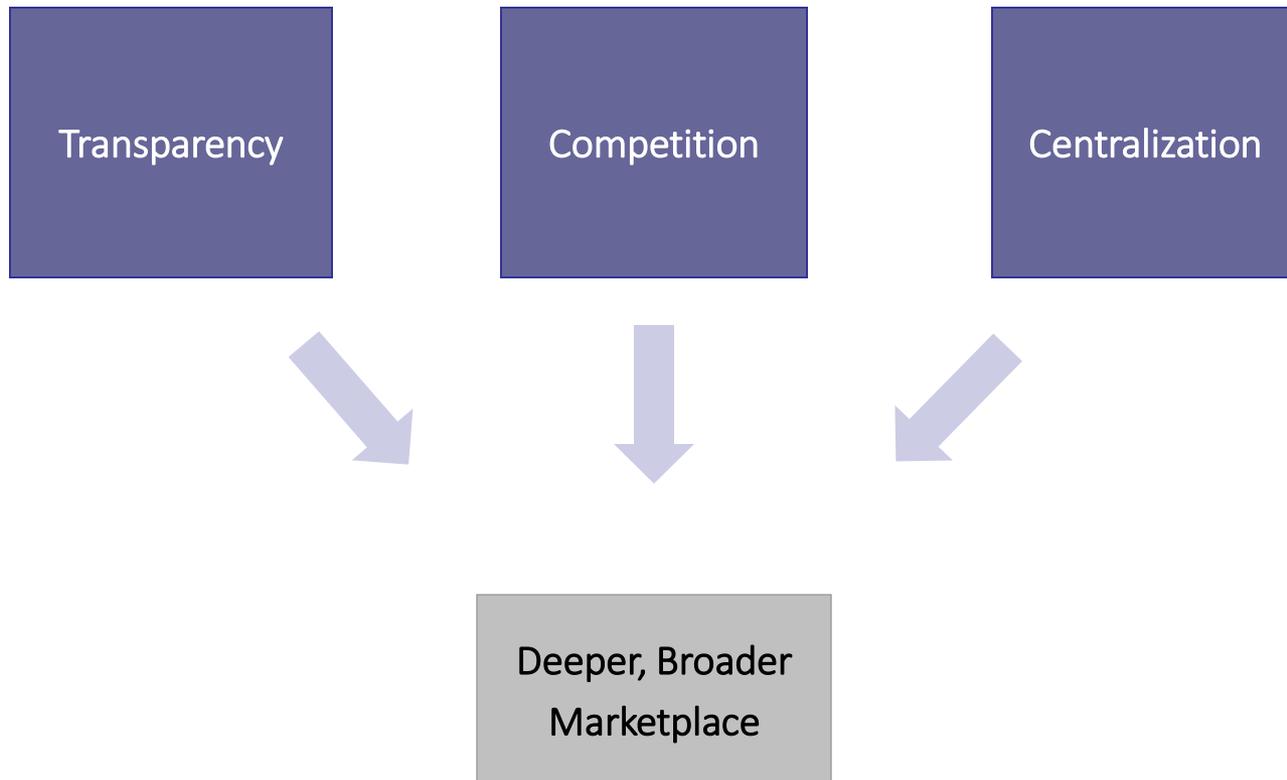
- Hold positions sold by investors
- Average of only 1.3% of outstanding VRDNs [Moody's 4/14/2014]
- Capital is expensive given new regulations (Basel III, Fed Leverage Ratio)

## 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

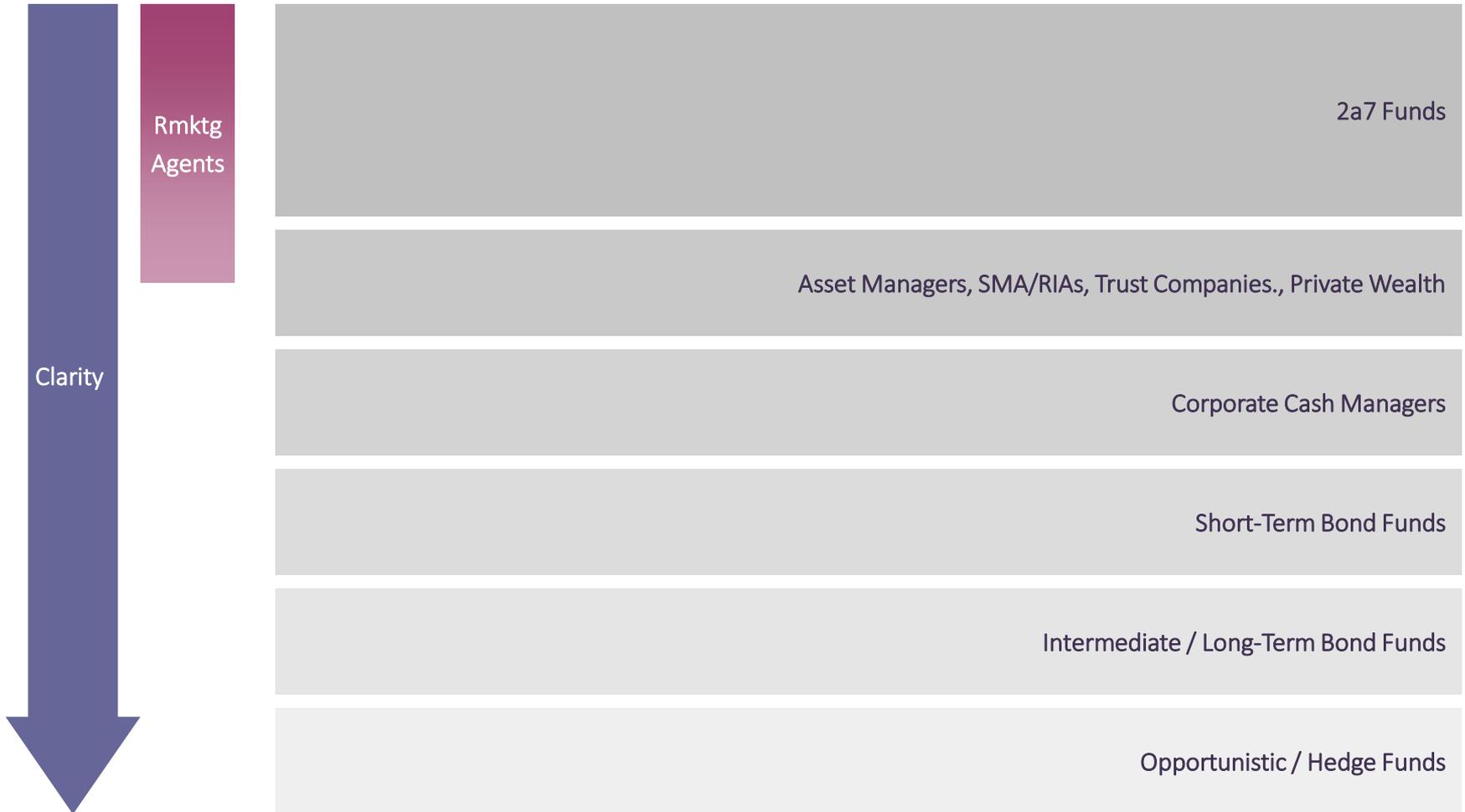
# Clarity ATS Market Dynamics

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# Market Dynamics Comparison

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# Comparison

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	Remarketing Agents	Clarity
Market	Voice	Electronic
Organization	Fragmented	Centralized
Liquidity Providers	Yes	Yes
Bidding	No	Yes
Pricing	Determined by Dealer	Competitive Bidding
Balance Sheet	Yes	No
Real-Time Data	No	Yes
Pre-Trade Transparency	No	Yes
Conflicts of Interest	Yes	No

## WELCOME

to Clarity Bidrate Alternative Trading System.  
Enter your account info below.

User ID:

Password:

LOGIN

TECHNICAL SUPPORT 212.849.5026

# Clarity BidRate ATS



Clarity Reports Logout Welcome Fidelity Test Bidder!

PRIMARY BIDDING

Market Activity

Market Activity

Views: Daily Reset Date: 3/2/2015 to 3/2/2015 Go Current

Effective Period	Rate	High	Low
11/14/14-11/20/14	0.048	4.000	0.036
11/21/14-11/27/14	0.049	4.000	0.036
11/28/14-12/4/14	0.049	4.000	0.036
12/5/14-12/11/14	0.048	4.000	0.036
12/12/14-12/18/14	0.045	4.000	0.040
12/19/14-12/25/14	0.045	4.000	0.040
12/26/14-1/1/15	0.044	4.000	0.040
1/2/15-1/8/15	0.044	4.000	0.040
1/9/15-1/15/15	0.044	4.000	0.040
1/16/15-1/22/15	0.045	4.000	0.040
1/23/15-1/29/15	0.045	4.000	0.040
1/30/15-2/5/15	0.045	4.000	0.040
2/6/15-2/12/15	0.044	4.000	0.040

Doc	Reset Date	Cusip	Issuer Description	Previous Reset	Des
<input type="checkbox"/>	03/02/15	240010EM	NEW JERSEY ECONOMIC DEV	0.037%	CLC
<input type="checkbox"/>	03/02/15	140010EM	New Jersey SeIn DEV	0.032%	CLC
<input type="checkbox"/>	03/02/15	140010EM	New York SeIn DEV	0.044%	CLC
<input type="checkbox"/>	03/02/15	927010EM	Massachusetts Health	0.047%	CLC
<input type="checkbox"/>	03/02/15	702010EM	PROCESSIONAL	0.100%	2-4

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

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# Clarity BidRate ATS



Clarity Reports Logout Welcome

PRIMARY BIDDING

Bid Summary

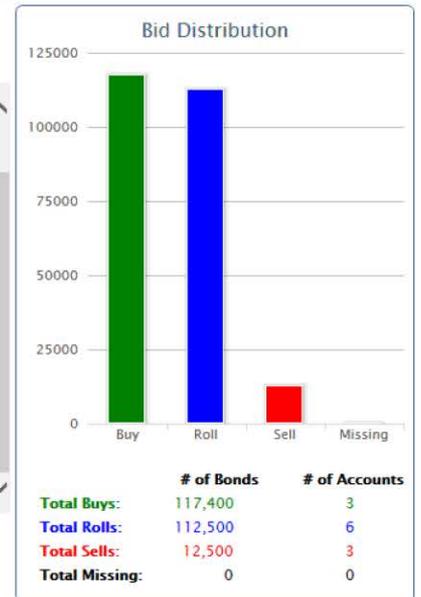
Market Activity Account Activity Bid Summary

Reset Date: 10/9/2015 Cusip: 64972FWK8 Deadline Time: 5:12 PM Current Time: 5:04:27 PM Actions: Rate History Report Go

64972FWK8 - Municipal Bond Ser A 2015 Outstanding Size: \$125,000,000.00 Security Name: BVRDO

Ceiling Rate: 11.000% All Sell Rate: 1.100% Previous Reset: 0.052% Projected Final Rate: 0.046% Projected Contractual Bidder Final Position: 0

Account	Account #	Opening Position	Bid Type	Bid Amt	Bid Rate	Index	Spread/%	Projected Allocation	
ABC Fund	71-00001	0	BUY						
Order13		0	BUY	50,000	.543%			0	
Order14		0	BUY	25,000	.035%			25,000	
Order15		0	BUY	15,000	.031%			15,000	
ABC Fund	71-00001	20,000	BUY-GTC	2,400	.060%	SIFMA	.040 S	0	
Order1		0	BUY-GTC	25,000	.426%			0	
ABC Fund	71-00001	20,000	ROLL	3,000	.156%	LIBOR	.025 S	0	
ABC Fund	71-00001	20,000	ROLL	5,800	.052%			0	
ABC Fund	71-00001	20,000	ROLL	1,000	.050%			0	
Order11		15,000	ROLL	2,000	.001%			2,000	
Order16		30,900	ROLL	30,900	.029%			30,900	
Order2		9,500	ROLL-GTC	5,000	.048%			0	
Order4		9,500	ROLL-GTC	2,000	.045%			2,000	
Order5		20,000	ROLL-GTC	5,000	.047%			0	
Order6		20,000	ROLL-GTC	5,000	.046%			3,100	
Order7		20,000	ROLL-GTC	5,000	.045%			5,000	
Order8		20,000	ROLL-GTC	5,000	.043%			5,000	
ABC Fund	71-00001	20,000	SELL	5,000				0	
Order12		15,000	SELL	5,000				0	
Order3		9,500	SELL	2,500				0	
<b>Contractual Bidder</b>									
XYZ Bank	71-00002	0	BUY	125,000				0	



\* All amounts are in 000's

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