



The Largest Municipal Bankruptcy Ever?  
Jefferson County and Municipal Finance in the Wake of the Bubble

Washington, DC  
September 9, 2008

David R. Kotok  
Chairman & Chief Investment Officer

**110M Jefferson Cnty AL Swr Rev VRDN 472682JW4 – currently 9.0%**

**Moody's B1/Caa3 – S&P AAA (AAA still valid based on SPA w/JP Morgan)**

**Standby Purchase Agreement : JP Morgan**

**Remarketing Agent : JP Morgan**

**Tender Agent : Bank of New York**

Event of Default (Official Statement pg 27)

Either Moody's or S&P downgrade rating below Aa3 or AA- respectively, or suspend or withdraw the rating the bank may terminate...directing that the Trustee, the Tender Agent, Financial Guaranty and the Remarketing Agent call all eligible warrants for mandatory redemption

©Copyright 2008 Cumberland Advisors, Inc. Further distribution prohibited without prior permission.

**Jefferson Cnty AL Swr Rev Warrants**  
**Total Debt Outstanding \$2,973,375,000**

<b>TOTAL VARIABLE RATE (VRDN)</b>	<b>\$496,700,000</b>	<b>TRADING</b> (avg. reset of 9.0%)
FGIC Insured	\$110,000,000	
XLCA Insured	\$386,700,000	
<b>TOTAL AUCTION RATE</b>		<b>FAILING</b> (auctions failing since Feb. 08)
FGIC Insured	\$1,555,800,000	
XLCA Insured	\$397,100,000	
FSA Insured	\$232,025,000	
<b>TOTAL FIXED RATE</b>		<b>TRADING CHEAP TO THE MARKET</b> (The bonds that have had trades in recent months are +200 - +400 to the BBB scale)
FGIC Insured	\$171,785,000	
FSA Insured	\$119,965,000	

©Copyright 2008 Cumberland Advisors, Inc. Further distribution prohibited without prior permission.

# Muni Madness



Source: Bloomberg. Daily data through 9/5/08.

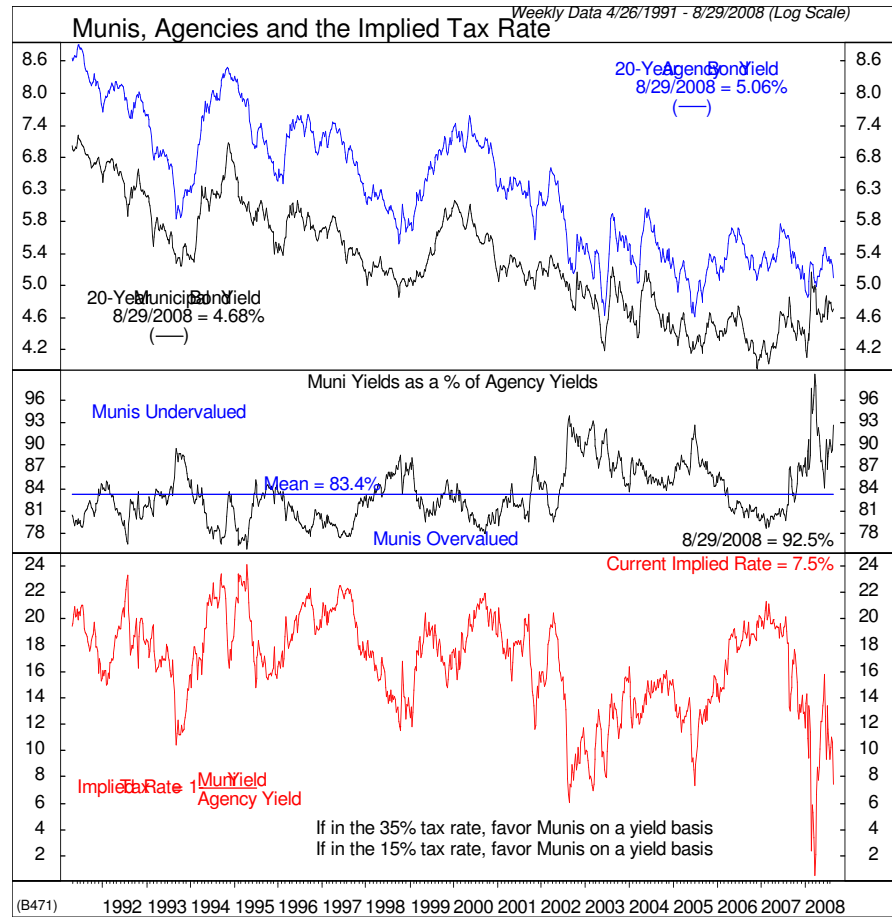
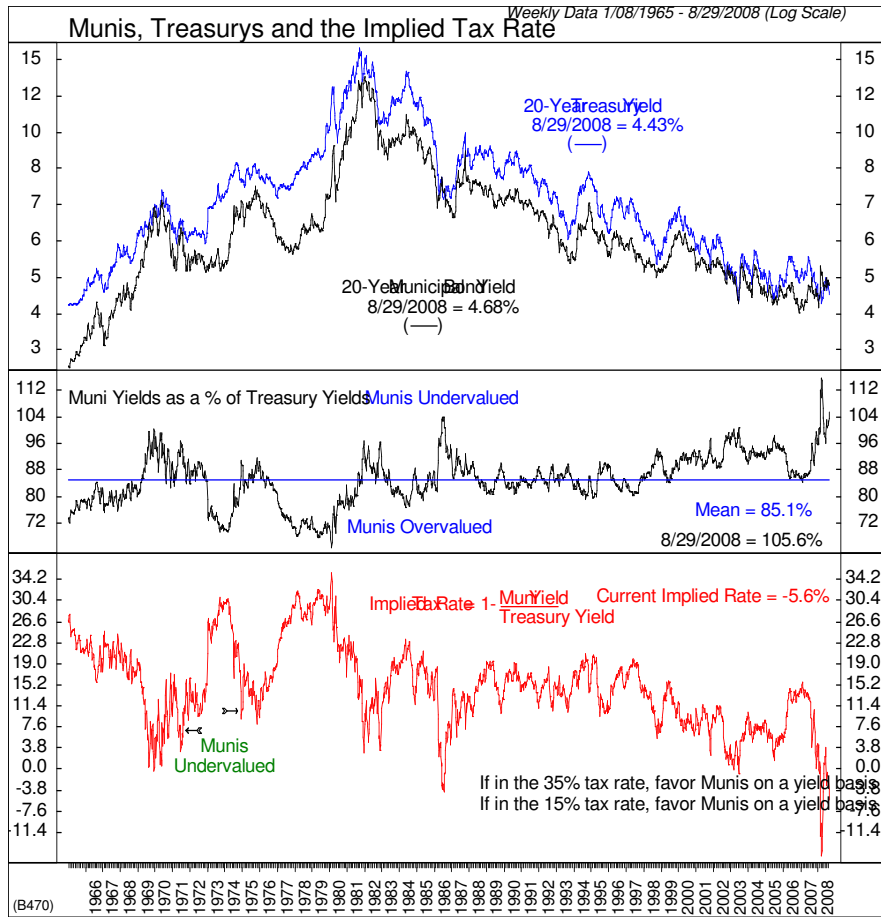
©Copyright 2008 Cumberland Advisors, Inc. Further distribution prohibited without prior permission.

614 Landis Avenue, Vineland, NJ 08360  
 800-257-7013  
 www.cumber.com

Chart 4



# Muni Move Unprecedented



Source: Ned Davis B470, B471. Weekly data through 8/29/08.

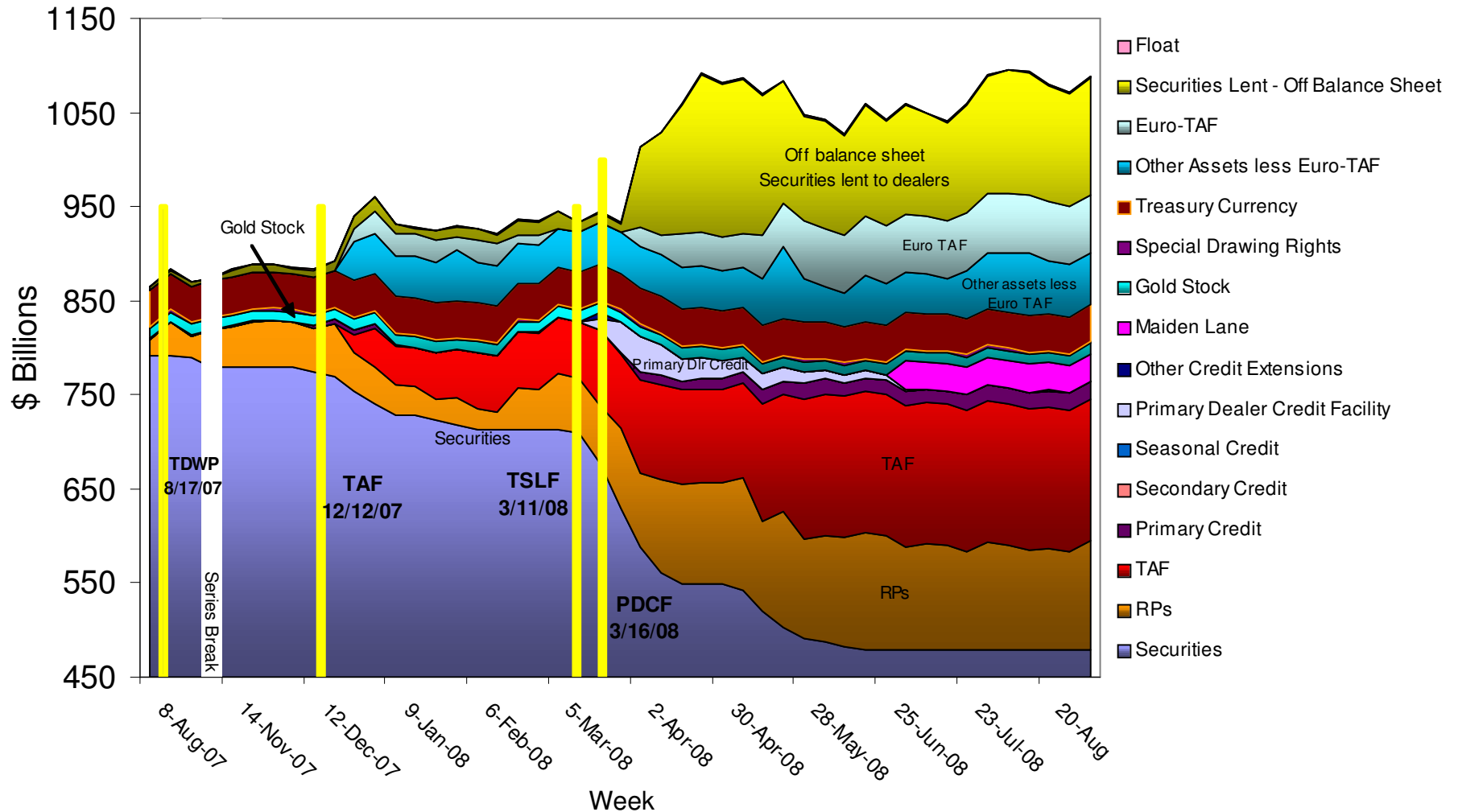
©Copyright 2008 Cumberland Advisors, Inc. Further distribution prohibited without prior permission.

614 Landis Avenue, Vineland, NJ 08360  
800-257-7013  
www.cumber.com

Chart 5

**CUMBERLAND**  
**ADVISORS**

# Factors Adding to Reserves and Off Balance Sheet Securities Lending Program



Source: Federal Reserve Board of Governors Statistical Release H.4.1. Data through 9/4/08.

©Copyright 2008 Cumberland Advisors, Inc. Further distribution prohibited without prior permission.

614 Landis Avenue, Vineland, NJ 08360  
 800-257-7013  
 www.cumber.com

Chart 6

**CUMBERLAND**  
**ADVISORS**

# About Cumberland Advisors

---

Cumberland Advisors supervises approximately \$1 billion in separate account assets for individuals, institutions, retirement plans, government entities, and cash management portfolios. Cumberland manages portfolios for clients in 42 states, the District of Columbia, and in countries outside the U.S. Cumberland Advisors is an SEC-registered investment adviser.

## **Munis, Taxables, ETFs**

Cumberland's portfolio management efforts emphasize long-lasting relationships and continuous dialogue among clients, their consultants, tax advisors, accountants, estate planners, and their assigned portfolio management contact at Cumberland. Cumberland offers several different investment portfolio management styles. Our investment strategy is described in detail on our website.

## **Fixed Income**

All of our fixed-income offerings are total return strategies, but can take the client's current income needs into consideration. Our fixed income styles are [Tax-Free Municipal Bonds, Taxable Bonds, and Short-Term Investment Program](#)

## **Stocks**

Cumberland uses Exchange-Traded Funds to manage global equities. Exchange-Traded Funds (ETFs) are securities that mimic the price performance and dividend yield of an index, or a basket, of securities. Cumberland uses ETFs as building blocks in crafting a portfolio, investing in attractive equity sectors, industries, market capitalization strata, styles, and regions. Our equity portfolios are [U.S. Exchange-Traded Funds \(ETF\) Equity, International Exchange-Traded Funds \(ETF\) Equity, Emerging Markets Exchange-Traded Funds, and Global Multi-Asset Class Exchange-Traded Funds](#).

## **Balanced Accounts**

Cumberland can blend the strategies presented above to create a balanced mix of stocks and bonds.

For further information about Cumberland Advisors, please visit our website at [www.cumber.com](http://www.cumber.com).

---

©Copyright 2008 Cumberland Advisors, Inc. Further distribution prohibited without prior permission.