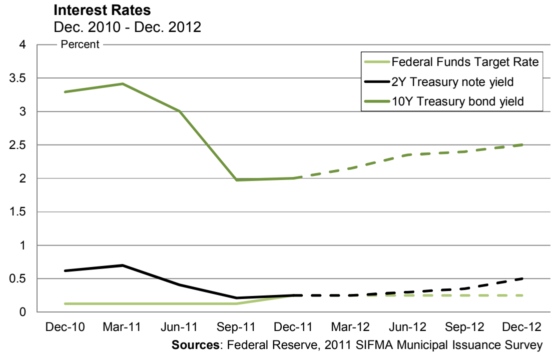
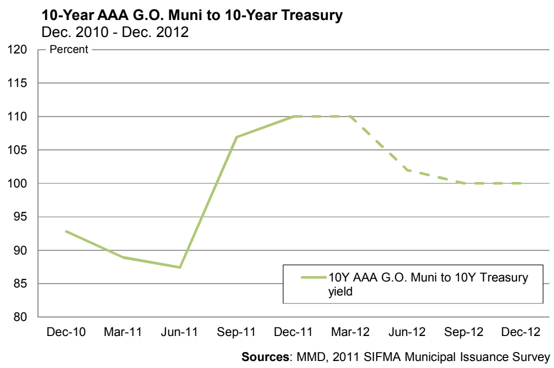
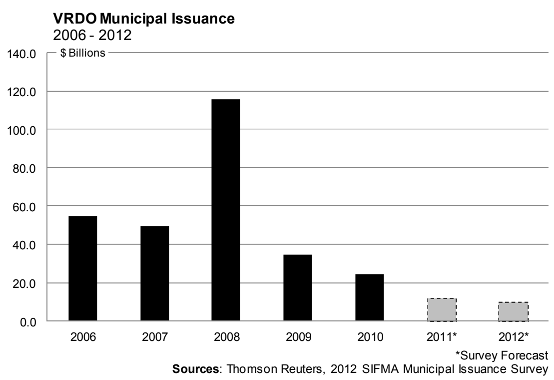






TOP ISSUING SECTOR	
2006	Education
2007	General Purpose
2008	Education
2009	General Purpose
2010	General Purpose
*2011**	*General Purpose*
*2012**	*General Purpose*

Source: Thomson Reuters, SIFMA 2012 Municipal Issuance Survey
*Survey estimate

Issuance Forecast Highlights

MUNICIPAL ISSUANCE FORECAST			
$ Billions	**2011 (e)**	**2012 (f)**	**% Change**
Long-Term Issuance			
Tax-Exempt Municipal Issuance	252.0	303.0	20%
Taxable Municipal Issuance	28.0	35.0	25%
AMT Municipal Issuance	8.0	9.0	13%
Short-Term Issuance	54.0	55.0	2%
Total	342.0	402.0	18%
of which are Long-Term Municipal Bonds	288.0	347.0	20%
Refunding as % of Long-Term Tax-Exempt Total	32%	34%	6%
Other Municipal Categories			
VRDO Issuance	12.0	10.0	-17%
Direct Placement/Municipal Loans	25.0	23.0	-8%

Respondents to the 2012 SIFMA Municipal Issuance Survey[1] expect total municipal issuance, both short- and long-term, to reach $402.0 billion in 2012, a significant recovery from their expectation of $342.0 billion in 2011. Excluding short-term notes, long-term issuance is also expected to recover in 2012, with a forecasted $347.0 billion total in 2012 compared with $288.0 billion in 2011.

Projections for the recovery in issuance in 2011 were heavily dependent on the resolution of both the European debt crisis as well as a long-term fiscal solution for the United States. Risks to projections included the elimination/reduction in tax-exempt benefits; the implementation of the Dodd-Frank Act; and more aggressive direct bank lending/direct placements reducing tax-exempt supply in the market.

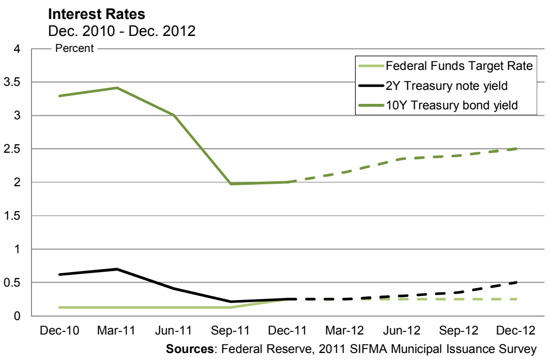
Survey respondents projected long-term tax-exempt municipal issuance to total $303.0 billion in 2012, a 20.2 percent increase from the $252.0 billion estimated for 2011.[2] Long-term taxable municipal issuance is projected to be $35.0 billion, a 25.0 percent increase from the $28.0 billion estimate for 2011.[3] Long-term alternative-minimum tax (AMT) issuance is also expected to rise in 2012, with $9.0 billion projected in 2012, an increase of 12.5 percent from the $8.0 billion in 2011.[4] Refundings as a percentage of long-term tax-exempt issuance are also expected to increase slightly in 2012, with 34 percent of long-term tax exempt issuance expected to be refundings, compared to 32 percent in 2011.[5]

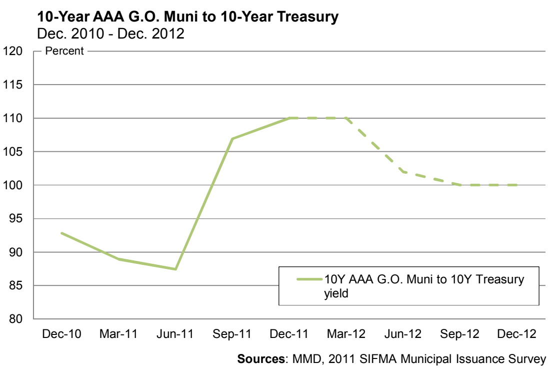
Variable-rate demand obligation (VRDO) issuance is expected to decline even further by 16.7 percent to $10 billion in 2012 from a low of $12 billion in 2011.[6] Direct placements/bank lending, which saw significant growth in 2011, is expected to decline slightly in 2012, with $23 billion directly placed in 2012 compared to $25 billion in 2011.[7]

About 75 to 80 percent of Survey respondents agreed that the largest issuing use-of-proceeds sector will be general purpose for both 2011 and 2012, with a

[1] The survey was conducted from November 17 – December 5, 2011. The forecasts discussed in the text and appearing in the accompanying data tables are the median values of all submissions of individual member firms', unless otherwise specified.
[2] Survey estimates for long-term tax-exempt municipal bonds ranged from $212.0 to $300 billion for 2011 and from $250 to $350 billion for 2012.
[3] Survey estimates for long-term taxable municipal bonds ranged from $22.0 billion to $35 billion for 2011 and from $17.0 billion to $65 billion for 2012.
[4] Survey estimates for long-term AMT municipal bonds ranged from $6.5 billion to $15 billion for 2011 and from $4.0 billion to $22 billion for 2012.
[5] Survey estimates for refundings as a percentage of long-term tax-exempt issuance ranged from 25 to70 percent in 2011 and from 21 to 68 percent in 2012.
[6] Survey estimates for VRDO issuance ranged from $2.0 to $90 billion in 2011 and from $2.0 billion to $100 billion in 2012.
[7] Survey estimate for direct placements ranged from $6.0 billion to $80 billion in 2011 and from $6.0 billion to $75 billion in 2012.

very small minority (7 percent) expecting education to be the largest sector instead for 2011 and 2012. In prior years, both the general purpose and education sectors have been the largest issuing sectors.





For the 2012 survey, respondents were polled for the first time on the rate of default in the municipal market for 2012. The median expectation is for 24 issuers to default for a par value of $3 billion.[8] While estimates ranged widely in number of issuers in default, par value estimates remained within a very tight range, mostly below $5 billion.

Interest Rate Forecast Highlights

Survey respondents offered relatively uniform views on interest rates in the coming year, generally expecting little to no change in rates throughout 2012. The federal funds target rate is largely expected to remain in the 0-0.25 range through the end of 2012.[9]

The two-year Treasury note yield is expected to rise gradually from 0.25 percent in December 2011 to 0.5 percent in December 2012.[10] The 10-year Treasury note yield is also expected to rise gradually in the second half of 2012, with yields projected to climb from 2.0 percent end-December 2011 to 2.5 percent end-December 2012.[11] The ratio of the yield on AAA G.O. municipal securities to the 10-year Treasury benchmark is also expected to decline gradually in the second half of 2012, declining from 110 percent end-December 2011 to 100 percent by end-September 2012 and remaining flat afterward.

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[8] Survey estimate for the number of issuers to default ranged from 5 to 150 issuers. Par value estimated to be in default ranged from $1.0 to $10 billion.

[9] The range for the federal funds target rate was (0.25) to 0.25 percent in December 2011, (0.25) to (0.25) percent in March 2012, (0.25) percent to 0.25 percent in June 2012, (0.25) percent to 0.50 percent in September 2012, and (0.25) percent to 0.75 percent in December 2012.

[10] The range for the two-year Treasury note yield was 0.2 to 0.32 percent in December 2011, 0.2 to 0.4 percent in March 2012, 0.3 to 0.5 percent in June 2012, 0.3 to 0.75 percent in September 2012, and 0.3 to 1.1 percent in December 2012.

[11] The range for the 10-year Treasury yield was 1.8 to 2.1 percent in December 2011, 1.6 to 2.35 percent in March 2012, 1.85 to 2.5 percent for June 2012, 2.0 to 2.75 percent in September 2012, 2.1 to 3.25 percent in December 2012.

SURVEY PARTICIPANTS[12]

BANK OF AMERICA – MERRILL LYNCH

EDWARD JONES

FTN FINANCIAL

GOLDMAN, SACHS & CO.

HEFREN-TILLOTSON, INC.

JEFFERIES & COMPANY, INC.

J.P. MORGAN CHASE & CO.

M. R. BEAL & COMPANY

MORGAN STANLEY

RBC CAPITAL MARKETS

SUNTRUST ROBINSON HUMPHREY, INC.

UBS

WELLS FARGO SECURITIES

WILLIAM BLAIR & COMPANY

[12] Multiple responses may be received from a single firm and were counted as separate responses for the purposes of this survey.

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