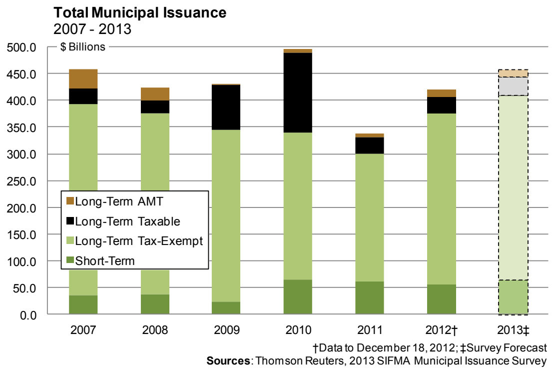
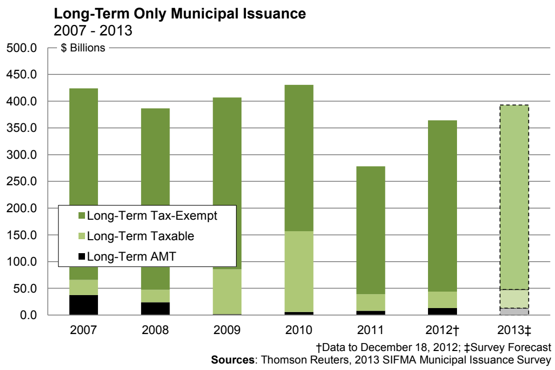
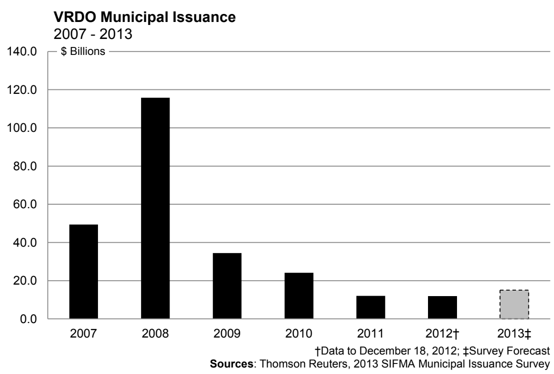






TOP ISSUING SECTOR	
2007	General Purpose
2008	Education
2009	General Purpose
2010	General Purpose
2011	General Purpose
2012†	General Purpose
2013‡	*General Purpose*

Source: Thomson Reuters, SIFMA 2013 Municipal Issuance Survey
†Data to December 18, 2012
‡Survey estimate

Issuance Forecast Highlights

MUNICIPAL ISSUANCE FORECAST			
$ Billions	**2012***	**2013 (f)**	**% Change**
Long-Term Issuance			
Tax-Exempt Municipal Issuance	320.4	345.0	7.7%
Taxable Municipal Issuance	31.4	35.0	11.4%
AMT Municipal Issuance	12.9	13.0	0.7%
Short-Term Issuance	55.6	65.0	16.9%
Total	420.3	458.0	9.0%
of which are Long-Term Municipal Bonds	364.7	393.0	7.8%
Refunding as % of Long-Term Tax-Exempt Total	41%	44%	5.3%
Other Municipal Categories			
VRDO Issuance	11.9	15.0	26.1%
Direct Placement/Municipal Loans	N/A	37.5	N/A
Floating Rate Note (FRN) Issuance	9.6	12.0	25.7%

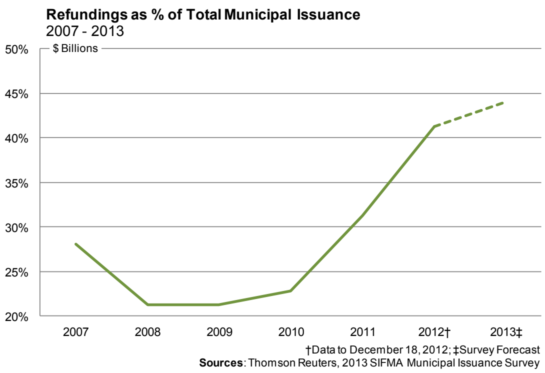
Respondents to the 2013 SIFMA Municipal Issuance Survey[1] expect total municipal issuance, both short- and long-term, to reach $458.0 billion in 2013, up from the $420.3 billion already issued in 2012.[2] Both short-term and long-term issuance is expected to rise in 2013, with $65.0 billion in short-term notes expected in 2013, compared to $55.6 billion issued in 2012; and $393.0 billion in long-term bills expected in 2013, compared with $364.7 billion issued in 2012.

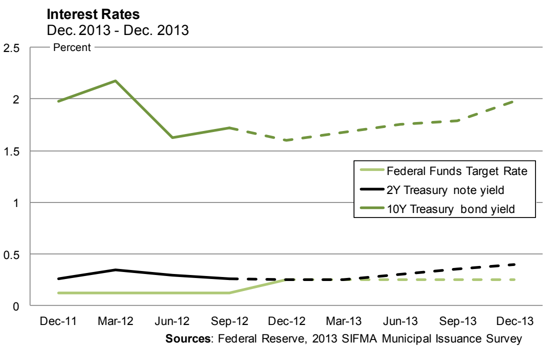
Projections for 2013 issuance were dependent on resulting outcomes imposed by the fiscal cliff - whether from tax hikes from the expiration of Bush-era tax cuts or downgrades resulting from Congressional inaction. Respondents were also polled as to events that would most likely have the greatest effect on the municipal market in 2013: Survey respondents agreed unanimously that the curtailment of the tax-exemption on municipal bond interest would have the greatest impact on the municpal market in 2013; to a sligthly lesser extent, respondents also considered reductions in federal transfers to state and local governments and fiscal pressures resulting from underfunded pensions to also have great importance. One respondent opined that fund outflows was also an important factor, while another respondent also considered the risk of rising US Treasury rates to have a large effect. On the other hand, broad-based credit deterioration, a single big-name default, and continued general economic weaknesses were considered important but playing weaker roles as to their effect on the municipal market.

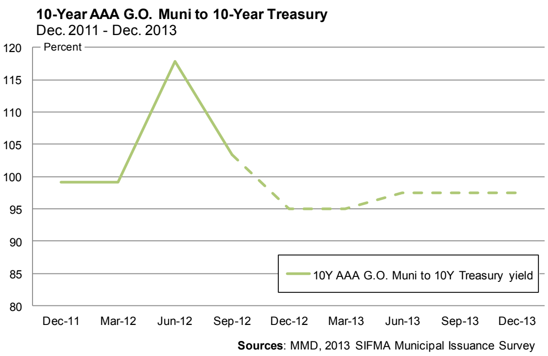
Respondents projected long-term tax-exempt municipal issuance to reach $345 billion in 2013, a 7.7 percent increase from the $320.4 billion issued year to date in 2012.[3] Long-term taxable municipal issuance is expected to be $35.0 billion, an 11.4 percent increase from actual issuance in 2012.[4] Long-term alternative minimum tax (AMT) issuance is projected to rise to $13.0 billion in 2013, a 0.7 percent increase from 2012 issuance. [5]

Refundings, which played a large role in the recovery of gross volume in 2012, was expected to reach a new high in 2013, with 43.5 percent of long-term tax exempt issuance

[1] The survey was conducted from November 28 – December 14, 2012. 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] 2012 data are to December 18, 2012; sources: Thomson Reuters, Bloomberg.
[3] Survey estimates for long-term tax-exempt municipal bonds ranged from $220.0 to $400 billion for 2013.
[4] Survey estimates for long-term taxable municipal bonds ranged from $25.0 billion to $78.0 billion for 2013
[5] Survey estimates for long-term AMT municipal bonds ranged from $10.0 billion to $64.0 billion for 2013.







expected as refundings, compared to 41 percent in 2012. [6]

Respondents expected variable-rate demand obligation (VRDO) issuance to rise to $15.0 billion in 2013, recovering from the 20-year low of $11.9 billion issued in 2012. [7] Direct placements/bank lending was expected to take up $37.5 billion, or 9.5 percent of long-term issuance, in 2013. [8] For the 2013 survey, respondents were polled for the first time on floating rate note issuance (FRN) in the municipal market for 2013; respondents expected FRN issuance to pick up slightly to $12.0 billion in 2013 from $9.6 billion in 2012, a 25.7 percent increase.[9]

The majority of survey respondents (75 percent) agreed that the largest issuing use-of-proceeds sector will be general purpose for 2013; a minority (16.7 percent) expected transportation to be the largest issuing sector, and the balance to public facilities. In prior years, both the general purpose and education sectors have been the largest issuing sectors, by gross amount.

Respondents expressed a wide range of views regarding municipal defaults, defined for the purpose of the survey as the occurrence of a missed interest or principal payment or the filing for bankruptcy. The median expectation for number of issuers to default was 41 issuers for a par value of $2.7 billion in 2013. [10]

Interest Rate Forecast Highlights

Survey respondents offered relatively uniform views on interest rates in the coming year. The federal funds rate was expected to remain unchanged in 2013, given the outcome-based triggers from the recent FOMC meeting [11] The two-year Treasury note yield was expected to remain at 0.25 percent until the first quarter of 2013 before gradually rising to 0.40 percent by end-December 2013.[12] The 10-year Treasury note yield was expected to climb gradually from 1.6 percent end-December 2012 to 1.97 percent end-December 2013. [13] The ratio of the yield on 10-year AAA G.O. municipal securities to the 10-year Treasury benchmark was expected to hover at 95 percent in December 2012 to 97.5 percent in December 2013.[14]

[6] Survey estimates for refundings as a percentage of long-term tax-exempt issuance ranged from 15.0 percent to 52.0 percent in 2012.
[7] Survey estimates for VRDO issuance ranged from $9.0 to $98.0 billion in 2013.
[8] Survey estimate for bank loans/direct purchases ranged from $10.0 billion to $56.0 billion in 2013.
[9] Survey estimates for floating rate note issuance ranged from $5.0 billion to $78.0 billion in 2013.
[10] Survey estimate for the number of issuers to default ranged from 22 to 125 issuers. Par value estimated to be in default ranged from $1.2 billion to $55.0 billion.
[11] The range for the federal funds target rate was 0 to 0.25 percent in December 2012, 0 to 0.25 percent in March 2013, 0.08 percent to 0.50 percent in June 2013, 0.10 percent to 0.50 percent in September 2013, and 0.12 percent to 0.75 percent in December 2013.
[12] The range for the two-year Treasury note yield was 0.25 to 0.27 percent in December 2012, 0.1 to 0.3 percent in March 2013, 0.1 to 0.5 percent in June 2013, 0.1 to 0.5 percent in September 2013, and 0.3 to 0.75 percent in December 2013.
[13] The range for the 10-year Treasury yield was 1.53 to 1.75 percent in December 2012, 1.35 to 1.9 percent in March 2013, 1.25 to 2.3 percent for June 2013, 1.4 to 2.3 percent in September 2013, and 1.5 to 3.0 percent in December 2013.
[14] The range for the 10-year AAA G.O. muni yield as a percentage of the 10-Year Treasury bond yield was 91 percent to 107 percent in December 2012, 90 percent to 107 percent in March 2013, 88 percent to 108.6 percent in June 2013, 88 percent to 111.1 percent in September 2013, and 84 percent to 113.5 percent in December 2013.

SURVEY PARTICIPANTS

EDWARD D. JONES & CO. L.P.

FIRST SOUTHWEST COMPANY

FTN FINANCIAL

GOLDMAN, SACHS & CO.

HEFREN-TILLOTSON, INC.

JANNEY MONTGOMERY SCOTT LLC

JEFFERIES & COMPANY, INC.

J.P. MORGAN CHASE & CO

MORGAN STANLEY & CO. LLC

RBC CAPITAL MARKETS, LLC

SCOTT & STRINGFELLOW (A BB&T CORPORATION AFFILIATE)

SUNTRUST ROBINSON HUMPHREY, INC.

SIFMA RESEARCH

Kyle Brandon
Managing Director, Director of Research

Nancy Cosentino
Manager, Surveys

Sharon Sung
Director, Research

MUNICIPAL DIVISION

Michael Decker
Managing Director, Co-Head of the Municipal Division

Leslie Norwood
Managing Director, Associate General Counsel, Co-Head of the Municipal Division

David Cohen
Managing Director, Associate General Counsel