

Municipal Market Update

July 17, 2013

Together we'll go far



Important Disclosures

This document and any other materials accompanying this document (collectively, the “Materials”) are provided for general informational purposes only. By accepting any Materials, the recipient acknowledges and agrees to the matters set forth below.

Wells Fargo Securities is providing these Materials to you for discussion purposes only in anticipation of serving as an underwriter or placement agent (collectively referred to herein as “underwriter”) to you. We understand that you cannot make a commitment at this time with respect to designating senior managers or co-managers of the syndicate or any level of allocation with respect to the transaction described in the Materials. As part of our services as underwriter, Wells Fargo Securities may provide advice concerning the structure, timing, terms, and other similar matters concerning the issue of municipal securities that Wells Fargo Securities proposes to underwrite as described in the Materials. The Materials may also contain such advice. Any such advice has been, and would be, provided by Wells Fargo Securities in the context of serving as an underwriter and not as your financial advisor. In our capacity as underwriter, our primary role would be to purchase securities from you (or the issuer in the case of a conduit transaction) for resale to investors, or arrange for the placement of securities with investors on your behalf, in an arm’s length commercial transaction between you and Wells Fargo Securities in which Wells Fargo Securities would be acting solely as a principal or agent, as applicable, and not as a municipal advisor, financial advisor or fiduciary to you or any other person or entity regardless of whether we, or an affiliate has or is currently acting as such on a separate transaction (the use of the term “agent” does not imply any fiduciary relationship). As underwriter, Wells Fargo Securities’ financial and other interests differ from your (or the issuer’s) interests. The information in the Materials is not intended to be and should not be construed as “advice” within the meaning of Section 15B of the Securities Exchange Act of 1934. Wells Fargo is not expressing an opinion about whether or not you should enter into any swap transaction in this presentation nor in any conversation between you and Wells Fargo with respect to the materials addressed in this presentation. Wells Fargo Securities will not have any duties or liability to any person or entity in connection with the information being provided in the Materials. You should consult with your own financial and/or municipal, legal, accounting, tax, and other advisors, as applicable, to the extent you deem appropriate. If you would like a municipal advisor that has legal fiduciary duties to you, you are certainly free to engage a municipal advisor to serve in that capacity.

Transactions referenced in the Materials which are attributed to Wells Fargo or to Wells Fargo Securities may include transactions executed by a Wachovia Corporation or Wells Fargo & Company broker/dealer affiliate or by other municipal securities dealers and/or broker/dealers which were acquired by Wachovia Corporation or Wells Fargo & Company.

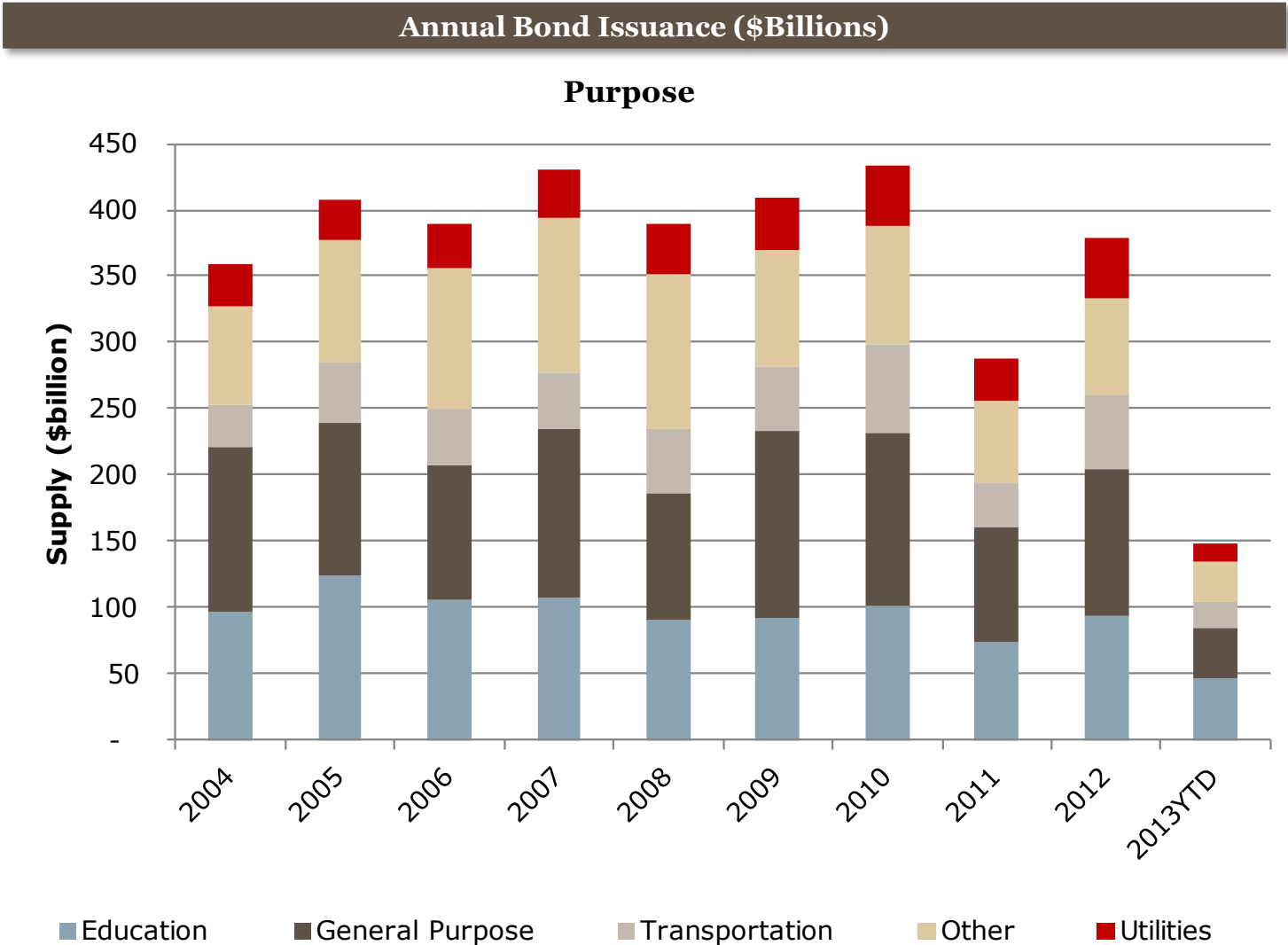
Municipal underwriting and remarketing rankings referenced in the Materials represent combined totals for Wells Fargo Bank, N.A. and Wells Fargo Securities, LLC. Rankings referencing competitive municipal new issues for time periods prior to 2011 include issues underwritten by Wells Fargo Advisors, LLC, a separate broker/dealer subsidiary of Wells Fargo & Company. Underwriting activities of Wells Fargo Advisors, LLC are not managed or otherwise controlled by Wells Fargo Bank, N.A. or Wells Fargo Securities, LLC. Information for 2009 and prior includes transactions that may have been underwritten by other broker/dealers that were acquired by Wells Fargo & Company and/or its predecessors.

Additional distribution for municipal securities underwritten by Wells Fargo Securities (“WFS”) is provided through Wells Fargo Advisors. Wells Fargo Advisors is the trade name used by Wells Fargo Advisors, LLC (“WFA”) and Wells Fargo Advisors Financial Network, LLC (“WFAFN”), two non-bank separate registered broker-dealers (members FINRA and SIPC). WFS, WFA, and WFAFN are affiliates and are each wholly owned subsidiaries of Wells Fargo & Company.

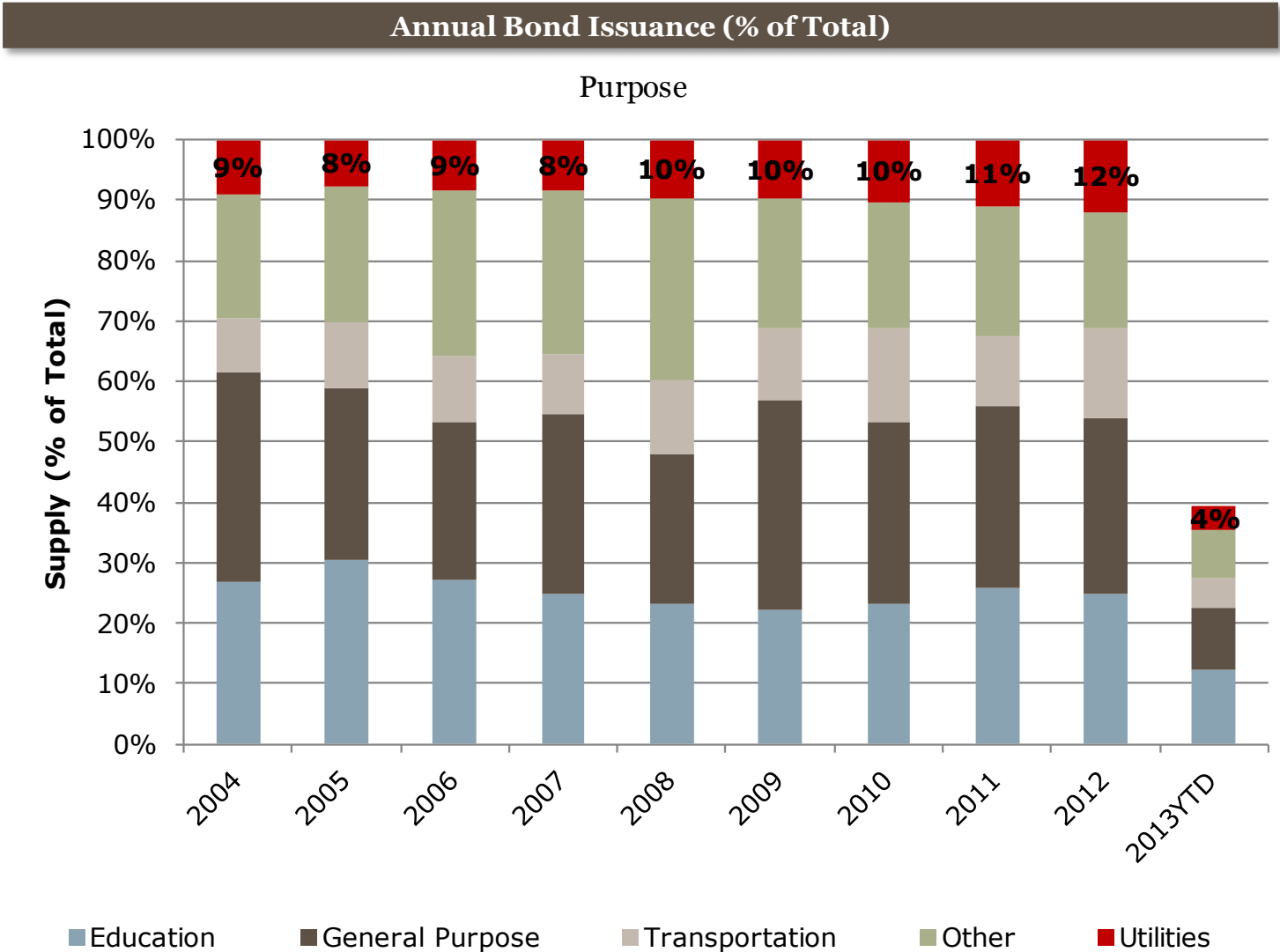
In the event that the Materials include information related to a bank-purchased bond transaction (“Direct Purchase”), please be advised that Direct Purchase is a product offering of Wells Fargo Bank, N.A. or a subsidiary thereof (“Purchaser”) as purchaser / investor. Wells Fargo Securities will not participate in any manner in any Direct Purchase transaction between you and Purchaser, and Wells Fargo employees involved with a Direct Purchase transaction are not acting on behalf of or as representatives of Wells Fargo Securities. The information contained herein regarding Purchaser’s Direct Purchase is being provided to you by Wells Fargo Securities only for purposes of providing you financing alternatives that may be available to you from Wells Fargo & Company and its affiliates. Information contained in this document regarding Direct Purchase is for discussion purposes only in anticipation of engaging in arm’s length commercial transactions with you in which Purchaser would be acting solely as a principal to purchase securities from you or a conduit issuer, and not as a municipal advisor, financial advisor or fiduciary to you or any other person or entity regardless of whether Purchaser, or an affiliate has or is currently acting as such on a separate transaction. Additionally, Purchaser has financial and other interests that differ from your interests. Purchaser’s sole role would be to purchase securities from you (or the issuer in the case of a conduit transaction).

Wells Fargo Securities is the trade name for certain securities-related capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Bank, National Association

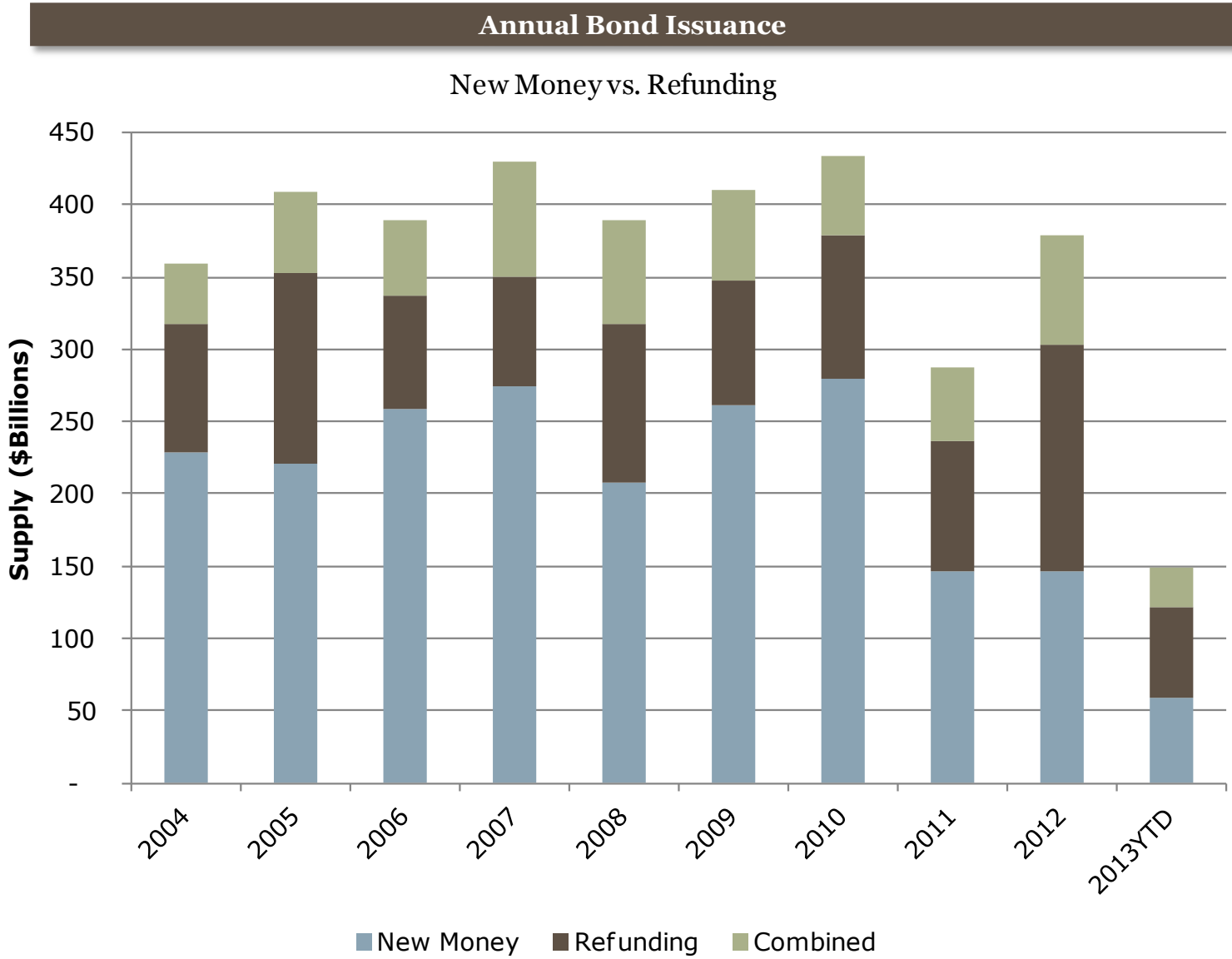
See additional important disclosures at the end of this presentation.



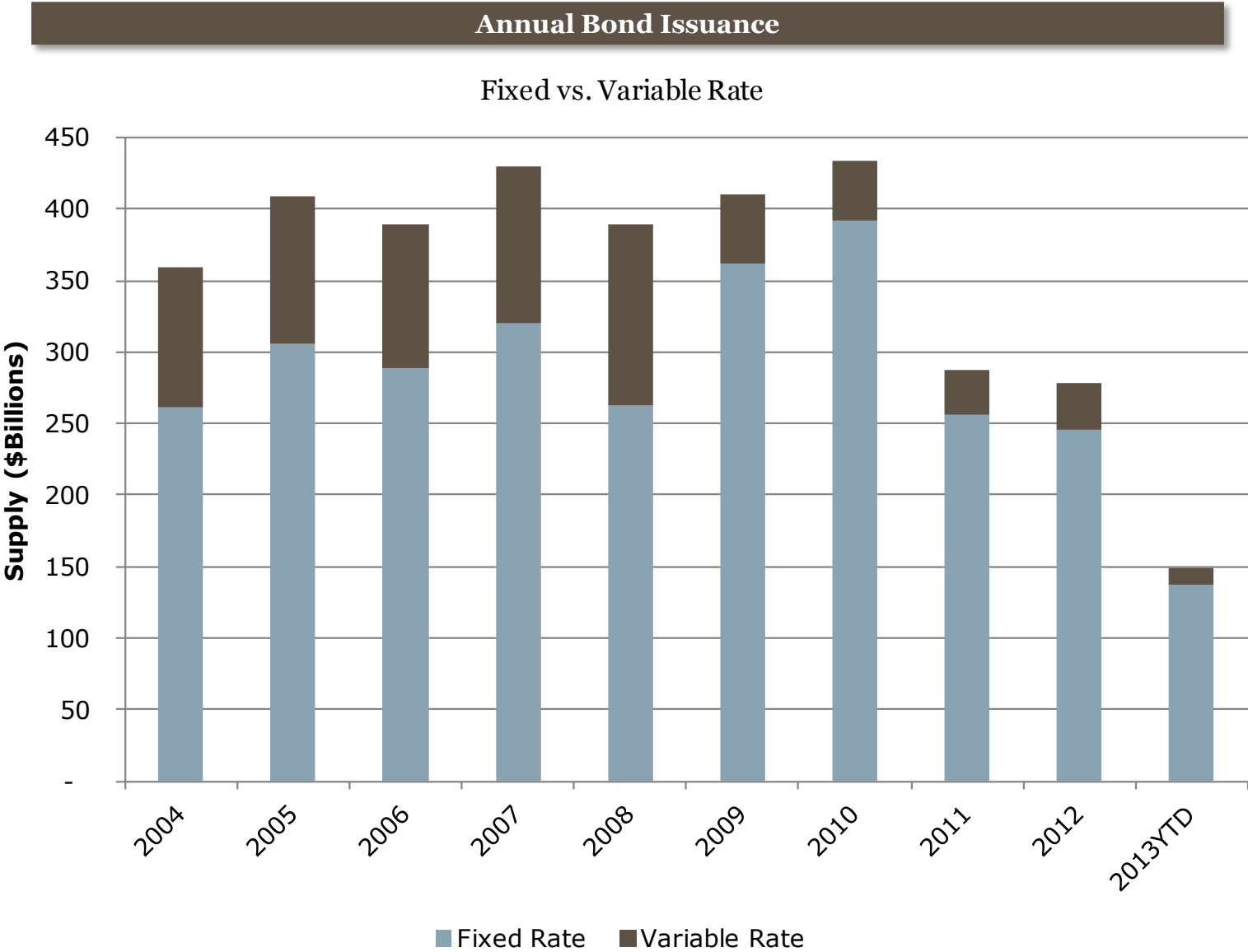
Source: Bond Buyer (based on data available on June 7, 2013)



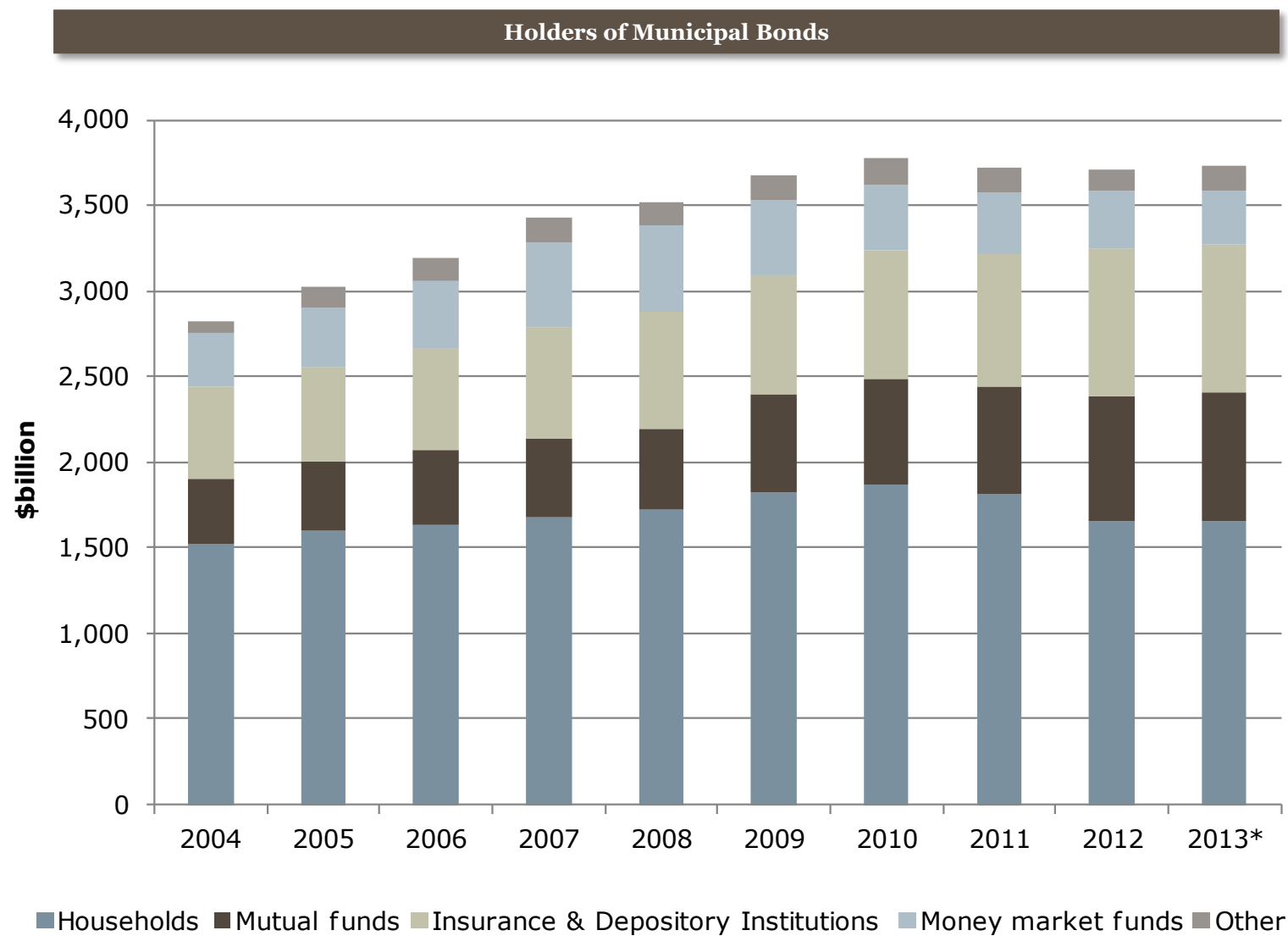
Source: Bond Buyer (based on data available on June 7, 2013)



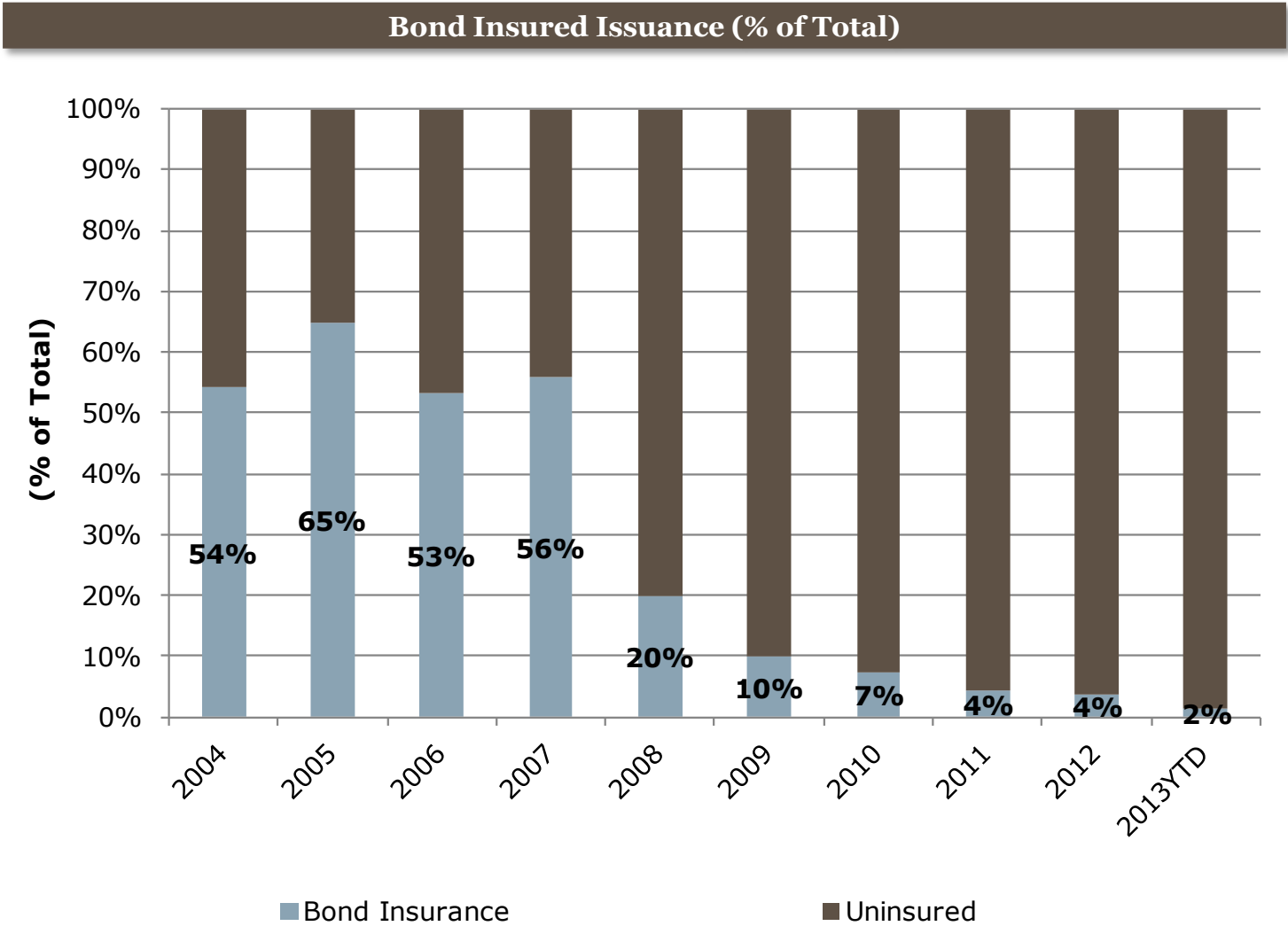
Source: Bond Buyer (based on data available on June 7, 2013)



Source: Bond Buyer (based on data available on June 7, 2013)



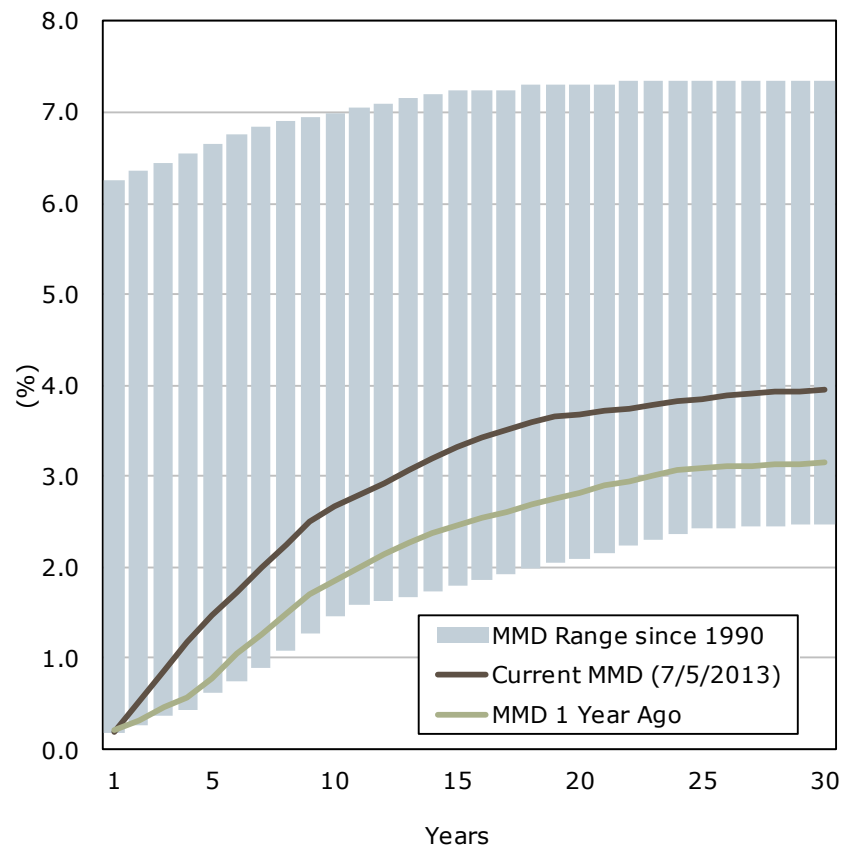
*Figures for 2013 are as of March 31, preliminary and seasonally unadjusted. Dollar amounts are in billions of dollars. Components may not add to totals because of rounding.
Source: Federal Reserve Board, Flow of Funds Accounts, Flows and Outstandings, First Quarter 2013



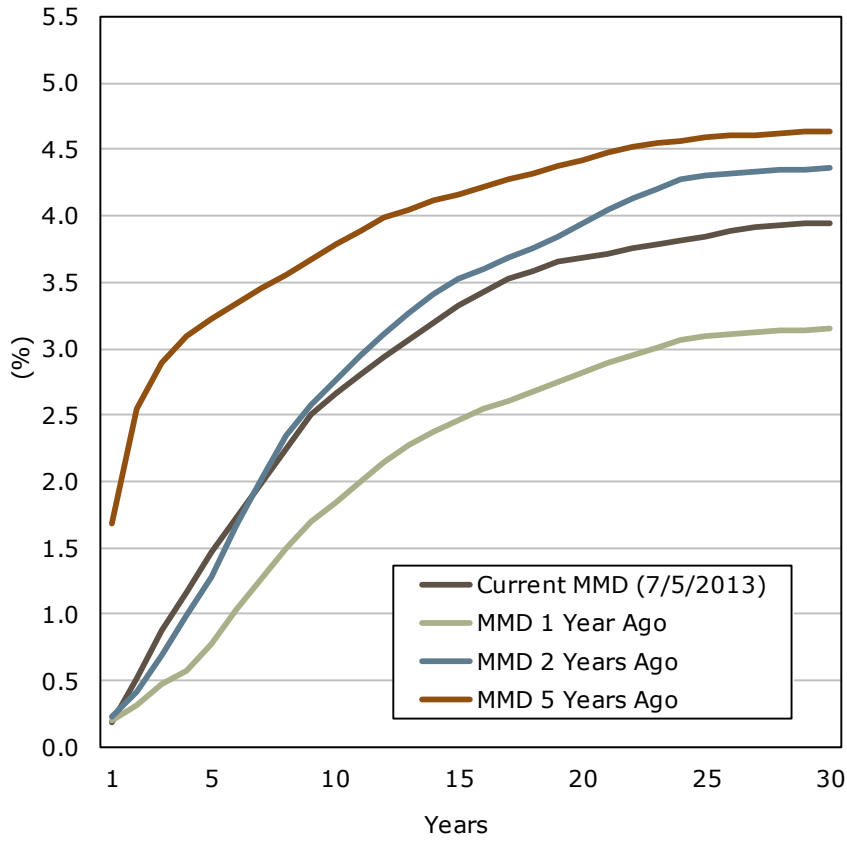
Source: Bond Buyer (based on data available on June 7, 2013)

Tax-Exempt Rates Move Higher

Historical “AAA” MMD Ranges vs. Today’s “AAA” MMD



Historical “AAA” MMD Yield Curves



“AAA” MMD rates continue to edge higher from all-time lows in November 2012

Source: Thomson Reuters; MMD range from January 1, 1990 through July 5, 2013.

Recent MMD Movements (May 14 – July 9)

Muni Rates Have Increased Rapidly

- MMD has moved 91 basis points in the 10-year and 103 basis points in the 30-year in just the last two months¹
- Treasuries moved 23 basis points higher in 10 years and 18 basis points higher in 30 years week over week²
- Municipal bond funds reported net investor outflows of 870 million³

Changes in MMD (in bps)

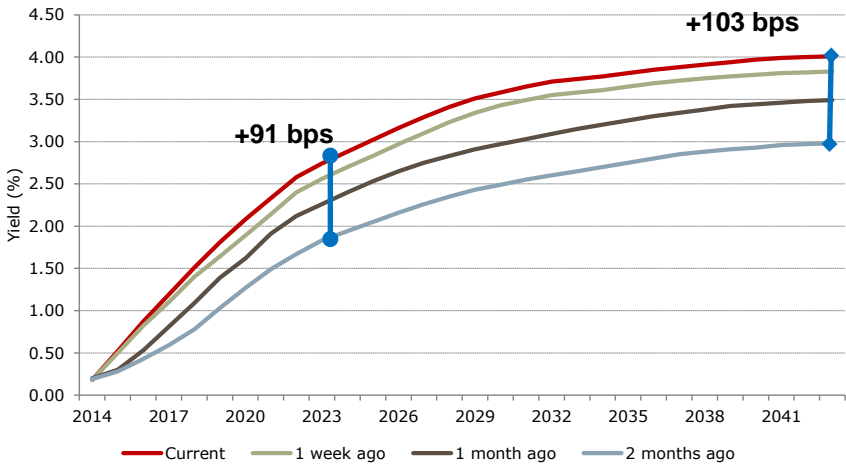
Maturity	1 week ago	1 month ago	2 months ago
3yr	5	34	44
5yr	11	42	73
10yr	18	48	91
15yr	18	58	106
20yr	16	59	109
30yr	18	52	103

¹Thomson Reuters; MMD range from May 14, 2013 to July 9, 2013.

²Thomson Reuters and Bloomberg July 5, 2013

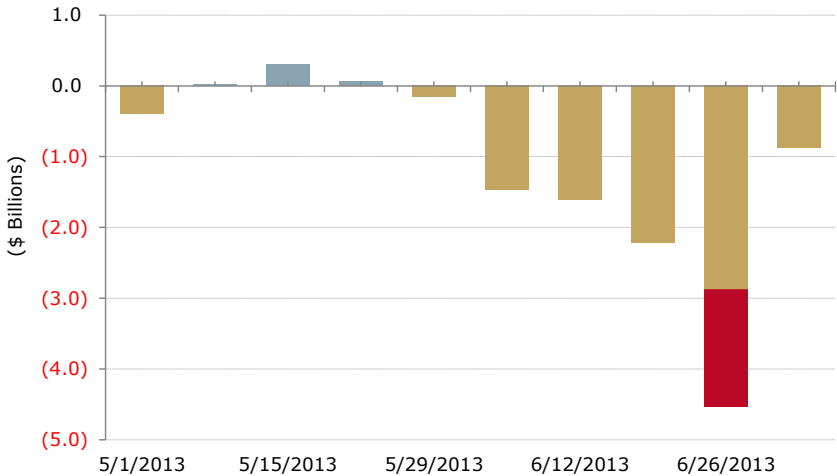
³Lipper, a Thomson Reuters Company; July 3, 2013

Changes in MMD Yield over Last Two Months

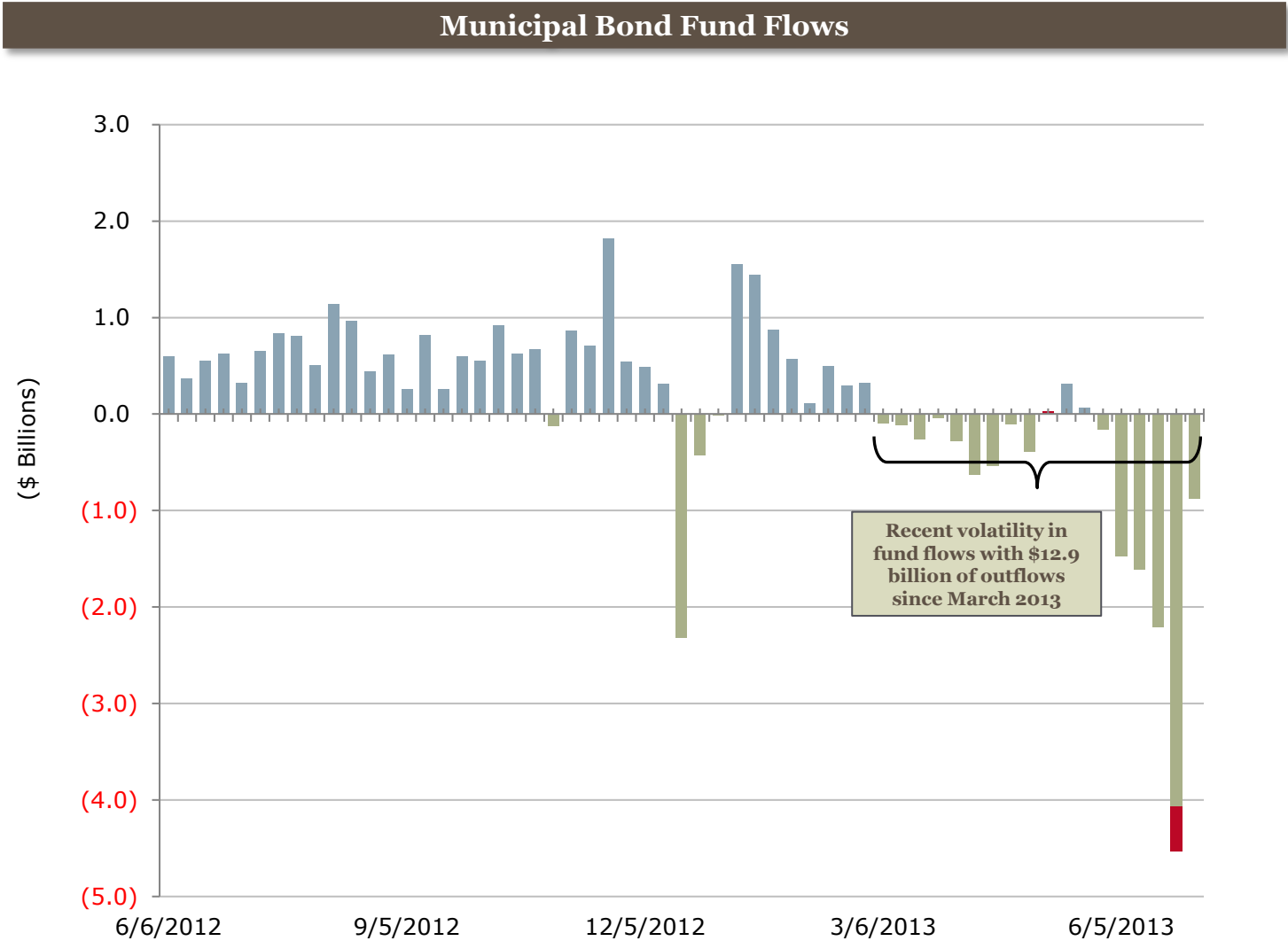


Source: Thomson Reuters; MMD range from May 14, 2013 to July 9, 2013.

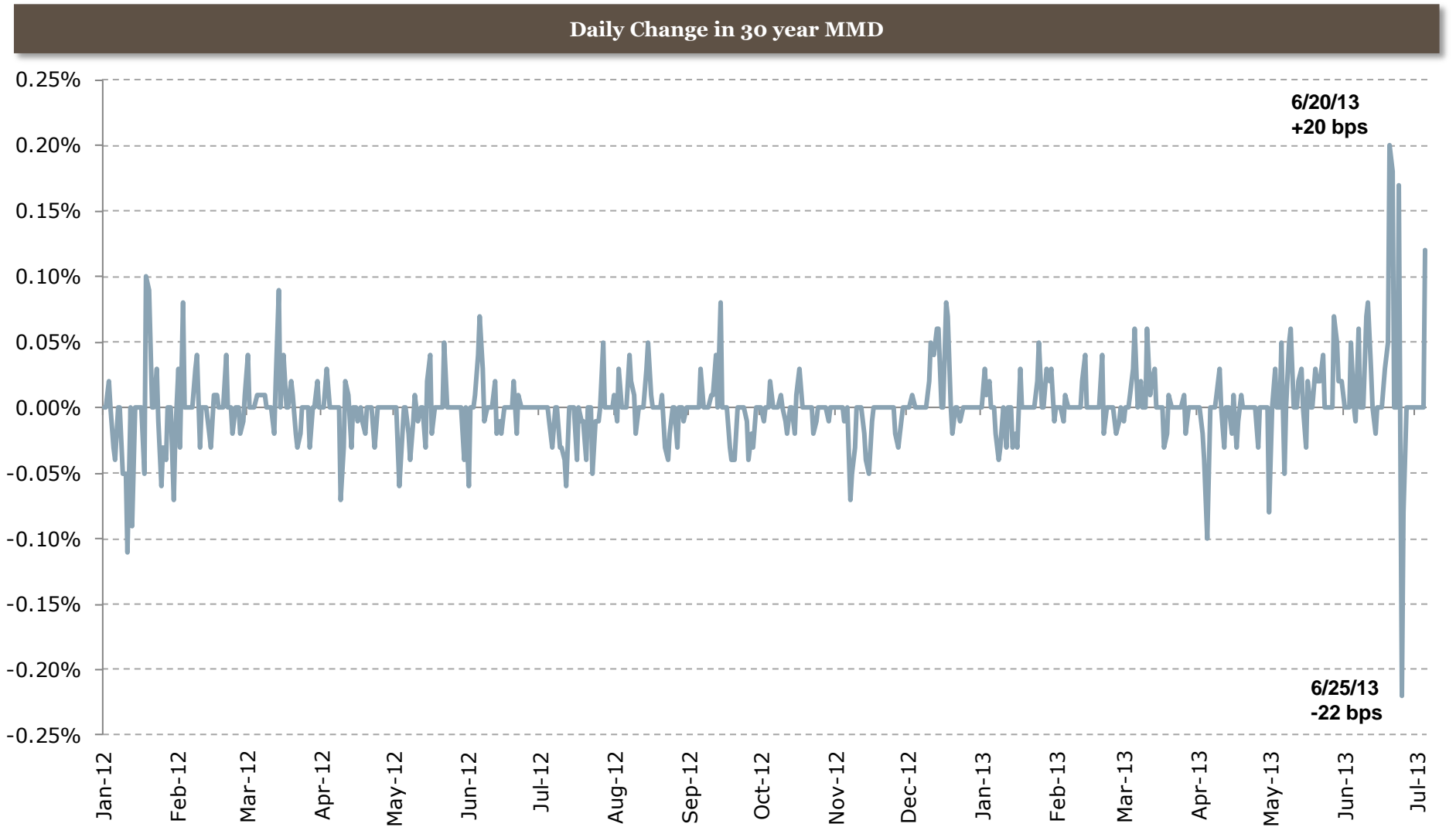
Recent Municipal Bond Fund Flows



Source: Lipper FMI, as of July 5, 2013. Represents only funds that report weekly.

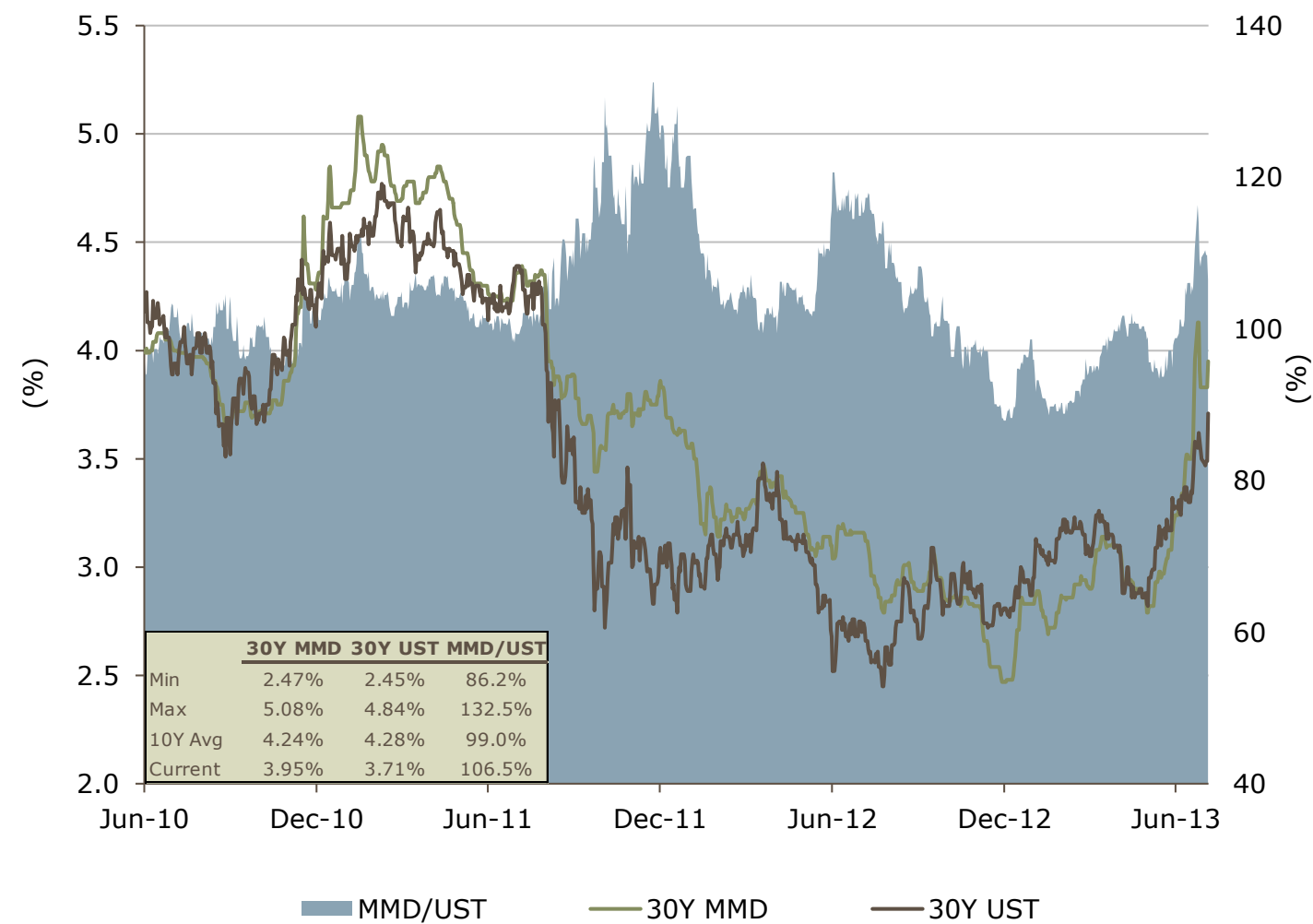


Source: Lipper FMI, as of July 3, 2013. Represents only funds that report weekly.

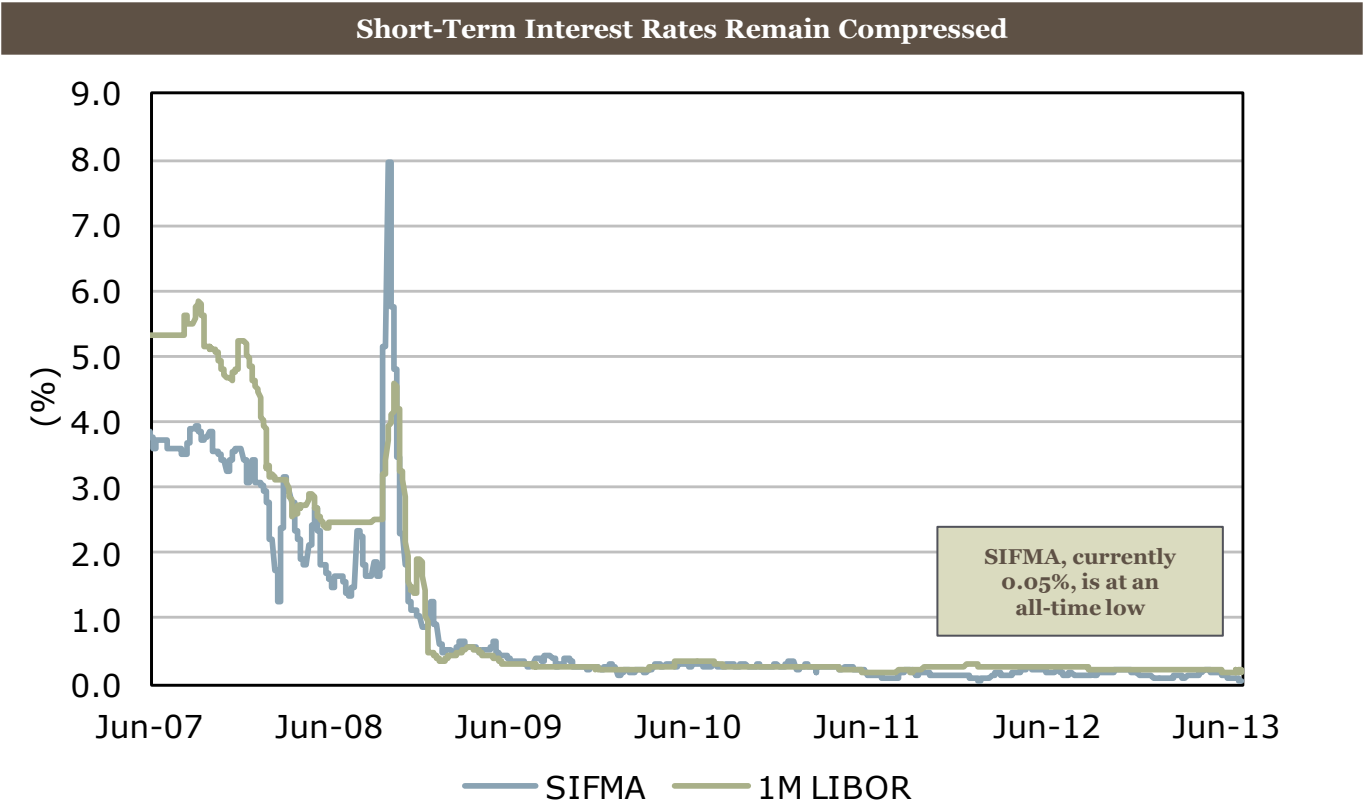


Sources: Thomson Reuters and Bloomberg, as of July 5, 2013.

Tax-Exempt/Taxable Ratios



Sources: Thomson Reuters and Bloomberg, as of July 5, 2013.c



Source: Bloomberg, as of July 5, 2013

Investor Preferences of Recently Priced FRNs

Recap

- While there is no singular “optimal structure” for FRNs, the market for these instruments has trended toward a number of key structural features which can significantly expand potential buyers of the Airport’s bonds
- In particular, investors have continued to show a preference for
 - (i) larger block size transactions (i.e., over \$50 million)
 - (ii) hard puts or maturities
 - (iii) SIFMA indexed (as opposed to % of LIBOR) notes
 - (iv) mandatory tenders within 5 years

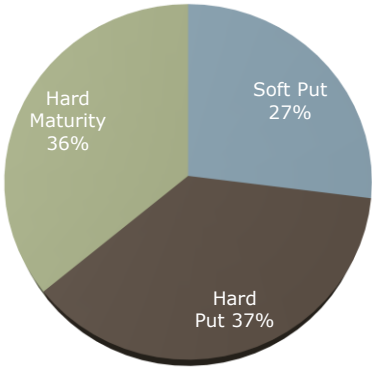
Top Holders of FRNs Issued Since 2011¹

Rank	Holder	Amount Held (\$mm)
1	Wells Capital Management Inc	\$1,574.1
2	Vanguard Group Inc, The	1,207.5
3	Federated Investment Management	1,019.2
4	Fidelity Management & Research	423.4
5	American Century Investment	237.4
6	Lord, Abbett & Co	204.8
7	Prudential Investment Management	155.9
8	Capital Research & Management	141.0
9	Pacific Investment Management	126.9
10	Northern Trust Global Advisors	115.9

(1) Thomson Reuters eMAXX as of June 10, 2013

FRN Sector Breakdown and Investor Preferences¹

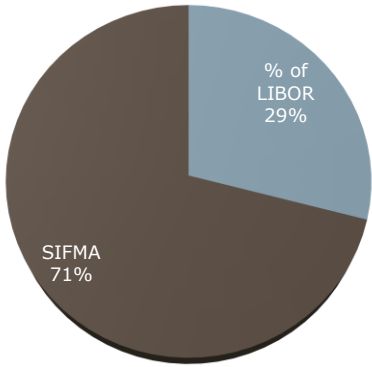
Sales by Put Type



Sales by Sector

Sector	Deals	Par (\$mm)
Dev. Authority	6	\$698.1
General Oblig.	34	4,960.2
Health Care	14	1,493.7
Higher Ed.	11	1,733.9
Not For Profit	3	548.7
School District	4	274.7
Transportation	15	1,946.2
Utility	19	2,215.9
Corporate	1	200.0
Total	107	\$14,121.5

Sales by Index

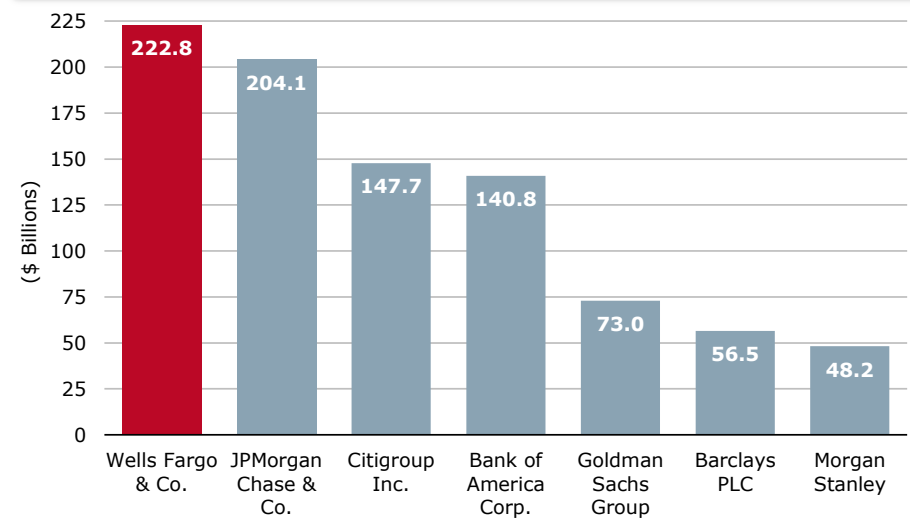


Sales by Maturity⁽²⁾

Term	Tranches
1-Year	34
2-Year	27
3-Year	52
4-Year	29
5-Year	39
6-Year	10
7-Year	13
8-Year	6
10-Year	4
11-Year	2
12-Year	2
14-Year	1
15-Year	1

(1) Bloomberg Market Data; Wells Fargo Securities Internal Sources; as of June 10, 2013

Bank Market Capitalization¹

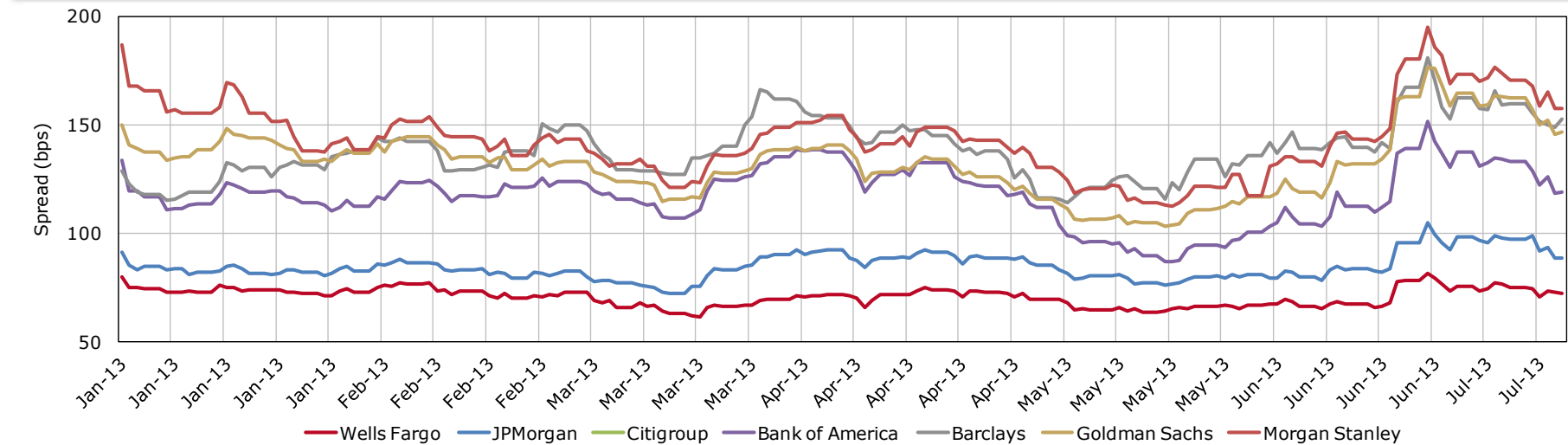


Bank Credit Ratings²

On June 21st, Moody's downgraded 15 major financial institutions. Wells Fargo was not included in the downgrades and retains "AA" ratings from all three rating agencies.
On June 22nd, Moody's upgraded Wells Fargo's outlook to stable from negative.

	Moody's		S&P		Fitch		Moody's Action in June 2012
	LT	ST	LT	ST	LT	ST	
Wells Fargo Bank	Aa3	P-1	AA-	A-1+	AA-	F1+	Aa3 Ratings Confirmed Outlook Upgrade
JPMorgan Chase Bank	Aa3	P-1	A+	A-1	A+	F1	LT down 2 notches
Barclays Bank	A2	P-1	A+	A-1	A	F1	LT down 2 notches
Goldman Sachs Bank	A2	P-1	A	A-1	A	F1	LT down 2 notches
Citibank	A3	P-2	A	A-1	A	F1	LT down 2 notches ST down 1 notch
Morgan Stanley Bank	A3	P-2	A	A-1	A	F1	LT down 2 notches ST rating down 1 notch
Bank of America	A3	P-2	A	A-1	A	F1	LT down 1 notch ST down 1 notch

Wells Fargo's Credit Default Swap Spreads Are the Lowest of All Major Financial Institutions¹



¹Source: Bloomberg as of July 5, 2013. CDS spreads for 5-year tenor; ²Sources: Moody's, Standard & Poor's, Fitch as of June 22, 2012

Municipal Issuers Face Increasing Threats to Bond Tax Exemption

- Several legislative proposals have been offered to curtail or eliminate the federal tax exemption for municipal bond interest
- Partially or fully taxing municipal bond interest would directly impact issuers by essentially taxing state and local governments directly
- President Obama’s FY2014 budget included a proposal which would cap the value of tax-exemption for the top 2% of earners at 28% (as opposed to the current level of 35%)
 - This is the third time President Obama has suggested capping the value of tax-exemption
 - Market participants believe this could increase issuer’s interest costs by between 50 – 100 bps
- If a 28-percent benefit cap on tax-exempt interest had been in effect during the last decade, SIFMA estimates that this would have cost states and localities an additional **\$173 billion in interest expense for infrastructure projects financed in the last 10-years**

Alternative	Discussion
A capped tax-exemption	<ul style="list-style-type: none">▪ President Obama’s FY2014 budget proposed placing a 28% cap on the value of tax-exempt income for the wealthy (on both existing and newly issued bonds)▪ Market participants expect that such a change could cause rates to rise by between 50-100 bps
Complete elimination of tax-exemption	<ul style="list-style-type: none">▪ The Simpson-Bowles Commission proposed full taxation for state and local interest for all newly issue bonds▪ Market participants expect that such a change could cause rates to rise by as much as 200 bps
Replacing Tax-Exempt Bonds with Tax-Credit Bonds	<ul style="list-style-type: none">▪ Although the least likely proposal, this would replace tax-exempt bonds with tax-credit bonds which would operate similarly to bonds▪ Sequestration and federal budget uncertainty make many issuers weary about relying on the federal government for interest subsidies▪ The investor base for such bonds would likely be diminished as compared to tax-exempt bonds
Limiting the Universe of Tax-Exempt Borrowers	<ul style="list-style-type: none">▪ Rather than eliminating or capping tax-exemption, some have proposed limiting which borrowers can access the tax-exempt market▪ Hospitals, universities, 501(c)(3) institutions and other private issuers could be hit with volume cap limitations in much the same way private activity volume cap is currently allocated



Disclosures (Continued):

The Materials do not constitute an offer to sell or a solicitation of an offer to buy, or a recommendation or commitment for any transaction involving the securities or financial products named or described herein, and are not intended as investment advice or as a confirmation of any transaction. Externally sourced information contained in the Materials has been obtained or derived from sources we reasonably believe to be reliable, but Wells Fargo Securities makes no representation or warranty, express or implied, with respect thereto, and does not represent or guarantee that such information is accurate or complete. Such information is subject to change without notice and Wells Fargo Securities accepts no responsibility to update or keep it current. Wells Fargo Securities does not assume or accept any liability for any loss which may result from reliance thereon. Wells Fargo Securities and/or one or more of its affiliates may provide advice or may from time to time have proprietary positions in, or trade as principal in, any securities or other financial products that may be mentioned in the Materials, or in derivatives related thereto.

Notwithstanding anything to the contrary contained in the Materials, all persons may disclose to any and all persons, without limitations of any kind, the U.S. federal, state or local tax treatment or tax structure of any transaction, any fact that may be relevant to understanding the U.S. federal, state or local tax treatment or tax structure of any transaction, and all materials of any kind (including opinions or other tax analyses) relating to such U.S. federal, state or local tax treatment or tax structure, other than the name of the parties or any other person named herein, or information that would permit identification of the parties or such other persons, and any pricing terms or nonpublic business or financial information that is unrelated to the U.S. federal, state or local tax treatment or tax structure of the transaction to the taxpayer and is not relevant to understanding the U.S. federal, state or local tax treatment or tax structure of the transaction to the taxpayer.

Any opinions or estimates contained in the Materials represent the judgment of Wells Fargo Securities at this time, and are subject to change without notice. Interested parties are advised to contact Wells Fargo Securities for more information.

IRS Circular 230 Disclosure:

To ensure compliance with requirements imposed by the IRS, we inform you that any advice contained in the Materials does not constitute tax advice and shall not be used for the purpose of (i) avoiding tax penalties or (ii) promoting, marketing or recommending to another party any transaction or matter addressed herein.

If you have any questions or concerns about the disclosures presented herein, you should make those questions or concerns known immediately to Wells Fargo Securities.