INTRODUCTION

Evolution of the Bond Market and Current Trends

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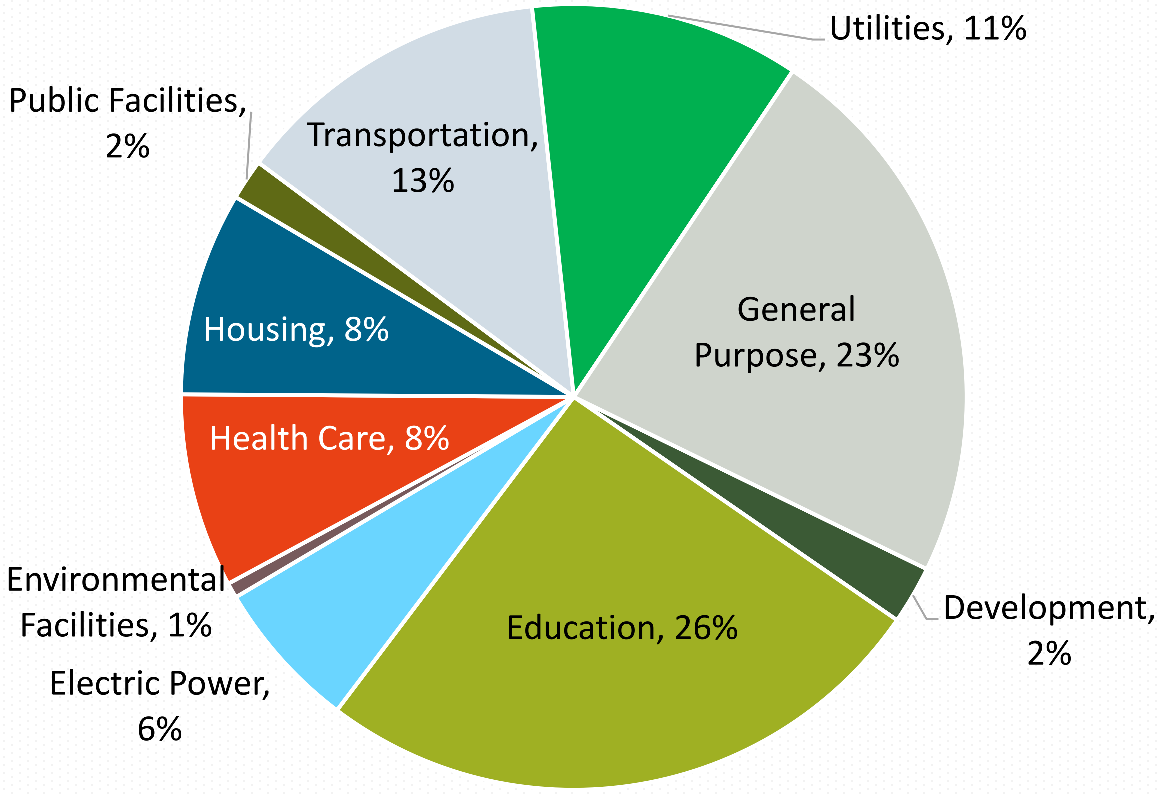
Municipal Market Snapshot

Municipal vs. Corporate Bonds Comparison

	Municipal Securities	Corporate Securities
Market Size	$4.4 Trillion	$11.0 Trillion
No. of Securities	~1,000,000	~60,000
Daily Trading Volume	$13.2 Billion	$68.1 Billion
New Issue Volume	$582.0 Billion	$2.2 Trillion
Default Rates	0.1%	2-4%

Municipal Issuance by Sector (CY 2025)



Sources: MSRB Federal Reserve, SIFMA, Refinitiv, and Moody's ("US Municipal Bond Defaults and Recoveries, 1970–2024," August 2025; Moody's Investors Service, Annual Default Study, 2025).

Municipal Market Timeline – 1800's & 1900's

1812

New York City Issues First Municipal Bonds

1873

Panic of 1873

1879

California Constitution Places Limits on Debt

1913

Revenue Act of 1913 codified exemption of municipal interest

1933/1934

1933 and 1934 Securities Act

1975

Creation of the Municipal Securities Rulemaking Board

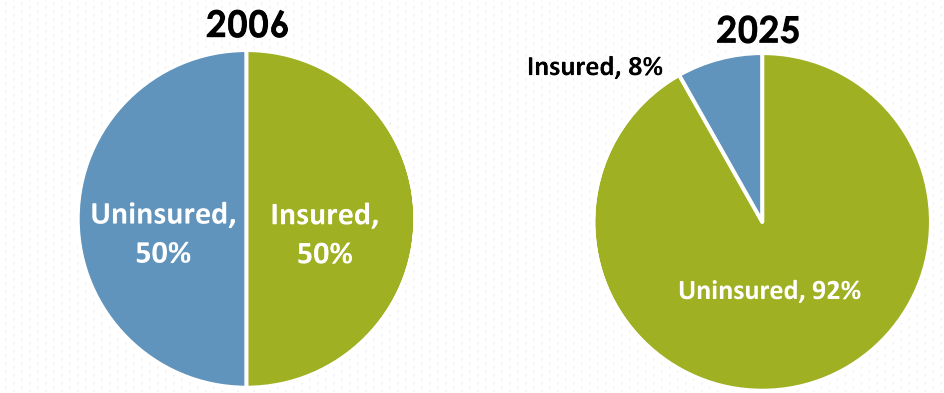
1978

Proposition 13 in California

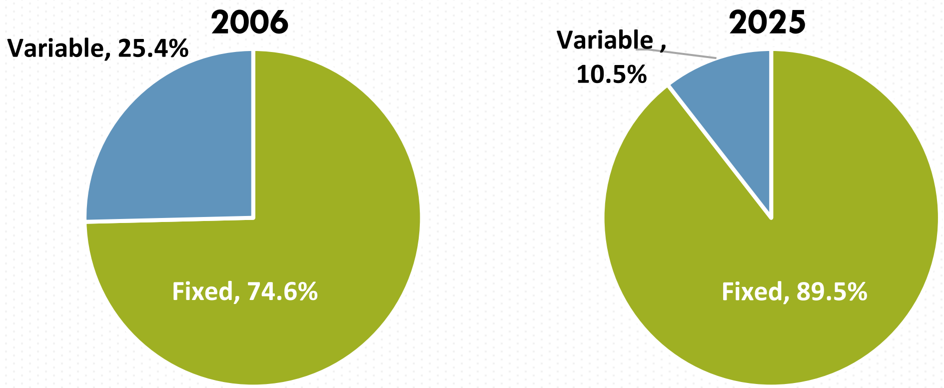
The 2000's – Financial Crisis and ARRA

Financial Crisis (2007-2008)	
Consolidation/Elimination of Banks	• Bear Stearns and Lehman Brothers
Reduction of Monoline Bond Insurers	• FGIC, FSA, MBIA and Ambac
Reduction of Variable Rate Debt and Derivatives	• Auction Rate Securities and Interest Rate Swaps
American Recovery and Reinvestment Act (2009)	
Build America Bonds (BABs) and Other Tax Credit Bonds	• Taxable bonds with direct pay federal subsidy to issuers • Average annual taxable issuances in 2009 and 2010 increased by more than 4-fold vs. the years just prior to ARRA
AMT Exemption	• Temporarily eliminates AMT on private activity and governmental bonds

Uninsured vs. Insured Bonds(1)



Fixed Rate vs. Variable Rate Bonds(1)



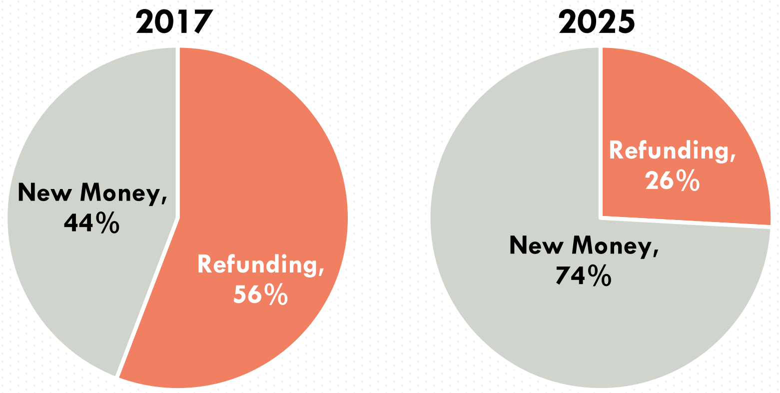
(1) Percentage based on par volume
Source: LSEG

The 2010's – Tax Reform

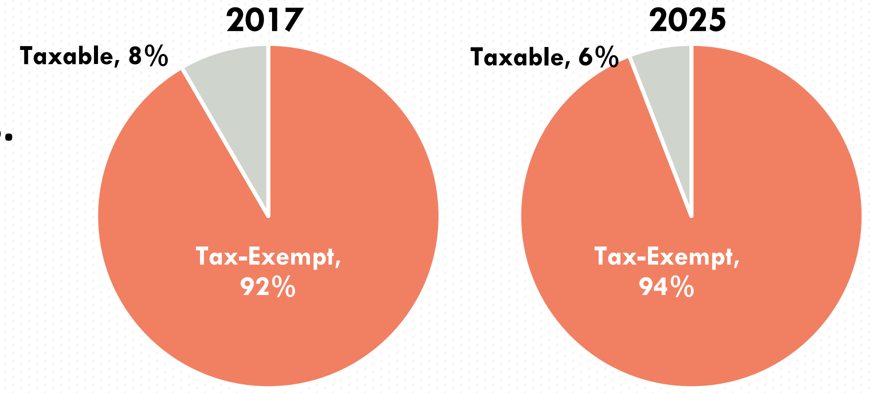
- ***In 2025, One Big Beautiful Bill Act maintained many provisions of TCJA and implemented other tax changes***

Tax Cuts and Jobs Act of 2017 (TCJA)	
Individual Tax Rates	• 7-brackets but with lower rates (0%-37%) • Kept AMT but at higher income threshold
Corporate Tax Rates	• Reduced "C" corporations tax rate from 35% to 21%
State and Local Taxes	• Capped deduction of state and local property taxes up to $10,000
Advance Refunding Bonds	• Eliminated tax-exempt advance refundings
Tax Credit Bonds	• Eliminated tax credit and direct pay bonds

Refunding vs. New Money Bonds(1)



Tax-Exempt vs. Taxable Bonds(1)



(1) Percentage based on par volume.
Source: LSEG.

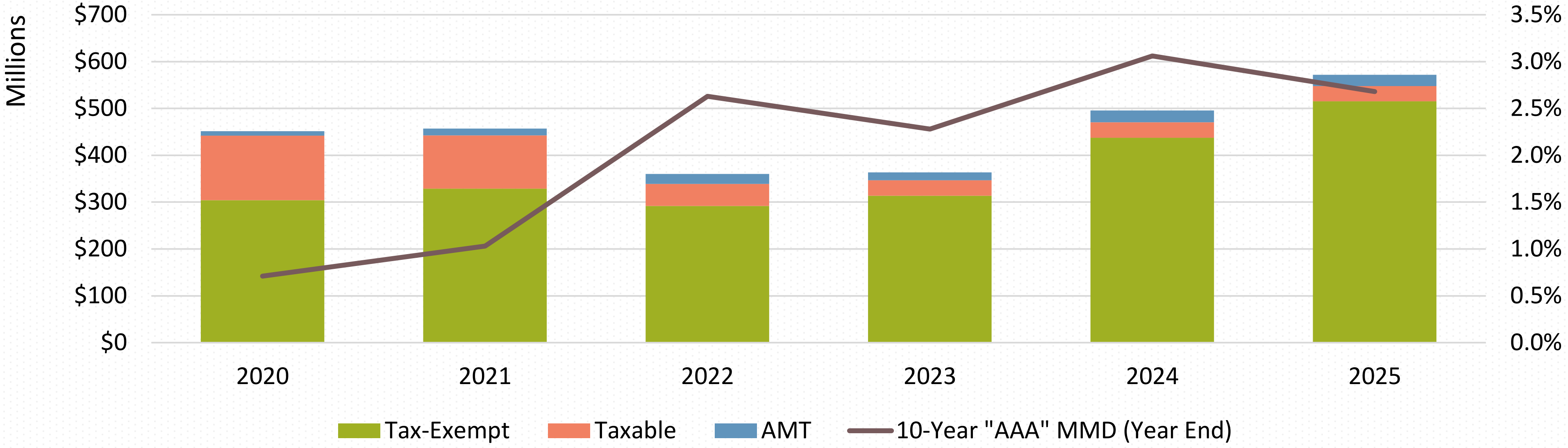
More Regulation and Disclosure

- **Rule 15c2-12 (1989)**
  - Response to Washington Public Power Supply
  - Requires standards of disclosure for municipal bonds by underwriters
- **Amendment of 15c2-12 (1995)**
  - Response to Orange County bankruptcy
  - Requires continuing disclosure
- **15c2-12 New Disclosure (2019)**
  - Adds two new disclosure items
- **SEC Enforcement Division Unit (2010)**
- **Dodd-Frank Act (2010)**
  - Expands MSRB's mission and grants rulemaking authority over municipal advisors
- **SEC Municipal Advisor Rule (2014)**
  - Establishes fiduciary duty on the municipal advisor
  - Imposes restrictions on communications between non-municipal advisor and municipal client
- **Municipalities Continuing Disclosure Cooperation (MCDC) Initiative**
  - Focus on compliance of continuing disclosure undertakings

Annual New Issuance Activity

- 2025 municipal issuance was another record year
- Combination of inflation and spend down of COVID-era funds has led to increased new money needs
- Muni-Treasury ratios highly influential on the issuance volume of taxable municipal bonds

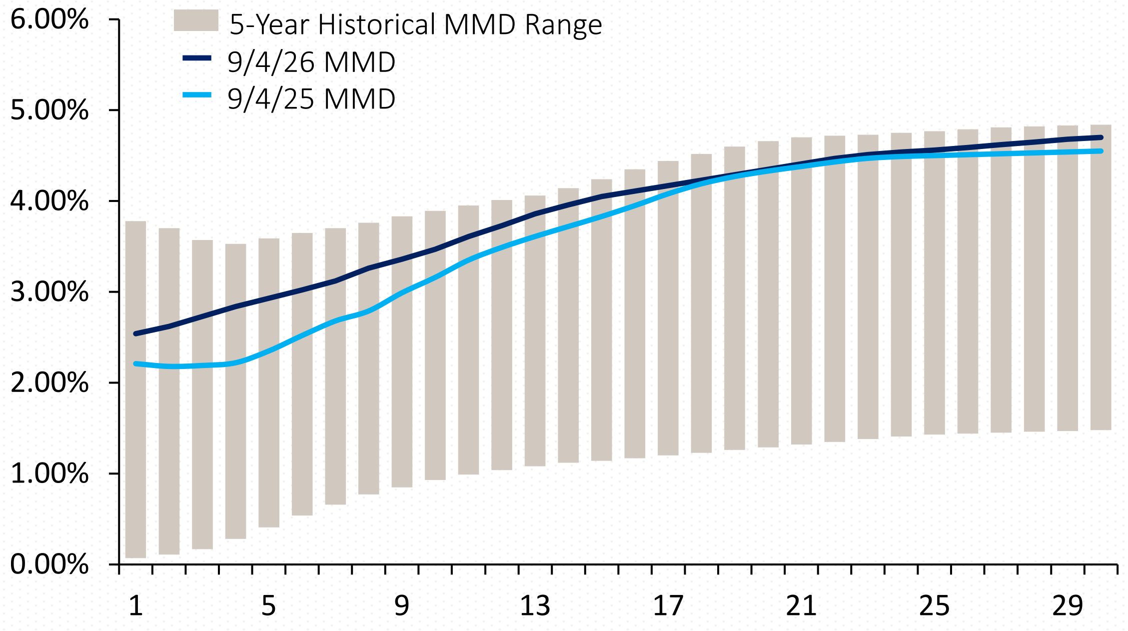
Historical Municipal Bond Issuance and 10-Year 'AAA' MMD



(1) Source: Refinitiv and LSEG.

Current Market Dynamics

'AAA' MMD Yield Curve

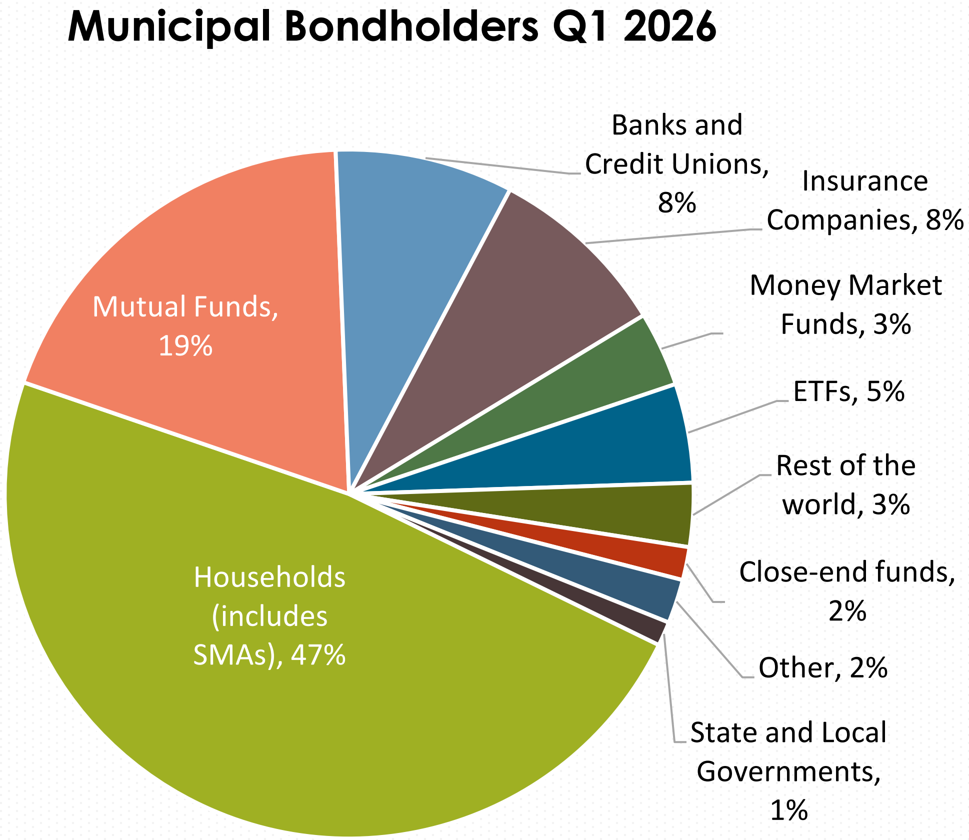


	Current 9/4/26	Weekly Change	3-Month Change	6-Month Change	YTD Change
5-Year MMD	2.93%	+0.13%	+0.35%	+0.68%	+0.53%
10-Year MMD	3.47%	+0.14%	+0.52%	+0.77%	+0.69%
30-Year MMD	4.70%	+0.15%	+0.40%	+0.44%	+0.45%
5-Year UST	4.54%	+0.06%	+0.25%	+0.82%	+0.80%
10-Year UST	4.78%	+0.05%	+0.23%	+0.63%	+0.59%
30-Year UST	5.24%	+0.02%	+0.23%	+0.47%	+0.38%
5-Year MMD/UST	64.54%	+2.04%	+4.40%	+4.05%	+0.37%
10-Year MMD/UST	72.59%	+2.19%	+7.76%	+7.53%	+6.25%
30-Year MMD/UST	89.69%	+2.53%	+3.87%	+0.39%	+2.25%

Source: Thomson Reuters and US Department of the Treasury as of 9/4/26.

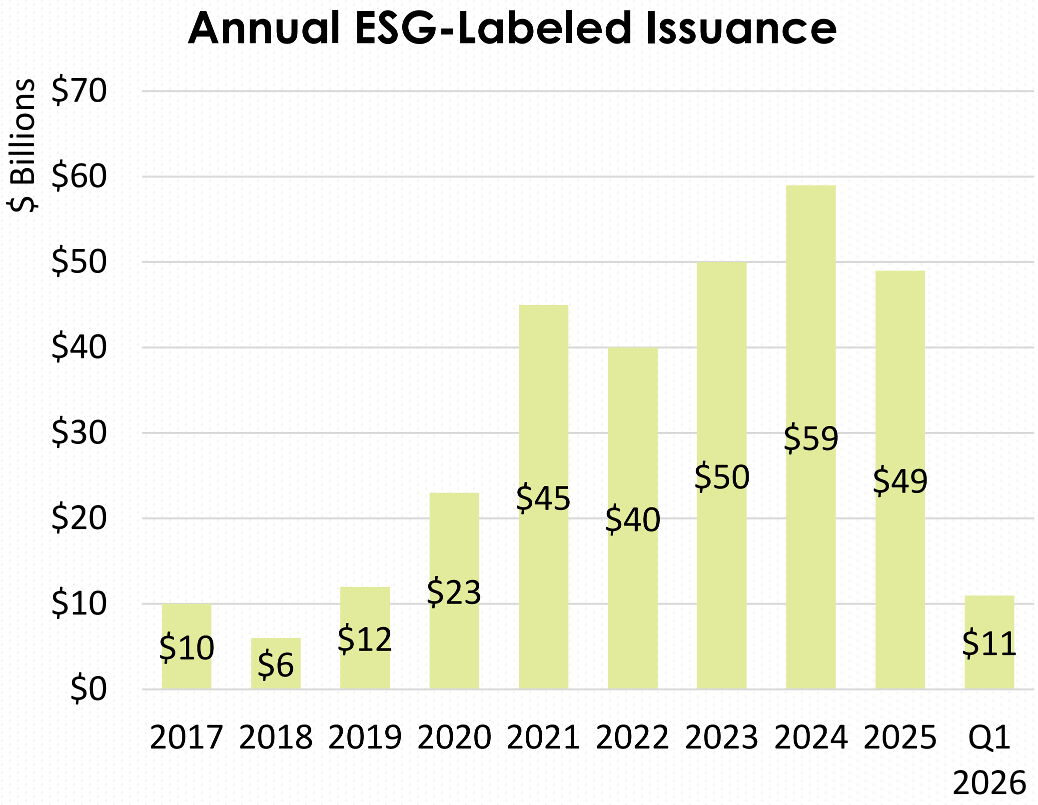
Municipal Bondholder Composition

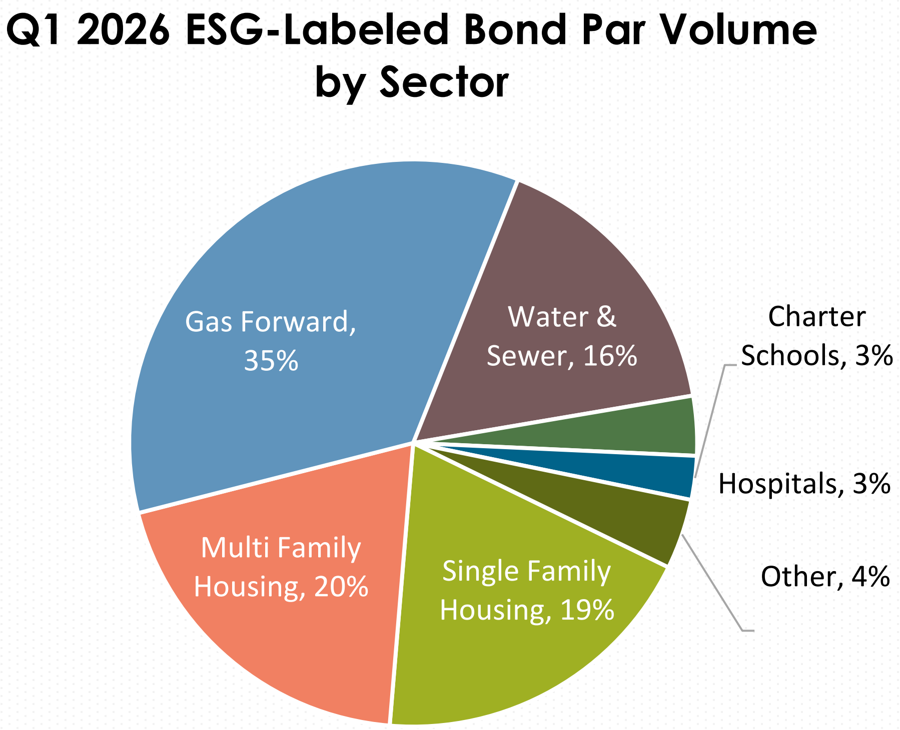
- We continue to see a shift from traditional municipal bond holders (banks, insurance companies, etc.) towards Separately Managed Accounts (SMAs), mutual funds, and Exchange-Traded Funds (ETFs)
- Households comprise approximately 47% of municipal bond holdings
  - Decline in direct ownership and rapid growth of SMAs
- In recent years, ETFs have been one of the fastest growing segments of municipal bond holders, while holdings by banks and insurance companies have declined



Source: Federal Reserve System, table F3.4s Municipal Securities.

Environmental, Social and Governance (ESG) -Labeled Bonds





Source: Bloomberg.

2026 YTD Issuance Trends

- As of mid-August 2026, new bond issuance stands at $374.4 billion (about 1% ahead of 2025's record pace)
  - $265.6 billion new money
  - $53.6 billion refunding
  - $55.4 billion mix (new money and refunding)
- Refundings have mainly comprised of tax-exempt current refundings and forward delivery refundings
  - As rates trend higher, taxable advance refundings become less attractive
  - Tender refundings continue to be one of the tools available to municipal issuers, but the structure is highly dependent on rates, muni-Taxable ratios, and investor participation (tender solicitations over $100 million in size have amounted to $15.8 billion in 2026 YTD, down from 2025 ($34.2 billion), 2024 ($47.8 billion) and 2023 ($34.0 billion))
- Variable rate demand obligations and other short-term structures are once again a consideration for municipal issuers
- Negotiated bond offerings have gained traction over competitive bid financings over the past year as municipal issuers look for timing and structural flexibility due to increased market volatility

Other Market Trends

- Larger New Issuance Calendars
- Strong Market Technicals and Municipal Fund Inflows
- California Transactions Continue to Benefit from Trading Differentials
- Proactive Marketing of Transactions
- Return of Variable Rate Structures and Short-Term Products
- Growing Use of Artificial Intelligence
- Cybersecurity Incidents and Disclosure

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Risk Disclosures – Fixed Rate Bonds(1)

Material Risk Consideration	Description of Risk	Potential Consequences
Issuer Default Risk	Possibility that the Issuer defaults under the authorizing documents	• Range of available remedies may be brought against Issuer (e.g., forcing Issuer to raise taxes or rates) • Credit ratings negatively impacted • Access to capital markets impaired • Possibility of receivership or bankruptcy for certain issuers
Redemption Risk	The ability to redeem the bonds prior to maturity may be limited	• Inability to refinance at lower interest rates
Refinancing Risk	Possibility that the bonds cannot be refinanced	• Inability to refinance at lower interest rates
Reinvestment Risk	Possibility that the Issuer may be unable to invest unspent proceeds at or near the interest rate on the bonds	• Negative arbitrage resulting in a higher cost of funds
Tax Compliance Risk	For tax-exempt bonds, possibility that failure to comply with tax-related covenants results in the bonds becoming taxable obligations	• Increase in debt service costs retroactively to date of issuance • Possible mandatory redemption of bonds affected • Risk of IRS audit • Difficulty in refinancing the bonds • Access to tax-exempt market impacted • Difficulty in issuing future tax-exempt debt

(1) You should consult with your financial and/or municipal, legal, accounting, tax and other advisors, as applicable, to the extent you deem appropriate concerning such risks.

Risk Disclosures – Forward Delivery Bonds(1)

Material Risk Consideration	Description of Risk	Potential Consequences
Risk of Inability to Satisfy Conditions for Delivery of Bonds	Possibility that conditions to closing cannot be met on delivery date (e.g., intervening changes in law (resulting in either a change in tax status or any other reason that would prevent counsel from delivering an opinion), material litigation filed, adverse change in rating on the bonds or an event of default or material adverse change occurs)	• Transaction cannot be consummated
Underwriter Default Risk	Possibility that underwriter cannot perform on delivery date	• Transaction cannot be consummated
Fewer Potential Purchasers	Risk that the universe of potential investors may be limited to additional risks	• Pricing of the bonds and the amount of the forward delivery premium may be adversely affected
Availability of Better Alternatives	Possibility that it is more advantageous to wait and remarket or refinance outstanding bonds	• May not obtain the best economic result by proceeding with issuance of forward delivery bonds

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Risk Disclosures – Tender & Exchange Offers[(1)]

Material Risk Consideration	Description of Risk	Potential Consequences
Uncertainty of Results	Uncertainty of results	• Tender offer is not successfully consummated or the amount of bonds tendered may be less than expected • May be required to increase price that is paid
Varying Impact on Bondholders	Bondholders may be impacted differently by the terms of the tender offer	• Holders of other bonds may be affected • May impact results of tender offer
Alternatives May Be Better	Waiting to refinance or remarket may be economically advantageous	• Higher costs may be incurred • May not obtain the best economic result

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Risk Disclosures – Variable Rate Demand Bonds(1)

Material Risk Consideration	Description of Risk	Potential Consequences
Issuer Default Risk	Possibility that the interest rate may increase on an interest reset date	• Increase in debt service costs (up to maximum rate) • Lower debt service coverage ratios • Lower cash reserves
Liquidity Risk	Possibility that VRDOs cannot be successfully remarketed resulting in a draw under a liquidity facility or payment of funds if self-liquidity	• Increase in debt service costs due to higher bank bond rate and accelerated principal repayment • May be required to refinance or "term out" the VRDOs • Inability to refinance or possibly higher interest rates • Provide funds for tendered VRDOs if self-liquidity
Remarketing Agent Risk	Possibility that the remarketing agent does not perform its duties in a satisfactory manner or may resign or cease its remarketing efforts	• Higher interest rates • Difficulty remarketing or refinancing the VRDOs • May have difficulty in appointment of a successor remarketing agent
Refinancing Risk	Possibility that VRDOs cannot be refinanced	• Inability to refinance or possibly higher interest rates
Liquidity Facility Renewal Risk	Possibility that the liquidity facility will not be extended for a successive commitment period or not be replaced at a reasonable cost	• Issuer required to repay principal and accrued interest on tender date if Issuer is not able to refinance • Increase in debt service costs

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Risk Disclosures – Variable Rate Demand Bonds(1)

Material Risk Consideration	Description of Risk	Potential Consequences
Liquidity Provider Default Risk	Possibility that the liquidity provider defaults in its obligations under the liquidity facility or its ratings are reduced.	• Issuer required to repay principal and accrued interest if Issuer is not able to refinance • Increase in debt service costs
Issuer Default Risk	Possibility that the Issuer defaults under the authorizing documents or the liquidity agreement with the bank supporting the VRDOs	• Range of available remedies may be brought against Issuer (e.g., forcing Issuer to raise taxes or revenues) • Credit ratings negatively impacted • Default could impact remarketing which could cause increase in debt service costs • Access to capital markets impaired • Possibility of receivership or bankruptcy for certain issuers
Issuer Ratings Downgrade Risk	Possibility of a downgrade of the Issuer's ratings	• Ratings change could result in optional tenders or impact remarketing which could cause increase in debt service costs • Higher liquidity facility fees resulting in higher cost of funds
Regulatory Risk	Possibility that prospective regulatory requirements increase cost of obtaining and maintaining liquidity facility	• Increase in debt service costs • Higher liquidity facility fees resulting in higher cost of funds

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Risk Disclosures – Variable Rate Demand Bonds(1)

Material Risk Consideration	Description of Risk	Potential Consequences
Reinvestment Risk	Possibility that the Issuer may be unable to invest unspent proceeds at or near the interest rate on the VRDOs	• Negative arbitrage resulting in higher cost of funds
Tax Compliance Risk	For tax-exempt bonds, possibility that failure to comply with tax-related covenants result in the VRDOs becoming taxable obligations	• Increase in debt service costs retroactively to date of issuance • Possible mandatory redemption of bonds affected • Risk of IRS audit • Difficulty in refinancing the VRDOs • Access to tax-exempt market impacted • Difficulty in issuing future tax-exempt debt
Money Market Reforms	Possibility of further money market reform changes related to money market funds that invest in VRDOs	• Reduced market demand for VRDOs • Higher interest rates • Difficulty in remarketing the VRDOs • Increased optional tenders due to investor changes and increased liquidity draws

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QUESTIONS?

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