



**The Education Committee of the
National Federation of Municipal Analysts**

ADVANCED SEMINAR

**REASSESSING AND REDEFINING
THE MUNICIPAL MARKET AND
THE APPROACH
TO MUNICIPAL ANALYSIS**

October 14-15, 2010

Swissôtel

Chicago, Illinois

PROGRAM

Thursday, October 14

7:30-8:00 a.m. *Registration and Continental Breakfast Sponsored by DIVER by Lumesis*

8:00 - 8:15 a.m. *Opening Remarks*
Patrick Early, Wells Fargo Advisors, Seminar Chairman

8:15-9:30 a.m. *Munis v. Other Asset Classes*
Amid the real and imagined credit problems in our sector, municipal analysts are questioning whether or not we have the best tools to define and gauge credit risk. This panel will look critically at current practices, but will primarily focus on evolution in credit research. We'll look for ideas in the bond selection and surveillance techniques used by Build America Bond buyers, in the analytic packages of international sovereign buyers, and in homegrown municipal-sector innovators. Finally, we'll begin to think about how changes in credit research methodologies may in turn impact the market and the issuers themselves

Moderator: Matt Fabian, Managing Director, Municipal Market Advisors

Panelists: Jason Hannon, Senior Trader, Arbor Research & Trading; Naomi Richman, Managing Director, Moody's Investors Service; Robert Donahue, Director, DB Asset Management

9:30 - 9:45 a.m. *Break*

9:45 - 11:00 a.m. *Technicals v. Fundamentals: What Really Matters*
The intersection of "credit" and "bonds" is not always seen from the same perspective when analysts talk about credit with portfolio managers, with some factors mattering more to analysts than to portfolio managers, and vice versa. This panel will try to arrive

at the types of information that carry the most weight when evaluating bonds. Does the notching method of credit analysis have an impact on an evaluation of a credit, or do technical market factors overwhelm certain credit fundamentals?

Moderator: Terry Goode, Head of Tax Exempt Research, Wells Capital Management
Panelists: Lyle Fitterer, Director of Tax-Exempt Investments, Wells Capital Management; Thalia Meehan, Managing Director, Putnam Investments; Jim Conn, Portfolio Manager, Franklin Templeton

11:00 - 11:15 a.m. ***Break***

11:15 - 12:30 p.m. ***How Do We Value Credit Enhancements in Distressed Situations?***

In a time of credit stress, are we seeing tests of the market's various enhancement programs and providers that have the potential to negatively impact the value of the bonds they were meant to support? This panel will look at the implications for municipal analysis and surveillance through the eyes of an insurer and a distressed debt buyer, and will delve into how municipal workouts are handled and how they may change. Beyond the discussion of how bond insurance has influenced the market, the panel will discuss the rights and remedies a bond insurer has and how they influence the way credit problems are resolved. The panel will also touch on some of the direct challenges that have arisen to enhancement programs, as well as associated disclosure issues.

Moderator: Peter Bianchini, Managing Director, Senior Municipal Strategist, Mesirow Financial

Panelists: Jeff Wilson, Managing Director, Saybrook Capital LLC; Dan McManus, General Counsel, National Public Finance Guarantee; Tom Weyl, Director of Municipal Research, Eaton Vance Management

12:30 - 2:00 p.m. ***Luncheon – Speaker:*** *Walter K. Knorr was appointed as Vice President/Chief Financial Officer and Comptroller for the University of Illinois in January 2007. He is the first chief financial officer for the University.*

Knorr served the City of Chicago from 1982 to 2002 and worked for three different mayors during that time. He worked for two years with Citigroup Capital Markets from 2002-2004 and returned to the public sector as comptroller of Cook County. His other private-sector employment included the Northern Trust Bank, where he was a vice president for public finance, and Arthur Young & Co., where he was an auditor specializing in taxation and governmental financial reporting.

2:15- 3:30 p.m. ***Default and Bankruptcy Update: The Great Recession's Impact***

Is there a new political dynamic now that makes Chapter 9 filings more likely? Do bondholders face differing threats from Chapter 9 in the various states encompassing their holdings of local credits? Are bondholders' concerns likely to be addressed more favorably in situations where fiscally distressed communities avoid a Chapter 9 filing, or are there circumstances where bondholders might benefit from a Chapter 9 filing? The panel will discuss Chapter 9, alternatives to Chapter 9, and strategies bondholders should consider for their bond holdings of municipalities that are in severe fiscal distress. Emphasis will be placed on possible new directions in public finance, as it relates to Chapter 9, and in examining the new concerns that have emerged during the Great

Recession.

Moderator: Christopher J. Mier, CFA, Managing Director/Head of Analytical Services Division, Loop Capital Management

Panelists: James Spiotto, LLD, Partner, Chapman and Cutler LLP; Richard Ciccarone, Managing Director & Chief Research Officer, McDonnell Investment Mgmt. LLC

3:30 – 3:45p.m. ***Break***

3:45-5:00 p.m. ***Hedging Municipal Portfolio Risks***

This panel will probe the challenging topic of hedging municipal portfolio risks with a focus on credit risk. We will examine what works and what does not. Is it possible to directly hedge credit risk? What are the tools available to a municipal bond manager concerned about credit risk? What is the future of the municipal CDS market? What can we learn from the failure of Treasury hedging in the most recent crisis? Does secondary market bond insurance present a viable alternative?

Moderator: Steve Stowe, Credit Research Associate, Samson Capital Advisors

Panelists: Doug Baker, CFA – Senior Vice President, Portfolio Manager, Nuveen Asset Management; Bob Bengtson, Vice President, Municipal Marketing and Structuring, Goldman Sachs; Bill Hogan, Senior Managing Director, Public Finance, Assured Guaranty

5:00-6:00 p.m. ***Cocktail Reception Sponsored by Saybrook Capital LLC***

Friday, October 15

8:00-8:30 a.m. ***Continental Breakfast***

8:30-9:45 a.m. ***How Has the Market Priced in the Impact of Market Reform?***

Earlier this year, Moody's and Fitch carried out their long-awaited recalibrations, raising ratings on thousands of GO, tax-backed and essential-service revenue credits. Have tax-exempt investors discerned any impacts on liquidity and pricing for credits with recalibrated ratings? Have higher ratings made taxable municipals more appealing to non-traditional investors? Based on historical default comparisons, municipal credits still appear less risky than comparably-rated corporate bonds. Do the new ratings represent a real "global scale" or another stop on the way to convergence between municipal and corporate credit assessments? How do investors reconcile the differences among ratings when pricing a credit? Has the recalibration materially altered the municipal landscape, and are there even broader implications for the muni market as a result of the changes being made to the financial markets in general?

Moderator: Brad Gewehr, Director, Bank of America Merrill Lynch

Panelists: Tom McLoughlin, MD, Head of Municipal Research, UBS Wealth Management; Robert Reardon, Senior Investment Officer, State Farm

9:45 - 10:00 a.m. ***Break***

10:00 - 11:15 a.m.

Healthcare Now and in the Future: The Challenges Facing the Hospital Industry

Many hospitals are currently facing flat to declining utilization along with commensurate revenue pressures. Additionally, there is a certain amount of uncertainty that health care reform brings to the table as it gets implemented over the next several years. Larry Boress will discuss MBGH's goal of assisting members to continuously improve the quality and cost effectiveness of health care and the health status of their constituents. Gary Davis will discuss the PPACA (aka Health Care Reform) and its implications for the hospital sector and even more specifically its implications for the not-for-profit hospital sector.

Moderator: Jerry Solomon, Investment Analyst, Capital Research

Panelists: Larry Boress, President, Midwest Business Group on Health (MBGH); Gary Davis, Partner, McDermott, Will, & Emery

11:15 – 11:30 a.m. ***Seminar Adjourns***

The views expressed at the Advanced Seminar are those of the Panelists alone and do not necessarily represent those of the National Federation of Municipal Analysts.

EDUCATION CHAIR

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