
Municipal Analysts

BULLETIN

VOL.14, NO.2

A NEWSLETTER OF THE NATIONAL FEDERATION OF MUNICIPAL ANALYSTS

JULY 2004

Letter from the Chair

Gerry Lian

Dear NFMA Member,

For those of you unable to attend our 21st Annual Conference, it is very gratifying to report that the conference was a huge success. Spurred by an interesting collection of speakers and panels combined with the charm and allure of Kiawah Island, this year's Annual Conference attracted near record attendance. Our sincere thanks goes out to Peter Stettler, Howard Mischel and the entire Conference Committee for a job extremely well-done. We also extend our deep appreciation to the growing list of corporate sponsors who have made substantial donations and to Don Cirillo, Karen Szerszen and Bill Hogan for their talented stewardship of NFMA sponsorship solicitations. Next year's Annual Conference will be held April 27-29 2005 at The Wyndham Canal Place in New Orleans and promises to be even more successful.

The NFMA Board is engaged in a variety of exciting initiatives to improve the municipal market. Set forth below are some select highlights and summaries of NFMA organizational activities:

The Muni Council: In April the Muni Council conducted an on site tour of the offices of Texas Municipal Advisory Corporation ("TMAC"), the newly designated central post office ("CPO") for the municipal industry. Key milestones are a July 1, 2004 start-up date in which TMAC will begin accepting Rule 15c2-12 filings on a voluntary basis, followed by transition to a mandatory CPO filing at an unspecified future date. The NFMA will continue to encourage the Muni Council to support our efforts to improve the substantive content of disclosure through greater utilization of our disclosure guidelines. We are in the process of printing the 1st Edition of the NFMA Recommended Best Practices in Disclosure which we intend to distribute at annual conferences of some of the leading professional organizations.

Disclosure Initiatives: The NFMA Disclosure Committee has recently published final copies of Recommended Best Practice ("RBP") documents for Airports and Special Facility Debt and Public Power Bonds and will also be releasing for comment RBP exposure drafts for Water & Sewer Debt and Toll Road Bonds. In addition, drafts of Recommended Operating Data Guidelines for Single Family Bonds, Multifamily Bonds and Continuing Care Retirement Facilities were also approved by the Board.

NFMA National Gateway: The NFMA Web Committee is engaged in an ambitious project to add a National Gateway to the NFMA web site. The purpose is threefold: (i) to provide analysts with convenient access to the web sites of all issuers of municipal securities; (ii) to showcase leading web sites that provide exemplary disclosure of financial information and operating data; (iii) to offer municipal issuers a highly efficient and inexpensive distribution channel targeted directly at the analytical community.

White Paper: Under the auspices of the NFMA Industry Practices Committee, we have retained nationally prominent legal counsel to formulate a White Paper that carefully analyzes the application of federal securities law to the municipal market. The ultimate goal is to remove impediments that inhibit the flow of investment information to the marketplace.

Strategic Planning Committee: The Strategic Planning Committee met in March and made three core recommendations: (a) to revise our Mission Statement (see Karen Szerszen's report in this *Bulletin*); (b) to increase NFMA membership by 10% over the next 12 months; and (c) to establish a committee to review the merits of establishing an NFMA Education Institute to explore and promote new educational initiatives.

I invite all members to get involved with these important projects. We need volunteers in all the foregoing areas as well as our standing committees. The ultimate strength and success of the NFMA depends upon the willingness of members to get involved. Feel free to contact any Board member or me to voice concerns or to volunteer your services. My telephone number is (212) 762-8479 or direct e-mail to gerard.lian@morganstanley.com.

Our next Advanced Seminar on Education and Not-for-Profits will be held Oct 21-22, 2004 at the Westin Grand Hotel in Washington, DC and promises to be highly informative. **We hope to see you there.**

BMAF

Boston Municipal Analysts Forum

We have had a fairly busy year so far at BMAF with four speakers to date:

On January 21st Loretta Richard, Esq. of Ropes & Gray gave her perspective on tax enforcement and tax audits. This was a timely, well-attended and well-received session.

John Hallacy from Merrill Lynch came up on February 26th to update us on the ongoing bi-coastal credit dramas occurring in New York and California on February 26th. In spite of the relatively large group, John was able to keep the presentation informal and personal, as well as informative.

On March 24th the Honorable Michael Ablowich, Treasurer of the State of New Hampshire gave us an update on the Granite State's Finances.

On May 20th Ken Wissman, CFO of Mass Water Resources Authority, gave us some insight into this large New England bond issuer.

And finally, take heart CSMA: on May 27th our members went to Fenway Park to watch the Red Sox lose to Oakland A's. Maybe next year! Photos are on the BMAF website at <http://www.nfma.org/bmaf/photos/2004-05.html>

We are taking a hiatus for the summer, and hope to return in the fall with sessions on hospital workouts and on stand-alone hotels, and we also plan a bowling outing.

Greg Aikman



Education

The Education committee is currently co-chaired by Judi Harvey of American Express and Natalie Cohen of FSA.

The committee is in the process of planning the advanced seminars to be held next fall and winter. On October 21-22, the Advanced Seminar on Education and Not-For-Profits will be held at the Westin Grand on M Street in Washington, D.C. Topics include charter schools, funding issues with public education, higher education, student housing, non-traditional 501(c)3s, and case studies on workouts in these sectors. On January 13-14 (just before Martin Luther King weekend) we will be holding an Advanced Seminar at the Grand Floridian in Orlando. The preliminary topic for that seminar is tax-backed debt.

On November 4th and 5th, the annual Introduction to Municipal Bond Credit Analysis seminar will be held in Philadelphia at the Loews Hotel. Anne Ross is chairing this seminar. If you have any questions on it, please email her (aross@roosevelt-cross.com).

Members who want to volunteer as moderators or speakers at the advanced seminars are encouraged to email Judi Harvey (Judith.Harvey@aexp.com) or Natalie Cohen (ncohen@fsa.com).

Judi Harvey

SMFS

Southern Municipal Finance Society

The SMFS is making plans for events in Orlando, Charlotte, and St. Louis to reach our far-flung membership. We are still pulling together the details. Please contact the program chairs for the event if you have any ideas. They are Mark Clayton (St. Louis); Keith Lowe (Charlotte); and Carolyn Nees (Orlando). The St. Louis meeting will be luncheon at Lambert Airport on July 19. Contact Mark Clayton at 210-498-3766 if you are interested in attending.

It's time to renew your national and affiliate memberships. You can now pay through the NFMA using your credit card – no excuses! If you need an application – you can find it at nfma.org.

We are always interested in hearing from SMFS members and affiliates in the region about how we could make a difference in your professional development. Please call Alex Fraser at 214-871-1406 with suggestions.

Alex Fraser

Disclosure Committee

The NFMA Disclosure Committee has made great strides the last few months. Most recently we released final versions of the *Recommended Best Practices in Disclosure for the Airport Sector*, and, *The Recommended Best Practices in Disclosure for the Public Power Sector*. The papers may be found on the NFMA website. Many thanks to Eric Friedland, FSA (airports) and Gary Krellerstein, JP Morgan and Kathy Masterson – Public Financial Management (public power) and their committees for their efforts in preparing these documents.

Brown bag luncheons were also held during the NFMA Annual Conference in May to discuss recommended best practices (RBP) for public power, toll roads and water and sewer. Drafts for public comment for the latter two will likely be available over the next couple of months. We appreciate the efforts of Ann Manley, Federated Investments and Bill Streeter, FitchRatings (toll roads) and Mary Francoeur, FGIC (water and sewer). The RBP – Project Finance subcommittee, under the leadership of Tom McLoughlin – MBIA and Doug Nelson – George K. Baum, also met during the Annual Conference to discuss their RBP.

Work on the *Recommended Operating Data Guidelines* is progressing. To date, guidelines for eight sectors have been completed while eight other sectors are still pending. The completed operating guidelines may be found as appendices of the respective *Recommended Best Practices Disclosure* documents.

All of the completed RBPs and operating guidelines may be found on the NFMA website at www.nfma.org, under the “Disclosure Guidelines” icon. However, hard copies of all of the completed papers will soon be available in a bounded version for a nominal fee. More information will follow.

There are now RBPs and operating guidelines for just about all of the major municipal bond sectors. Many long hours of discussion and debate have been dedicated to these projects by not only members of the NFMA, but representatives of the various aspects of the investment community, including borrowers, bond counsel, trade organizations, consultants, among many others. The results are disclosure and operating guidelines that are fair and comprehensive. We recognize that “one size does not fit all”. But, in many instances, they provide sufficient information to the analysts in order to make sound decisions yet is not burdensome to borrowers. **We encourage all members to require borrowers, underwriters, legal counsel, etc. to incorporate the Recommended Best Practices in Disclosure and the Recommended Operating Data Guidelines as part of their regular efforts, and to disseminate the information to the public on a timely basis.** If you would like to get involved in the NFMA disclosure efforts, please contact Chuck Emrich (410) 454-5925 or Marie Pisecki, (804) 649-3953

Chuck Emrich and Marie Pisecki
Chairs, Disclosure Committee

Elizabeth Hill and Susan Dushock
Co-Coordinator, Secondary Market Disclosure

NFMA TREASURER'S REPORT

I would like to start this report by thanking Don Cirillo and his Sponsorship Committee for another excellent job raising funds for the Annual Conference. The 19 pledges received this year-to-date total a record level of \$73,500 in cash collected and help contribute to the very successful Annual Conference recently held at Kiawah Island.

We also need to extend our gratitude to the sponsors who gave so generously this year. The continued support of our sponsors is very important to the organization so all members should be thankful for the continued strong support shown by these organizations.

The support of our sponsors is so integral to the financial viability of this organization because our membership fees do not fully support our operations. There have been numerous calls for membership support in the past but those on the Executive Committee cannot mention this fact often enough: we need to increase our membership! Please take some time this summer and think about professionals that you know who may be eligible for membership. Encourage these individuals to attend a local event or an Advanced Seminar or encourage their involvement with the NFMA in some other way so that they may observe first hand the benefits of joining the organization.

Tom Weyl

CMAS

Chicago Municipal Analysts Society

The Chicago Municipal Analysts Society held our first meeting of the year in March with two speakers, David Wyss, chief economist for Standard & Poor's and Cadmus Hicks, Senior Research Officer and Investment Strategist for Nuveen Investment Management. David discussed *Surviving Globalization: Outsource or Educate* and Cadmus provided insight on *A Municipal Investment Perspective*. Our second meeting was held in April and focused on healthcare. Jerry Solomon, Managing Director for Bear, Stearns and John Nelson, Senior Vice President for Moody's Investors Service both discussed their outlooks on hospitals and the healthcare industry. Looking ahead, CMAS is planning for our summer outing and our fall Board of Director's Seminar.

Brian Winters

MSMA

Minnesota Society of Municipal Analysts

The MSMA has had two very well received programs so far this year. On January 20th we hosted a luncheon discussing the financial challenges facing Institutions of Higher Education. We were privileged to have Dr. Michael Sullivan, the Chief Investment Officer and Assoc. Professor of Finance at the University of St. Thomas in Minneapolis, MN, as our speaker. Then on March 8th we had a luncheon with the MSRB to discuss important issues that the marketplace is focused on. We were fortunate to have as our featured speaker Kenneth D. Gibbs, Managing Director and Director of Public Finance, First Albany Capital and MSRB Board Member.

Our next luncheon and workshop was held on June 15th, and was co-hosted by Standard & Poors. It was a multifamily housing workshop relating to important issues in multifamily credit analysis, featuring Sarah Eubanks, Christopher Moriarty, and Jeffrey Previdi from S&P. We are encouraging our members to attend our meetings and to bring a guest who may be interested in joining the MSMA and the NFMA. This year is shaping up well, as we are planning some interesting luncheon topics and seminars.

Heidi L Hukriede

MAGNY

Municipal Analysts Group Of New York

MAGNY continues to have strong turnout at its monthly luncheons.

February featured Mark Scott, Director of Tax-Exempt Bonds for the IRS, whose topic was "The IRS: What Are They Finding Wrong With Your Tax-Exempt Bonds?"

In March, Mayor of Pittsburgh Tom Murphy spoke to perhaps our biggest crowd of the year, about 100 people, about Pittsburgh's economic and financial outlook.

April featured Jim Haddon of Citigroup and Greg Aikman of Mellon, whose topic was "Tobacco Bonds: Banker and Buy-side Perspectives". We were especially pleased, given Greg's role as Chairman of BMAF, to feature him as a speaker.

In May, the federal role in health care finance was the topic. Speaking were Bruce Vladeck, Professor of Health Policy and Geriatrics at the Mount Sinai School of Medicine, and Robert Fuller, Principal of Capital Markets Management, LLC. Bob is also a member of MAGNY.

Preliminary indications are that MAGNY will increase its membership this year from 300 to about 325. Thanks to all of you who made this possible.

As we have reached the end of our program year, which runs from September through June, I am especially grateful to the MAGNY Board - Rich Raphael, Kathy Evers, Bill Dorante, Linda Hird, and John Hallacy - for their hard work this year.

Greg Clark

INDUSTRY PRACTICES AND PROCEDURES

The Industry Practices and Procedures Committee has been working on several issues in the months since our January 2004 *Bulletin* was published. Three items remain from the prior *Bulletin* with an additional project undertaken recently.

Two projects previously reported on are taking somewhat longer to complete than originally projected. The Model Term Sheet for Hospital Bond Transactions project and the Securities Law White Paper are in the process of being completed.

A subcommittee was formed at the January 2004 meeting to draft a comment letter to The Bond Market Association concerning its Exposure Draft of Guiding Principles to Promote the Integrity of Fixed Income Research. This group completed its work but felt that meaningful progress on this issue was attained during the past quarter. The Board approved the continuation of this subcommittee. The Guiding Principles Task Force looks forward to scheduling a visit with the SEC shortly to gain further guidance regarding the document's implementation and applicability to the municipal bond business.

The new item taken under review is work on a comment letter concerning the NASACT Quarterly Disclosure Proposal. The National Association of State Auditors, Controllers and Treasurers (NASACT) issued a proposal calling on governmental issuers to provide quarterly disclosure. NASACT argues that governmental bodies have the information readily available for management purposes so there is no reason to not disclose available information to investors. A comment letter on the specifics of the proposal will be prepared and issued this summer.

Tom Weyl and Peter Bianchini



The California Society of Municipal Analysts held its spring conference in Sacramento on April 22nd, 2004. The conference was focused on the State of California, and featured Donna Arduin, Governor Schwarzenegger's Director of Finance. Other sessions included a local government panel as well as a lunchtime talk by a senior representative from the Legislative Analyst Office. The conference was well attended (despite the location in Sacramento, which was at the request of our key speaker) and members seemed to find it very interesting and informative. We are planning a cocktail party in August for CSMA members, the date to be determined shortly and are soliciting ideas for our fall conference and welcome thoughts from our membership.

Lisa Zuckerman

STRATEGIC PLANNING COMMITTEE

The Strategic Planning Committee met in the suburban Chicago area on Thursday, March 18. The committee consisted of the Executive Committee, the Chair or Co-chair of the Education, Disclosure, and Industry Practice Committees, Rich Ciccarone, a founding member of the NFMA, and representatives from 5 out of the 6 Constituent Societies. These representatives were: Mark Clayton from USAA, SMFS, Terry Goode from Wells Capital, CSMA, Eden Perry from S & P, MAGNY, David Statham from Wells Capital, MSMA and Bill Trauner from State Farm, CMAS. I would like to thank all our participants and in particular, Rich Ciccarone and the Constituent Societies' representatives.

Overall the meeting went very well with a good exchange of thoughts and ideas. Additional work needs to be done in order to call the meeting a success. Some of the changes that came out of this meeting require constitutional changes.

One such change is the proposed revision of our mission statement. Our current mission statement is:

The NFMA is a not-for-profit association for municipal analysts' societies and affiliated individual members. The Federation's goals are: (1) promoting professionalism in municipal credit analysis and furthering the skills level of its members through educational programs, industry communication, and other means; (2) providing an informed perspective in the formulation of legal and regulatory matters relating to the municipal finance industry; (3) facilitating the flow of information between investors and the issuing entities.

The proposed revised mission statement is:

The NFMA is a not-for-profit association for municipal analysts' societies and affiliated individual members. The Federation's goals are: (1) to promote professionalism in global public finance and credit analysis in order to maximize its members' potential; (2) to further the skill level of its members through educational programs; (3) to advocate issues of importance to the municipal finance industry, as deemed appropriate; (4) to facilitate the flow of information between analysts and market participants.

The revised mission statement reflects a couple of the possible changes the committee is considering for the organization. Currently our membership consists solely of domestic public finance participants. However, as the public finance markets become more developed overseas, we may consider opening up our membership to individuals involved in foreign public finance markets.

The committee recommends that we standardize membership requirements across the whole organization. Recall that an individual who works/lives in a geographic area served by a Constituent Society is required to join that local chapter if he/she wishes to join the NFMA. Membership in a Constituent Society requires the individual to join the NFMA. Only individuals who work/live in areas not served by a local society can join the NFMA as an Affiliated Member. However, the membership requirements for joining MAGNY are significantly different than those for joining the SMFS. The committee has proposed uniform requirements, which have been revised and approved by the NFMA Board. These revised requirements will need to be addressed by each Constituent Society.

Growth in the organization's membership is a key initiative that came out of the strategic planning meeting. Our goal is to increase membership by 10% over the next 12 months. This is an aggressive goal and we are asking for everyone's assistance in achieving it by telling public finance participants about the organization and asking them to join if they are currently not members.

The possibility of a certification program was also discussed at the meeting. Rich Ciccarone continues to do some research on this topic.

The possible establishment of an education foundation was another focus point of the strategic planning meeting. Anyone interesting in helping research this topic and/or helping with our web based "Gateway" project should give Gerry Lian a call at 212-762-8479 or e-mail him at: gerard.lian@morganstanley.com.

Karen Szerszen

Membership Changes Proposed

The Board of Governors has approved changes to membership requirements, including revisions to requirements for Affiliated Individuals, and the addition of a new membership status, Associate Member. *(These changes will be applicable at the national level unless/until Constituent Societies change their bylaws accordingly.)* The following changes have been approved and appropriate constitutional changes have been proposed and are submitted herewith for approval by the membership of the NFMA. (See *Constitutional Changes Proposed*, page 11.)

- The existing requirement for two letters of reference has been eliminated. Instead, references from existing NFMA members will be preferred.
- The existing requirement that an individual must spend 50% of his/her time as a municipal analyst, supervisor of municipal analysts or as portfolio manager has been reduced to 25%.
- No minimum required time on the job (only that the individual is employed as defined above). This is a change from the current requirement of one year of employment before an application could be submitted.
- Add an *Associate Membership* level for all other market participants that would allow them access to the directory and any future secured parts of the website, discounts on conference fees, notifications of meetings, etc., but not allow them to serve on the Board of Governors or to vote. Associate members would be permitted to serve on committees, and otherwise enjoy benefits of membership.
- Dues for all members - Regular and Associate - would be the same (currently \$80/year).
- Grandfather any existing members of the NFMA (whether Affiliated Individuals or members through Constituent Societies). This would allow long time members whose job descriptions have changed to retain Regular membership status, and would solve the problem of whether any society has had more lenient membership requirements. If a society were to adopt the NFMA standards, all of their **current** regular members would continue as members, but **future** members would have to meet requirements for Regular Membership, or apply as Associate Members.
- Associate Members would include the following professionals involved in the municipal industry or related disciplines: Public Financial Advisors, Public Sector Officials/Staff, Bond Counsel, Members of other Industry Groups, Members of Academia, Investment Bankers Municipal Sales and Trading Professionals. Other related disciplines would be considered/reviewed by the Membership Committee.

While the Board of Governors' vote will affect the membership requirements for the NFMA only, it is the goal of the Board to have uniform requirements among societies and the NFMA.

NFMA 2004 AWARDS

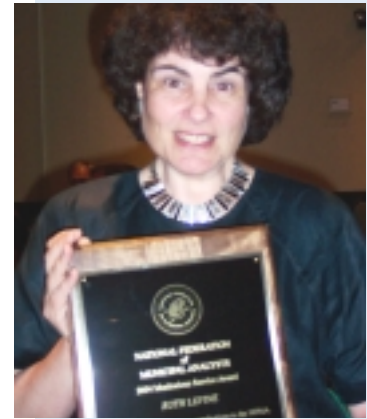
The Awards Committee granted four awards at the NFMA Annual Conference in Kiawah this year. Ruth Levine of Vanguard received the Meritorious Service Award, Don Lipkin of Bear Stearns received the Award of Excellence, Paul Daniels of Investortools received the Industry Contribution Award, and Robin Huntley, formerly of Loomis Sayles, received the Career Achievement Award.

Their plaques read as follows:

Ruth Levine

In recognition of her many contributions to the NFMA.

Ruth's efforts on behalf of the NFMA have been numerous and wide-ranging. She has served as the annual conference chair, on disclosure subcommittees, and as a speaker at educational programs.



Don Lipkin

In recognition of his outstanding work in municipal credit analysis.

Don has been a consistently valuable analytical voice across many sectors, and has particularly distinguished himself in covering the tobacco sector.



Paul Daniels

In recognition of his contribution to the enhancement of credit analysis and portfolio management.

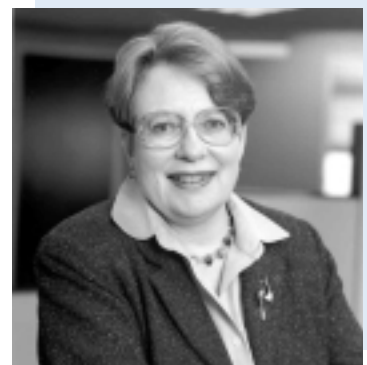
As the founder of Investortools and one of its executive leaders, Paul has helped provide municipal analysts and portfolio managers with products to help them do their jobs more effectively.



Robin Huntley

In recognition of her ceaseless dedication and commitment to the municipal bond industry and to the NFMA.

In addition to having a distinguished career in the industry, Robin has made exceptional contributions to the educational initiatives of its professional membership.



The Awards Committee consisted of *Karen Szerszen*, who served as chair, and a representative from each Constituent Society as well as a representative of the Affiliated Members. These members of the Awards Committee were: *Thalia Meehan* from Putnam representing the BMAF, *Jeff Wilson* from Saybrook Capital representing CSMA, *Terry Trim* from Nuveen representing CMAS, *Ed Merrigan* from Ziegler representing MAGNY, *Alan Polsky* from Dougherty representing MSMA, *Chuck Grob* from AIM Investments representing the SMFS, and *Nancy Belz* from Federated representing the Affiliated Members.

Karen Szerszen

Annual Conference 2004 at Kiawah Island



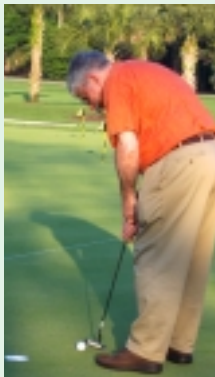
Mary Carmean watches as Heidi Hukreide puts at the the Putting Contest.



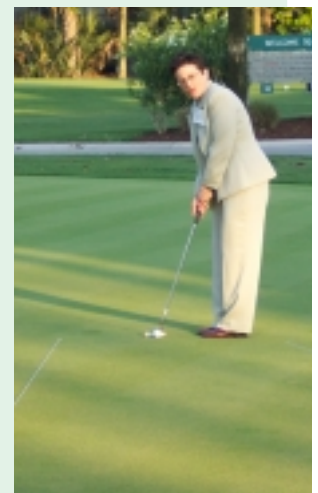
2004 Board of Governors - first row (l-r): Gerry Lian, Karen Szerszen, Judi Harvey, Heidi Hukreide, Anne Ross, Eric Friedland, Mark Clayton. second row: Greg Aikman, Don Cirillo, James Dearborn, Joe Rosenblum, Greg Clark, Brian Winters, Brian Tournier. third row: Rob Yolland, Chuck Emrich, Tom Weyl, Bill Hogan, Howard Mischel. Missing: Alex Fraser, Jane McCart, Tom McLoughlin, Marie Pisecki, Thor Raarup, Lisa Zuckerman



Bird's eye view of the putting contest. Neil Grabowski and Jennifer Johnston were the winners of contest, with lowest score, and hole-in-one, respectively.



Terry Trim takes his best shot.



Karen Krop prepares to put.



Conference Co-Chairs Peter Stettler and Howard Mischel.

In Memorium

Peter J. Allegrini, past member of the Boston Municipal Analysts Society and the NFMA, passed away on Saturday, June 26 from injuries sustained in an automobile accident. He was 51. Peter had been a member of the NFMA Board of Governors in 1986-87 and 1987-88, and was a speaker at NFMA Annual Conferences in Pittsburgh and San Francisco.

Peter had worked for Fidelity Investments as a portfolio manager for many years, and most recently was employed by Prudential Investments. He was a graduate of Mount Saint Mary's College and is survived by his wife of 27 years, Joan Allegrini, two sons and one daughter.

The NFMA Wishes to Thank the Sponsors of the 21st Annual Conference

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NFMA

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NFMA CALENDAR

October 20, 2004 – NFMA Board of Governors Meeting, Westin Grand, Washington, DC

October 21-22, 2004 – NFMA Advanced Seminar on Education and Not-For-Profits, Westin Grand, Washington, DC

November 4-5, 2004 – NFMA Introduction to Municipal Bond Credit Analysis, Loews Philadelphia, PA

January 12, 2005 – NFMA Board of Governors Meeting, Disney's Grand Floridian Resort & Spa, Orlando, FL

January 13-14, 2005 – NFMA Advanced Seminar, Topic TBD, Disney's Grand Floridian Resort & Spa, Orlando, FL

April 27-29, 2005 – NFMA 22nd Annual Conference, Wyndham Canal Place, New Orleans, LA

Spring 2006 – NFMA 23rd Annual Conference, Santa Monica, CA (Date and Hotel TBD)

Spring 2007 – NFMA 24th Annual Conference, Las Vegas, NV (Date and Hotel TBD)

NFMA

CONSTITUTIONAL CHANGES PROPOSED

The Board has approved changes to the NFMA constitution which now must be approved by the membership of the NFMA pursuant to Article XV, Section 2, which reads as follows:

Each proposed amendment shall be published in the Municipal Analysts Bulletin. Regular members and affiliated individual members of the Federation will have sixty (60) days after each proposed amendment is so published to comment on said amendment. If either: (a) more than 5% of the membership of the Federation, or (b) 25 members, whichever is less, object in writing to the Secretary of the Federation regarding the proposed amendment, said amendment will require a three-fourths vote of approval by the Board in order to become effective; otherwise, said amendment will become effective upon the termination of the 60-day comment period without further action by the Board. If defeated, an amendment may not be proposed again for a period of one year.

The following is the constitution of the NFMA with proposed changes highlighted. These changes have received Board approval and are hereby being submitted to the membership for approval. If fewer than 25 people object to any of the proposals within a sixty-day period, the amendments will be passed. The full version of the existing constitution can be found at nfma.org/about the NFMA.

CONSTITUTION OF THE NATIONAL FEDERATION OF MUNICIPAL ANALYSTS

ARTICLE I-NAME

The official name of this organization shall be the National Federation of Municipal Analysts. Within this Constitution, "Federation" and "NFMA" are synonymous with the official name.

ARTICLE II-PURPOSE

The National Federation of Municipal Analysts is a not-for profit association of municipal analysts' societies and affiliated individual members. ~~The Federation's goals are: (1) promoting professionalism in municipal credit analysis and furthering the skill level of its members through educational programs, industry communication and other means; (2) providing an informed perspective in the formulation of legal and regulatory matters relating to the municipal finance industry; (3) facilitating the flow of information between investors and the issuing entities.~~ The Federation's goals are: (1) to promote professionalism in global public finance and credit analysis in order to maximize its members' potential; (2) to further the skill level of its members through educational programs; (3) to advocate issues of importance to the municipal finance industry, as deemed appropriate; (4) to facilitate the flow of information between analysts and market participants.

ARTICLE III-LOCATION

The principal office of the Federation will be located at such place as the Board of Governors may determine.

ARTICLE IV - MEMBERSHIP

The Federation shall initially consist of four "Charter" organizations: (i) the Boston Municipal Analysts Forum, the Chicago Municipal Analysts Society, the Municipal Analysts Group of New York, and the Southern Municipal Finance Society; (ii) two New Constituent Societies, the California Society of Municipal Analysts and the Minnesota Society of Municipal Analysts (the Charter Organizations and New Constituent Societies are hereafter collectively referred to as the "Constituent Societies"); (iii) and "Charter" member(s) representing affiliated individual members (the "Affiliated Group").

Section 1 - Classes of Membership

There shall be ~~three~~ four classes of members ~~in~~ the Federation: constituent societies, regular members of constituent societies, ~~and~~ affiliated individual members, ~~and~~ associate members, all as hereinafter defined in Article IV.

For the purpose of this Article "Regular Members" shall be defined as resident, full dues paying members of such Constituent Societies and Affiliated Individual Members.

Associate Members shall be defined as professionals in the municipal industry or related disciplines who do not meet the requirements for membership as Regular Members.

Section 2 - Application and Admission Procedures

(a) Constituent Societies - An application for admission as a ~~e~~Constituent ~~s~~Society shall be submitted to the Vice Chairperson of the Federation who shall serve as Chairperson of the Membership Committee. The Membership Committee shall review the application and any accompanying material, prepare a report of its recommendations and submit the application and its report to the Chairperson of the NFMA within ninety (90) days of the receipt of the application by the Chairperson of the Membership Committee. Such an application for admission will be considered for a vote by the full Board of Governors not later than the next scheduled meeting of the Federation Board of Governors. The Chairperson of the Federation at his or her discretion may solicit a vote earlier than the date established for the next scheduled Federation meeting. Acceptance shall require a majority vote of all current Governors of the Federation. If such an application is approved, the individual members of the organization seeking affiliation with the Federation will automatically become members of the Federation. If such an application is rejected, the organization so affected may reapply, but not for a period of at least one (1) year.

(b) Affiliated individual members - Any individual who is not a regular member of a Constituent Ssociety may apply for membership individually as an ~~a~~affiliated ~~i~~individual member of the Federation. The application for membership shall be submitted to the Chairperson of the Membership Committee. ~~The application shall include at least two letters of reference from Federation members in good standing.~~ The ~~m~~Membership Ccommittee shall review the application and the accompanying material, prepare a report of its recommendation, and submit the application and its report to the Chairperson within ninety (90) days of the receipt of the application by the Chairperson of the Membership Committee. If the report of the Membership Committee is favorable, the applicant shall automatically become an ~~a~~affiliated ~~i~~individual member. Affiliated status is available only to those persons not having reasonable access to membership in a Constituent Society.

(c) Associate members – Any individual who is not a Regular Member of a Constituent Society and does not meet the requirements for membership as an Affiliated Individual Member may apply for membership individually as an Associate Member of the Federation. The application for membership shall be submitted to the Chairperson of the Membership Committee. The Membership Committee shall review the application and the accompanying material, prepare a report of its recommendation, and submit the application and its report to the Chairperson within ninety (90) days of the receipt of the application by the Chairperson of the Membership Committee. If the report of the Membership Committee is favorable, the applicant shall automatically become an Associate Member. Associate Members may not serve as an officer of the Federation, nor may they serve on the Board of Governors, or vote on amendments to the constitution.

(d) Form of Application - The Membership Committee shall have total responsibility for the preparation and maintenance of a suitable form of application for ~~both~~ Constituent Ssocieties, ~~and~~ ~~a~~affiliated ~~i~~individual Mmembers and Associate Members.

Section 3 - Removal of Members

(a) The privilege of membership to the NFMA imposes adherence to the Federation's established Code of Ethics. Allegations of violations of the Federation's Code of Ethics are to be reported promptly to the Chairperson of the NFMA.

(b) If the Board of Inquiry finds reasonable evidence of a violation, the Board may by a three-fourths majority vote of all Governors authorize appropriate disciplinary action including expulsion from membership. The Member or Members so expelled are barred from reapplication for membership for a period of not less than ten (10) years.

(c) The Board of Governors, upon the recommendation of the Membership Committee, may by the unanimous vote of all Governors ask for the resignation of a Member or Members whose career status or circumstances have changed sufficiently that the nature of the person's or persons' current employment is no longer consistent with the spirit of the Federation's then current membership requirements. A Member or Members who then resign may reapply for membership, but not sooner than one (1) years.

ARTICLE V - BOARD OF GOVERNORS

Section 1 - Board of Governors

The general affairs of the NFMA shall be administered by the Board of Governors ("the Board"). The Board shall be composed of members as follows: (i) four Officer positions consisting of the Chair, Vice Chair, Treasurer and Secretary; (ii) positions filled by the Constituent Societies and Affiliated Group, each of whom shall place two (2) persons on the Board of Governors; (iii) up to six additional positions for at-large Governors; and (iv) the immediate past Board Chairperson for a one year term. In the future, at such time, if any, as a new Constituent Society is accepted into membership, the Board may, by a two-thirds vote of all Governors, approve further expansion of the Board to accommodate up to two (2) Governors from such Constituent Society; however, in no event shall any such Constituent Society ever have more than two (2) Governors sitting on the Board (exclusive of Officers, past Chairpersons and at-large Governors). If a Constituent Society Governor is appointed as an Officer, that Society may appoint a replacement Constituent Society Governor to fill the vacant position. If an at-large Governor with time remaining on his term is appointed an Officer, the Board may elect a replacement at-large Governor to fill out that term (using the same procedure for the election of all at-large Governors). The Board vote for officers would precede the at-large vote, to allow for any replacement positions. The immediate past chairperson of the Board shall serve as a voting member of the Board in the year following his or her tenure as chairperson, exclusive of the six (6) at-large members. It is recommended that Board terms shall be staggered in such a way that each member Society, if represented by more than one Governor, will have a new Governor on the Board annually. Vacancies on the Board of Governors shall be filled pursuant to Article VIII, Section 6 of this Constitution.

Section 2 - Executive Committee

The Board will create an Executive Committee to manage the routine operations of the Board and to carry out directives of the Board. The Executive Committee shall have authority to act upon questions in accordance with existing policy on behalf of the Board, provided (a) that the Executive Committee shall, through the mailing of its minutes to all Governors, promptly inform the full Board of all decisions it has made and (b) that decisions of the Executive Committee shall be submitted to the full Board for approval whenever any three or more Governors shall challenge such decisions, in which case a majority vote of all Governors shall be required to approve any such decisions.

The Executive Committee will be composed of the four officers of the Federation and three Governors elected annually to the Committee by the Board. No more than two members of any Constituent Society (including at-large Governors) may serve simultaneously on the Executive Committee.

ARTICLE VI - ELECTION OF GOVERNORS

Each **C**onstituent **S**society shall exercise full autonomy in the election process used to determine its representation on the Federation Board of Governors and shall make such a determination not later than January 1 of every fiscal year. The Secretary of the Federation shall solicit by written notice, recommendations for board memberships to be filled among affiliated individual members. The Secretary of the Federation shall present all such recommendations to the full Board of Governors for their consideration. A majority vote by the full Board of Governors is required to fill each such board position. No Governor shall be allowed to succeed himself except upon a unanimous vote of all Governors. Any retiring Governor may be authorized to serve in an at-large position authorized by the Board under Article V of this Constitution.

ARTICLE VII - MEETING REQUIREMENTS FOR THE BOARD OF GOVERNORS

A **b**Board meeting shall be called by the Chairperson at least once annually and will require attendance by three-fifths of all Governors to make a quorum. In addition, in order to conduct business as outlined in this Article VII, one governor from each Constituent group must be present or otherwise represented. No business may be conducted without a quorum present. All decisions of the **B**board will be made by a majority vote with one vote per governor with the Chairperson carrying an additional vote to become operative only in the case of a tie. Meetings may be held and business conducted either in person or via phone. Votes and or substitute representation may be carried out by proxy and shall satisfy the quorum requirements of this Article VII. The business of the Federation shall be conducted according to Robert's Rules of Order; however, the Chairperson, at his discretion, may invoke any other rules of order.

ARTICLE VIII - ELECTION OF OFFICERS OF THE FEDERATION

The Board shall annually elect a Chairperson, Vice Chairperson, Treasurer and Secretary. Elections shall take place prior to December 15, with terms beginning January 1 or the first business day thereafter.

Section 1 - The Chairperson

The Chairperson shall have and may exercise the powers and duties commonly incident to his office. The Chairperson shall preside at all meetings of members and at all meetings of the Board of Governors. The Chairperson shall have such duties and exercise such powers as are prescribed by the Constitution of the Federation as well as such other duties and powers as the Board of Governors may prescribe. The Chairperson is an ex-officio member of all Committees.

Section 2 - Vice Chairperson

The Vice Chairperson shall perform the duties of the Chairperson in his absence and shall automatically assume the Chair of the Federation in the event of the Chairperson's resignation or death. The Vice Chairperson shall have such other duties and may exercise such other powers as the Board of Governors may prescribe.

Section 3 - Treasurer

The Treasurer shall have and may exercise the powers and duties commonly incident to this office. The Treasurer shall serve as the Chairperson of the Finance Committee established in Article X. The Treasurer shall receive, hold and disburse the funds of the Federation and shall submit an annual financial statement and such other statements as the Chairperson may require. The Treasurer shall have such other duties and may exercise such powers as prescribed by the Federation Constitution as well as such other duties and powers as the Board of Governors may prescribe.

Section 4 - Secretary

The Secretary shall act as Secretary at all meetings of members and at all meetings of the Board of Governors and shall keep a record of the proceedings thereof. Among his or her duties in addition to those outlined elsewhere in the Constitution of the Federation shall be the maintenance of a record of member societies that includes both names and addresses and the names and addresses of affiliated individual members, as well as the terms of all governors. The Secretary shall have such other duties and may exercise such other powers as the Board of Governors may prescribe.

Section 5 – Officer Nominations

Only Governors are eligible to serve as Officers of the Federation. Nominations for the Office of Chairperson, Vice Chairperson, Treasurer and Secretary shall be made by the Nominations Committee in accordance with Article X, Section 7. The then current Secretary shall serve as the Chairperson of the Nominations Committee. . The Officer slate prepared by the Nominations Committee shall be forwarded to the Chairperson of the Board of Governors who will present the slate to the full board. At such time as a vote is to be taken on the slate, additional nominations may be taken from board members. A majority of the Board of Governors shall be necessary to elect each officer.

Section 6 - Vacancies

Except as provided for in Article VIII, Section 2, a vacancy in any office may be filled by the Board of Governors by the appointment of a successor for the unexpired term of the Governor whose place is vacant. Recommendations for appointees shall be made by the governing body of the constituency represented by the vacancy.

ARTICLE IX - MEMBERSHIP IN MORE THAN ONE CONSTITUENT SOCIETY

If a person is a regular member of more than one Constituent Ssociety, that person shall be considered a member of the society of his specific designation for purposes of defining his membership status.

ARTICLE X - STANDING COMMITTEES

There are hereinafter established ten (10) standing committees, such committees to be formed and to have the duties and limited authority as provided in this Article X.

Section 1 - Committee Chairpersons and Members

Only Governors of the Federation shall serve as standing committee chairpersons. Except as indicated below, chairpersons of the standing committees shall be appointed by the Chairperson of the Federation. Co-chairs of standing committees may be established with one member who is not currently on the Board of Governors. The committee chairpersons shall appoint members of their respective committees with the approval of the Chairperson of the Federation.

Section 2 - Membership Committee

This committee shall be chaired by the Vice Chairperson of the Federation. This committee has the responsibility for reviewing all applications for membership and making recommendations to the Chairperson regarding such applications. This committee shall also have responsibility for encouraging the formation of constituent societies throughout the United States and for expanding membership among affiliated individual members.

Section 3- Finance Committee

The Finance Committee shall be chaired by the Treasurer of the Federation. This committee shall be responsible for the sound management of the financial affairs of the Federation. In furtherance of the provisions of Article XII, Section i, this committee shall be responsible for preparing, prior to the start of each fiscal year, a budget containing an estimate of revenues and expenditures for all operations of the Federation for the coming year. The budget shall be submitted to the Board for approval no later than the first meeting of the year to which the budget applies. Ongoing expenses of the Federation shall be paid on a continuing basis whether or not a budget for the then current year has been approved by the Board.

Section 4- Constitution Committee

The responsibilities of this committee are to prepare the Constitution for the Federation and to review periodically, but not less than once every three years, the Constitution of the Federation for its appropriateness for the then current needs and requirements of the Federation. This committee is also responsible for recommending changes, modifications or additions if any such changes are deemed advisable.

Section 5- Awards Committee

The responsibility of this committee shall be to review industry developments for evidence of unusual substantial contributions on the part of practicing professionals and to recommend such persons for recognition by the Board of Governors. This recognition may be conferred at either the annual NFMA National Conference or at a special time as so designated by a majority vote of the Board.

There is no requirement that an award be given in any fiscal year, and it is intended that such an award shall be reserved for extraordinary contributions.

Section 6- Education Committee

The Education Committee shall be responsible for (a) recommending, coordinating and reviewing educational projects to be sponsored by the Federation in the light of current and emerging educational needs of municipal analysts and (b) working with the program and education committee chairpersons of Constituent Societies to coordinate educational functions.

Section 7- Nominations Committee

a. Membership and Duties: The Nominations Committee shall be chaired by the Secretary of the Federation and will include a minimum of five members consisting of the Chair, Vice-Chair and at least two other NFMA members. This committee shall be responsible for: (a) nomination of Officers enumerated in Article VIII, Section 5; (b) nomination of two Affiliate Governors; and (c) nomination of an at-large ballot for Board positions prescribed under Article V, Section 1.

b. Selection and Approval of At-Large Board Members: For at-large Board positions, prospective Board members shall volunteer or may be recommended for positions by June in the year preceding the upcoming term. A solicitation of volunteers shall be conducted during the general business meeting at the annual NFMA conference. The Nominations Committee shall review and approve volunteers and nominees for inclusion on an at-large ballot for consideration at the fall Board meeting based upon written criteria published and approved by the Board itself. A brief written qualifications summary shall be submitted for each candidate.

c. Voting Procedure for At-Large Board Members: The Board shall vote at the fall meeting to fill at-large positions that start in January. For the 2002 at-large positions, up to three individuals shall be elected to two-year terms and up to three individuals shall be elected to one-year terms. Thereafter, all at-large positions shall be filled for two-year terms. Voting shall be conducted by secret ballot, with each Board member casting one vote for each open position. Ties are to be resolved with additional rounds of voting for the tied candidates until resolved.

Section 8- ~~Audit Committee Sponsorship Committee~~

~~The Audit Committee shall be responsible for the oversight of all the financial affairs of the Federation and is charged with certifying that all matters regarding the receipt and disbursement of the Federation's funds comply with this Constitution and the directives of the Board. Membership on this committee is prohibited for any current Treasurer of the Federation or any current member of the Finance Committee as set forth in this Article. The Sponsorship Committee shall be responsible for contacting potential sponsors for the purpose of procuring financial contributions to the NFMA. The committee will comply with any guidelines set forth by legal and/or tax counsel.~~

Section 9- Industry Practices and Procedures Committee

The Industry Practices and Procedures Committee shall be responsible for examining municipal market issues and addressing the concerns of the Federation with regards to practices and standards within the industry. This committee may study proposals brought to the Federation and then report its findings to the Board for further consideration. This committee may also be directed by the Board to implement actions recommended by other committees or the Board regarding issues affecting or affected by the municipal finance industry.

Section 10- Disclosure Committee

The Disclosure Committee shall be responsible for developing and reviewing guidelines pertaining to the disclosure of information concerning issuers and other parties responsible for the repayment of municipal debt instruments, both at the time of issuance and throughout the life of the debt.

Section 11- Strategic Planning Committee

The Strategic Planning Committee shall be responsible for (a) identifying issues that are to affect the rule of the Federation in future years, (b) recommending long-range goals and objectives for the Federation, and (c) proposing policies to achieve these goals and objectives.

Section 12- Reports of Committees

The 10 chairpersons of each committee established herein shall prepare a report on the activities of their respective committees and submit such report to the Chairperson of the Federation not later than October 15 of each fiscal year.

Section 13- Other committees

Nothing shall prohibit the Board of Governors from establishing committees other than Standing Committees, which can be composed of members not currently on the Board of Governors.

ARTICLE XI - NATIONAL CONFERENCES

The NFMA will hold National Conferences annually, when possible, in order to provide members with the opportunity to hear presentations, to meet with members of other Constituent Societies of the Federation, and to contribute their efforts to the overall advancement of the NFMA. Such conferences shall be sponsored by the Federation. Proposals for such conferences shall be submitted to the Board for approval. The chairperson of the conference shall be appointed by the Chairperson of the Federation.

ARTICLE XII - FINANCES OF THE FEDERATION**Section I-Expenses**

An annual budget, corresponding to the January 1- December 31 operating year, and a mid-year interim report will be submitted by the Treasurer to the Board of Governors for approval.

Section 2 - Annual Dues

The payment of annual dues is to be made by January 1 of each fiscal year. The schedule of member dues for both regular members and for affiliated individual members shall be reviewed annually by the Finance Committee so as to determine their appropriateness given the then current financial requirements of the Federation. The Board of Governors may, by a two-thirds vote of those governors present, revise the schedule of dues.

Section 3 - Special Assessments

The Board of Governors may, by the unanimous vote of all governors, authorize the levy of special assessments on all classes of members.

ARTICLE XIII - AUTONOMY OF CONSTITUENT SOCIETIES

Member societies shall enjoy full autonomy in the exercise of their business. This autonomy is expressed without qualification, and no limitation or restraint by the Federation is either expressed or implied in this Constitution.

Section 1 - Membership Requirements

Membership requirements of the constituent societies shall be determined completely and solely by themselves.

Section 2 - Selection of Representatives

Each society is expected to determine its method of selecting its representatives to the Federation's Board of Governors. The financial obligation of any constituent society is limited to those provisions expressly stated in Article XII of this Constitution.

ARTICLE XIV - DIRECTORY OF FEDERATION MEMBERS

The Federation may authorize the creation, maintenance and distribution of a directory of Federation membership. Such a membership list may be used by the Federation for any purpose authorized by a majority of the Governors.

ARTICLE XV - AMENDMENTS TO THE CONSTITUTION

Section 1 - Proposal of Amendments

a. By the Board: Amendments to this Constitution may be proposed by the Board of Governors upon two-thirds approving vote by the Board. In order for a proposed amendment to be considered, all Board members must be provided with at least seven (7) day advance written notice of the upcoming meeting accompanied by a copy of the proposed amendment.

b. By the Membership: Amendments to the Constitution may also be proposed by 10% of the Federation membership through written application to the Secretary of the Federation.

Section 2 - Requirements for Amendments

Each proposed amendment shall be published in the Municipal Analysts Bulletin. Regular members and affiliated individual members of the Federation will have sixty (60) days after each proposed amendment is so published to comment on said amendment. If either: (a) more than 5% of the membership of the Federation, or (b) 25 members, whichever is less, object in writing to the Secretary of the Federation regarding the proposed amendment, said amendment will require a three-fourths vote of approval by the Board in order to become effective; otherwise, said amendment will become effective upon the termination of the 60-day comment period without further action by the Board. If defeated, an amendment may not be proposed again for a period of one year.

Section 3 - Form of Amendments

Amendments to this Constitution shall either take the form of new articles or shall be incorporated as changes to the text of existing articles.

ARTICLE XVI - EFFECTIVE DATE OF THIS CONSTITUTION

The Constitution shall become effective upon a three-fourths vote of all Governors and shall contain within this Article XVI that effective date. The Chairperson shall sign and the Secretary shall countersign their approval and authentication of this Constitution. Once approved, the Secretary of the Federation shall maintain an authenticated copy of this Constitution and amendments there-of, if any.