

Municipal Analysts

BULLETIN

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LETTER FROM THE CHAIRMAN Don Cirillo

Dear Fellow NFMA Members

As 2005 draws to a close, and my term as Chairman ends, I would like to take a quick moment in this last letter to recap some of the NFMA accomplishments of the last year.

They are as follows:

- Two major “Best Practices” papers, one for **“Water & Sewer”** (still open for comment) and one for **“Toll Roads”**;
- A draft white paper on **“Project Finance Risk Assessment & Disclosure”**;
- A position paper on **“Coerced Tenders”**,
- An **“Exposure Draft Recommended Term Sheet & Legal Provisions for Hospital Debt Transactions”** and
- 95% completion of the **Gateway Project**.

Compliments and thanks for a job well done go to the appropriate Chairs and Committees, who worked on these efforts. If you have not done so already, please visit our web site (www.nfma.org) and comment on the papers that are still in draft form.

Reviewing all of these papers once again reminds me that our annual seminar, **“Introduction to Municipal Bond Credit Analysis”** (organized by Anne Ross), held in Philadelphia, continues to draw a great response from the community and helps to educate those interested in our chosen field. Look for it again next fall.

The NFMA's most recent **“Advanced Seminar on Credit Enhancement”** (held last month in Cambridge, MA) was also an informative and educational experience attended by over 100. On behalf of the membership, please allow me to thank personally the Education Co-Chairs (Natalie Cohen and Bill Hogan) for another excellent job.

Oh --- before I forget, I would like to put in a plug for the NFMA's **“Advanced Seminar on Project Finance”** that is to take place in January 2006 in Austin, TX and which is shaping up to be a good one too! Also worth noting is our Annual Conference, which in May 2006 will be held in Santa Monica, CA and in 2007 will be in Las Vegas, NV. I trust our sponsors won't let us down and will continue their fine support so we can make these experiences affordable for everyone.

As always, at the final NFMA Board meeting of the year (held this time on October 26th in Cambridge) the NFMA Officers for 2006 were nominated and elected. They are:

Eric Friedland – Chairman

Tom Weyl – Vice Chairman

Rob Yolland – Secretary

Bill Hogan – Treasurer

I am sure the entire NFMA membership joins me in congratulating this quality team on its election. We all wish you well in the coming year and we are sure you will continue the strong tradition of volunteering.

In addition to the Officers, we had three At-Large seats open and available and one Affiliated seat. As an indicative sign that the NFMA has become a driving force in the municipal bond arena, and a desirable Board to join, we were fortunate to have nineteen great candidates (our largest field ever, by the way) express an interest in formally joining the NFMA and helping out. Unfortunately, only three of these skilled and highly qualified candidates could join us by way of the election process. Hopefully, the other sixteen will stay involved by volunteering for any one of the NFMA's important standing committees.

The NFMA is very pleased to have on the Board for the next two years the following At-Large and Affiliated members:

- 1) Lisa Zuckerman - At-Large
- 2) Greg Clark - At-Large
- 3) Natalie Cohen - At-Large
- 4) Mark Stockwell - Affiliated

In closing, I would like to thank all of my fellow Board members and officers for supporting me throughout my year as Chairman. The NFMA is nothing without volunteers and the Chairman's work would never be successful without assistance from the Executive Committee and the rest of the Board.

Although I will continue on the Board for one more year, I must say that it has been a personally rewarding and gratifying experience to work closely with so many professional and dedicated people.

A special thanks also needs to go to Lisa Good and Betsy Harkins.

Please enjoy the holidays that are coming up, and the New Year celebrations too, and ***I hope to see you all at upcoming NFMA events.***

BMAF

Boston Municipal Analysts Forum

The Boston Municipal Analysts Forum has held three meetings since the last edition of the *Bulletin*. On June 15, Mintz Levin law partners Bill Kannel, Rich Moche and Paul Ricotta presented a program on the recent changes to the Bankruptcy Code, pension and OPEB liabilities, and how developments in these areas could impact municipal issuers, primarily of the high-yield flavor.

On July 13, BMAF members gathered over lunch for a discussion of the Massachusetts School Building Authority's \$2 billion inaugural bond issue. Presenters included Commonwealth Treasurer Tim Cahill and Authority Executive Director Katherine Craven. Then it was time for some fun.

On September 14, Boston analysts toured Fenway Park followed by a pizza and beer reception. Photos of the tour can be seen at our space on the NFMA website (special thanks to NFMA webmaster Bob Vincent). Back to work.

We continued with our legal theme on October 6 when Ropes and Gray partners Steven Hoort and Cary Armistead gave a presentation on antitrust basics for analysts, managing antitrust risk in the bond restructuring context, and how different bond structures play out in bankruptcy. Lessons from the Robbins, IL case, still painful to some, were recounted.

BMAF will likely have one final meeting of the year prior to gathering on December 7 at Kings Lanes for our second annual BMAF bowl-a-rama. If any NFMA members are in town and would like to join in the fun, just let me know. This event will again be co-sponsored by Assured Guaranty Corporation. In reviewing our 2005 activities, I would like to thank BMAF Treasurer David Belton who will be the BMAF President in 2006, and Vice President Phil Shapiro for his service to BMAF. Best wishes to Phil on his new career endeavor.

Paul Flynn
2005 BMAF President

NFMA Treasurer's Report

Through September 2005 the NFMA is recording another successful year, with record attendance at the Annual Conference, successful sponsorship efforts and relatively stable membership trends. The NFMA has been focusing on improving operations and cash balances for years and with these improvements the Finance Committee is looking to modify the investment policy and move much of our money out of a checking account earning 0.3% and into a blended investment portfolio. The Finance Committee will discuss various options over the next several months. Another item of note is we now accept American Express for dues and conference registration. At its September meeting, the Board of Governors voted to accept American Express for all future events, so now you can pay with Visa, Master Card or American Express.

I again want to thank our sponsors that help make all that we do possible. It is through the consistent support of the sponsor that we can put on the high caliber programs and various projects that we are currently involved in. In addition to our sponsors, I would like to thank Don Cirillo and his Sponsorship Committee for a job well done. If anyone is considering sponsorship and would like additional information, please contact Don or me.

Membership remains a focus, and we are again pushing to expand our membership. Each of the Constituent Societies is working towards that goal and hopefully will be discussing membership growth when possible. If there are people within your organizations or people that you know of in the industry that are not members of the NFMA, please have them contact a representative from your Constituent Society or Lisa Good at lgood@nfma.org.

Thank you,
Rob Yolland



Southern Municipal Finance Society

A big thank you goes to Mark Clayton who arranged a luncheon held November 10, 2005. The presentation by Raymond Giuliani and Kent Saathoff, the Chief of Market Operations and the Director of Systems Operations, respectively, of the Electric Reliability Council of Texas (ERCOT) concerned ERCOT's role in managing the transmission of electricity across Texas' power grid. The luncheon and presentation was followed by a rare tour of the power grid management facility.

We will have openings on the board for 2006. If you interested in serving on the board or have ideas for a program for next year, please give me a call by November 30, 2005.

Our membership stands at 72 and if you have not renewed, remember that you can now pay through the NFMA using your credit card. If you need an application – you can find it at www.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 Disclosure Committee continues to move forward. The *Recommended Best Practices of Disclosure Guidelines for Water and Sewer* is in the draft phase and has been posted on the NFMA website for comments. Thanks go to Mary Francoeur (FGIC) and her committee for leading this effort. Please send your comments, and encourage others to do so, on the paper to Lisa Good by December 15th. A second paper on SWAPS is also underway, and another subcommittee has just been initiated an RBP of bond insurers. Please contact Zhara Afkari (Royal Bank of Canada) or Sara Kisner (A.G. Edwards), respectively, for more information about these sub-committees.

Chuck Emrich

Greg Clark

Co-chairs

MAGNY

Municipal Analysts Group of New York

MAGNY had a busy 2004 - 2005 season, with 10 monthly programs and more than 850 total attendees. The programs were well attended by members and also other municipal market participants, including portfolio managers, bankers, financial advisors, and issuers. While our primary focus is our membership, we also encourage non-members to attend our programs.

The summer hiatus for MAGNY programs ended in early September with a luncheon on Private Non-Profits and Educational Institutions. Moderated by Howard Cure of FGIC, the panel featured two interesting and informative presentations by Sarah Gillman of the Wildlife Conservation Society and Craig Becker of Seton Hall University. Both of these institutions have accessed the municipal market in recent years, and both face specific challenges in managing their operating and capital budgets. In October, we welcomed back John Lonski, Chief Economist at Moody's Investors Service. John last spoke at a MAGNY panel in fall 2001, and he is always a thought-provoking speaker. His presentation focused on the difficulty of projecting economic trends given the uncertain economic climate and concerns over housing "bubbles" in certain markets.

The current Board is pleased to announce that the next MAGNY event will be a breakfast with Joel Klein, Chancellor of the New York City school system, on November 30 at the Yale Club. His presentation will focus on the financial implications of the recently signed contract with the teacher's union.

Lastly, the Board is gearing up for our annual holiday luncheon at the Down Town Association on December 9. Details will follow but we will once again feature live entertainment and an open bar.

Kathy Evers, MAGNY Chair 2005 - 2006

Rich Raphael, Immediate Past MAGNY Chair



California Society of Municipal Analysts

The CSMA hosted its annual conference at the Hyatt Regency Newport Beach on July 27th & 28th. The conference included a site visit to the Irvine Ranch Water District on the 27th, followed by dinner at Mamma Gina's in Newport Beach. The conference on the 28th included three panels: Alternative Approaches to Water Supply, Achievements and Challenges in Redevelopment and Land Secured Financing-Anatomy of a Successful Workout. We had a great turn-out for the conference and want to again thank the Irvine Ranch Water District and all of our speakers and moderators for helping us put together such an interesting agenda for our members and guests!

We also hosted our second cocktail party of the year at Palomino's in San Francisco on September 15th.

The CSMA hopes to host a luncheon in the late fall in San Francisco - topic, location and date TBD.

<http://www.nfma.org/csma/index.html>

Molly Butler

Certification

The Certification Committee has been developing a survey that will be sent to all of our members within the next two months. This survey will give the NFMA Board some guidance regarding whether NFMA should further study the idea of certification and, if so, what form such a program might take.

If you have any questions about this project please contact Howard Mischel, Greg Aikman, Doug Nelson, Chuck Emrich, Brian Tournier, or Greg Clark. Phone numbers and email addresses can be found in the NFMA online directory, under Board of Governors.

Greg Clark



EDUCATION COMMITTEE

In its effort to provide basic training for new analysts as well as a forum at the more sophisticated analytical level, the Education Committee put together two conferences in October. The first was the annual *Introduction to Credit Analysis*, which provides an overview of the key sectors in the municipal market and approaches to analysis.

The second was the *Advanced Seminar on Credit Enhancement* held on October 26-27 in Cambridge, Massachusetts. The seminar covered basics of bond insurance, bank credit enhancement and government enhancement programs. Well attended with about 100 total participants, this seminar brought together analysts from the buy side, sell side, bond insurers, banks and rating agencies. Sessions were set up to appeal to participants in both the short and long term parts of the market.

Planning is well underway for the *January Advanced Seminar on Project Finance*, to be held on January 26 and 27 in Austin, Texas. **An e-mail with hotel and agenda details will be sent out shortly.** Topics will include discussions of construction risk and operating risk of projects, toll roads, the application of the European P3 model to the U.S. (public/private/partnerships) and utilities. There will also be a focus on projects in the pipeline in Texas.

Once we complete the January seminar we will begin to think about next year's education topics. You are solicited for your help! Please give the co-chairs your ideas and suggestions for next year and certainly volunteer if you can squeeze out the time. Volunteers are typically asked to put together a session, find speakers and moderate a panel.

If you would like to plan or moderate, or speak at a future seminar, please let Natalie Cohen or Bill Hogan – co-chairs for 2005 -- know of your interest.

Natalie Cohen and Bill Hogan, Co-Chairs

Thank you to all 2005 Diamond and Platinum Sponsors!!

Diamond: **Moody's Investors Service**
Standard & Poor's Corporation

Platinum: **DAC Digital Assurance Corporation**

Please go to www.nfma.org to see the full list of sponsors for 2005.

Sponsorship opportunities are available for 2006. Diamond and Platinum Sponsorships are available for the full year; Event Sponsorships are available for Advanced Seminars, (beginning with the January Advanced Seminar) and the Annual Conference. For further details, please contact Lisa Good at 412-341-4898, or lgood@nfma.org.

CMAS

Chicago Municipal Analysts Society

The Chicago Municipal Analysts Society had a busy seminar season this year with a seminar June 9, 2005 featuring George Friedlander, Managing Director, Citigroup Global Markets and Mark Zandi, Chief Economist and Co-founder of Economy.com in a discussion about the economy and its effect on the municipal markets. On July 14, 2005 CMAS sponsored a seminar on Convention Centers/ Hotels featuring Heywood Sanders from the University of Texas at San Antonio and Peter J. Phillippi, Investment Banker at Piper Jaffray & Co. Our fall social event featured an afternoon of bowling at 10Pin in Chicago. Between the lows of gutter balls and highs of strikes a good time was had by all. We finished off our seminars with an event held November 3, 2005 on the topic of Medicaid Cuts and the Impact on State Finances featuring Robin Rudowitz, Senior Associate Kaiser Commission on Medicaid and the Uninsured and John Kenward, Director, Standard and Poor's. We will be ending our year with a Holiday Luncheon to be held December 9, 2005.

Brian Winters

NFMA

Constitution Changes

At its October 26 meeting, the NFMA Board of Governors voted to make the following changes to the Constitution. As shown below, purpose of the changes is to conform the document with existing practices, particularly as they pertain to Standing Committees, and to make corrections in the references to the Annual Conference. For the full text of the existing NFMA Constitution, please refer to www.nfma.org/about.php, and scroll down to “Organization”.

Changes to the Constitution of the NFMA may be made in accordance with Article XV, Section 2:

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.

Article V, Section 1

“...(ii) positions filled by the Constituent Societies **and** Affiliated Group, each of whom...”

Article X

“There are hereinafter established ~~ten (10)~~ **eleven (11)** standing committees, such committees to be formed...”

Article X, Section 1

“**With the exception of the chair of the Annual Conference Committee**, ~~Only~~ **only** Governors of the Federation shall service as standing committee chairpersons. “

Article X, Section 5

“...This recognition may be conferred at either the ~~annual NFMA National~~ **Annual** Conference...”

Article X, Section 6

“...and (b) working with ~~the program and education committee chairpersons of~~ Constituent Societies **and the Annual Conference Committee chairs** to coordinate educational functions, **typically including at least two advanced seminars. The vice-chair of this committee automatically moves up to the chair the following year.**”

Article X, Section 7

“(b)...For at-large Board positions, prospective Board members shall volunteer or may be recommended for positions by ~~June~~ **September 30** in the year preceding the upcoming term.”

Article X, Section 7

“(c)...The Board shall vote at the fall meeting to fill at-large positions that start in January. For the ~~six~~ **2002** at-large positions, up to three individuals shall be elected to two-year terms **each year** ~~and up to three individuals shall be elected to one year terms. Thereafter, all at large positions shall be filled for two year terms.~~”

Article XI ~~National Conferences~~ **Annual Conference**

“...The NFMA will hold ~~National Conferences annually~~ **an Annual Conference**, when possible, in order to provide members...”

Industry Practices and Procedures

The Industry Practices and Procedures Committee has been working on several issues in the months since the last *Bulletin* was published. We published two papers discussed in the past and have decided to change our focus on one major project.

The Model Term Sheet for Hospital Bond Transactions was released in June and we have received minimal comments on the paper. A final version is being readied for release. The Committee also completed and released a position statement on the abusive tender practices (Position Paper on Coerced Tenders). Unfortunately, this practice continues to grow and current methods are even more abusive than those discussed in the statement.

The Industry Practices and Procedures Committee has also been working in conjunction with the Disclosure Committee to develop Recommended Best Practices for Disseminating Disclosure Information in the Municipal Market. In response to a general solicitation to our members, numerous analysts and representatives of industry trade groups have formed an ad hoc task force to develop comprehensive dissemination guidelines that address multiple facets relating to the dissemination of investment information, including: (i) new issue offerings; (ii) secondary market reporting; (iii) the release of information to municipal pricing services; (iv) the use of the Internet to disclose annual financial information and other data; and (v) provision of information to retail investors. We hope to release a draft copy of this document in the first part of 2006.

At the October Board meeting, the Committee reported to the full Board that we intend to modify our approach to the Securities Law White Paper. This project is a rather ambitious undertaking requiring a significant amount of input from legal counsel outside of our organization. All those involved undertook this task with the best intentions but unfortunately, the enormity of the task proved too much. We intend to break the paper down into smaller sections and see if we cannot make some progress producing Position Statements on individual topics such as Insider Trading or Regulation FD's Unintended Consequences for Municipal Bond Analysts.

Tom Weyl and Gerry Lian

Co-Chairs

Industry Practices and Procedures



2006 Annual Conference



The NFMA's 23rd Annual Conference will be held at the **Loews Santa Monica Beach Hotel, Santa Monica, CA, on May 3-5**. The Conference Committee, led by Joe Rosenblum and Lisa Zuckerman, has the program underway, and plans another healthcare track this year, along with an optional trip to the Getty Center in Los Angeles (<http://www.getty.edu/visit/>). Please watch your inbox – email and hard copy – for the program in early February

NFMA CALENDAR

December 7, 2005

BMAF Bowl-A-Rama
Boston, Massachusetts

December 9, 2005

MAGNY Holiday Luncheon
New York, New York

December 9, 2005

CMAS Holiday Luncheon
Chicago, Illinois

January 25, 2006

NFMA Board of Governors Meeting
Hilton Austin
Austin, Texas

January 26-27, 2006

NFMA Advanced Seminar on Project Finance
Hilton Austin
Austin, Texas

May 3-5, 2006

NFMA Twenty-third Annual Conference
Loews Santa Monica Beach Hotel
Santa Monica, California

May 16-18, 2007

NFMA Twenty-fourth Annual Conference
Four Seasons Las Vegas
Las Vegas, Nevada

May 6-9, 2008

NFMA Twenty-fifth Annual Conference
Loews Miami Beach Hotel
Miami Beach, Florida

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