TWENTY-THIRD ANNUAL CONFERENCE

LOEWS SANTA MONICA
BEACH HOTEL
SANTA MONICA,
CALIFORNIA
MAY 3-5, 2006

Tuesday, May 2

6:00 – 8:00 p.m. **Welcome Reception Sponsored by Saybrook Capital**

Location: The Jonathan Beach Club

Wednesday, May 3

7:30 – 8:30 a.m. **Registration and Continental Breakfast Sponsored by MBIA**

8:30 – 8:45 a.m **Welcoming Remarks** – *Eric Friedland*, Director, FSA, NFMA Chairman, • *Joe Rosenblum*, SVP, Alliance Bernstein and *Lisa Zuckerman*, Director, Standard & Poor's, Conference Co- Chairs

8:45 – 9:15 a.m. **Keynote Address** – *Steve Peace*, Former California Senator.

9:15 – 10:30 a.m. **The Burst of the Real Estate Bubble: Will Municipal Bonds be the Same?**

There is no question that over the last few years, residential real estate price appreciation has continued at a nearly breakneck pace. According to the National Association of Realtors, home prices increased at a record level in 2005. In California, housing prices doubled over the last 5 years, and over 60% of buyers now use interest-only mortgages. Over the last year, we have seen an increasing amount of commentary and debate regarding the presence of a "real estate bubble" and whether it is about to burst. The Economist stated that "The worldwide rise in house prices is the biggest bubble in history." Yale professor Robert Schiller, who wrote the book Irrational Exuberance, has evidence that the current surge in U.S. home prices is without parallel. Yet a recent study by the Federal Reserve Bank of NY refutes the notion of a real estate bubble.

This panel will review the data and debate whether a crash has begun or is imminent -- and, if so, what will happen to local economies, municipal revenues and the municipal bond market? Which issues and sectors are most vulnerable to a plummet in real estate prices, a collapse of mortgage markets, and a bust in construction? Will revenues from property taxes, assessments, and mortgages remain viable? How will bond credit analysis evolve to reflect this new reality?

Moderator: *Kurt van Kuller*, CFA, Senior Director, Head of Municipal Credit Research, Merrill Lynch & Co.

Panelists: *David Janssen*, Chief Administrative Officer, Los Angeles County • *John G. Lonski*, Managing Director & Chief Economist, Moody's Investors Service • *Brad Williams*, Director, Economics, Tax and Forecasting, California Legislative Analysts Office

10:30 – 10:45 a.m. **Break**

10:45 a.m. - Noon **Dealing With the High Price of Oil – Are Municipal Credits on a Slippery Slope?**

This panel of industry experts will focus on a variety of ways fuel prices impact different aspects of municipal credit at both the state and local level. The panel will examine a broad overview of the economy and how it responds to changes in fuel costs. It will also discuss the impacts of price levels on specific sectors such as utilities and transportation. The ability of extreme price volatility to influence behavior such as conservation and development and acceptance of alternative fuel sources will also be covered, along with the potential impact of these behavioral changes on municipal revenues and security provisions.

Moderator: *Adam Whiteman*, Managing Director, Frasca & Associates

Panelists: *Gary Krellenstein*, Managing Director, JP Morgan Securities • *Mark Vitner*, Director & Senior Economist, Wachovia Bank, N.A. • *Kevin Kone*, Assistant Deputy Airport Director-Finance, San Francisco International Airport. • *Dennis Anosike, SVP/Treasurer, Chicago Transit Authority*

12:15 – 1:45 p.m. **Luncheon – Speaker:** *Honorable Jerry Sanders*, Mayor of San Diego

Sponsored by Navigant Capital Advisors

2:00 – 3:15 p.m. **Top Ten Things that Drive the Buy Side Crazy**

As the tax-exempt bond market continues to evolve, it is important that analysts stay on top of legal provisions in bond documents that can dramatically affect the value and marketability of investments, or that can be used by the issuer to frustrate the expectations of the investor. This panel will focus on provisions which can come back to haunt investors if care is not taken to close legal loopholes or strengthen bondholders' rights. The ten issues to be addressed include: purchases-in-lieu of redemption; early calls of escrowed bonds; defeasance requirements; amendments to documents without bondholders' consent; notice of Internal Revenue Service determinations of taxability; obligations of issuers to address such IRS determinations; changes in control of a borrower without bondholder consent; float agreements and other sub-optimal investment vehicles for the debt service reserve fund; responsibility to maintain perfected collateral rights; and, last but not least, getting fund balance and payment information from trustees. The panel will examine these issues with the goal of explaining to the audience exactly what the controversies are all about, what is at stake, and offering practical tips on avoiding making yourself crazy.

Moderator: *Ann-Ellen Hornidge*, Partner, Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C.

Panelists: *Tom Weyl*, Director of Research, Eaton Vance • *Ed Nahmias*, EVP, Capital Research Company

3:15 – 3:30 p.m. **Break**

3:30 – 4:45 p.m. **What is "OPEB" and Why are We Discussing This?**

Just when state and local governments thought they were done wrestling with unfunded pension liabilities, along comes "OPEB" or "other post-employment benefits". Analysts and investors on both the fixed income and equity sides of the securities markets have become increasingly aware of the consequences of unfunded promises made to employees for pensions and post-employment health care. GASB 45, which will become effective for audits covering fiscal years beginning after December, 2006, asks municipalities to assess the cost of various post-employment health benefits, prescription plans and other non-pension related benefits they have promised to their employees. The expectation is that these costs will be huge. Assessing these costs is even trickier than assessing pension benefits. Once figured out and reported, will governments fund these promised benefits? How should we be thinking about these costs? What's does the future hold for municipal bonds for this purpose? Our panel will explore these and other OPEB issues.

Moderator: *Natalie Cohen*, Managing Director, FSA

Panelists: *David R. Bean*, Director of Research and Technical Activities,GASB • *Parry Young*, Director, Standard & Poor's • *Robert Larkins*, Managing Director, Lehman Brothers

Free Evening

Thursday, May 4

8:00 – 8:30 a.m.	**Continental Breakfast**
8:30 – 9:30 a.m. and	**Break Out Sessions 1,2,3,4,7**
10:00 – 11:00 a.m. and	**Break Out Sessions 1,2,5,6,8**
11:30 a.m. – 12:30 p.m.	**Break Out Sessions 3,4,5,6,9**

1. Land Secured Financing: The Developer/Issuer Partnership

Land secured financing is a critical tool ensuring that necessary public infrastructure accompanies private development. Using a California example, this panel will give you a taste of the interaction between the private developer and public issuer as a special district's financing plans are conceived. What is the role of and what are the important factors each considers in the design of a community facility district? What do they look at as the shape and size of these districts and the special taxes and resulting bond issues are negotiated by the affected local government and developer? What kind of disclosure can we expect from the developer? This panel will provide a simulation of the discussion between the affected parties, including a local government, private developer, and financial advisor/ underwriter, as they negotiate the construction and financing plan for a proposed new development.

Moderators: *Dari Barzel*, VP/Senior Credit Officer, Moody's Investors Service

Panelists: *Bill Huck*, Managing Director, Stone & Youngberg LLC • *Robert W. Toone*, City Manager, City of Palmdale, CA • *Kim Elliott, VP,* McMillin Land Development • *John P. Yeager,* Esq., Hewitt & O'Neil. LLP

2. The Sarbanes Oxley Act: What Does it Mean to the Municipal Analyst?

In 2002, Congress enacted the Sarbanes-Oxley Act (SOX) in response to a series of corporate accounting scandals. SOX dramatically altered federal regulation of public company corporate governance and reporting procedures. SOX and the underlying issues also triggered modification of standards imposed by others, such as stock exchanges, state regulators and trade associations. Though not necessarily required to, a number of credits, particularly non-profits in healthcare, have opted to adhere to at least some of these new requirements. In addition, several states are considering new legislation which could apply to non-profits operating in their states. This session will provide details on what SOX actually requires and what is happening on the state level, including which issuers fall under SOX and which may fall under the state requirements. And for those that adhere to the SOX-like standards, either by law or voluntarily, what does that mean in terms of analyzing the management and the disclosure reports received by bondholders?

Moderator: *Greg Sandomirsky*, Partner; Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C.

Panelists: *Belinda Johns*, Senior Assistant California Attorney General, Head of Charitable Trusts Section • *Robert Fuller*, EVP & COO, Downey Regional Medical Center • *Michael Blaszyk*, EVP & CFO, Catholic Healthcare West

3. Swaps: Understanding a Comprehensive Program

Swaps and derivatives have become integral to public finance transactions, with an increasing number of issuers executing more sophisticated transactions to better manage assets and liabilities. Where several years ago, most issuers had at most one or two swaps in place, now many have several or even dozens of swaps, and are using a broader range of instruments, including basis swaps and swaptions. As issuers layer more derivatives into a program, analysts must learn the mechanics of more complex instruments, and focus more on how a swap program is structured and where the points of risk may be. This session will provide both basic information on the variety of derivative instruments available and the mechanics of more esoteric swaps, and explore the fundamentals of how a more complex swap program can be structured and should be analyzed. Further, panelists will discuss fundamentals of a well-constructed swap policy and sound monitoring procedures. Additionally, an issuer will provide insight as to how to develop appropriate policies and procedures, as well as analyze the risks and benefits associated with a more complex swap program.

Moderator: *Zahra Afkari*, Director, Royal Bank of Canada

Panelists: *Keith Norris*, Manager, Treasury and Debt Management, Metropolitan Water District of Southern California • *Peter Shapiro*, Managing Director, Swap Financial Group • *Keith Shultis*, Managing Director, Goldman Sachs & Co.

4. New Developments in Municipal Tax and Securities Law

Analysts have become increasingly aware of the activities of the IRS and SEC in the municipal market. This panel will give analysts a chance to hear directly from the IRS and SEC on recent developments and areas of enforcement, with an emphasis on issues impacting the tax-exempt status of municipal bonds. What are the hot areas for IRS audit activity? How can analysts identify potentially abusive deals? Under what circumstances would the IRS tax bondholders of debt that has been declared taxable? How will the work of analysts be impacted by Circular 230? What are the regulatory and enforcement priorities of the SEC in the municipal market?

Moderator: *Mark Flaherty*, Director of Municipal Research, Fidelity Investments

Panelists: *W. Mark Scott*, Partner, Vinson & Elkins • *Martha Mahan Haines*, Chief, Office of Municipal Securities, Securities and Exchange Commission • *Clifford Gannett*, Interim Director, Tax Exempt Bonds, Internal Revenue Service

5. California State Update
With some $60 billion of general obligation, public works appropriation, and economic recovery bonds outstanding, the State of California is perhaps the largest issuer in the municipal market. At the same time, its credit story has been among the most volatile over the last fifteen years. Despite the underlying wealth, the credit picture is made complex by a consistently difficult budget environment and the constant threat of initiatives changing the rules. Our speakers will provide an up-to- date presentation of current economic, debt, and budget conditions.

Moderator: *Jennifer Johnston*, VP/Analyst, Franklin Templeton

Panelists: *Katie Carroll*, Director, Public Finance Division, Office of the California State Treasurer • *Brad Williams*, Director, Economics, Tax and Forecasting, California Legislative Analysts Office • *Jean Ross*, Executive Director, California Budget Project

6. Selecting the Right Legal Counsel for Every Situation
Who are those firms that write the legal opinions? When is it appropriate to request or demand purchaser's counsel? How do you select legal counsel to act as purchaser's counsel, default counsel, or for the myriad of other times when an attorney is needed in connection with municipal finance? Regardless of a bond's size or complexity, the attorneys have an important role. The more complex the issue or situation, the more important that role seems to become. In a question and answer format, the panelists will focus on these broad questions and on how to choose the best lawyer or firm for a particular matter; the selection process, including bondholder group dynamics and the "beauty pageant"; how to interview potential counsel and how to research their reputation and experience; when it is appropriate for counsel to be retained by the indenture trustee, the bondholders, or both; fee arrangements and who pays the fee; conflicts of interest, how to avoid them, and when to waive them; and overseeing counsel, including who works on the matter.

Moderator: *Erik P. Kimball*, Shareholder, Akerman Senterfitt

Panelists: *Warren S. Bloom*, Principal Shareholder, Greenberg Traurig, P.A. • *Deena Christelis Ethridge*, VP, Columbia Management Advisors • *Dean Lewallen*, Senior Research Analyst, The Dreyfus Corporation

7. Healthcare Module A: Dynamics of a Start-Up CCRC
With the aging of the baby boomers, the senior living industry is experiencing unprecedented growth, at a pace which is expected to continue into the future. For the most part, bonds are sold on an unrated basis to investors. What are the key variables that an analyst needs to understand in looking at a start-up CCRC project? How much can analysts rely on the feasibility study to project expected results and what are the key components of an effective feasibility study? How important are demographic assumptions, pricing, contract types, market penetration, and real estate market dynamics, versus the skill of a marketing team? What can go wrong in a start-up project and what can go right? An experienced underwriter, feasibility consultant and buy-side analyst lend their perspective on this rapidly growing market segment.

Moderator: *Sarah J. Healy*, SVP, Sovereign Bank

Panelists: *Thalia Meehan*, Managing Director, Putnam Investments • *Ed Merrigan*, Director of Research, B.C. Ziegler & Co. • *Mario Mckenzie*, CPA, Principal, LarsonAllen

8. Healthcare Module B: Capital Spending: Focus on Information Technology
Analysts, providers and legislators have put increased emphasis on information technology initiatives, particularly on the necessity of the Electronic Medical Record, physician order entry systems, clinical outcomes measurement and evidence-based medicine as a means to improve quality and efficiency. Health care information technology systems are also expected to provide a return on investment and prove "valuable" in a pay-for-performance environment. Providers are spending millions on information technology and on training physicians and clinical users -- but will these efforts actually deliver value as expected? How can analysts evaluate the quality of a facility's or system's IT initiatives, and the potential risks and benefits involved in a major implementation? What questions should an analyst ask about system features, project milestones, costs, and expected benefits? What are the common pitfalls in a major installation and how can they be identified? What are the lessons to be learned from past experience?

Moderator: *Martin Arrick*, Managing Director, Standard & Poor's

Panelists: *Dan Drawbaugh*, Chief Information Officer, University of Pittsburgh Medical Center • *Paul Black*, COO, Cerner Corporation • *John Patterson*, Chief Technology Officer/VP, Children's Hospital Los Angeles

9. Healthcare Module C: The Outlook for Rural Hospitals
An increasing number of small rural hospitals are bringing bonds to the market either for substantial renovations or full replacement facilities. Analysts reviewing these borrowers are faced with an array of issues uncommon to urban and suburban credits. This panel will help analysts better understand the challenges facing rural hospitals including physician recruitment, staffing and capital needs. A large part of the discussion will focus on Critical Access Hospital status. Which hospitals are good candidates? What are the credit implications of moving to this more lucrative reimbursement methodology? What is the future of this important program in light of the growing federal deficit? What changes are on the horizon?

Moderator: *James Dearborn*, Director of Municipal Research, Columbia Management Advisors

Panelists: *William E. (Chip) Holmes*, Administrator, Littleton Regional Hospital, Littleton, NH • *Susanna K. Laundy*, VP, Finance, Catholic Health Initiatives • *Michele Yepez,* Health Program Manager, California Department of Health Services - State Office of Rural Health

12:45 – 2:45 p.m. **Optional Workshop on Draft White Paper - Swaps Update**
A subcommittee of the NFMA Disclosure Committee will discuss an outline to expand on our existing Swap White Paper. This White Paper, once released, will extend the 2004 Swap White Paper to include recent growth in usage

and application of this product by issuers. This session is intended to solicit input and comments on this topic and will be open only to NFMA members.

Free Afternoon

12:45 – 5:00 p.m. **Optional Tour of the Getty Museum**
Additional registration required.

7:00 – 10:00 PM **Reception and Awards Dinner**

Wine Upgrade and Martini Bar
Sponsored by Assured Guaranty

Friday, May 5

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

8:30 – 9:45 a.m. **The Changing and Challenging Landscape of Toll Road Finance**
A number of start-up toll roads financed in the municipal market in recent years have encountered serious credit problems including defaults, and in some cases, needed refinancings to avoid default. One can seriously question the appropriateness of this traditional municipal market approach to dealing with our overcrowded highways. However, a new model seems to be developing with the most recent example being last year's $1.8 billion Chicago Skyway sale. Enter the participation of the private sector and the equity it provides. For the analyst, this new approach has raised a number of questions. Should publicly owned major transportation assets be sold to private entities? If so, how should they be valued and how can public policy issues such as future toll hikes be analyzed? And, what can the municipal analyst expect in terms of the legal security?

Moderator: *Dan Champeau*, Managing Director, Fitch Ratings

Panelists: *Brendan Duval*, Associate Director, Macquarie Securities (USA) Inc. • *Cheryl E. Jones*, Project Finance Advisor, US Department of Transportation • *Kirk Avila,* Treasurer and Public Finance Manager, Orange County Transportation Authority

9:45 – 10:00 a.m. **Break**

10:00- 11:30 a.m. **Lessons from Recent Natural Disasters**
From west coast earthquakes and fires, to southern hurricanes, to northeastern blizzards, natural disasters have placed an added burden on analysts when assessing credit risk in the municipal market. Credit analysts must answer questions about how likely a major disaster will strike and then how a particular natural disaster may affect the debt repayment abilities of the municipalities affected by such events. The record until recently has been good, thanks to the limited damage and help from FEMA and private insurance. But, Hurricane Katrina may be a turning point. Understanding how FEMA operates, what to expect from private casualty insurance (exclusions and deductibles), and the process of rebuilding are some of the variables that a credit analyst needs to consider. This session will cover these and other related topics and provide the analyst with some tools to develop a basic list of questions to ask municipalities that exist in a disaster prone location.

Moderator: *Timothy J. McKeon,* Managing Director, MBIA Insurance Corporation

Panelists: *Charles Meade*, PhD., Senior Physical Scientist, RAND Corporation • *J. Ben Watkins III*, Director, Florida Division of Bond Finance • *Barbara Goodson,* Assistant Commissioner of Management and Finance, Division of Administration, State of Louisiana • *Tim Richison,* CFO/Director of Insurance Operations, California Earthquake Authority

11:30 a.m. **Conference Adjourns**

2006 Annual Conference Planning Committee:

Joe Rosenblum, Alliance Capital, Co-Chair

Lisa Zuckerman, Standard and Poor's, Co-Chair

Zahra Afkari, Royal Bank of Canada

Dari Barzel, Moody's Investors Service

Dan Champeau, Fitch Ratings

James Dearborn, Columbia Management

Suzanne Finnegan, Wachovia Bank

Erik Kimball, Akerman Senterfitt

J.R. Rieger, S&P Securities Evaluation

Robert Tucker, FSA

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