I would like to start out by thanking all of the volunteers who have made 2012 a successful year for the NFMA, and also thank our professional staff – Lisa Good and Betsy Harkins. Our success is entirely due to the efforts of these people.

Being Chair of the NFMA has been a challenging and exciting. Earlier in the year, I outlined our need to 1) improve engagement with our members 2) enhance our institutional viability and effectiveness and 3) advocate issues of importance to the municipal finance industry.

The SEC Report on the Municipal Securities Market, published in June, highlights the need for the industry to improve disclosure practices. In my view, this puts the NFMA more in the spotlight. We continue to engage with other industry groups to in this effort. The more we can involve you – the municipal analyst – the more successful we will be.

We now have over 1200 members, up considerably from 800 a few years ago, so it’s all the more important for us to engage our membership. To this end, we gave our entire membership the opportunity to directly vote for the ‘excellence in disclosure’ nominees. We recently held our first member call-in to provide an update on our activities with over 120 members participating. We helped MAGNY broadcast its sessions to analysts who live outside the New York metro area. We are posting our financial statements on our website.

We have taken a number of steps to enhance our institutional viability. Our annual conference and fall advanced seminar both achieved record attendance. Thanks to our Board members’ efforts, sponsorship dollars continue to be strong. Several years ago, all of our cash was in a checking account earning a very low return. Since then, we adopted a conservative investment policy and have increased our returns. Our longer term goal is to increase our endowment to $2 million. This will allow us to diversify our revenue base and support more activities. We are also exploring ways to increase our visibility in the broader public finance community.

And we continue to advocate on issues of importance to the municipal finance industry. Earlier in the year we responded to the MSRB’s request for comment on its notice concerning bondholder consents by municipal bond underwriters. We published a comment on the need to clarify uncertainties resulting from California’s Redevelopment Agency Dissolution Act. We have participated in joint multi-group projects to improve disclosure practices for bank loans and pensions. Over the past couple of years we have filed amicus briefs in the Vallejo Case (concerning the sanctity of revenue pledges) and the Lake of the Torches Case (concerning the severability of bond documents). We continue to respond to GASB’s new accounting proposals. Going forward, the NFMA will continue to advocate for good industry practices.

The NFMA, which is mostly a volunteer organization, was founded almost 30 years ago. As long as there is a call for our main activities – education, disclosure, and advocacy – it is my hope and expectation that NFMA will be here to serve its’ members needs. Remember: the NFMA is your organization. Welcome your comments, suggestions, and volunteer efforts.

Greg Aikman
CMAS kicked off the summer education events in June with a Washington Regulatory Update On Healthcare and the Municipal Market with Nathan Bays, JD, of the Counsel for the Health Management Academy. Attendees appreciated his real time knowledge of the issues, strong understanding of the inner workings of the debates, and ability to help the audience understand the potential direction of the issues. We followed in July with an educational event on “Fracking: What It Means for Municipal Credit.” Gary Krellenstein of Kroll Bond Ratings provided detailed insights into the risks and potential rewards of fracking including effects on the geopolitical environment. Jennifer Hensley of the Sierra Club described her work with the state of Illinois on fracking regulations. It was an opportunity for attendees to become acutely aware of the potential environmental risks. We took an education break in August with our summer social at Cantina Laredo in Chicago where members had the opportunity to casually meet with fellow analysts over drinks and excellent food fare. In September we were back to school, literally, for our next education event at DePaul University titled “The Concrete Elephant: Municipal Infrastructure in a Time of Mounting Financial Stress.” Joseph Schwieterman, PhD, a professor in the School of Public Service, moderated a panel of consultants who described their involvement with various infrastructure projects. The panel included Philip Hanegraaf, AICP at RS&H Consulting, who gave great detail about different types of projects in the works along with insights into future projects and funding prospects and challenges. Chris Brewer of AECOM provided analysis on the state of regional municipalities and discussed their ability to address mounting infrastructure needs. In October we had a great panel on charter schools titled “Primer-Analysis-Outlook” to provide the novice charter school analyst some insight into the intricacies of the sector along with giving a deeper dive to the more seasoned analyst. Michelle Dougherty, Senior Research Analyst at Nuveen has a strong background in the sector and did a tremendous job of presenting and putting together an expert panel, including Brian Colon, MD at Robert W. Baird, Avanti Paul, AD at S&P and Kathy McIntyre, CFO of the Uno Charter School Network. In November, Loop Capital Markets will present on their recently published report, entitled “Pension and ‘Ports’: New Approaches”, which describes a data driven approach to analyzing pension liability management at the state and local levels, as well as how to best incorporate input-output analysis into the evaluation of airport credit quality and that of overlapping entities. This year we will round out the calendar with our annual meeting during our winter social at Top Gigio in Chicago for lunch before we head to Second City for a matinee to put it all back in perspective as we head into the holidays.

John Schorle
I’ve spent a very busy year serving as your treasurer and have gained a host of knowledge about our organization and how it works. The NFMA’s membership is growing, and along with that growth comes more responsibility. Your organization wants your participation and support and to that end, the NFMA has done some things to make the organization more transparent to you. We now post our annual financial statements to the NFMA website (http://www.nfma.org/assets/documents/fs.nfma.12.31.11.pdf). Our annual budget will also be available on the website soon.

We are working to enhance our mission as a non-profit, primarily educational, organization by providing a variety of waivers and discounts for: 1) members in the midst of seeking employment, 2) students, and 3) municipal issuers. In keeping with our theme of greater transparency, we have added several line items to the budget that illustrate the amounts our organization spends on these items. And to keep the cost of providing these services under control, the finance committee recommended an annual spending cap of $30,000.00 to the Board at the last meeting. The measure was passed.

The Finance Committee also recommended an increase of $25.00 per year to the base NFMA dues effective January 1, 2013. The measure was approved by the Board at the last meeting. The last dues increase was in 2009. The NFMA’s due remain low when compared with charges levied by similar organizations. The Board believes the increase will allow our organization to grow and provide members with enhanced services, better speakers, a more robust website, access to constituent society meetings and so much more. It will also allow our organization to better withstand downturns in sponsorship dollars, membership levels and meeting registrations. It will give us opportunities to speak out (amicus briefs, etc.) when market/industry issues arise. Finally, it will give us the flexibility we need to increase our endowment and sustain the organization into the future. It will permit additions to staff and improvements to technology when the need arises.

As of 8/28/2012, the NFMA had Cash and Investments slightly over $1.0 million. The NFMA is working toward a safety net at least double that in response to the recommendation of our accountants by the year 2018. Having that cushion will position our organization for growth and enable us to weather most storms we might encounter.

Thanks for putting your trust in me this year. The NFMA is poised to do great things and I am so proud to be a part of it.

Susan Dushock

The CSMA had a very successful Luncheon in November to discuss “California Bankruptcies, What’s happening and how does it affect the future of the bond market?”. We were excited to have the event at a new venue, the Public Policy Institute of California conference center. The discussion was moderated by Peter Bianchini of Mesirow and panelists included Peter Mixon, General Counsel for CalPERS, Eric Tashman, Partner at Sidley Austin LLP, and Karol Denniston, partner at Schiff Hardin. We had over 65 attendees, which is a good showing from our 160-membership base.

We are scheduled for our annual holiday party in December to be held at Perry’s in San Francisco. The CSMA Board nominated and voted on recipients for the annual Amy Doppelt Meritorious Award. The recipient will be announced at the holiday party.

Due to a resignation on the CSMA board, we had 2 open positions for the 2013 board. We had strong interest from the membership with a record number of 7 members. Per our bylaws, 2 candidates were placed on the ballot for the at large position. We will announce the new 2013 CSMA board in November.

Terry Goode
SMFS hosted a luncheon along with SunTrust at their facility in Atlanta, Georgia on September 12th, 2012. The featured speakers were Atlanta’s chief financial officer James “Jim” Beard and SunTrust’s chief economist, Gregory Miller. About 20 attended locally and another 36 joined by phone. We certainly enjoyed hosting Georgia State University Professor Bart Hildreth and his PhD students - we are so glad you could attend. The CFO talked about the City of Atlanta’s improved financial situation and laid out its plan for the future. Gregory Miller addressed the global and national economic situation, the up-coming “fiscal cliff”, and the November elections and how those results might shape the country’s economic direction. We would like to thank Susan Dushock from SunTrust, who was instrumental in setting up the luncheon.

We are fortunate and pleased to announce the following new SMFS board members:

Ted Damutz, Vice President/Senior Credit Officer – Moody’s
Angela Kukoda, Senior Vice President – First Southwest
Joel Levy, Senior Municipal Analyst – TIAA-CREF
Emmanuelle Lawrence, Analyst – Standard & Poor’s

We look forward to them joining us and contributing to a very productive 2013. Welcome and congratulations.

Lastly, we are tentatively planning a conference in Naples, Florida regarding Florida and local area credits. It will probably be the first week of November 2013. Please consider this a very early “save the date”. Lisa Good will be taking a straw poll of all NFMA members for the level of interest in attending.

Thank you for your participation.

Julie Egan

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**Annual Conference**

The 2013 Annual Conference will be held April 30 through May 3, 2013 at the Westin Gas Lamp Quarter Hotel in San Diego, California. The Conference Planning Committee has been created with 11 volunteers and is hard at work putting together what we hope is an educational and timely series of panels. Topics to be addressed in the conference’s general and breakout sessions include bankruptcy, health care reform and impacts on the muni sector stemming from Washington DC. The agenda for the event as well as registration will be available in January. In the meantime, should you have any ideas you’d like to share about potential keynote or luncheon speakers, please give us a call.

**We hope to see you at the 2013 Annual Conference!**

Geoffrey Buswick and Anne Ross
617-530-8311 and 212-504-9208

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**Advanced Seminar**

We were very pleased with the strong turnout for our Distressed Credits and Fiscal Emergency Advanced Seminar in Detroit on October 4th and 5th. The attendance of over 170 people broke previous Advanced Seminar attendance records, which was a direct result of the very strong education program put forth by the steering committee: Natalie Cohen, Robert Doty, Alex Fraser, Mike Ginestro, Judith Harvey, Amy Laskey, Chris Mauro, and Yaffa Rattner. They deserve much credit for covering many key topics facing our industry. Feedback from attendees thus far has been excellent. The program was kicked-off by a site tour of Detroit, highlighting the “good, bad and the ugly”; credit analysts who attended found it very valuable.

Rachel Cortez and I have quickly transitioned into planning the Winter 2013 Advanced Seminar to be held in New Orleans on January 24th and 25th. The topic will be “Assessing Risks and Opportunities in the Changing Healthcare Industry”. We feel confident that we will once again put on a timely and educational program for a sector that is going through much change. Our steering committee is in place and includes many experts in this sector of our industry: Peter Block, Iain Briggs, Susannah Page, Keith Rochelli, Joe Rosenblum, Liz Sweeney, and Dan Wilson. Registration is now open for this event via the NFMA website. We hope to see you in “The Big Easy”.

Jason Kissane and Rachel Cortez
Disclosure Efforts Focus on Updates to Reflect Market Turmoil of the Last Five Years

In the past year, the Disclosure Committee has produced several updates to existing Recommended Best Practices to address fundamental changes to the disclosure needs of investors stemming from the broad-based disruption that arose in the capital markets beginning in 2008.

An updated RBP for Variable Rate and Short Term Debt was finalized on August 8. The committee was co-chaired by Ben Schuler of Fidelity Investments and Karen Flores of Charles Schwab Investment Management. Key revisions to the original paper prepared in 2003 include incorporation of new standards related to acceptable terms of ‘most favored nation’ clauses in liquidity facilities, acceptable immediate termination events in liquidity facilities and preferred tender mechanics in letter of credit supported transactions.

The comment period for the draft updated RBP for Housing Bonds concluded June 30. We received no comments to the report that was co-chaired by Susan Dushock of SunTrust Bank, and Robin Ginsburg of Raymond James and expect to finalize it shortly.

We will take comments until December 30 for the updated RBP for Hospital Debt; the committee, chaired by Stephen Whalen of Liberty Mutual Group Asset Management, Inc., issued the draft on September 20.

A draft updated RBP for General Obligation Bonds is under review by the disclosure committee and is expected to be released by the end of the year for public comment. It will address important changes since the 2001 RBP was released, including disclosure related to bank loans, swaps, and pensions/OPEB. Nicole Byrd of Wilmington Trust and Anne Ross of Roosevelt & Cross are co-chairs for this effort.

A committee is now working on a new RBP for Charter School Bonds. Other projects under consideration are a White Paper on defining General Obligations.

Bill Trauner and Mary Francoeur

2013 Officers, Affiliated and At-Large Members Elected

The NFMA Board of Governors elected its officers for 2013 during October. Jeffrey Burger of Standish Mellon Asset Management will serve as the 2013 NFMA Chairman. Susan Dushock, SunTrust Bank, will become Vice Chair, and Jennifer Johnston of Franklin Templeton will serve as Treasurer. Lisa Washburn, of Municipal Market Advisors, has been elected as the Board’s Secretary. Re-elected to his Affiliated Individual seat was Scott Andreson of HIMCO. David Belton, also of Standish Mellon Asset Management, Jason Kissane of Assured Guaranty, and Rachel Cortez of Moody’s were elected to two-year terms as At-Large representatives. Finally, John Hallacy, Bank of America Merrill Lynch, was elected to serve as Alternate.

Congratulations to all!

Greg Clark, Nominating Chair
After our summer hiatus, we resumed 2012 programming on October 11th with a luncheon presentation by George Friedlander, senior municipal strategist at Citi Research. George discussed a host of municipal market topics, among them being pension/OPEB battles, the bifurcated high yield market, changes to credit structures, and threats to tax-exemption. The event was very well attended by over 50 MSMA members. We are working on the details of one more meeting this year on municipal default remedies, our December holiday social, and are discussing topics for another meeting planned in January 2013.

Our group has now grown to over 70 members, including analysts, traders, and PMs, but we also have welcomed several bond attorneys, trustees, municipal advisors and a few issuer members. The current MSMA Vice-President (and presumptive MSMA President in January 2013) is Allen Hoppe, senior manager of Treasury for the Metropolitan Council. Brian Olson of Piper Jaffray will be moving into the VP slot, with Tim Russell of US Bank slated to serve as Treasurer and Ty Schoback in his second year as one of our At-Large board members. We are currently accepting applications for the open At-Large position. I would like to take this opportunity to thank Allen, Brian, Tim and Ty for their great ideas and hard work on programming. The diversity of our members’ backgrounds has helped us plan events and meetings that have kept attendance levels high and membership growing as we enter our 19th year.

Judith Harvey
harvey@gkbaum.com

Update – MSRB Roundtable

At the MSRB Industry Roundtable in June, the NFMA updated the organization on the progress of the Direct Bank Loan Working Group. Fourteen (14) industry groups attended the meeting including GFOA, NAST, NABL and ICI. The NFMA is leading an industry-wide group that is drafting a publication that provides a framework to assist issuers and their counsels in deciding whether to voluntarily disclose direct bank loans/purchases when they are incurred. The goal of the group is to encourage the timely disclosure of these transactions by explaining the impact that they can have on the credit quality of outstanding debt. The MSRB published a notice in the spring urging the disclosure of direct bank loans on EMMA. They are very supportive of the Working Group efforts to publish an industry-produced framework and increase the visibility of the issue across the municipal market.

Lisa Washburn
Thanks to our 2012 Diamond and Platinum Sponsors!

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**INDUSTRY PRACTICES**

The Industry Practices Committee acts on behalf of the Board of Governors, providing a means by which the NFMA conveys our views on the municipal market to other industry groups and to regulators. Our recent and pending projects include the following:

- Along with others in a twelve-member working group, we helped the National Association of Bond Lawyers (NABL) finalize its Considerations in Preparing Disclosure in Official Statements Regarding an Issuer’s Pension Funding Obligations. In addition to the NFMA and NABL, other members of the group included the National Association of State Treasurers and the Investment Company Institute.

- We have organized an industry-wide working group to develop a framework for market participants to consider when disclosing information regarding direct bank loans. The working group has produced a draft of its recommendations, and a release of a final document is expected in the next few months.

- We submitted a comment to GASB on Statements 25 and 27, relating to pension accounting and financial reporting on May 30, 2012.

If you have ideas that you would like to bring to our attention, please feel free to contact us at gclark@concordiapartners.com or lwashburn@mma-research.com

*Greg Clark and Lisa Washburn*
Introduction to Municipal Bond Credit Analysis

The NFMA will be holding its 26th Annual Introduction to Municipal Bond Credit Analysis Course on November 29 & 30, 2012. Philadelphia will again play the host as we meet at the Le Meridien. Attendance continues to grow, as this course is the premier educational opportunity for analysts looking for an introduction and overview of municipal bond analysis. The one and a half day course will include more than a dozen seasoned experts discussing sector-specific topics as well as current issues in the industry.

Planned topics include:

**Primer: Tax-Backed Bonds** – Ruth Levine, Vanguard

**Primer: Revenue Bonds** – Karen Szerszen, Allstate

**Bond Indentures: The Art of the Read** – Gil Southwell, Wells Capital

**Dedicated Taxes** – Bill Bonawitz, PNC Capital Advisors

**Informational Tools & Resources and Their Efficient and Effective Use** – Natalie Cohen, Wells Fargo Securities

**Transportation** – Adam Torres, Standard & Poor’s

**Water & Sewer** – Ken Kurtz, Moody’s Investors Service

**Healthcare** – Eva Thein, Fitch Ratings

**Pensions/OPEB** – John Hallacy, Bank of America Merrill Lynch

**Public Utilities** – Gary Krellenstein, Kroll Ratings

**Review of Taxed-Backed and Revenue Bonds** – Anne Ross, Roosevelt & Cross, Inc.

**Housing** – Tom Kozlik, Janney Montgomery Scott

**Public Private Partnerships** – Mary Francoeur, Assured Guaranty

**Higher Education** – Mary Peloquin-Dodd, NC State University

**Bankruptcy** – Bill Kannel, Mintz Levin

For more information, please contact Anne Ross at aross@roosevelt-cross.com.

Anne Ross