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# Municipal Analysts

## BULLETIN

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### Letter from the Chairman

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Greetings and Happy Fall! Great things continue to happen on the NFMA front thanks to the hard work of all of you who have volunteered your time and energy to our current projects. I am very pleased to announce that over the summer the Disclosure Committee, co-chaired by Jeff Wilson and Andy Matteis, released final versions of Recommended Best Practices in Disclosure for Housing, Hospitals, and Land Secured debt transactions. These three papers are the culmination of many, many hours of work, market outreach, discussion and drafting and I hope you'll join me in congratulating the working groups on a job well done. The papers continue to be discussed and referenced at conferences of all types and sizes, and we are fielding many calls regarding which sectors we're tackling next. Please try to refer issuers and intermediaries to the papers for guidance whenever possible, as we hope to set industry standards through their use. The papers are all available on our website at [www.NFMA.org](http://www.NFMA.org).

Next on the disclosure front will be the release of draft Recommended Best Practices papers in Higher Education and Solid Waste for industry comment, followed next year by draft papers for General Obligations and for Long Term Care. I am pleased to report a strong interest by other industry organizations, most notably issuer groups and attorney groups, in joining in on our efforts early on in the drafting process. Clearly, it is recognized that what we are doing does indeed have benefit to and impact on the market. Of course, their actions may also reflect the recognition that we're not going to go away, even if others don't want to play with us!

Following that line of thought, have you seen the new NABL release on providing information to investors? If not, please give it a read; it's at [www.NABL.org](http://www.NABL.org) under "Recent Governmental Affairs and Resource Library Postings". The paper is called "Providing Information to the Secondary Market regarding Municipal Securities". This paper, at least to my mind, represents a sea change at NABL. The paper essentially says that deciding whether to provide secondary information is a business decision, not a legal decision, and that maybe, it's actually a good business decision. It goes on to say that providing such information may actually be an obligation in some cases (sounds familiar, doesn't it?), and that providing such information really is not insider trading (hmm, that sounds familiar too!). I can't help but think that our determined efforts, year after year, to have our rights as bondholders and potential bondholders recognized, have finally turned the tide. Congratulations to us all.

One other significant item I need to pass on to you is a change at the SEC level regarding the republication theory. You may recall that in the SEC's release on the use of electronic media they seemed to endorse the concept of "republication", which is the theory that each time information is accessed on line it is essentially republished, and therefore needs to be complete and correct as of that date (as opposed to allowing info to exist as archived). The NFMA, NABL, the GFOA, and other groups strongly opposed any adoption of a republication standard. At the SEC Municipal Market Roundtable on October 12, 2000, the SEC clarified (reversed, certain skeptics may say) its position on this topic and reported that they are not endorsing the republication theory, but that they had only intended to ask for comment on how providers of information can properly label their information to avoid a trap like republication. This is important to us, because if the republication theory were to prevail it could shut down the flow of information to the market via the internet.

Some of the other things we're working on right now include working on an industry task force regarding when IRS audits of issuers should be disclosed (my position on behalf of the NFMA is always, and for all types of audits -- let me know if you disagree), adding to our staff which would require increasing your dues (we are doing too much to have one staff member only), setting up next year's advanced seminars and annual conference, and continued interaction with and outreach to the rest of the industry. Please give any of us a call if you want to join in, or if you have an issue you feel needs some attention or industry focus.

*Dina W. Kennedy*  
Chairman

## MUNICIPAL ANALYSTS GROUP of NEW YORK

[www.magny.org](http://www.magny.org)

In the last newsletter our space was limited so I only got to talk about our 50th Anniversary blast. That's all well and good, but it neglected giving credit to some of our guest speakers, all of whom were excellent. For instance, in April, Anthony P. Coles, one of Rudy Giuliani's Deputy Mayors for New York, gave a lively talk concerning "The Privatization of JFK and La Guardia Airports". This issue, specifically taking over NYC's two airports and removing the Port Authority from the operational process, created some interesting responses from both our audience and the press.

After that, at our May lunch, we decided to all relax and go surfing. No sand, no waves, no board --- we just used a little mouse! In response to the question: "Can you do municipal bond research on the Internet?"; the answer is a resounding "YES" --- and our presentation proved it. Our very own Gerry Lian, MAGNY's Treasurer, premiered our new, advanced and-supercharged web site: "www.MAGNY.org". We hope it will become the main portal for municipal bond research on the 'net. Believe me, I cannot recommend this site enough to the people who are now seeing these words. After reading this newsletter, go immediately to your computers and check it out. Also, don't forget to click on the first page sidebar on the left entitled: "Municipal Gateway". Enjoy the ride!!

Helping out terrifically with our web presentation was Natalie Cohen and Mitch Savader both with American Capital Access. Separately they made presentations showing how to use the master link page I mentioned above. Amazing what you'll find on the web. It's not all chat rooms and worthless data.

Finally, on June 22nd, we ended our speaking luncheon schedule with the Hon. Jeanne Shaheen, the Governor of New Hampshire, the first sitting governor ever to address MAGNY. Governor Shaheen spoke about the problems facing her state concerning funding of its schools. In light of the fact that the Governor had recently refused to sign a pledge not to raise taxes, her discussion was quite interesting as to how her administration intends to solve this problem.

Well, this is my last letter to you as Chairman of MAGNY as I will be succeeded by the aforementioned Gerry Lian. I expect great things from Gerry and we're all looking forward to his administration. While you're on our web site, check out the upcoming schedule of speakers and the dates of the lunches, all of which are posted. I'd also like to take this opportunity to thank all of the MAGNY officers for their help this past year and I trust the operation will continue in good hands. Lastly, a special personal thanks to Greg Clark, my Program Chairman, for his terrific assistance.

*Don Cirillo*

## CHICAGO

On September 28, CMAS sponsored a luncheon meeting on off-balance sheet financings for higher education facilities. Approximately 25 attended this session at Harris Bank and several out-of-town members conferenced in for the meeting. John Kenward of S&P moderated this meeting which included presentations from G.K. Baum, ACA, S&P and a developer working on a proposal for De Paul University.

In October, CMAS will hold a session on casino-related financings. At that meeting, membership will vote on amendments to the CMAS constitution, which consist primarily of changes that will bring the document in line with current practices in Chicago. The board will select a nominating committee for new officers by the end of the month.

*Alice Hammer*

## California Society of Municipal Analysts

In August, CSMA had its second annual summer cocktail event. Turnout was great and a good time was had by all.

In October, we held our regular Fall Conference in San Francisco. We were very pleased to have Mayor of San Francisco, Willie Brown, as our keynote speaker. The day and one-half program also included a tour of the Port of Oakland and panel discussions on earthquake risk, taxpayer initiatives in the Northwest, and the role of portfolio managers. We also featured an extensive update on NFMA activities which we hope will increase our members' understanding of NFMA and spark interest in increased participation.

At the meeting, we elected our officers for 2001: Eric Friedland, FSA, Chair; Jeffrey Wilson, Saybrook Capital, Vice-Chair; Lisa Zuckerman, Standard & Poor's, Secretary-Treasurer; Tom McLouglin, MBIA, Senior Program Chair; Molly Butler, Franklin Templeton, Program Chair; and Robin Rapport, Payden & Rygel, At-Large Member. *Congratulations and good luck to the new board!* We look forward to a great program in 2001.

Also, best wishes to two 2000 board members – Dan Stone & Ben Stairs – who resigned due to career changes.

*Kenneth Kurtz*

# Industry Practices and Procedures Committee

[marmet@safeco.com](mailto:marmet@safeco.com)

The major summer activity of the Industry Practices and Procedures Committee was to craft the NFMA's response to the SEC Interpretation on the Use of Electronic Media. This Interpretation and Solicitation of Comment covered issues such as electronic delivery of information, issuer web sites, hyperlinked information, online offerings, and certain technological concepts.

In our comment letter, we commended the SEC for encouraging and providing guidance to the market in this important area. We did express some concerns, however. The NFMA, along with other municipal market groups, rejected the theory of "republiation", the notion that the act of accessing information on a web site constitutes a "republiation" of that information. We felt that the burdens placed on the issuer if this theory were to be accepted would prevent them from using the internet to provide useful financial and operating information for investors or potential investors. We also suggested that information be made available in both electronic form and hard copy, as opposed to exclusively in electronic form, and we recommended further discussion of web site design issues and hyperlinked information. The full text of our comment letter is available on our web site at [www.nfma.org](http://www.nfma.org). The Interpretation can be found on the SEC website, [www.sec.gov](http://www.sec.gov), along with all comments submitted in electronic form.

On August 10, the SEC adopted, in its final form, a rule on Selective Disclosure and Insider Trading, known as Regulation FD (Fair Disclosure). This Rule requires that when an issuer intentionally discloses material information, it do so publicly and not selectively. If selective disclosure is made unintentionally, the issuer must promptly act to make public disclosure. A Proposing Release was published in December of 1999, and the NFMA, along with many other market participants, submitted comments (which are available on our web site). Although the Rule applies only to securities registered under Section 12 of the Exchange Act (and therefore not municipal bonds), we felt that it could have a negative effect on disclosure in the municipal market if issuers and their advisers were to use it as an excuse not to discuss financial information with analysts.

The final form of the Rule differs somewhat from the Proposing Release. The scope was narrowed, so that it applies only to an issuer's communications with market professionals and investors. Communications with the press and rating agencies, as well as other business communications, are not covered. The Rule also applies only to communications by senior management, investor relations professionals, and others who regularly communicate with market professionals and investors. Changes in the final version also made it clear that the Rule is a disclosure rule, and does not create liability for fraud. Finally, the Rule requires public disclosure only when selective disclosure is made intentionally or recklessly.

We still do not know what the full effect of Regulation FD will be. As for the use of electronic media, that is a story still in its early stages. We will continue to watch activity in these areas and take any appropriate action. And as always, if there is any issue you think we should get involved in, please let me know.

*Mary Metastasio*  
(206) 545-5736



## Education

In September, the Education Committee sponsored an Advanced Seminar on Legal Issues in Atlanta, Georgia. We want to thank the seminar co-chairs, Gary Lasman of the Liberty Funds Group and Darrick Hills of Dain Rauscher for all their hard work in putting together this well-received educational offering.

The NFMA's annual offering of the Introduction to Municipal Bond Credit Analysis took place with over 50 registrants on Thursday and Friday, November 2nd and 3rd at the Fisherman's Wharf Hyatt in San Francisco. A.G. Anglum of Harris Trust and Savings Bank and I served as co-chairs again this year. We want to thank all of the municipal professionals who spoke at this popular offering.

Lastly, I want to thank Ron Mintz of Putnam Investments as the Education Committee's new co-chair. Ron is already heavily involved in the preparation of our next Advanced Seminar on Non-Traditional Education Transactions scheduled for January 25 - 26 at the Loews Santa Monica Beach Hotel. Stay tuned for more details.

*Steven Bocamazo*

## BOSTON

The Boston Municipal Analysts Forum has tapped Tom Singleton of Cambio Health Solutions to be its speaker at the upcoming meeting on November 8, 2000. The meeting will be held at Putnam Investments on the 12th floor starting at 3:30 P. M. The subject will be Distressed Hospitals.

We are rapidly approaching the end of the year and BMAF will be looking for a new Treasurer as Carol Flynn replaces Andy Matteis as Chair and Tom Weyl moves into the Vice Chair role. Those interested in getting involved in an officer role in BMAF (which leads to Board responsibilities on the NFMA) should contact Andy Matteis at 617 292 1247.

*Andy Matteis*

## MSMA

Minnesota Society of Municipal Analysts

In late September, our group hosted a panel discussion on charter schools. Due to the recent closing of two charter schools here in the Twin Cities, the presentation was particularly timely and relevant. John Hallacy from Merrill Lynch led off the panel with a national overview of charter schools and a discussion of trends affecting the current financing environment. Joanne Benson, our former Lt. Governor, provided the real world perspective as Chief Education Officer of the Minnesota Business Academy, a newly opened charter high school in St. Paul. Completing the panel was Judi Harvey from American Express who discussed the pertinent credit risks associated with investing in charter schools.

Murray Kornberg of CSM will be speaking to our group in November on the subject of inner city development. CSM has been involved in a number of high-profile redevelopment projects in Minnesota and Murray will be offering his perspective on the trends and trade-offs involved in urban renewal.

We will be announcing a proposed officer slate for 2001 shortly as well as an amendment to our Constitution to reduce the officer terms from two years down to one year. Several years ago, we lengthened the terms to two years to help ensure the continued viability of our young organization. As we have grown and matured, the current officers feel this is no longer a concern.

And as always, we welcome any input as to which issues are most relevant to our membership and should be addressed at future meetings.

*Darrick Hills*

## NFMA TREASURER'S REPORT

The NFMA's Board of Governors met in Atlanta on September 13, prior to the Advanced Seminar on Legal Issues. The Board was happy to report that the organization has become more visible throughout the industry, particularly in the area of disclosure. Due to this increased visibility, the NFMA has incurred increased professional fees and will be adding a second person to our staff, on a part-time basis.

As the result of these higher expenses, the NFMA reported a net loss of \$7,633 for the seven-month period ending July 31, 2000 versus a net loss of \$3,797 for the comparable period in 1999.

The continued loss will necessitate an increase in dues, effective in 2001. Currently, NFMA's annual dues are only \$20 (local chapters will add their own dues onto this amount). The Board voted in October to increase the dues to \$40 for members of local chapters and from \$35 to \$40 for affiliated individuals. This dues increase will be effective January 1, 2001.

In the meantime, we would like to thank all of our previous industry sponsors as well as Cain Brothers & Company for its Bronze level of support at our Atlanta seminar.

*Karen Szerszen*

## Atlanta Advanced Seminar

What do you get when you pack a room full of seasoned muni analysts with a group of Bond Lawyers?

The atmosphere was ripe for humor at this Fall's Advanced Seminar on Legal Issues, but the topics of Workouts, Bankruptcy, and Purchase's Counsel kept most of us in a somber mood for the day and one-half of instruction. Kicking off Day One, A.G. Anglum of Harris Trust moderated a discussion on Investor Letters with representatives from the Issuer, Banking and Buy-side. Their perspectives ran to form with a commonality that most of the points are, if nothing else, very negotiable. As the deals we see and Borrowers we meet are becoming increasingly complex, Dean Lewallen of Prudential Global Asset Management ran through the "Chicken Run, LP" case study. These chickens which eat waste tires and produce fertilizer and methane provide the natural setting for a municipal bond financing. Through this case study, Dean and his hired guns (counsel) were able to highlight the yellow flags inherent in many of the complex, corporate structures endemic among the industrial development structures we see.

*Gary Lasman*

## Strategic Planning Committee

In an effort to assess the priorities and objectives of the NFMA, a strategic planning meeting was held in mid-October. The meeting provides an opportunity for an independent assessment of the NFMA by a broad cross-section of the organization. The committee is comprised of individuals from each of the constituent societies, including both current Board members and non-Board members. The group considered several topics including educational programming, advocacy, communication and organizational structure.

In the area of education it's generally held that the NFMA sponsors seminars and conferences of very high quality. In the future we need to reach out to more constituents and make certain the courses remain useful to members. Advocacy is a trickier issue for the NFMA. It is obvious that we have made a meaningful contribution in the area of disclosure through the recommended best practices. While it has taken time, regulators, bond attorneys and issuer groups have all responded positively. This has been a huge success of the NFMA over the last few years and must continue. The group feels that as we continue to focus on issues in the marketplace we need to be certain that the interests of all the industry groups represented in the NFMA are properly considered.

Communication and organizational structure are probably the areas needing the most improvement. Put simply, direct and timely communication between the NFMA Board of Governors and individual members has been insufficient. Beginning in 2001 we will begin sending e-mail directly to members regarding the activities of the organization and the Board. Furthermore we are reviewing the composition of the Board. Our membership needs the NFMA Board to best represent the diverse interests of our individual members, their industry groups and the constituent societies. I expect a restructuring proposal early next year that will hopefully provide proper representation to our members while assuring the Board has the appropriate staffing and continuity.

These sessions provide an important opportunity to review the successes and weaknesses of the organization. I would like to thank each of the participants in the strategic planning meetings. This is only a brief overview of our discussions over two days. If you have any questions about the meetings please do not hesitate to contact me directly.

*Alan Polsky*

## Notice to officers and members of Constituent Societies, Affiliated Members of the NFMA:

Effective January 1, 2001, the annual dues for all members of the NFMA will be \$40. Members of Constituent Societies will continue to pay their NFMA dues with their societies' dues. Affiliated Members will receive a notice directly from the NFMA.

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# NFMA ON THE WEB

<http://www.nfma.org>

CHECK IT FOR THE LATEST INFORMATION!

## NFMA

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### NFMA

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## NFMA Calendar

**November 8** - BMAF meeting - Distressed Hospitals

**November 10** - MAGNY luncheon - Air Transportation

**November 16** - MSMA meeting - Inner City Development

**January 24** - NFMA Board of Governors Meeting, Santa Monica, CA

**January 25 - 26** - NFMA Advanced Seminar on Non-Traditional Education Transactions, Loews Santa Monica Beach Hotel, Santa Monica, CA

**May 9 - 11** - NFMA 18th Annual Conference, Four Seasons Hotel, Las Vegas, NV

**May 8-10 2002** - NFMA 19th Annual Conference, Portland Hilton, Portland, OR