Maryland STATE TREASURER
Investing for Maryland's future.

Nancy K. Kopp
State Treasurer

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Chief Deputy Treasurer

HOUSE APPROPRIATIONS COMMITTEE

FEBRUARY 26, 2010

TESTIMONY OF STATE TREASURER NANCY K. KOPP

Good afternoon, Chairman Conway, and members of the committee. I am pleased to have the opportunity to appear before you to address the important issue of the public debt budget. As usual, the Department of Legislative Services, and particularly Mr. Frank, has done an exceptional job in this analysis of the budget and issues surrounding it. Before turning to a discussion of the issues, I would like to update you on our recent bond sale and on debt issuance during the last year:

2010 First Series General Obligation Sale

Competitive Sale at Board of Public Works Meeting on February 24, 2010

$400 million, 2010 First Series A, Build America Bonds

All of Series A were sold as Build America Bonds (BABs) in longer dated maturities from 2019 to 2025. These taxable fixed rate bonds will finance capital projects already approved by the Legislature in past sessions.

After consulting with the State's financial advisor and investment bankers, the State Treasurer's Office decided to structure this sale as an all BAB transaction. The American Recovery and Reinvestment Act authorized the issuance of BABS through December 31, 2010, in the form of taxable bonds with a 35% federal subsidy of gross interest cost. It is expected that there will be increased municipal issuance of BABs at the end of 2010 and, with an increased supply, the rates may not be as advantageous as they are now. Consequently, my Office has decided to take advantage of the full 35% subsidy earlier in the year. Please refer to pages seven and eight for a discussion of the future of BABS and the State's strategy for future sales.

By issuing Series A as Build America Bonds instead of as traditional tax-exempt bonds, the State realized approximately $11.2 million in present value savings. The True Interest Cost on these bonds was 2.85%. The State received six bids and the winning bidder was Citigroup Global Markets Inc.

$195.3 million, 2010 First Series B, Refunding Bonds, Tax-Exempt and Fixed Rate

The State achieved approximately $8.6 million in present value savings by issuing $195.3 million of refunding bonds. Of the six bids submitted, Jefferies & Company, Inc. was the winning bidder on Series B which had maturities from 2018 to 2023. The True Interest Cost was 2.97%.

Rating Agency Update

Maryland is one of only seven states with the highest possible rating of AAA from all three bond rating agencies. To obtain a rating on the upcoming issue of general obligation bonds, we had conference calls with the rating agencies on February 9. In response to inquiries from the rating agencies, our discussion focused on the 2011 budget, plans to resolve the structural deficit, revenue estimates and the Maryland economy. The rating agencies have expressed concerns, which I know we share, about the challenges of FY 2012 and beyond. The AAA ratings were released on February 18 and I have forwarded the rating agency reports to you.

Calendar Year 2009 Bond Sales

With six different bond sales, 2009 was a noteworthy year with many firsts as noted below:

First issues of Build America Bonds (BABs):

2009 Second Series C - $50,000,000
2009 Third Series B - $58,200,000

First issue of Qualified School Construction Bonds – (QSCBs):

2009 Qualified School Construction Bonds - $50,320,000

First sales giving priority to Maryland citizens to buy GO bonds in three retail sales:

2009 First Series A and B - $291,580,000
2009 Second Series A - $235,000,000
2009 Third Series C Refunding – $107,530,000 (a)

Development of a website for retail investors:

www.buymarylandbonds.com

First issue using negotiated method for entire sale:

Third Series C Refunding - $602,765,000

Largest amount and number of issues:

11 different Series totaling $1,834,448,000
$ 668,565,000 refundings
$1,165,883,000 new money

Lowest overall TICS (True Interest Costs) for new money in at least 20 years:

2009 1st Series - 3.52%
2009 2nd Series – 3.06%
2009 3rd Series A and B – 2.93%

(a) The total size of the 2009 Third Series C issue was $602,765,000 of which $107,530,000 was sold to retail customers.

Significant debt service savings were also achieved in 2009.

DATE	**SERIES**	**ISSUE SIZE**	**ISSUE**	**PV SAVINGS ***
March	2009 First Series B	$ 65,800,000	Refunding	$2,908,708
December	2009 Third Series C	$ 602,765,000	Refunding	$24,935,499
August	2009 Second Series C	$ 50,000,000	BABS	$4,246,978
October	2009 Third Series B	$ 58,200,000	BABs	$2,590,667
December	QSCB of 2009	$ 50,320,000	QSCBs	$10,551,054
December	Qualified Zone Academy Bonds	$ 5,563,000	QZABs	$391,754
TOTALS				**$45,624,660**

**** Savings for BABS, QSCBs, and QZABs are calculated compared to tax-exempt yields at the time of issue. Refunding savings are achieved by refinancing higher cost bonds.***

Comments on the Performance Analysis

The analyst has identified six factors that influence the TIC (true interest cost of bonds) and suggests certain factors that should be considered by the State when issuing bonds. **We agree with several of the analyst's conclusions**; specifically:

- Taxable debt (without a BAB subsidy) is more expensive than tax-exempt debt,
- Build America Bonds issued by the State in 2009 have a lower cost of capital than tax-exempt bonds with the same maturities,
- The Delphis scale (a scale indicating market rates for similarly rated debt) is a good predictor of TIC for the State's bonds, and
- Maryland generally has a lower TIC than other States. This may be due to Maryland's high levels of personal income and taxpayers with higher tax rates for whom tax-exempt bonds are most favorable.

The State Treasurer's Office does not agree with the DLS conclusion that retail bonds are more expensive than bonds sold to institutional investors through a competitive process. The analyst looked at the sale of 2009 First Series and 2009 Second Series bonds both of which had a negotiated, retail sale a few days prior to the competitive sale of the bonds unsold after the retail period. *The outcome of the sale of the State's bonds is primarily dependent on market conditions <u>on the day of the sale</u>.* The retail sale period for both 2009 First and Second Series were concluded two days before the competitive sale. Consequently, the market can and does change in this period and it would be false to directly compare a negotiated sale with a competitive sale.

A more appropriate comparison would be to compare the yields on the day of the sale with the MMD (Municipal Market Data) yields on the prior day. MMD is a benchmark index widely used by participants in the municipal markets to measure how closely new issues are priced to an index derived from the recent trading of AAA bonds. The MMD is set at 3:00 pm each day. Consequently, the MMD for the prior day is the target since that reflects the market as bonds are priced the following morning.

The attached spreadsheets compare the yields on the bonds sold in 2009 First Series and 2009 Second Series with MMD. For this review, focus on the yields in the 2019 maturity. In the 2009 First Series, the 2019 yield on Series A (retail series) was .01% higher than the AAA MMD. However the 2019 yield on Series C (competitive series) was .15% higher than the AAA MMD. In summary, the yields on the negotiated 2009 First Series A were close to MMD and the yields on the competitive Series C were generally .10% to .15 % higher than MMD. For this issue, the better results occurred in the negotiated sale.

Just the opposite occurred in the sale of 2009 Second Series bonds. Again focusing on the 2019 maturity, the 2019 yield on Series A (retail series) exactly matched the AAA MMD. However, the 2019 yield on Series B (competitive series) was .05% lower than the AAA MMD yield. To sum up, yields on the negotiated sale almost exactly matched MMD but the competitive yields were .05% to .06% lower than MMD. Arguably, the competitive pricing produced better results for the State for this series.

Consequently, the State Treasurer's Office does not endorse the DLS conclusion that retail sales are inherently or invariably more expensive.

The Office intends to continue to augment regular competitive sales with periodic negotiated sales with first priority to Maryland citizens for the following reasons:

- The negotiated sale to retail investors with first priority to Maryland citizens has received tremendous support and interest. This initiative was begun at the request of the Legislature and the Treasurer's Office has received numerous inquiries from citizens throughout the State about these bonds. To limit citizen's access to these bonds would be counter to their expectations and would disrupt the STO efforts to build and sustain retail interest in the GO bonds.
- As noted above, there is no evidence that the pricing of bonds in the negotiated method has negatively impacted the State. Differences between the yields on negotiated and competitive sales can be attributed to changes in the market at the time of sale. The STO measures each competitive and negotiated sale with MMD and with other issues sold at the same time to be sure that the pricing reflects the market conditions at the time of the sale. This evaluation will continue to ensure that future pricing for negotiated sales is appropriate.
- The bonds that have been sold to retail investors have expanded the State's investor base. Instead of relying solely on institutional buyers who were the primary investors in competitive sales, the State can now limit the supply of its GO bonds in competitive sales by fulfilling the unmet demand of retail customers. As the amount of bonds sold competitively is reduced, the State should expect better prices.
- The State will determine the type of sale after an evaluation of the retail and institutional markets at the time of sale. For instance, in determining the method of sale for the upcoming 2010 First Series A Build America Bonds, we considered that most of the demand for these bonds comes from institutions so a competitive sale is appropriate.

The State Treasurer's Office does not agree with the conclusion that the State can reduce borrowing costs by reducing the size of its issues and increasing the frequency of sales.

This analysis does not consider the costs of issuance in the comparison between large and small issuances. For instance, in the recent sale of $602.8 million in 2009 Third Series C, the costs of issuance were $.32 per $1,000 while the costs for the $200 million Third Series A and B were $.46 per $1,000. Because the costs of issuance are primarily fixed costs, there is a limited incremental increase in these costs as the size of the issue increases. These additional costs mitigate the insignificant savings calculated by the analyst at $6,500 annually for every $100 million sold.

The analysis also doesn't consider the limited staff size in the Treasurer's Office and in other State agencies who participate in the sale by updating more than 100 pages in the Preliminary Official Statement and spending significant resources preparing for the rating agency calls. Attached, for your review, is a copy of the task schedule for a typical sale. Finally, before each and every sale, the Treasurer's Office consults with the financial advisor and investment bankers to be sure that the market can readily absorb the size of the issue and that the lowest possible costs can be achieved.

Comments on the Issues

1. Cost of Debt Is Expected to Exceed Revenues Dedicated to Pay for the Debt

The CDAC in its 2009 report (page 46) has also reported on the expansion in GO bond authorizations that are noted on page 10 of the Analysis of Public Debt. There is an undeniable conclusion to the analysis of future property tax revenues and debt service - either the property tax rate will have to be raised or general funds will be needed to supplement property tax receipts to meet future debt service on general obligation bonds.

Based on projections done in December 2009, if the tax rate remains at 11.2 cents per hundred, General Funds will be required beginning in fiscal year 2012. Specifically, in fiscal years 2012 through 2015, a total of $680 million in general funds will be necessary to supplement property tax receipts. The analyst correctly notes that if the Legislature does not authorize the use of $53.3 million in bond premiums to expand the capital program, this premium would remain in the Annuity Bond Fund and the total amount of general funds required to supplement property taxes in future years would be reduced.

However, it should be noted that these analyses do not project any new bond premium after fiscal year 2010 because market volatility makes such projection very difficult, but not because of any certainty that there will not be additional premiums. Realized bond premium has deferred the need for tax increases or general fund subsidy in the past. For example, in our report to you last year, we estimated that a general fund subsidy would be required in fiscal year 2011. Because the size of the gap is growing (for the four years 2011 through 2014, the estimate last year was $434 million in general funds), it seems inevitable that the State will either have to increase taxes, as was done in 2003, and/or use general funds to supplement real property taxes to pay debt service even as bond premium is realized.

2. Debt Affordability Process

In September 2009, the Committee forwarded to the Governor and Legislative leadership a $990 million conditional recommendation for general obligation authorizations by the 2010 General Assembly to support the 2011 capital program. This recommendation was included in the complete 2009 CDAC Report. Also in September, the Committee expressed their intention to reconvene in late December to reexamine the authorization after considering the following:

1. Board of Revenue Estimate's December revenue estimates
2. Options to provide operating budget relief by transferring appropriate expenditures to the capital budget
3. Debt service projections subsequent to the projected refunding and new money bond issuance this fall
4. Possible extension of federal authorizations incorporated in the ARRA, such as school construction bonds and Build America Bonds

5. Any other appropriate issues

The Committee met on December 18, 2009 to consider these issues and circumstances. A recommendation was made to increase the original authorization of $150 million for a revised total of $1,140 million for new general obligation authorizations by the 2010 General Assembly to support the 2011 capital program.

The Committee discussion reflected its clear intent that the increased 2010 authorization and future year recommendations continue to be within the adopted affordability benchmarks of 8% debt service to revenues and 4% debt outstanding to personal income. The Committee recognizes that there are multiple authorization levels and patterns that would result in adherence to the benchmarks, depending on future levels of personal income and State revenue. The 2011 Capital Budget reflects one such option and reduces authorizations in future years to remain with the affordability thresholds. The Committee's projections for future authorizations will continue to reflect updated revenue and personal income projections and recommend authorization levels to adhere to these affordability benchmarks.

3. American Recovery and Reinvestment Act's (ARRA) Provisions

The analyst has done an excellent job in highlighting the bonds that were authorized by this Act. By issuing some of the bonds authorized in this Act, the State has realized significant debt service savings that were noted on page one and three of this testimony.

The following comments will focus on important developments in some of these authorizations. In addition, this testimony will update the Committee on the State's expected use of these bonds in 2010.

Federal Subsidy Bonds

Build America Bonds (BABs)

President Obama's 2011 budget plan includes a proposal to make Build America Bonds ("BABs") a permanent feature of the municipal market. The program has been the most widely used of the municipal market provisions of the American Reinvestment and Recovery Act ("ARRA"). $64 billion of BABs were issued in 2009 comprising approximately 16% of the municipal market.

Under current law, the program, which allows state and local governments to issue new money taxable bonds and receive a federal government subsidy of 35% of the gross interest cost, will expire on December 31, 2010. President Obama's proposal would make the program permanent but lower the subsidy to 28% for bonds issued after this year. Other key components of the President's plan include expanding the allowable uses of BABs to include:

- Current refundings in cases where the prior bond issue can be called in less than 90 days
- Working capital, cash-flow and deficit borrowings
- Issues offered by not-for-profit hospitals and other 501(c)(3) organizations

If passed by Congress and signed into law, the lower subsidy rate and additional allowed uses would take effect on January 1, 2011.

If enacted, Maryland will probably not choose to issue State GO BABs after 2010 and instead rely on tax-exempt issuance. While there is great pricing variability in the market, 35% BABs generate savings on maturities greater than 10 – 15 years. However, with a lower subsidy, the break-even point on the yield curve for BAB effectiveness compared to a tax-exempt bond would be extended five years. Consequently, with a maximum maturity of 15 years, Maryland's general obligation bonds will probably generate the lowest yields if they are issued as tax-exempt bonds. Other State agencies, including the University System of Maryland, which have longer term bonds, may well continue to take advantage of BABs.

The State plans on issuing all of the 2010 First Series as BABs. These bonds will have longer maturities; specifically, from 2019 to 2025. Typically, for each sale, the State structures its issues to achieve level debt service with maturities that begin in year three and extend to year 15. Therefore, future GO issues will be structured primarily as tax exempt with shorter maturities to level out the debt service when blended with the 2010 First issue. The Treasurer's Office decided to accelerate the issuance of BABs in 2010 First Series to beat other issuers to the market before the 35% subsidy expires and to maximize potential interest savings.

Recovery Zone Economic Development Bonds (RZEDBs)
Recovery Zone Facilities Bonds (RZFBs)

The Governor signed an Executive Order in October designating the State's Department of Business and Economic Development (DBED) as the responsible agency for tracking and facilitating the reallocation of unused allocations of these bonds. While the State did not receive a direct allocation, the Executive Order requested each county and Baltimore City who received the allocations to advise DBED of planned issuances by January 31, 2010 and to notify DBED of any unused allocations by July 1, 2010 so that unused allocations may be re-allocated.

The Recovery Zone Economic Development Bonds are often called "Super BABs" because the issuer receives a 45% direct subsidy of the gross interest cost from the U.S. Treasury. The counties and Baltimore City who received these allocations (which total $208 million) should either issue the bonds before December 31, 2010 or reallocate them to another issuer. It is our understanding that unused allocations could be re-allocated to the State. Like BABs, these are taxable bonds and the subsidy does not affect the investor. As a result, there has been some issuance of these bonds across the country.

Recovery Zone Facilities Bonds do not have a subsidy but do enable the issuance of tax-exempt bonds that are not subject to the alternative minimum tax for private development. A total of $313 million of these bonds has been allocated to Maryland counties and Baltimore City.

Tax Credit Bonds

Qualified School Construction Bonds - QSCBs

In lieu of interest income, these bonds were sold with tax credits at a rate set by the U.S. Treasury on the sale date. In addition, these QSCB bonds were sold with the intention that the buyer might strip and trade the tax credits separately after the original offering. However, the Internal Revenue Service has not issued stripping regulations and there is some sentiment in Congress that tax stripping should not even be permitted.

The QSCB program is certainly well intentioned, but it has not been effective in delivering zero-cost financing to school districts as it was intended. In fact, of the $22.4 billion in QSCB authorization for 2009 and 2010, only $2.9 billion has been sold. There are three primary reasons for the difficulty in selling these bonds. First, investors had difficulty pricing these bonds without the stripping regulations. Second, many issuers and investors believed that the tax credit rate was not set appropriately and, as a result, bonds had to be issued with supplemental coupons or at a discount to get investor participation. Finally, there are not many investors who need or want tax credits instead of interest.

The State was indeed fortunate to sell its 2009 allocation of $50.3 million in December 2009 at par and with no supplemental coupon. You will be interested to know that these Maryland State QSCBs did uniquely well in the market.

On December 16, 2009, the House of Representatives passed the "Jobs for Main Street Act", (H.R. 2847) that includes a provision that would provide QSCB issuers with the option to issue interest-bearing bonds instead of tax credit bonds. Issuers who choose this option would receive a direct federal subsidy like BABs. The Senate is expected to include a direct pay option for QSCBs in its version of the jobs bill.

Until Congress passes legislation that defines the type of federal support, there will be virtually no QSCBs issued. The State has a 2010 allocation of approximately $50.3 million of these bonds and will issue them when the federal support is clarified and if they achieve savings compared to a typical tax-exempt bond.

Qualified Zone Academy Bonds - QZABs

ARRA also extended the authority for issuance of Qualified Zone Academy Bonds ("QZABs") through 2010, and increases the annual amount of such bonds from $400 million to $1.4 billion for 2009 and 2010. QZABs are tax-credit bonds that Maryland has issued for the renovation and repair of school buildings, investments in new technology and the training of teachers, but they cannot be used for new construction. The IAC has had significant challenges in spending the bond proceeds in a timely manner and this will become more critical with the allocation increases. There is also a very limited market for these bonds. In December 2009, the State received two bids and issued $5,563,000.

H.R. 2847 applies the same treatment to QZABs as it does to QSCBs. If the legislation passes, these bonds would have also be more like BABs with a direct federal subsidy. The Treasurer's Office will continue to monitor this legislation as it plans the 2010 issuance of QZABs.

Clean Renewable Energy Bonds - CREBs

CREBs are another type of tax credit bond. As noted above, there has been a limited market for this type of bond. It is our understanding that H.R. 2847 would only apply to QSCBs and QZABs, further limiting the issuance potential of these bonds. In addition, allocations are awarded to issuers who submitted applications by August 4, 2009.

Qualified Energy Conservation Bonds – QECBs)

In addition to 11 Maryland counties and Baltimore City, the State received a direct allocation of approximately $6.5 million of QECBs. Because they are tax credit bonds with the challenges noted above and also due to their relatively small allocations, we are not aware of any QECB issues in the country.

Allocations in Maryland ranged between $1.1 million for St. Mary's County and $9.9 million for Montgomery County. If the bonds were issued by each jurisdiction, the small size would not attract much market interest and costs of issuance relative to the size would be prohibitive. Consequently, the Community Development Administration and the Maryland Energy Administration have been working with local governments to gauge interest in having CDA consolidate the allocations and issue on behalf of the local jurisdictions. CDA has more than 10 years experience in financing infrastructure for local governments by combining various projects in annual or semi-annual conduit issues. A bill has also been introduced at the Treasurer's request by the Joint Committee on the Management of Public Funds to permit the State to consolidate ARRA authorizations in a conduit issue. By increasing the size of these issues, they will attract more market interest and reduce the costs of issuance. The Treasurer's Office is considering its allocation for QECBs (assuming the bonds become marketable) to achieve a lower cost of capital compared to energy leases. Unfortunately, this program could be orphaned since the changes to tax credit bonds that are in H.R 2847 do not include QECBs. The Treasurer's Office will continue to monitor QECBs and provide guidance to MEA as the future of the allocation becomes clearer.

The Office is also proposing through the Joint Committee a bill that gives the State the authorization to issue general obligation bonds instead of financing energy performance contracts with capital leases. The interest expense on general obligation bonds can be significantly less than on appropriation-backed leases. Since both capital leases and general obligation bonds are counted in CDAC's affordability analysis, the use of general obligation bonds in lieu of capital leases to finance energy improvements could be a benefit to the State.

As we did in 2009, we will make every effort to take advantage of ARRA bonds in 2010.

I would be happy to address any questions you may have.

2009 First Series

Maturity	Series A Negotiated Tax-Exempt Retail Order Period: 2/27/2009 - 3/3/2009 $225,780,000			Series C Competitive Tax-Exempt Pricing Date: 03/04/09 $199,220,000		
	Reoffering Yields	**'AAA' MMD as of 3/2/2009**	**Spread to MMD**	**Reoffering Yields**	**'AAA' MMD as of 3/3/2009**	**Spread to MMD**
March 15						
2012	not sold	1.47%	not sold	1.61%	1.48%	0.13%
2013	1.84%	1.84%	0.00%	1.98%	1.87%	0.11%
2014	2.20%	2.20%	0.00%	not sold	2.24%	not sold
2015	2.38%	2.38%	0.00%	2.55%	2.43%	0.12%
2016	2.56%	2.56%	0.00%	2.74%	2.64%	0.10%
2017	2.74%	2.73%	0.01%	2.91%	2.81%	0.10%
2018	2.91%	2.90%	0.01%	3.08%	2.98%	0.10%
2019	3.13%	3.12%	0.01%	3.35%	3.20%	0.15%
2020	3.38%	3.37%	0.01%	3.60%	3.45%	0.15%
2021	3.60%	3.58%	0.02%	3.76%	3.64%	0.12%
2022	3.77%	3.75%	0.02%	3.95%	3.80%	0.15%
2023	3.90%	3.90%	0.00%	4.00%	3.94%	0.06%
2024	4.03%	4.06%	-0.03%	not sold	4.10%	not sold

Using the MMD rates for the day before the sale dates is a better comparison since this is the scale the bankers use as a starting benchmark when bidding on competitive bond issues. Using MMD rates as of the sale date skew the spread results since this scale is released when the bond market has closed and reflect the results of all bond issues sold within that day.

2009 Second Series

Maturity	Series A Negotiated Tax-Exempt Retail Order Period: 7/31/2009 & 8/3/2009 $235,000,000			Series B Competitive Tax-Exempt Pricing Date: 8/5/2009 $200,000,000		
	Reoffering Yields	'AAA' MMD as of 8/3/2009	Spread to MMD	Reoffering Yields	'AAA' MMD as of 8/4/2009	Spread to MMD
August 15						
2012	0.94%	0.96%	-0.02%	0.90%	0.96%	-0.06%
2013	1.28%	1.28%	0.00%	1.23%	1.28%	-0.05%
2014	1.72%	1.72%	0.00%	1.67%	1.72%	-0.05%
2015	2.00%	2.00%	0.00%	1.95%	2.00%	-0.05%
2016	2.28%	2.28%	0.00%	2.23%	2.28%	-0.05%
2017	2.54%	2.54%	0.00%	2.49%	2.54%	-0.05%
2018	2.79%	2.79%	0.00%	2.73%	2.79%	-0.06%
2019	2.99%	2.99%	0.00%	2.94%	2.99%	-0.05%
2020	3.17%	3.17%	0.00%	3.12%	3.17%	-0.05%
2021	3.33%	3.33%	0.00%	3.28%	3.33%	-0.05%
2022	3.46%	3.46%	0.00%	3.51%	3.46%	0.05%
2023	3.56%	3.56%	0.00%	3.61%	3.56%	0.05%
2024	not sold	3.66%	not sold	not sold	3.66%	not sold

State of Maryland 2010 FIRST Series
Master Schedule

Prior to setting a sale date

- Verify contracts are in place – Parity, Printer, Financial Advisor, Bond Counsel, Underwriters & Escrow Agent (Kina)
- Notify CDA, MDOT, MTA, DBM, COMP, and BPW of Sale (Kina)
- Check availability of Gov/COMP/Treasurer to sign final documents (Kina)

When sale date is confirmed

- Book Assembly room for Sale Date and Notify IT of Dates
- Memo to Treasurer (Patti/PFM)
  1. Determine type of Bond (fixed, variable)
  2. Determine method of Sale and send memo to Treasurer include amount of each sale (negotiated, retail, or competitive)
- Determine Refunding feasibility

Monday, January 4, 2010

- Submit agenda item & resolution to BPW (by noon)
- Notify Agencies and send their sections for markup (Kina)
- Provide Kina cash balances as of December 31, 2009 (Comp. office)
- Notice to GAD (Roland Unger) and Comp. office (Jim and Re) re: method of sale – fixed/variable

Wednesday, January 6, 2010

- Choose book runner (Patti)
- Confirm sale amount & estimate COI (Patti/Cindy)
- Send notice of POS meeting to (GAD, AG office, BRE, DBM) on Jan. 28 (Kina)
- Send estimate COI to Jessica P., Jim B. & Amber T. (Patti/Cindy)

Friday, January 15, 2010

- Agency POS changes due back to Kina

Monday, January 18, 2010

- Holiday

Wednesday, January 20, 2010

- **BPW approve sale & DTC** (Steve/Patti)
- Notify AFNW/Roland Unger of use of CAFR in OS (Patti/Kina)

Thursday, January 21, 2010

- Loan selection use December 31, 2009 numbers. (Patti/Kina)

Friday, January 22, 2010

- Provide Steve, Barbara, Patti the POS with the agency changes.

Thursday, January 28, 2010

- **POS meeting**
- Agency final POS changes due
- Steve comments due on POS

Friday, January 29, 2010

- Determine if POS needs to be printed. If so send list to printer.(Patti/Kina)
- Request input from attendees for rating agency call – material due 2/5 (Cindy)

State of Maryland 2010 FIRST Series
Master Schedule

Monday, February 1, 2010
- Distribute POS corrections for review to (Kutak, PFM, Agencies)

Tuesday, February 2, 2010
- Send first round of corrections to printer
- Contact Parity (Patti/PFM)

Wednesday, February 3, 2010
- Printer send POS to Kina
- **POS in final draft**
- Distribute POS corrections for review to Kutak, PFM, Agencies (Kina)
- Select verification agent (Patti)
- Send notification to escrow agent – Citibank, if refunding sale

Friday, February 5, 2010
- Get information from attendees for rating agency call on Feb. 9 (Cindy)
- Kutak will send Proof summary notice of Sale ad for review (Steve, PFM, Patti)

Monday, February 8, 2010
- Send initial authorization minutes to Kutak (Steve)
- Send agenda item and sale list to BPW
- Put information for Rating Agency call in binder (Cindy)

Tuesday, February 9, 2010
- Send second round of corrections to printer
- **Rating Agency call**
  1. **S & P (9-10 am)**
  2. **Fitch (10-11am)**
  3. **Moody's (11-12pm)**

Friday, February 12, 2010
- **Publish BB ad** (Kutak)
- send authorization list and draft appendices A & B to Steve
- Send preliminary authorization list to Board members
- Finalize loan list (with Comp & Steve)
- Prepare and review Treasurer's script (Patti/Steve/Kina)

Monday, February 15, 2010
- Holiday

Tuesday, February 16, 2010
- Send final sale list to Steve (Kina)
- Final POS review (am)

Wednesday, February 17, 2010
- **Release ratings**
- **POS sign off** (noon) (Kina)
- Print POS once ratings are received
  1. distribute electronic POS per distribution list
  2. Treasurer's letter to Gov. and COMP for POS
  3. if printed, distribute hard copies of POS to participants of Rating Agency call
  4. send out link to the POS to State Agencies and Rating Agencies
  5. Post the POS on the STO website

6. provide Administration (Jessica) a .pdf copy of the final POS

Thursday, February 18, 2010
- Notify Gov, LS, DBM, and COMP of ratings. Send out press release. (Patti/Howard)
- Update Treasurer's website with rating announcements. (Patti/Howard)

Friday, February 19, 2010
- Contact syndicates (MBE participation)
- Send Preparer's Certificates – for return by settlement date
- Order lunch for Bond Sale meeting, (if planned)
- Send email invite for Post bond sale meeting (if planned)

Tuesday, February 23, 2010
- Distribute script to Treasurer
- Set up assembly room at 2pm
- Send OS corrections to Kina (All)

Wednesday, February 24, 2010 **(Sale Day)**
- Approve sale list (BPW)
- Attend bond sale (BPW, Kutak, FA, STO)
- Verify TIC (BPW, Kutak, FA, STO)
- Issue press release (Howard)
- Post press release on STO on website (Howard)
- Send wire instructions to winning syndicate for good faith deposit (Copy to INVESTMENTS, BERNADETTE, & BANKING) (Kina)
- Confirm good faith deposit received (STO) (deposit goes into Bond Acct. when received)
- Confirm settlement figures with syndicate (FA)
- Draft settlement letter (FA)
- Supply additional copies of Bid Screens & final info.on Sale to Bernadette, Steve, Kutak, BPW- Marion, Legislative Services.
- Initialize subscription of SLGS, if refunding sale. (PFM and Citibank)
- Send final structure to COMP office, and DBM

Thursday, February 25, 2010
- Get list of participants in syndicate & identification of any MBE firms (STO)
- Obtain CUSIP numbers (Kina)
- Final sale minutes (STEVE)
- Send OS round of corrections and OS distribution list to PRINTER (Kina)

Friday, February 26, 2010
- Printer will Send OS round of corrections to Kina
- Kina will Send OS round of corrections to PATTI, STEVE, KUTAK, FINANCIAL ADVISOR

Monday, March 1, 2010
- **OS Sign-off by 10:00** (call Kina in am)
- Post OS on STO website (Kina)
- Kutak will send draft tax opinion to STEVE, STO
- Kutak will send Draft settlement documents to STO for signatures by 11am

Tuesday, March 2, 2010
- Steve will send final authorization and sale minutes to KUTAK**,**
- Steve will provide to Kina a description of all Final Doc., (include with docs when sent for signature to GOV, COMP, Treasurer)
- Kina will distribute OS per OS distribution list

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- Get signatures on final documents (including 8038G)–Gov/Comp/Treasurer
- Confirm OS is on EMMA (Patti/Cindy)
- Kutak deliver final documents
- Gov to sign documents @ 1pm

Wednesday, March 3, 2010

- Post sale analysis (FA, STO)
- Comp to sign documents @10am
- Treasurer Kopp to sign documents @ noon

Thursday, March 4, 2010

- Kutak will Deliver bonds to DTC
- Kina will deliver signed settlement documents to STEVE for delivery to KUTAK
- Steve will send AG opinions to KUTAK

Tuesday, March 9, 2010 **(Settlement Day)**

- Confirm proceeds received to the STATE and M and T (Patti, Kina, Mary Christine, Bernadette, Banking Division)
- Coordinate with KUTAK and DTC release of bonds (Patti)
- Update Disclosure (Patti)
- Preparer Certificates due (STO)
- Provide .pdf file to Administration (Jessica) of final OS (Kina)
- Send DOI Reconciliation to KUTAK (Cindy)
- Notify BPW that Bonds have closed (STO)
- Add new Debt Service schedule to existing Debt Date spreadsheet (Cindy)
- Review MUN-EASE entry of Debt Service (Cindy)
- Verify contracts for next sale (STO)
- Transfer funds and prepare Budget Amendment, if necessary, (Bernadette)

State of Maryland 2010 FIRST Series
Master Schedule

CONTACTS

AFNW: ABRAMS,FOSTER, NOLE & WILLIAMS: Michael A. Brown, (T: 410-433-6830; F: 410-433-6871)

BA: BANK OF AMERICA : Ed Bianchi, (T: 410-605-5291)

BB: BOND BUYER: Joanne Ruvolo, (T: 212-943-9428; F: 212-943-2223)

BERNADETTE: Bernadette Benik, STO (T: 410-260-7080)**, Email**: bbenik@treasurer.state.md.us

BPW: BOARD OF PUBLIC WORKS: Sheila McDonald, (T: 410-260-7335; F: 410-974-5240)

BRE: BOARD OF REVENUE ESTIMATES: David Roose, (T: 410-260-7329; F: 410-974-5221)

CINDY: Cindy Reese, STO (T: 410-260-6203; F: 410-260-6057), **Email:** creese@treasurer.state.md.us

COMP: COMPTROLLER'S OFFICE: Rehena Rentuma, (T: 410-260-7851; F: 410-974-3808), **Email**: rrentuma@comp.state.md.us

DBM: BUDGET AND MANAGEMENT: Amber Teitt, (T: 410-260-7276; F: 410-974-5634), **Email**: ateitt@dbm.state.md.us, Chris Zwicker (T: 410-260-7987) **Email**: czwicker@dbm.state.md.us

FA: FINANCIAL ADVISOR: Nancy Winkler, Katherine Clupper, Kirwan Elliott, Martha Mockaitism (T:215-567-6100)
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INVESTMENTS: Mary Christine Jackman**,** STO (T: 410-260-7129; F: 410-974-3530),
Email: mcjackman@treasurer.state.md.us

KINA: Kina Johnson-Malcolm, STO (T: 410-260-7154; F: 410-260-6057),
Email: kmalcolm@treasurer.state.md.us

KUTAK: New Money/Refunding BOND COUNSEL**:** Alicia Terry (T: 202-828-2441), Micheal Bradshaw (T: 202-828-2468), Kathleen Miles, 202-828-2417

Email: Alicia.Terry@Kutakrock.com, michaelj.bradshaw@Kutakrock.com, Kathleen.miles@Kutakrock.com

MLIS: Warren Deschenaux, Director- Office of Policy Analysis (T: 410-946-5500)

PATTI: Patti Konrad, Director of Debt Management, STO (T: 410-260-7920; 410-260-6057)
Email: pkonrad@treasurer.state.md.us

PRINTER: Westerfield-Bonte Co., Inc., David Blythe (T:502-585-4616)
Email: dblythe@westerfieldbonte.com

RA: RATING AGENCIES: S&P, Richard Marino, (T: 212-438-2058); Robin Prunty, (T: 212-438-2081 F: 212-438-2131); Moody's, Maria Coritsidis, (T: 212-553-4173); Fitch, Richard Raphael, (T: 212-908-0506, F: 212-480-4421), Douglas Offerman, (T: 212-908-0889)

STEVE: Steve Vanderbosch**,** STO AG (T: 410-260-7927; F: 410-974-5926)
Email: svanderbosch@treasurer.state.md.us

STO: STATE TREASURER'S OFFICE, Nancy K. Kopp, (Treasurer) T: 410-260-7160

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Scheduling signing of Bond Documents:
Treasurer – Christine Buckley - 7367 (Scheduled to sign 3/3 @ noon)
COMP – Lisa Wald - 7803 (Scheduled to sign 3/3 @ 10 am)

GOV - send email to Rebecca Mules rmules@gov.state.md.us 410-974-5041 (Scheduled to sign 3/2 @1pm)
Linda Aldredge laldredge@gov.state.md.us 410-974-5041
Chris Rieth crieth@gov.state.md.us 410-974-5860
Tom Hickey, thickey@gov.state.md.us (410-974-2180)
Peggy Watson (Deputy Chief of Staff), pwatson@gov.state.md.us
Schedule assembly room:
Kristine Blackman – ext. 7913