



June 9, 2012

**Niche for an individual investor:
Low Risk California Muni Bond Strategy**

Roddy Sloss, Individual Investor

GOALS and AGENDA

- **California Muni Bond Market**
- **Finding Bonds**
- **Performing the Credit Evaluation**
- **Buying the Bond**
- **Monitoring your Investments**

PRESENTER BIOGRAPHY

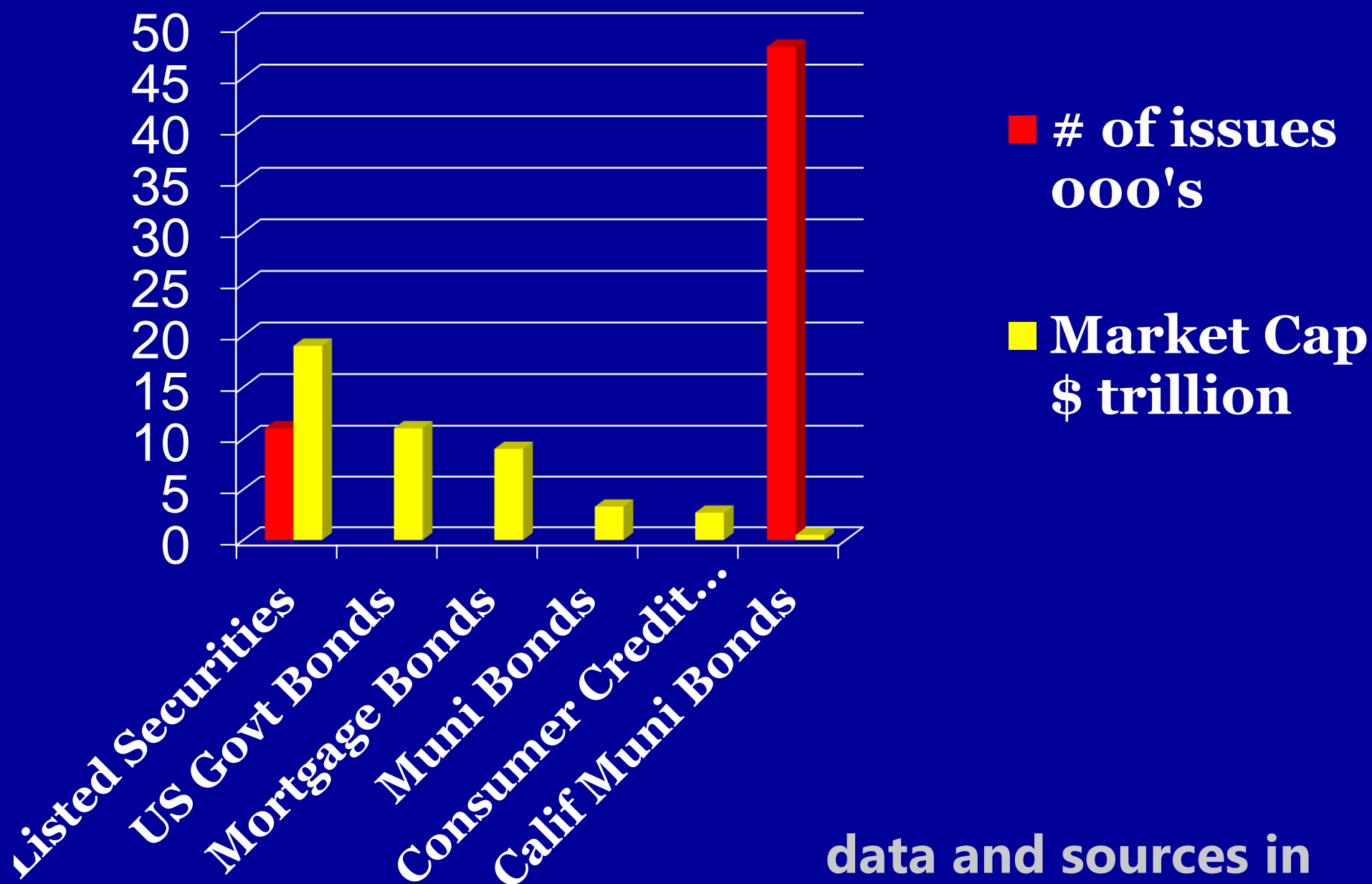
- **Roddy Sloss: Individual Investor**
 - **BS, Business - University of California, Berkeley (1966)**
 - **CPA California (inactive)**
 - **PricewaterhouseCoopers, Financial Auditor (1966-1979)**
 - **Kaufman & Broad (NYSE), Director - Controls Evaluation & Audit (1979-1983)**
 - **Cordura (NYSE), CFO / Secretary (1983-1987)**
 - **Daisy Systems (NASDAQ), CFO / Secretary (1987-1990)**
 - **Sigoloff & Associates, Consultant (1990-1994)**
 - **Lattice Semiconductor Corporation (NASDAQ), VP Finance (1994-2005)**
 - **Retired (2005 - present)**
 - **Los Altos Hills town finance committee (2008 – present)**

DISCLAIMER

- Information presented or discussed during this meeting is neither confidential nor proprietary, was developed by the presenter and may contain inaccuracies, oversights and errors as it has not been subjected to a third party review or fact check.
- The presenter is neither a professional investor, public speaker, nor a practicing accountant.
- The presentation is based on market conditions at this time and for the three years ending in June 2012. This strategy is unlikely to work if market conditions substantially change.
- Transactions and investments in this presentation are characterized as tax free meaning income tax free for California income tax payers. Alternative minimum tax, capital gains tax and income tax related to original issue discount may or may not be applicable in determining the income tax status of these transactions. Tax Free characterization may or may not be applicable to all recipients of this presentation and may change over time.

CALIFORNIA MUNI BOND MARKET

California Muni Bond Market – Market Size



data and sources in

- **NICHE MARKET CHARACTERISTICS**

Small issues

Low turnover

No exchange to resell securities

No institutional research

Legal foundation varies by state

Unrated securities common

California Muni Bond Market - Market Segments

•TWO MARKETS

I. INITIAL OFFERING - Better disclosure and more risk

For institutional and individual investors

Invitation only

Boutique local brokers

II. SECONDARY MARKETS - Worse disclosure and less risk

2 sub SEGMENTS:

1) \$100,000+ for institutional investors (Bloomberg)

2) > \$100,000 online bulletin boards for individual investors

FINDING BONDS

FINDING BONDS - Getting Started

Pre requisites:

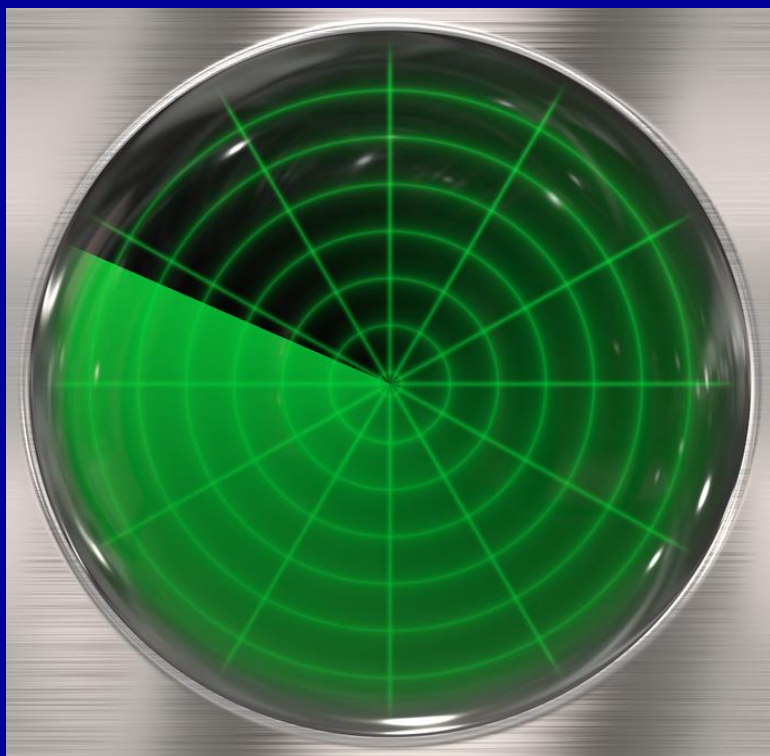


Finding the Market - Free Internet Tools



Finding the Bonds – Free Internet Tools

**Use Advanced
Search Tool**



**Vanguard's is nested
5 levels down**



Finding Bonds – Free Internet Tools


Vanguard Advanced Search Screen with strategy criteria selected:

Proceeds:	ALL	<input type="checkbox"/> Exclude
State:	California	<input type="checkbox"/> Exclude
Payment Frequency:		<input type="checkbox"/> Exclude
Limits		
	From	To
Maturity:	(0-30 yr)	2017 (0-30 yr) <input type="checkbox"/> Exclude
Coupon:	%	% <input type="checkbox"/> Exclude
Yield:	%	% <input type="checkbox"/> Exclude
Price:		100.5 <input type="checkbox"/> Exclude
Moody's Rating:	ALL	ALL <input checked="" type="checkbox"/> Or
S&P Rating:	ALL	ALL
Quantity:		25 <input type="checkbox"/> Exclude
Current Yield:	4	<input type="checkbox"/> Exclude
Call Protection:	Protect to:	
<input checked="" type="checkbox"/> Buy Offerings		
<input checked="" type="checkbox"/> Zero Coupon		
<input type="checkbox"/> Escrowed		
<input checked="" type="checkbox"/> Pre Refund		
<input type="checkbox"/> Insured		
<input type="checkbox"/> Callable		
<input checked="" type="checkbox"/> Taxable		
<input checked="" type="checkbox"/> Subject to AMT		
<input checked="" type="checkbox"/> Exempt from AMT		
<input type="checkbox"/> Bank Qualified		
<input type="checkbox"/> Territory		
<input type="checkbox"/> Build America Bonds		
<input checked="" type="checkbox"/> Step Coupon		
<input type="checkbox"/> Negative Credit Watch		
<input type="checkbox"/> New Offerings Today		

Other:

Finding Bonds - Free Internet Tools

Alamo Advanced Search Screen with Strategy Criteria selected:



OFFERINGS / NEW ISSUES / BID WANTED / ORDER STATUS / PORTFOLIOS / REPORT BIN / PASSWORD RESET

Municipal Bond Search

Express Search		States	Constraints																																							
Issue:	<input type="text"/>	Use Ctrl-Click To Select Multiple States.																																								
CUSIP List:	<input type="text"/>	<div>Alabama</div> <div>Alaska</div> <div>Arizona</div> <div>Arkansas</div> <div>California</div>	<table><thead><tr><th></th><th>Yes</th><th>No</th></tr></thead><tbody><tr><td>General Obligation</td><td><input type="checkbox"/></td><td><input type="checkbox"/></td></tr><tr><td>Revenue</td><td><input type="checkbox"/></td><td><input type="checkbox"/></td></tr><tr><td>Callable</td><td><input type="checkbox"/></td><td><input type="checkbox"/></td></tr><tr><td>Tobacco Settlement</td><td><input type="checkbox"/></td><td><input checked="" type="checkbox"/></td></tr><tr><td>Pre-Refunded</td><td><input type="checkbox"/></td><td><input checked="" type="checkbox"/></td></tr><tr><td>Escrowed To Maturity</td><td><input type="checkbox"/></td><td><input checked="" type="checkbox"/></td></tr><tr><td>Taxable</td><td><input type="checkbox"/></td><td><input checked="" type="checkbox"/></td></tr><tr><td>Subject To AMT</td><td><input type="checkbox"/></td><td><input checked="" type="checkbox"/></td></tr><tr><td>Insured</td><td><input type="checkbox"/></td><td><input type="checkbox"/></td></tr><tr><td>Bank Qualified</td><td><input type="checkbox"/></td><td><input type="checkbox"/></td></tr><tr><td>Putable</td><td><input type="checkbox"/></td><td><input type="checkbox"/></td></tr><tr><td>Build America</td><td><input type="checkbox"/></td><td><input type="checkbox"/></td></tr></tbody></table>		Yes	No	General Obligation	<input type="checkbox"/>	<input type="checkbox"/>	Revenue	<input type="checkbox"/>	<input type="checkbox"/>	Callable	<input type="checkbox"/>	<input type="checkbox"/>	Tobacco Settlement	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Pre-Refunded	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Escrowed To Maturity	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Taxable	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Subject To AMT	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Insured	<input type="checkbox"/>	<input type="checkbox"/>	Bank Qualified	<input type="checkbox"/>	<input type="checkbox"/>	Putable	<input type="checkbox"/>	<input type="checkbox"/>	Build America	<input type="checkbox"/>	<input type="checkbox"/>
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		<input checked="" type="checkbox"/> Exclude At Maturity																																								

Finding Bonds – Free Internet Tools

- Vanguard search results: bonds offered for sale (5/1/12)

	Depth	Qty	Min Qty	ST	CUSIP	Issue	Coupon	Maturity	Price	Yield	Moody/S&P	Credit Watch
<input type="checkbox"/>		5	5	CA	861407BS2	Stockton Calif Rev Ctfs P Callable 09/13@100 - OID - Extraordinary Calls - Redev/Ld Clearance Use - Material Events - AMBAC insured	3.7	09/01/2017	81.419	8	WR/ CC	/ (NEG)
<input type="checkbox"/>	more	115	5	CA	861395DV0	Stockton Calif Pub Fing A Exempt From State & Local Income Taxes - Material Events - RADIA insured	5	09/01/2016	91.3	7.345	-/ B+	/
<input type="checkbox"/>		150	25	CA	317077AK1	Fillmore Calif Redev Agy OID - Material Events	5	05/01/2016	94.192	6.65	-/ -	/
<input type="checkbox"/>		50	5	CA	861402CY9	Stockton Calif Redev Agy Callable 09/14@100 - OID - Extraordinary Calls - Civic/Conventn Ctrs Use - Material Events - FGIC insured	3.6	09/01/2017	89.054	6	WR/ BBB	/
<input type="checkbox"/>		10	5	CA	250419DH8	Desert Hot Springs Calif Material Events - AMBAC insured	4	09/01/2014	98	4.89	-/ B	/ (NEG)
<input type="checkbox"/>		10	5	CA	861394AH7	Stockton Calif Pub Fing A OID - Material Events - FGIC insured	4	09/01/2013	99	4.741	WR/ BBB	/
<input type="checkbox"/>		15	15	CA	861394BG8	Stockton Calif Pub Fing A Callable 08/14@100 - Exempt From State & Local Income Taxes - Extraordinary Calls - Gen Purp/Pub Impt Use - Material Events - NATL insured	4	08/01/2015	98	4.655	Baa2/ BBB	/
<input type="checkbox"/>		25	5	CA	861394BH6	Stockton Calif Pub Fing A Callable 08/14@100 - Exempt From State & Local Income Taxes - Extraordinary Calls - Gen Purp/Pub Impt Use - Material Events - NATL insured	4	08/01/2016	99	4.254	Baa2/ BBB	/

(n) Floating/Variable rate - (c) Yield to Call - (p) Yield to Par Call - (w) Yield to Middle Call - (u) Yield to Put - (dis) Discount Yield - (mmy) Money Market Yield - (r) Pre-Refund - (t) Mandatory Put - (f) Called in Full

A Case Study – Stockton's threatened bankruptcy opportunity



[Bankruptcy News](#) » [Filing Bankruptcy](#)

Stockton, California Weighs the Possibility of Chapter 9 Bankruptcy

May 25, 2012

By: [John Clark](#)

The city of Stockton, California is reportedly weighing whether to file for Chapter 9 [bankruptcy](#) in order to remedy its \$26 million budget shortfall, according to a recent report from the Stockton Record.

This week, City Manager Bob Deis released a proposed budget that includes a \$26 million gap, and he offered three potential solutions to cover the difference, including filing for municipal bankruptcy.

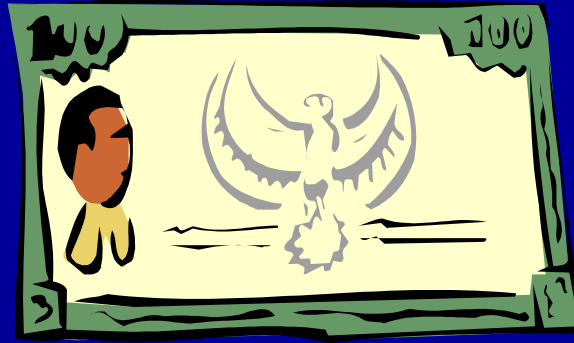
PERFORMING THE CREDIT EVALUATION

Performing the credit evaluation - What is Safe?

- **Attributes of a good credit risk:**
 - ❖ High ratio of collateral to bond value
 - ❖ Borrower able to make timely payments
 - ❖ Borrower reports periodically
 - ❖ History of ethical and responsible behavior
 - ❖ Payment source is observable and verifiable



Performing the Credit Evaluation – What Kind of a Bond Is it?



?

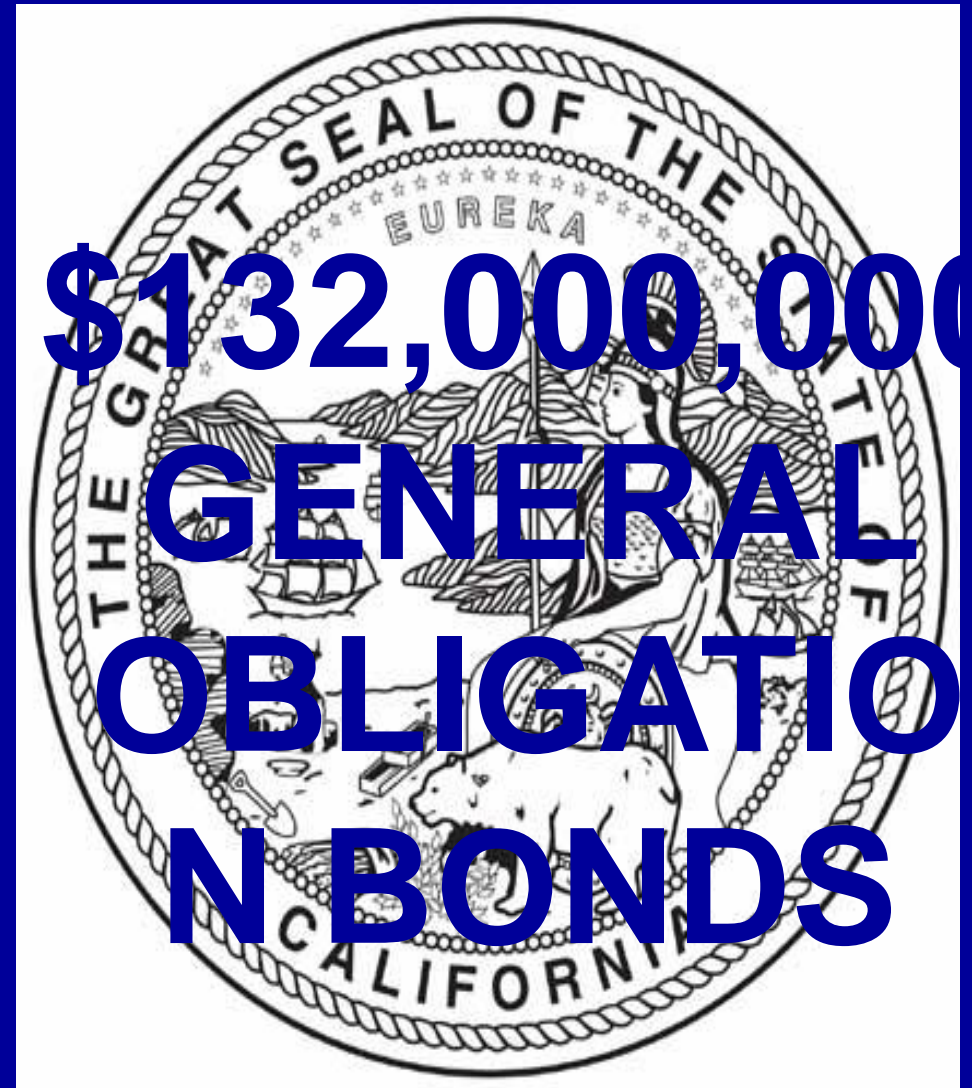
MARKET CATEGORIES OF BONDS:

- General obligation (aka GO)
- Revenue (aka certificate of participation)
- Community facility (aka Mello Roos)
- Redevelopment (aka tax increment)

Performing the Credit Evaluation – What Kind of a Bond Is it?

General Obligation bonds

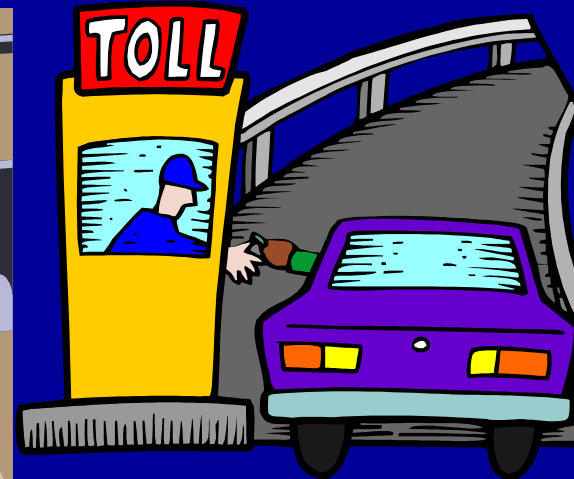
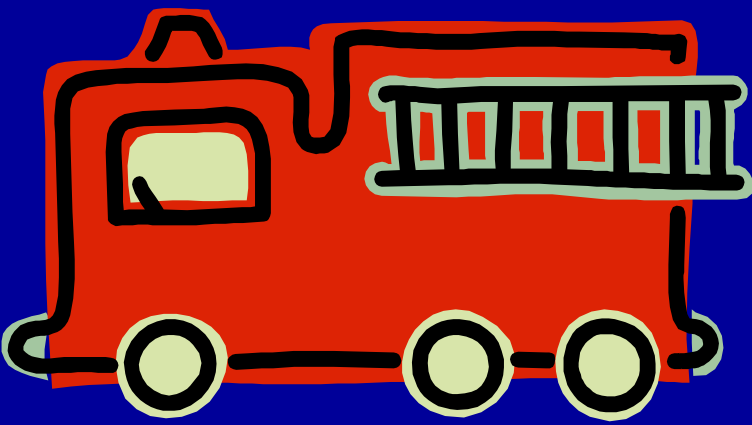
- + Issuer's credit reputation is at risk
- + Most General Fund revenue sources
- Hard to evaluate credit



Performing the Credit Evaluation – What Kind of a Bond Is it?

Revenue (certificate of participation) bonds

- + /- May or may not be similar to GO
e.g. building lease payable from General Fund vs. dedicated revenue from toll road
- + /- Asset financed may or may not be critical
(jail vs. library)



Performing the Credit Evaluation – What Kind of a Bond Is it?

- **Community facility (aka Mello Roos) bonds**
 - + Easy to evaluate
 - + Often have high value to loan ratio
 - + Usually not redeemed early
 - Be careful where property not built out



Performing the Credit Evaluation – What Kind of a Bond Is it?

Redevelopment (tax increment) bonds

- + sometimes have high value to loan ratio
- hard to evaluate
- collateral is often diluted
- subject to abuse




Where does your information come from?

	Information Source					
	WEBSITE				CONTACT	
Question	Broker	EMMA	Issuer	Other	Issuer	Broker
Bond terms	X	X				
Bond type		X				
Credit evaluation		X	X	X	X	X
Trading history		X				
News		X	X	X	X	X
Buyers	X	X			X	X

Performing the Credit Evaluation – Free Research Tools

EMMA




MSRB
Municipal Securities
Rulemaking Board

EMMA® - Electronic Municipal Market Access
The Official Source for Municipal Disclosures and Market Data

[About EMMA](#)[Muni Search](#)[Market Activity](#)[Education Center](#)[EMMA Dataport](#)

[Home](#) > [Muni Search](#) > [Search Results](#) > [Issuer Details](#) > [Issue Details](#) > [Security Details](#)

Security Details



EL DORADO CNTY CALIF SPL TAX CMNTY FACS DIST NO 2005-2 (CA)*
CUSIP: 283113DJ4 *

Dated Date: 04/20/2006
Maturity Date: 09/01/2016
Interest Rate: 4.7 %
Principal Amount At Issuance: \$90,000
Initial Offering Price: 99.185

[Official Statement](#)[Continuing Disclosure](#)[Trade Activity](#)[Ratings^{new}](#)

View the official statement, which is the most complete source of information about the securities as of the time of initial issuance.

Performing the Credit Evaluation – Initial Disclosure

Official Statement
project description
deal terms
risk factors
taxes
initial expectations
early retirement

NEW ISSUE, FULL BOOK ENTRY

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the County, based upon an analysis of existing laws, regulations, rulings and court decisions, and reviewing, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 143 of the Internal Revenue Code of 1986 and is, except from state of California personal income taxes. In the further opinion of fiscal counsel, interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel deems that such interest is included in adjusted taxable income when calculating alternative minimum taxable income. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of or the receipt or receipt of interest on the Bonds. See "TAX MATTERS" herein.

NOT RATED

\$3,750,000

COUNTY OF EL DORADO COMMUNITY FACILITIES DISTRICT NO. 2005-2 (Laurel Oaks) SPECIAL TAX BONDS, SERIES 2006

Dated: Date of Delivery

Due: September 1, as shown below

The bonds captioned above (the "Bonds") are being issued by the County of El Dorado (the "County") and through its Community Facilities District No. 2005-2 (the "District"). The Bonds are special tax obligations of the County, authorized pursuant to the Miller-Boss Community Facilities Act of 1982, as amended, being California Government Code Section 53111, et seq. (the "Act"), and are issued pursuant to a Fiscal Agent Agreement dated as of April 1, 2006 (the "Fiscal Agent Agreement") by and between the County and The Bank of New York Trust Company, N.A., as fiscal agent (the "Fiscal Agent"). Proceeds of the Bonds will primarily be used to construct certain public facilities of the District and will also be used to provide for the establishment of a reserve fund to provide capital interest and to pay the costs of issuance of the Bonds. Interest on the Bonds is payable September 1, 2006, and thereafter semiannually on March 1 and September 1 of each year.

The Bonds are being issued as fully registered bonds, registered in the name of CUSIP & Co. as nominee of The Depository Trust Company, New York, New York ("DTC"), and will be available to ultimate purchasers in the denomination of \$5,000 or any integral multiple thereof, under the book-entry system maintained by DTC. See "APPENDIX C – BOOK-ENTRY SYSTEM."

The Bonds are secured by and payable from a pledge of Special Taxes (as defined herein) to be levied by the County on taxable real property within the boundary of the District, first in the proceeds of any foreclosure actions brought following a delinquency in the payment of the Special Taxes, and from amounts held in certain funds under the Fiscal Agent Agreement, all as more fully described herein. Limited Special Taxes do not constitute a personal indebtedness of the owners of the parcels within the District. In the event of delinquency, proceedings may be conducted only against the parcel of real property securing the delinquent Special Tax. There is no assurance the owners will be able to pay the Special Tax or that they will pay a Special Tax even though financially able to do so. To provide funds for payment of the Bonds and the interest thereon as a result of any delinquent Special Taxes, the County will establish a Special Reserve Fund from proceeds of the Bonds, as described herein. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS."

Property in the District subject to the Special Taxes comprises approximately 40.01 gross acres in the western portion of the County planned for 99 single-family homes. The land is currently being developed and is owned solely by the Developer (as defined herein) See "THE DISTRICT" and "OWNERSHIP OF PROPERTY WITHIN THE DISTRICT."

The Bonds are subject to optional extraordinary and mandatory redemption prior to maturity as described herein. See "THE BONDS – Redemption."

NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE COUNTY, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF, IS PLEDGED TO THE PAYMENT OF THE BONDS. THE BONDS DO NOT CONSTITUTE A DEBT OF THE COUNTY WITHIN THE MEANING OF ANY STATUTORY OR CONSTITUTIONAL DEBT LIMITATION. THE GENERAL FUND OF THE COUNTY IS NOT LIABLE FOR PAYMENT OF THE BONDS. THE BONDS ARE NOT SECURED BY A LEGAL OR EQUITABLE PLEDGE OF OR CHARGE, Lien OR FIDELITY FUND OR ANY PROPERTY OF THE COUNTY OR ANY OF ITS INCOME OR RECEIPTS, EXCEPT THE MONEY IN THE SPECIAL TAX FUND DESCRIBED HEREOF. THE INFORMATION SET FORTH IN THIS OFFICIAL STATEMENT, INCLUDING INFORMATION UNDER THE HEADING "SPECIAL RISK FACTORS," SHOULD BE READ IN ITS ENTIRETY.

This cover page contains certain information for general reference only. It is not a summary of all of the provisions of the Bonds. Prospective investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision. See "SPECIAL RISK FACTORS" herein for a discussion of the special risk factors that should be considered, in addition to the other matters and risk factors set forth herein, in evaluating the investment quality of the Bonds.

MATURITY SCHEDULE

Maturity Date (Sept. 1)	Principal Amount	Interest Rate	Price or Yield	CUSIP (Sept. 1)	Maturity Date (Sept. 1)	Principal Amount	Interest Rate	Price or Yield	CUSIP (Sept. 1)
2007	\$23,000	5.800%	100.000%	12811131	2014	\$70,000	4.600%	4.700%	DG5
2008	30,000	6.000%	100.000%	D-2	2015	80,000	4.650%	4.750%	DH6
2009	35,000	6.000%	4.100%	D-1	2016	90,000	4.700%	4.800%	D11
2010	40,000	6.100%	4.200%	D-2	2017	100,000	4.750%	4.850%	D16
2011	50,000	6.250%	4.350%	D-2	2018	100,000	4.800%	4.900%	D19
2012	55,000	6.375%	4.450%	D-1	2019	100,000	4.850%	5.000%	D24
2013	65,000	6.500%	4.600%	D-2	2020	110,000	4.900%	5.000%	D25

\$3,750,000 5.000% Term Bond Due September 1, 2026 Price: 99.980% CUSIP: 283113 F1Q8
\$1,995,000 5.100% Term Bond Due September 1, 2026 Price: 99.980% CUSIP: 283113 F2Q8

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The Bonds are offered here, as one of a kind, subject to approval as to their legality by Orrick, Herrington & Sutcliffe LLP, San Francisco, California, Bond Counsel. Certain legal matters will be passed on by Jones Hall, a Professional Law Corporation, or elsewhere Counsel. Certain legal matters will be passed upon for the County by the County Counsel. It is anticipated that the Bonds will be available for delivery to DTC on or about April 20, 2006.

WESTHOFF, CONE & HOLMSTEDT

The date of this Official Statement is April 3, 2006

Credit Evaluation – Ongoing Disclosure Responsibility

Continuing Disclosure

current performance

problems

new developments



County of El Dorado CFD 2005-2
Special Tax Bonds, Series 2006

Continuing Disclosure Annual Report

Fiscal Year Ending: June 30, 2011

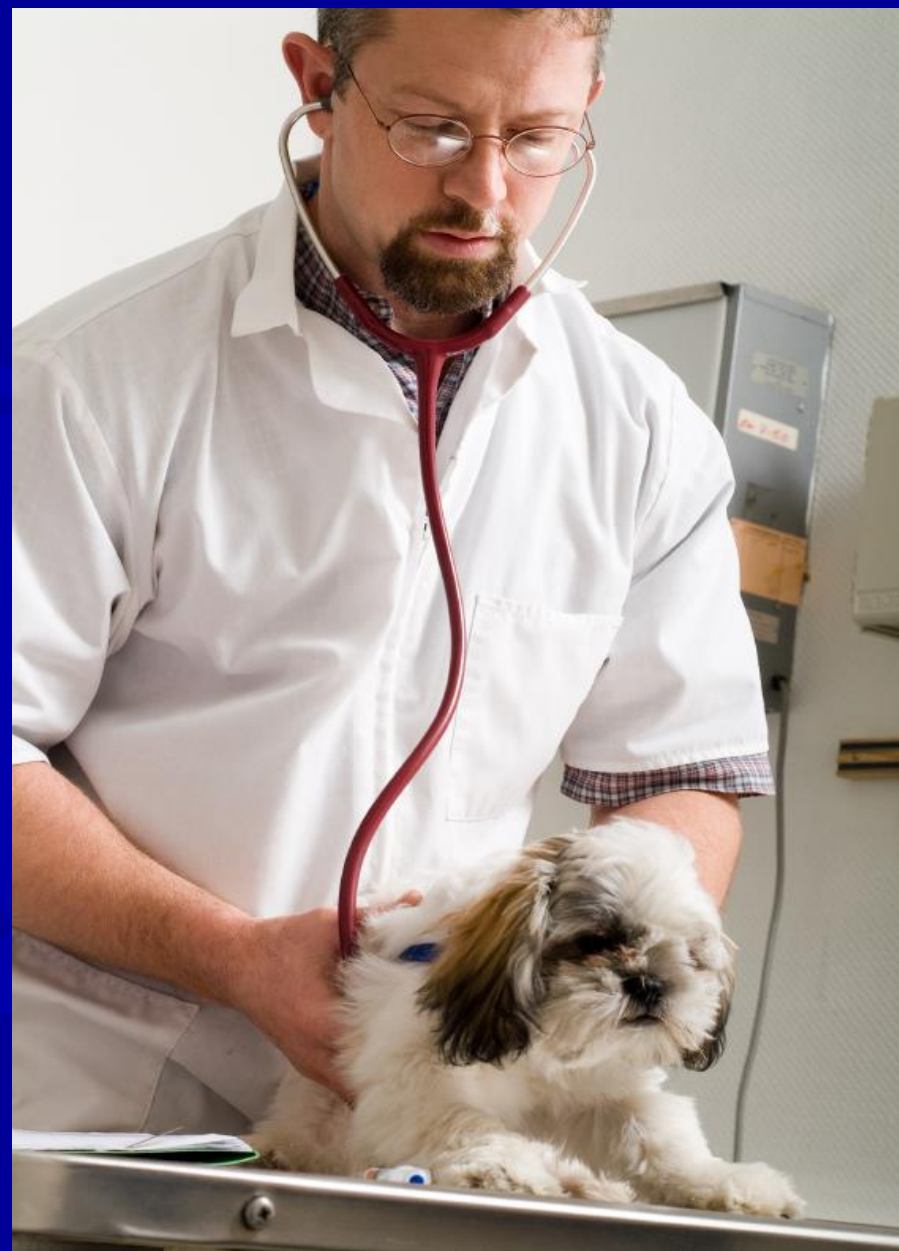
Performing the Credit Evaluation – Looking For Problems

Skim Continuing Disclosure:

- CAFR
- Budgets (issuer website)
- Continuing Disclosure Report

Mello Roos? Check for
Teeter Plan

(Checklist in the Appendix)



Performing the Credit Evaluation - Drilling Down

Peruse:

Official Statement

- Risk factors
- Description of project

CAFR

Budget

(Checklist in the Appendix)



Performing the Credit Evaluation – more free resources

- **The issuers website**



- ❖ most recent budgets and financials
- ❖ governing board's meeting agendas and minutes

- **Other**



- ❖ Google maps
- ❖ Zillow .com
- ❖ local press
- ❖ telephone the issuer's financial officer
- ❖ ask a bond trader familiar with the security



BUYING THE BOND

Buying the Bond - Things to Remember

Confirm the CUSIP #

\$ in account?

Price flexible?

Pay par or less

Set up alerts



MONITORING YOUR INVESTMENTS

MONITORING YOUR INVESTMENTS

Retain key data in a spreadsheet (appendix)

Summarize by year of maturity

Investment Name	Type	Formal Name	cusip	Maturity	Bonds
LA HUD Office HQ	go	LOS ANGELES C	54456pad2	6/1/2012	15
Fontana Heritage Village	rev	Calif Spl Tax Ref	344630gw2	9/1/2012	5
LA HUD Office HQ	go	LOS ANGELES C	54456pad2	6/1/2013	5
SanJose Off Ind Shop Hous	rev	SAN JOSE CA RI	798147f58	8/1/2013	15
Calif Statewide Commerci	mello	CALIFORNIA ST	13078YBP9	9/2/2013	10
Vacaville Library	go	VACAVILLE CAI	918559DR3	12/1/2013	20
LA Bunker Hill OfficeShop	redev	LOS ANGELES C	544389z36	3/1/2014	15
Montebello Industrial	redev	Montebello Calif Cc	612280kf3	9/1/2014	25
Modesto Ca Water	rev	MODESTO CALI	607769ED4	9/1/2014	10
San Diego Centre City	redev	San Diego Calif R	797300UT5	9/1/2014	5
Turlock Ca Emanuel Hosp	rev	TURLOCK CA H	900173BG9	10/15/2014	10
Foothill Eastern Toll Rd (C	rev	Foothill Easter Cc	345105DZ0	1/15/2015	25

	<u>Total</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Total	\$232,580	\$20,051	\$39,915	\$39,746	\$79,295	\$43,594	\$9,979
%	100.0%	8.6%	17.2%	17.1%	34.1%	18.7%	4%
Maturity	2.8	0.4	1.5	2.5	3.5	4.5	5.1

MONITORING YOUR INVESTMENTS – Free Tools

- Check broker calculated unrealized gain/loss often
- Use EMMA Alert service for news (see appendix)
- If there is a concern, use EMMA Alert service to report new trades (see appendix)



MONITORING YOUR INVESTMENTS – Selling

- If you have to sell:

- ❖ Review EMMA data (including other maturities)
- ❖ Find dealers who know the bond and credit (usually found in issuers geographic area)
- ❖ Contact several dealers (phone / email)
- ❖ Explain why you are selling (no one wants a lemon)
- ❖ If there is bad news, don't sell in a panic.



CONCLUSION

- **Research skills improve quickly**
- **Don't buy if in doubt**
- **Persistence is rewarded - mining for value**
- **Selling can be expensive – take your time**
- **Interest rates will go up – stay short term**

THANK YOU

APPENDIX

APPENDIX - California Muni Bond Market – Market Size

- **MUNI BOND MARKET OVERVIEW (\$ = market cap)**
 - NYSE & NASDAQ \$19 trillion (9,000 securities)
 - US Treasuries and Agencies \$11 trillion
 - Mortgage securities \$ 9 trillion
 - Corporate Bonds \$ 7 trillion
 - **Muni Bonds - \$ 3 trillion (30,000 securities / ~300,000 maturities – CA 16% , Tx 10%, NY 9%)**
 - Asset backed notes (credit cards / car loans) \$3 trillion

Data from SIFMA 2012 website; NYSE & NASDAQ from Co.website and 10k; e Trade primer; Bnod Desk 7/11 monograph, MSRB 2010 Data book.

APPENDIX - California Muni Bond Market

•MARKET ATTRIBUTES

45% of transactions are \$25,000 or less (66% <\$50,000)

60% of trades are buyers

90% tax free securities

80% of transactions are in secondary market

**51% of transactions are fixed rate securities
(vs. variable or zero coupon)**

17% of trades are for securities that mature in 5 yrs or less

Source and more details :

www.msrb.org/msrb1/pdfs/MSRB2010FactBook.pdf

APPENDIX - California Muni Bond Market

• MARKET ATTRIBUTES

Maturity

- 17% 5 years or less
- 20% 5-10 years
- 18% 10-15 years
- 24% 20-30 years

Market

- 20% New issue
- 80% Secondary

information source:

www.msrb.org/msrb1/pdfs/MSRB2010FactBook.pdf

APPENDIX - California Muni Bond Market

• MARKET ATTRIBUTES

Buyers v Sellers

- **Buyers = 60%**
- **Sellers = 40%**

Purpose of Financing

- **State and local Gen Obligation 30%**
- **Special tax, utilities, leasing 35%**
- **Hospital 9%**
- **Schools 7%**
- **Transportation 15%**
- **Other 4%**

Non taxable v taxable

- **90% tax free**
- **10% taxable**

information source:

www.msrb.org/msrb1/pdfs/MSRB2010FactBook.pdf

APPENDIX - California Muni Bond Market

• MARKET ATTRIBUTES

New issues v secondary market

- New Issues = 17%
- Secondary market = 83%

Interest calculation method

- Fixed rate = 51%
- Variable rate = 46%
- Zero coupon = 3%

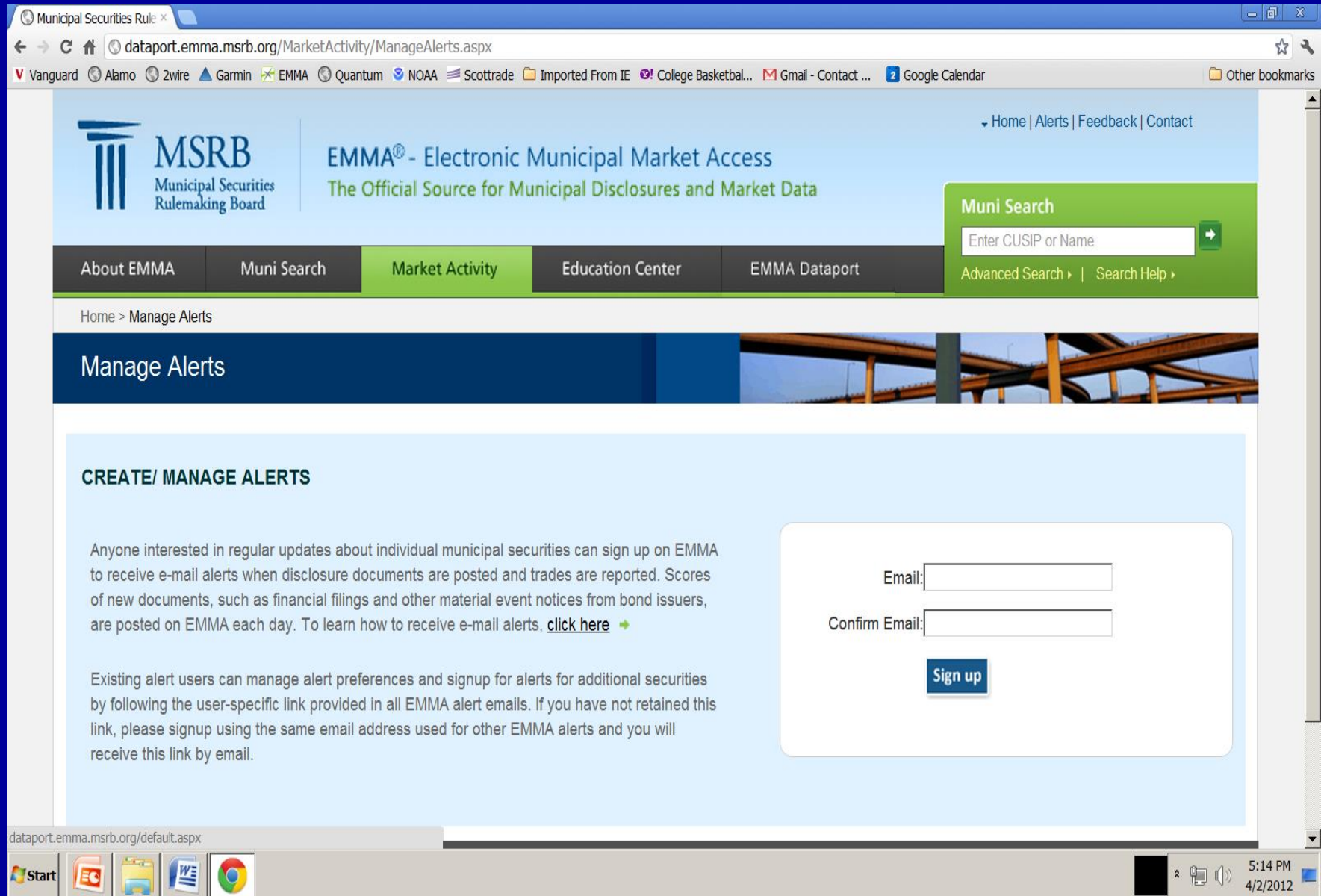
Transaction size

- under \$25,000 = 45%
- \$25,000 - \$50,000 = 21%
- \$50,000 - \$75,000 = 5%
- \$75,000 - \$100,000 = 9%
- more than \$100,000 = 20%

information source:

www.msrb.org/msrb1/pdfs/MSRB2010FactBook.pdf

APPENDIX EMMA Alert Sign Up Page



The screenshot shows a web browser window with the URL `dataport.emma.msrb.org/MarketActivity/ManageAlerts.aspx`. The page header includes the MSRB logo and the text "EMMA® - Electronic Municipal Market Access The Official Source for Municipal Disclosures and Market Data". A navigation bar contains links for "About EMMA", "Muni Search", "Market Activity" (which is highlighted), "Education Center", and "EMMA Dataport". A "Muni Search" box is located on the right side of the header. Below the navigation bar, the breadcrumb "Home > Manage Alerts" is displayed. The main heading "Manage Alerts" is followed by a large image of a bridge. The section "CREATE/ MANAGE ALERTS" contains two paragraphs of text. The first paragraph explains that users can sign up for email alerts and provides a link to learn more. The second paragraph explains that existing users can manage their alert preferences. To the right of the text is a sign-up form with fields for "Email:" and "Confirm Email:", and a "Sign up" button. The browser's taskbar at the bottom shows the Start button and several application icons, including Internet Explorer, Google Chrome, and Microsoft Word. The system clock in the bottom right corner shows the time as 5:14 PM on 4/2/2012.

Municipal Securities Rulemaking Board

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Home > Manage Alerts

Manage Alerts

CREATE/ MANAGE ALERTS

Anyone interested in regular updates about individual municipal securities can sign up on EMMA to receive e-mail alerts when disclosure documents are posted and trades are reported. Scores of new documents, such as financial filings and other material event notices from bond issuers, are posted on EMMA each day. To learn how to receive e-mail alerts, [click here](#).

Existing alert users can manage alert preferences and signup for alerts for additional securities by following the user-specific link provided in all EMMA alert emails. If you have not retained this link, please signup using the same email address used for other EMMA alerts and you will receive this link by email.

Email:

Confirm Email:

Sign up

dataport.emma.msrb.org/default.aspx

Start | Internet Explorer | Google Chrome | Microsoft Word

5:14 PM
4/2/2012

APPENDIX Spreadsheet format for tracking investments

AAII sample spreadsheet - Microsoft Excel non-commercial use															
Home Insert Page Layout Formulas Data Review View PDF															
Normal Page Layout Preview Custom Views Full Screen				Ruler Formula Bar Gridlines Headings Message Bar Show/Hide		Zoom 100% Zoom to Selection		New Window Arrange All Freeze Panes Split Hide Unhide		View Side by Side Synchronous Scrolling Reset Window Position Window		Save Switch Workspace Windows		Macros	
A1															
	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O
5								\$1,000			Annual	Current	Gain (Loss)	Purchase	Accrued
6		Investment Name	Type	Formal Name	cusip	Maturity	Bonds	Cost	Coupon		Income	Yield	at Maturity	date	int at buy
12	2	Fontana Heritage Village	rev			9/1/2012	5	\$5,000.00	5.70%		\$285.00	5.70%	\$0.00	11/30/2009	\$12.50
13	3	LA HUD Office HQ	go			6/1/2013	5	\$5,039.75	5.50%		\$275.00	5.50%	(\$39.75)	5/27/2009	\$5.47
14	4	SanJose Off Ind Shop Hou	rev			8/1/2013	15	\$15,000.00	5.40%		\$810.00	5.40%	\$0.00	3/3/2009	
15	5	Calif Statewide Commerci	mello			9/2/2013	10	\$9,875.00	4.30%		\$430.00	4.88%	\$125.00	5/11/2011	\$88.39
16	7	LA Bunker Hill OfficeSho	redev			3/1/2014	15	\$14,579.03	4.60%		\$690.00	4.75%	\$420.97	1/15/2009	\$38.43
17	9	Modesto Ca Water	rev			9/1/2014	10	\$10,229.31	5.13%		\$512.50	5.11%	(\$229.31)	1/18/2011	\$199.31
18	10	San Diego Centre City	redev			9/1/2014	5	\$4,987.50	4.90%		\$245.00	4.98%	\$12.50	5/26/2011	\$61.25
19	11	Turlock Ca Emanuel Hospi	rev			10/15/2014	10	\$9,950.00	5.00%		\$500.00	5.03%	\$50.00	3/30/2011	\$234.72
22	13	Ca St Office Oakland	go			4/1/2015	10	\$10,000.00	5.15%		\$515.00	5.15%	\$0.00	6/12/2009	\$19.21
23	16	Jurupa 5.5% School	mello			9/1/2015	15	\$15,030.00	5.50%		\$825.00	5.49%	(\$30.00)	3/4/2011	\$18.33
24	18	Brisbane Housing	mello			9/2/2015	5	\$5,018.07	5.80%		\$290.00	5.80%	(\$18.07)	6/8/2009	
25	20	Pajaro Water Assessment	rev			9/2/2015	15	\$14,550.00	4.50%		\$675.00	5.18%	\$450.00	7/23/2010	\$273.75
26	21	Rancho Carillo Carlsbad	mello			9/2/2015	10	\$10,050.00	5.40%		\$540.00	5.37%	(\$50.00)	4/26/2011	\$85.50
27	24	LA Cnty Disney Parking	rev			3/1/2016	5	\$4,897.00	4.75%		\$237.50	5.00%	\$103.00	5/17/2011	\$52.12
28	26	Madera County Seat Bldg	go			8/1/2016	5	\$4,750.00	4.00%		\$200.00	5.01%	\$250.00	10/27/2011	\$50.00
29	28	El Dorado (Sacto) housing	mello			9/1/2016	10	\$9,787.10	4.70%		\$470.00	5.18%	\$212.90	8/10/2011	\$214.11
30	29	Stockton Sewer bonds	rev			9/1/2016	20	\$19,965.00	5.13%		\$1,025.00	5.13%	\$35.00	3/1/2012	\$14.24
31	30	Livermore industrial prop	mello			9/2/2016	10	\$10,000.00	5.65%		\$565.00	5.65%	\$0.00	4/20/2011	\$84.75
32	31	Richmond Ca golf course	mello			9/2/2016	15	\$14,160.00	3.90%		\$552.24	5.00%	\$840.00	4/25/2011	\$91.00
33	33	Alhambra Senior Baptist	rev			1/1/2017	10	\$9,978.68	6.25%		\$662.50	6.62%	\$21.32	12/28/2011	\$3.68
34		Totals					210	\$202,846.44			\$10,304.74	5.08%	\$2,153.56		
Investments Strategy Sheet3 Sheet4 Sheet5 Sheet6 Sheet7 Sheet8 Sheet9															
Ready Average: 10245.88155 Count: 296 Sum: 2131143.363 98%															
Start EC WE Chrome															
5:28 PM 4/2/2012															

APPENDIX – Looking for Problems - CHECKLIST

• **EMMA - Continuing Disclosure**

- **GO and Revenue bonds:**

Audit report – going concern – other issues?

Financial Stat's – mgt's discussion – big variances?

Balance Sheet assets – low investment balances?

Balance Sheet equity – negative reserves?

Footnotes – inter-fund borrowing arms length?

Footnotes – Subsequent events

Budget – cutbacks? (found on Town's website)

Reports – filed timely?

- **Community Development (Mello Roos) bonds:**

Value to lien ratio too low?

Underdeveloped property?

Teeter Plan?

APPENDIX - Credit Evaluation - Drilling Down CHECKLIST

Using EMMA:

- **Continuing Disclosure**
 - GO/Rev/Bonds: F/S footnotes**
 - Debt- Overlapping credit? Large near term maturities?
 - Commitments/Contingencies - Expiring leases? Lawsuits?
- **Official Statement** - Descrip of Property, Risk Factors
- **Current credit rating?** Read report
- **Past trading activity** – price drop below 95?

APPENDIX - Buying the Bond - CHECKLIST

- Check EMMA for dealers cost and holding period
- Describe the bond to the dealer by CUSIP #
- Ask - Some dealers will accept less than asking price
- Avoid paying more than par including commission
- Have the funds at the broker before you buy the bond
- Note the CUSIP # (hard to find later)
- Where do you want the bond parked?

APPENDIX - Speaker's Notes

Want a copy of slides
with **speaker notes**?

Email :

califmuniaai@gmail.com



