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NFMA Submits Amicus Brief in Litigation Challenging California Redevelopment Agency Legislation.

The National Federation of Municipal Analysts ("NFMA") announced today that it has submitted an amicus curiae brief (the "Brief") with the Superior Court of California, County of Sacramento (the "Court") in support of the Complaint and Writ of Mandate of Syncora Guarantee Inc. and Syncora Capital Assurance Inc. ("Syncora").

The NFMA rarely files amicus briefs, and almost never at the trial court stage. However, the NFMA Board felt strongly that an exception should be made in this case given that the matter before the Court has such far-reaching ramifications for the municipal bond market generally. The Brief alerts the Court to the significant negative ramifications to the municipal market that can result from the passage of any law authorizing the elimination of existing bondholder protections, as exemplified by sections 34182(d), 34174, 34177(d), 34183(a)(4) and 34188 of the California Health and Safety Code, which were recently added to the California Health and Safety Code by Assembly Bill x1 26 ("AB26") and Assembly Bill 1484 ("AB1484" and together with AB26, the "RDA Legislation").

The dispute before the Court involves a challenge by Syncora to the RDA Legislation. While the NFMA takes no position generally regarding the dissolution of California's redevelopment authorities, the NFMA argues in its Brief that the RDA Legislation has caused significant and unwarranted marketplace uncertainties and complexities which have already rippled through the marketplace, including across the board rating downgrades, rating withdrawals and constrained liquidity and may, if not clarified by the Court, fundamentally change market expectations nationwide with respect to certain previously irrevocable protections, rights and privileges.

The NFMA asserts in its Brief that the RDA Legislation is a textbook example of the type of change in security that undermines credit analysis and weakens the confidence that investors have in their understanding of the marketplace. The RDA Legislation seeks to unwind not only redevelopment agencies, but the layers of protection granted to bondholders, including a pledge of tax revenues, debt service coverage through excess revenues, exercisable remedies, and continuing disclosure.

"The NFMA is deeply concerned by the troubling precedent set when any state retroactively seeks to restructure, redistribute, and recast existing bondholder protections and covenants and the NFMA believes that it is important for the Court to understand the far-reaching significance of such actions which negatively impact the foundation of municipal finance nationwide" said Jeff Burger, NFMA Chairman.

The full brief can be found at:

http://www.nfma.org/assets/documents/position.stmt/ip.amicus.brief.ca.rda.4.13.pdf

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