

## Third Quarter 2005

Managing Underwriters & Financial Advisors

# US Municipals Review

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### Municipal Debt Issuance Retreats

As interest rates rose in the past quarter, the volume of public financing retreated. The volume of municipal debt issuance slipped to \$97.8 billion from nearly \$112 billion in the preceding period and \$98.1 billion in 2005's opening quarter. New financing accounted for nearly 57%, or \$68.5 billion of the quarter's dollar volume. Refunding activity represented about 43% of activity, the lowest proportion since 2004's final quarter. For the first three quarters of 2005, however, both proceeds and issue count increased from the year ago period. Total public financing in the first nine months of 2005 reached \$307.9 billion compared to \$266.6 billion a year earlier, a 15.4% advance. During the same periods the number of issues rose to over 10,300 from 9,985 a year earlier.

### Education Top Use for Municipal Finance

Leading the use of proceeds for the recent quarter were financings for educational purposes totaling \$28.6 billion for the period, or about 30% of the industry total. Financings for transportation purposes totaled over \$13 billion this period, up better than 30% from the year prior quarter. Electric power municipal finance issuance retreated to \$1.74 billion this period, flat compared to the year ago quarter. Municipal debt for housing purposes dropped to \$4.4 billion this quarter from \$5.7 billion a year earlier. Healthcare related financing climbed to \$8.7 billion from \$4.8 billion in the year prior period.

With regard to coupon type, public finance borrowers sided with fixed-rate issues as 77%, or \$75.3 billion, of the recent quarter's volume was from fixed rate issues. That compares to a 74.9% share for fixed rate deals during the third quarter of 2004. Auction rate issue accounted for 7.3% of the industry wide total in the third quarter 2005 compared to over 9% a year ago. Variable rate municipal debt issues, both long and short, comprised about 14.3% of this quarter's volume compared to a 15.0% share a year ago.

### Citigroup Top Bookrunner

During the third quarter 2005 Citigroup ranked as the top book runner with more than \$13.6 billion in proceeds. UBS Financial Services placed second with \$11.9 billion while Merrill Lynch took third place with \$8.63 billion. The top book runner year to date in 2005 is Citigroup with \$47.3 billion in proceeds and 536 issues followed by UBS Financial Services with \$36.3 billion and 651 and, in third place, Merrill Lynch with \$24.7 billion from 270 issues.

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### US Long-term Municipal New Issues (AT1)

Managing Underwriter	1/1/2005 - 9/30/2005			1/1/2004 - 9/30/2004			% Chg. in Mkt. Share
	Proceeds US\$m	Rank	Mkt. Share	No. Deals	Rank	Market Share (%)	
Citigroup	47,271.6	1	15.4	536	2	11.5	3.9
UBS Financial Services Inc	36,289.9	2	11.8	651	1	13.4	-1.6
Merrill Lynch & Co	24,747.6	3	8.0	270	4	7.1	0.9
Lehman Brothers	21,404.4	4	7.0	204	3	8.3	-1.3
Bear Stearns & Co	18,453.1	5	6.0	125	8	5.4	0.6
Morgan Stanley	15,485.3	6	5.0	187	7	5.6	-0.6
J P Morgan Securities Inc	15,068.5	7	4.9	277	6	6.6	-1.7
RBC Dain Rauscher	14,632.0	8	4.8	546	9	4.2	0.6
Goldman Sachs & Co	13,432.3	9	4.4	120	5	6.8	-2.4
Banc of America Securities LLC	11,530.7	10	3.8	294	10	3.9	-0.1
Top 10 Total	218,315.4	-	71.1	3,210	194,220.7	72.8	-1.7
Industry Total	307,817.0	-	100.0	10,309	266,555.2	100.0	-

### US Long-term Municipal New Issues - Composite Amount \$10m and Under (AT2)

Managing Underwriter	1/1/2005 - 9/30/2005			1/1/2004 - 9/30/2004			% Chg. in Mkt. Share
	Proceeds US\$m	Rank	Mkt. Share	No. Deals	Rank	Market Share (%)	
RBC Dain Rauscher	1,336.8	1	6.1	270	1	6.0	0.1
Morgan Keegan & Co Inc	911.8	2	4.1	183	3	4.3	-0.2
Piper Jaffray & Co	894.8	3	4.1	222	2	4.4	-0.3
Roosevelt & Cross Inc	887.0	4	4.0	214	4	3.7	0.3
UBS Financial Services Inc	807.1	5	3.7	152	5	3.1	0.6
Robert W Baird & Co	774.2	6	3.5	191	7	2.8	0.7
A G Edwards & Sons Inc	730.6	7	3.3	124	10	2.6	0.7
Legg Mason Wood Walker Inc	692.8	8	3.1	119	13	2.0	1.1
First Southwest Company	647.9	9	2.9	131	14	2.0	0.9
George K Baum & Company Inc	550.8	10	2.5	116	6	2.9	-0.4
Top 10 Total	8,233.8	-	37.3	1,722	7,180.5	33.8	3.5
Industry Total	22,075.6	-	100.0	5,509	21,279.7	100.0	-

Citigroup was the top ranked bookrunner in the third quarter of 2005, underwriting \$47.3 billion in total proceeds from 536 issues. The firm gained 3.9 market share points to corner 15.4% of the market, and average deal size for the firm increased 38% to \$88.27 million.

UBS Financial Services placed second with \$36.3 billion in proceeds from 651 issues. Merrill Lynch climbed one spot to place third and Lehman Brothers and Bear Stearns rounded out the top five.

Overall volume increased by 15.5% to \$307.8 billion from \$266.6 billion compared to the same period last year. Average deal size increased 11.9% to \$29.9 million

RBC Dain Rauscher retained first position once again with a 5.53% increase in proceeds over last year, totaling over \$1.3 billion with 270 issues.

Morgan Keegan and Piper Jaffray swapped second and third positions despite a decline for both firms of .2 and .3 points in market share respectively.

In summary the \$10 million and under market category gained nearly 3.7% in proceeds and a 8.9% increase in average deal size above last years activity.

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## US Long-term Municipal New Issues - Negotiated Offerings (AT3)

Managing Underwriter	1/1/2005 - 9/30/2005			1/1/2004 - 9/30/2004			% Chg. in Mkt. Share
	Proceeds US\$m	Rank	Mkt. Share	No. Deals	Rank	Market Share (%)	
Citigroup	37,471.1	1	15.0	310	2	10.7	4.3
UBS Financial Services Inc	32,157.2	2	12.9	452	1	14.8	-1.9
Bear Stearns & Co	17,984.9	3	7.2	122	6	6.6	0.6
Lehman Brothers	16,904.1	4	6.8	180	3	8.7	-1.9
RBC Dain Rauscher	14,133.2	5	5.7	478	8	4.8	0.9
J P Morgan Securities Inc	12,758.5	6	5.1	165	4	7.1	-2.0
Merrill Lynch & Co	12,093.7	7	4.9	144	10	4.0	0.9
Goldman Sachs & Co	11,493.6	8	4.6	102	5	6.8	-2.2
Morgan Stanley	11,280.3	9	4.5	109	7	5.1	-0.6
Banc of America Securities LLC	9,994.3	10	4.0	225	9	4.1	-0.1
Top 10 Total	176,270.9	-	70.7	2,287	156,154.3	72.7	-2.0
Industry Total	249,259.2	-	100.0	7,122	214,855.5	100.0	-

Citigroup replaced UBS Financial Services as the top underwriter in the negotiated offerings market in the third quarter of 2005. The firm increased market share by 4.3 points, the largest increase among the top ten.

UBS Financial Services placed second with a loss of 1.9 market share points. The firm underwrote 452 issues totaling \$32.2 billion in proceeds. Bear Stearns, Lehman Brothers, and RBC Dain Rauscher rounded out the top five.

Overall volume in the negotiated market increased by 16% to \$249.3 billion in proceeds and the number of issues increased by 5.8%. Average deal size increased by 9.6% compared to the same period last year.

## US Long-term Municipal New Issues - Competitive Offerings (AT4)

Managing Underwriter	1/1/2005 - 9/30/2005			1/1/2004 - 9/30/2004			% Chg. in Mkt. Share
	Proceeds US\$m	Rank	Mkt. Share	No. Deals	Rank	Market Share (%)	
Merrill Lynch & Co	12,653.9	1	21.6	126	1	19.7	1.9
Citigroup	9,800.6	2	16.7	226	2	15.1	1.6
Lehman Brothers	4,500.4	3	7.7	24	6	6.7	1.0
Morgan Stanley	4,205.0	4	7.2	78	4	7.5	-0.3
UBS Financial Services Inc	4,132.7	5	7.1	199	3	7.8	-0.7
Wachovia Securities	2,344.4	6	4.0	112	11	2.1	1.9
J P Morgan Securities Inc	2,309.9	7	3.9	112	7	4.6	-0.7
Goldman Sachs & Co	1,938.6	8	3.3	18	5	6.9	-3.6
Banc of America Securities LLC	1,536.4	9	2.6	69	8	3.0	-0.4
ABN AMRO Incorporated	1,403.6	10	2.4	70	9	2.6	-0.2
Top 10 Total	44,825.5	-	76.5	1,034	39,288.7	76.0	0.5
Industry Total	58,557.8	-	100.0	3,187	51,699.8	100.0	-

Merrill Lynch and Citigroup remained in first and second positions with a combined 3.5 point market share increase that in turn captured nearly 50% of the top ten market.

Lehman climbed to third from sixth position with \$4.5 billion in proceeds and a 36.3% increase in average deal size. Lehman's largest competitive issue was state of Georgia totaling \$9.3 million in the third quarter.

Competitive offerings rose over 13% in proceeds from \$51.7 billion to \$58.5 billion and increased 15.7% in average deal size over last years.

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## US Long-term Municipal New Issues (AT7)

Financial Advisor	1/1/2005 - 9/30/2005			1/1/2004 - 9/30/2004			% Chg. in Mkt. Share
	Proceeds US\$m	Mkt. Rank	No. Deals	Rank	Market Share (%)		
Public Financial Management Inc	28,110.2	1	9.1	675	1	9.6	-0.5
Public Resources Advisory Group	17,996.2	2	5.9	80	2	6.2	-0.3
First Southwest Company	14,866.6	3	4.8	500	3	4.0	0.8
RBC Dain Rauscher	6,437.4	4	2.1	201	6	2.0	0.1
Kaufman Hall & Associates Inc	4,994.7	5	1.6	41	11	0.9	0.7
Lamont Financial Services Corp	3,860.1	6	1.3	32	4	3.3	-2.0
Kelling Northcross & Nobriga	3,655.1	7	1.2	71	7	1.1	0.1
Robert W Baird & Co	3,611.6	8	1.2	63	22	0.6	0.6
A C Advisory Inc	3,443.3	9	1.1	19	26	0.5	0.6
Springsted Incorporated	3,299.9	10	1.1	188	9	1.0	0.1
Top 10 Total	90,275.1	-	29.4	1,870	77,402.3	29.2	0.2
Industry Total	307,817.0	-	100.0	10,309	266,555.2	100.0	-

Public Financial Management remained the number one advisory firm, serving as advisor on 675 issues totaling \$28.1 billion in proceeds. The firm held 9.1% of the market, a .5% decrease over the year ago period.

Public Resources Advisory Group claimed second place having served as advisor on 80 issues totaling \$17.9 billion in proceeds with an average deal size of \$225 million, and First Southwest Company ranked third.

RBC Dain Rauscher and Kaufman Hall & Associates rounded out the top five, serving as advisors on issues totaling \$6.4 billion and \$4.9 billion, respectively.

## US Long-term Municipal New Issues (AT7d)

### Based on Number of Deals

Financial Advisor	1/1/2005 - 9/30/2005			1/1/2004 - 9/30/2004			% Chg. in Mkt. Share
	No. Deals	Mkt. Rank	Proceeds US\$m	Rank	Market Share (%)		
Public Financial Management Inc	675	1	6.6	28,110.2	1	6.1	0.5
First Southwest Company	500	2	4.9	14,866.6	2	4.2	0.7
Ehlers & Associates	301	3	2.9	1,924.2	3	2.8	0.1
Stauder Barch & Associates	213	4	2.1	2,807.3	7	1.3	0.8
RBC Dain Rauscher	201	5	2.0	6,437.4	6	1.4	0.6
Springsted Incorporated	188	6	1.8	3,299.9	4	2.1	-0.3
Piper Jaffray & Co	136	7	1.3	2,273.5	8	1.3	0.0
Fiscal Advisors & Marketing Inc	132	8	1.3	1,020.2	5	1.4	-0.1
Stephen H McDonald & Associates Inc	105	9	1.0	113.1	9	1.1	-0.1
Speer Financial Inc	95	10	0.9	1,011.9	11	1.1	-0.2
Top 10 Total	2,546	-	24.8	61,864.3	2,276	22.8	2.0
Industry Total	10,309	-	100.0	307,817.0	9,985	100.0	-

Public Financial Management, First Southwest, and Ehlers & Associates retained the top three advisory rankings based on number of issues.

Stauder Barch & Associates moved up three notches to claim the number four spot and RBC Dain Rauscher moved up one to round out the top five.

Based on number of issues, the top ten financial advisory firms accounted for 24.8% of the market.

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## US Long-term Municipal New Issues - Composite Amount \$10m and Under (AT7a)

Financial Advisor	1/1/2005 - 9/30/2005			1/1/2004 - 9/30/2004			% Chg. in Mkt. Share
	Proceeds US\$m	Rank	Mkt. Share	No. Deals	Rank	Market Share (%)	
Public Financial Management Inc	1,200.7	1	5.4	251	1	5.7	-0.3
First Southwest Company	1,118.4	2	5.1	226	2	4.3	0.8
Ehlers & Associates	758.5	3	3.4	259	3	3.2	0.2
Stauder Barch & Associates	673.4	4	3.1	132	5	1.7	1.4
RBC Dain Rauscher	398.2	5	1.8	78	11	1.1	0.7
Springsted Incorporated	388.5	6	1.8	109	4	2.3	-0.5
Piper Jaffray & Co	313.9	7	1.4	79	8	1.3	0.1
Fiscal Advisors & Marketing Inc	306.7	8	1.4	98	10	1.3	0.1
Speer Financial Inc	248.0	9	1.1	71	6	1.4	-0.3
Southwest Securiites	245.8	10	1.1	48	9	1.3	-0.2
Top 10 Total	5,652.1	-	25.6	1,351	4,972.4	23.6	2.0
Industry Total	22,075.6	-	100.0	5,509	21,279.7	100.0	-

Public Financial Management, First Southwest and Ehlers were unchanged in their top three advisory positions with combined market share increase of .07points respectively.

Stauder Barch moved up one notch to fourth position with highest market share increase of 1.4 points out of the top ten firms, and 132 issues.

RBC Dain Rauscher climbed up 6 notches to fifth position from eleventh with \$399 million and 78 issues, and market share increase of .7 points.

## US Long-term Municipal New Issues - Negotiated Offerings (AT7b)

Financial Advisor	1/1/2005 - 9/30/2005			1/1/2004 - 9/30/2004			% Chg. in Mkt. Share
	Proceeds US\$m	Rank	Mkt. Share	No. Deals	Rank	Market Share (%)	
Public Financial Management Inc	21,096.7	1	8.5	376	1	7.9	0.6
First Southwest Company	12,966.6	2	5.2	331	3	4.1	1.1
Public Resources Advisory Group	10,506.0	3	4.2	46	2	5.8	-1.6
RBC Dain Rauscher	4,996.0	4	2.0	131	6	1.8	0.2
Kaufman Hall & Associates Inc	4,994.7	5	2.0	41	9	1.1	0.9
Lamont Financial Services Corp	3,843.1	6	1.5	31	4	4.0	-2.5
Robert W Baird & Co	3,382.6	7	1.4	20	19	0.6	0.8
A C Advisory Inc	3,194.6	8	1.3	14	22	0.5	0.8
Kelling Northcross & Nobriga	2,802.3	9	1.1	34	11	1.0	0.1
Government Finance Associates Inc	2,711.5	10	1.1	15	39	0.3	0.8
Top 10 Total	70,494.1	-	28.3	1,039	58,505.9	27.1	1.2
Industry Total	249,259.2	-	100.0	7,122	214,855.5	100.0	-

Public Financial Management remained the top ranked advisory firm in the negotiated offerings category. The firm served as advisor on 376 issues totaling \$21.1 billion in proceeds.

First Southwest gained 1.1 market share points to move into the number two spot, serving as advisor on 331 issues totaling \$12.9 billion in proceeds.

Public Resources Advisory Group placed third, serving as advisor on 46 issues with an average deal size of \$228.4 million. RBC Dain Rauscher and Kaufman Hall & Associates rounded out the top five.

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## US Long-term Municipal New Issues - Competitive Offerings (AT7c)

Financial Advisor	1/1/2005 - 9/30/2005			1/1/2004 - 9/30/2004			% Chg. in Mkt. Share
	Proceeds US\$m	Rank	Mkt. Share	No. Deals	Rank	Market Share (%)	
Public Resources Advisory Group	7,490.2	1	12.8	34	2	7.5	5.3
Public Financial Management Inc	7,013.6	2	12.0	299	1	16.6	-4.6
First Southwest Company	1,900.1	3	3.2	169	3	3.7	-0.5
Ehlers & Associates	1,677.7	4	2.9	268	8	1.8	1.1
Springsted Incorporated	1,442.0	5	2.5	152	4	2.9	-0.4
RBC Dain Rauscher	1,441.4	6	2.5	70	5	2.7	-0.2
Seattle-Northwest Securities Corp	1,319.4	7	2.3	18	6	2.5	-0.2
Montague DeRose & Associates LLC	1,310.6	8	2.2	14	11	1.7	0.5
First Albany Capital Inc	933.4	9	1.6	11	42	0.4	1.2
Kelling Northcross & Nobriga	852.8	10	1.5	37	13	1.2	0.3
Top 10 Total	25,381.2	-	43.5	1,072	21,173.9	41.0	2.5
Industry Total	58,557.8	-	100.0	3,187	51,699.8	100.0	-

Public Resources Advisory Group surpassed Public Financial Management to place first with nearly \$7.5 billion in proceeds, with 12.8 point market share, a 5.3% increase over this time last year.

Public Financial Management placed second despite a market share decrease of 4.6 points. Firm's largest competitive issue was in the third quarter for the state of Minnesota totaling \$558 million.

In the competitive market the largest issuer was the state of California with proceeds totaling \$3.8 billion and 4 issues.