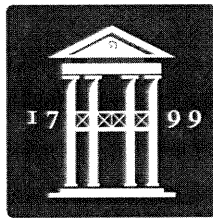


ADMINISTRATION

Russell B. Truell
Assistant City Administrator, CFO
Finance



ITEM #6
FINANCE
10-21-10

John C. Schroer
Mayor of Franklin

Eric S. Stuckey
City Administrator

HISTORIC
FRANKLIN
TENNESSEE

MEMORANDUM

October 13, 2010

TO: Eric Stuckey, City Administrator

FR: Russ Truell, ACA/CFO

RE: Local Sales Tax Report

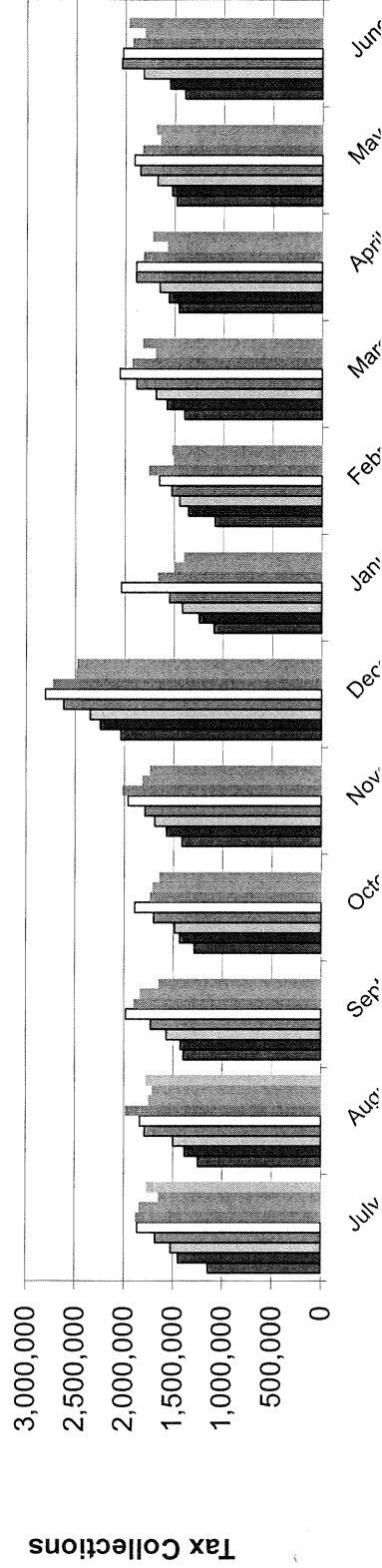
The local sales tax remittance from the State of Tennessee for October was \$ 1,774,021 compared to \$1,711,487 for the same month in 2009, an increase of \$ 62,534 or 3.7%. [The October remittance is for sales tax collected during the month of August, representing the second month of the fiscal year on an accrual basis.] During the same period, the State of Tennessee sales tax collections were up 2.1%.

Year-to-date, the City has received \$3.54 million compared to \$3.35 million in the previous year, a difference of \$ 185,608 or 5.5%. Year to date, the State of Tennessee sales tax collections were \$ 1.047 million compared to \$ 1.019 million in the prior year, a difference of \$ 27.6 million or 2.7%.

Local Sales Tax Revenue Comparison

| Month | FY00 | FY01 | FY02 | FY03 | FY04 | FY05 | FY06 | FY07 | FY08 | FY09 | FY10 | FY11 | % over prior yr | \$ over prior yr |
|--------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|------------------|------------------|
| July | 963,117 | 1,030,595 | 1,178,452 | 1,142,684 | 1,448,615 | 1,520,851 | 1,676,862 | 1,857,805 | 1,876,318 | 1,842,160 | 1,646,449 | 1,769,523 | 7.5% | 123,074 |
| August | 978,025 | 1,052,818 | 1,248,418 | 1,244,434 | 1,381,099 | 1,498,953 | 1,788,477 | 1,837,563 | 1,985,123 | 1,747,507 | 1,711,487 | 1,774,021 | 3.7% | 62,534 |
| September | 1,057,301 | 1,127,922 | 1,188,574 | 1,395,252 | 1,423,877 | 1,567,311 | 1,724,983 | 1,977,557 | 1,900,808 | 1,834,296 | 1,645,241 | 0 | 0.0% | 0 |
| October | 988,212 | 1,051,540 | 1,173,770 | 1,284,783 | 1,433,786 | 1,484,549 | 1,695,501 | 1,887,613 | 1,734,361 | 1,707,123 | 1,639,767 | 0 | 0.0% | 0 |
| November | 1,083,745 | 1,235,695 | 1,292,190 | 1,411,314 | 1,571,854 | 1,686,900 | 1,787,276 | 1,960,370 | 2,018,105 | 1,816,125 | 1,736,146 | 0 | 0.0% | 0 |
| December | 1,632,903 | 1,802,271 | 1,862,351 | 2,032,755 | 2,245,611 | 2,348,329 | 2,617,849 | 2,806,905 | 2,730,286 | 2,491,017 | 2,479,640 | 0 | 0.0% | 0 |
| January | 842,297 | 999,859 | 1,081,641 | 1,091,350 | 1,241,700 | 1,415,392 | 1,544,557 | 2,034,121 | 1,664,281 | 1,502,087 | 1,401,398 | 0 | 0.0% | 0 |
| February | 896,485 | 971,017 | 1,061,854 | 1,079,337 | 1,351,992 | 1,445,409 | 1,526,301 | 1,649,397 | 1,752,131 | 1,507,868 | 1,521,898 | 0 | 0.0% | 0 |
| March | 1,085,613 | 1,176,221 | 1,274,840 | 1,395,948 | 1,572,431 | 1,682,707 | 1,880,684 | 2,054,793 | 1,925,296 | 1,688,794 | 1,819,095 | 0 | 0.0% | 0 |
| April | 1,014,741 | 1,179,452 | 1,179,175 | 1,453,049 | 1,553,462 | 1,649,228 | 1,883,777 | 1,885,024 | 1,812,244 | 1,572,824 | 1,719,674 | 0 | 0.0% | 0 |
| May | 1,038,869 | 1,182,119 | 1,254,595 | 1,478,979 | 1,524,900 | 1,674,495 | 1,846,229 | 1,909,074 | 1,824,127 | 1,642,271 | 1,686,756 | 0 | 0.0% | 0 |
| June | 1,153,403 | 1,249,480 | 1,308,845 | 1,390,654 | 1,547,355 | 1,812,106 | 2,033,237 | 2,025,044 | 1,926,353 | 1,800,044 | 1,961,270 | 0 | 0.0% | 0 |
| Total | 12,734,711 | 14,058,989 | 15,104,705 | 16,400,539 | 18,296,682 | 19,786,230 | 22,005,703 | 23,885,264 | 23,149,433 | 21,152,117 | 20,968,821 | 3,543,544 | 3,357,936 | 185,608 |
| | Up 13.4% | Up 10.4% | Up 7.4% | Up 8.6% | Up 11.6% | Up 8.1% | Up 11.2% | Up 8.5% | Down -3.1% | Down -8.6% | Down -0.9% | year to date 5.5% | last yr YTD | YTD difference |

Local Sales Taxes





TENNESSEE DEPARTMENT OF REVENUE

7571288101003

received
10-13-10

COUNTY EXECUTIVE/MAYOR
WILLIAMSON COUNTY
1320 W MAIN ST STE 125
FRANKLIN TN 37064-3700
|||||

October 8, 2010
Month of: SEPTEMBER
Tot. Collections: \$6,022,481.32
Cost of Admin: \$67,752.91
Net Collections: \$5,954,728.41

The Department of Revenue has collected and allocated the above total during the month indicated from Local Option Sales Tax as follows:

| COUNTY/CITY NAME | TOTAL COLLECTIONS | LESS ADMIN. COSTS | NET COLLECTIONS |
|-------------------|-------------------|-------------------|-----------------|
| WILLIAMSON COUNTY | \$199,814.04 | \$2,247.91 | \$197,566.13 |
| FRANKLIN | \$3,624,658.09 | \$40,777.40 | \$3,583,880.69 |
| FAIRVIEW | \$99,563.04 | \$1,120.08 | \$98,442.96 |
| BRENTWOOD | \$1,824,717.94 | \$20,528.08 | \$1,804,189.86 |
| SPRING HILL | \$159,959.28 | \$1,799.54 | \$158,159.74 |
| THOMPSON STATION | \$82,993.30 | \$933.67 | \$82,059.63 |
| NOLENSVILLE | \$30,775.63 | \$346.23 | \$30,429.40 |

Note that we have deducted 1.125% state cost of administration leaving the net collections. The Department of Finance and Administration has been notified to issue a payment to the Trustee of your county in the amount of the net collections.

Please be aware that normal Local Option Sales Tax collections may fluctuate. This could be due to additional collections on assessments or reductions as a result of taxpayer refunds or returned checks. Should your collection amount increase significantly, it might be the result of an audit assessment.

For additional information regarding the allocation you may call the Division of Fiscal Services at (615) 741-1028 between 8:00 a.m. and 4:30 p.m., Monday through Friday, holidays excepted. If you need information concerning other matters, please see the back of this notice for our local offices and phone numbers.

c: County Trustee; City Mayor
Director of Accounts: County, F & A

3583880.69 ÷ 2 = 1791940.35
- 17919.40

1,774,020.95



The State Funding Board Model Finance Transaction Policies

Pursuant to TCA Section 9-21-151(b)(1), the State Funding Board is authorized to develop model financial transaction policies for the State, State Agencies, local governments and local government instrumentalities. As Comptroller, I previously distributed a draft model policy for public comment. Based on comments received, this Office has prepared a [statement on debt management](#) that reflects four principles for strong financial management in the public sector:

- Understand the transaction
- Explain to citizens what is being considered
- Avoid conflicts of interest
- Disclose costs and risks

The statement includes certain language providing for public accountability and transparency which must be included in debt policies of governmental debt issuers. Separately, this Office has prepared a [guide](#) and [checklist](#) to best practices, including examples from currently adopted debt policies. To further assist the debt issuers we have also developed a [list of recommended sources and resources](#).

All of these documents are works in progress; we are seeking public comment and request that you share with us examples of your debt policy for inclusion in the best practices guidance. Let me emphasize that this is a project of the Comptroller's Office, and we have not yet presented this project to the State Funding Board.

Before presenting these documents to the State Funding Board for its consideration, please send us your written comments on or before Wednesday, September 15, 2010. In addition, and in order to encourage the widest discussion about this important project, we are providing an opportunity in Nashville for public discussion on Wednesday, September 22, 2010, in Room 29 of the Legislative Plaza for the State of Tennessee starting at 1:00 pm; at that time click [here](#) to watch the video.

If you have comments or questions, you may e-mail comptroller.web@tn.gov or contact Ann Butterworth, Assistant to the Comptroller for Public Finance, at (615) 401-7910.

Office of State & Local
Finance Home

Comptroller of the
Treasury Home

State of Tennessee
Home

Search

Last revised: 9/20/10

DEBT MANAGEMENT POLICY COMPONENT CHECKLIST

| | <u>Mandatory</u> Language | <u>Highly</u> Advisable | Advisable | Optional |
|---|------------------------------|----------------------------|-----------|----------|
| 1 Goals for Debt Management Policy | | X | | |
| General Objective | | | X | |
| Ratings Targets | | | X | |
| Local Legislative Oversight and Citizen Involvement/Transparency | X | X | | |
| Disclosure and Investor Relations | | X | | |
| Planning and Funding Process | | X | | |
| Relationship between Capital Needs and Credit and Risk Profiles | | X | | |
| 2 Policy Process | X | X | | |
| Initial Drafting | | X | | |
| Citizen Review and Input | | X | | |
| Legislative Process for Adoption | | X | | |
| Review and Amendment | | X | | |
| 3 Purposes for Debt Issuance | | | X | |
| Working Capital | | X | | |
| Capital Projects | | | X | |
| Refunding | | X | | |
| 4 Types of Debt | | | X | |
| 5 Issuance Process | | | X | |
| Method of Sale (Competitive vs. Negotiated) | | X | | |
| Responsibilities | | X | | |
| Use of Professionals | | X | | |
| 6 Terms of Debt | | | X | |
| Maturity | | X | | |
| Federal tax status | | X | | |
| Credit Enhancement and Liquidity | | | X | |
| Capitalized Interest | | | X | |
| 7 Debt Limits | | | X | |
| Dollar or Percentage | | | X | |
| Maturity | | | X | |
| Interest Rate (Fixed vs. Variable) | | X | | |
| 8 Investment Guidelines | | X | X | |
| 9 Professional Services | | X | | |
| Financial Advisors | X | X | | |
| Counsel | X | X | | |
| Underwriters | X | X | | |
| Others | | | X | |
| 10 Conflicts | X | X | | |
| 11 Interest Rate Agreements | | | | X |

Tennessee State Funding Board

Model Finance Transaction Policies:

Statement on Debt Management

Debt Management Policy

Beginning January 1, 2012, all Public Entities¹ should have an adopted Debt² Management Policy in effect prior to issuing debt. The Policy should be tailored to the Entity's financing needs and should represent the use of debt as a part of over-all financial management. *Most Entities*, particularly those who intend to borrow only through a federal or state agency loan program or from a community financial institution, *may need only a simple policy.*

Whether considering a simple or a detailed policy, Entities should be guided by the following four principles for strong financial management in the public sector:

- Understand the transaction
- Explain to citizens what is being considered
- Avoid conflicts of interest
- Disclose costs and risks

Before considering and adopting a policy, members of the Governing Body of an Entity need to have a basic understanding of public finance. While most Entities should seek professional outside assistance, the Entities remain responsible for the development of the policy.³

All debt management policies must provide for public accountability and transparency in⁴:

- the debt financing decision, the structure and sale of the debt instruments, and the status of all on-going debt obligations;
- the selection of and payment for professional services related to debt issuance;
- the avoidance of conflicts of interest;
- the full and timely disclosure of all proposed and actual costs to citizens, the Governing Body, investors, and regulators; and
- the periodic review and amendment process for the policy.

All debt management policies must include the following provisions, changed only to reflect the identity of the Entity and to conform to the language of the policy:

-
- **Transparency**
 - The Entity shall comply with legal requirements for notice and for public meetings related to debt issuance. In the interest of transparency, all costs (whether interest, issuance, continuing, or one-time) shall be disclosed to the citizens/members, Governing Body, and other stakeholders in a timely manner.

The method for disclosure of cost and other information, including documentation of compliance with this Policy, shall be developed by (*office or individual*) and maintained in (*specify location*).

○ **Professionals**

- Counsel⁵: The Entity will enter into an engagement letter agreement with each lawyer or law firm representing the Entity in a debt transaction. (*No engagement letter is required for any lawyer who is an employee of the Entity or lawyer or law firm which is under a general appointment or contract to serve as counsel to the Entity.*)
- Financial Advisor: The Entity will enter into a written agreement with each person or firm serving as Financial Advisor (*if any*) in debt management and transactions. In a competitive sale the Financial Advisor (*either*):
 - shall not be permitted to bid on an issue for which they are or have been providing advisory services; **or**
 - may bid on an issue for which they are providing advisory services only if (i) the Governing Body grants in writing specific authority on a transaction by transaction basis, (ii) such sale is properly carried out through a widely and publicly advertised sale, during normal bond sale hours, and through an industry standard, electronic bidding platform, and (iii) the Financial Advisor fee is separately billed from the underwriting fee.
 - In a publicly offered, negotiated sale the Financial Advisor (*either*):
 - shall not be permitted to resign as Financial Advisor in order to underwrite an issue for which they are or have been providing advisory services; **or**
 - may resign as Financial Advisor in order to underwrite an issue for which they are or have been providing advisory services if another Financial Advisor is retained for the issue.
- Underwriter: The Underwriter in a publicly offered, negotiated sale (*if there is no Financial Advisor*) must provide pricing information to the Governing Body (or its designated official) prior to the award of the debt.

○ **Conflicts**

- Professionals involved in a debt transaction hired or compensated by the Entity must disclose to the Entity existing client and business relationships between and among the professionals to a transaction (including but not limited to Financial Advisor, Swap Advisor, Bond Counsel, Swap

Counsel, trustee, paying agent, underwriter, Counterparty, and remarketing agent), as well as conduit issuers, sponsoring organizations and program administrators. This disclosure shall include that information reasonably sufficient to allow the Entity to appreciate the significance of the relationships. No disclosure is required that would violate any rule or regulation of professional conduct.

Best Practices

Attached is an outline of topics and language to be considered for inclusion in a debt management policy, annotated with explanation and examples. Of course, a debt policy must be compliant with Federal, State, and Local laws, rules, and regulations. The policy should be reflective of the size and nature of the Entity and its financing needs, with consideration given to any specific comments made by the rating agencies in their most recent credit reports (if any) on the Entity or made by the Entity's auditor in its Management Letter.

This guidance is not all-inclusive, but addresses the basic elements to be included in a debt policy (both required provisions as well as best practices) and the process for adoption. This is designed to be considered along with the Government Finance Officers Association's (GFOA) recommended best practices, published credit rating criteria from the three nationally recognized rating agencies, and recommendations of the Entity's legal and financial advisors. The attached bibliography and links are provided to assist an Entity with writing its own policy.

The Tennessee State Funding Board recommends, in addition to a Debt Management Policy, formal adoption of Budget, Capital Planning, Cash and Investment Management Policies.⁶ Adoption of financial policies does not prevent unforeseen or negative events from occurring, but it does provide the executive and legislative leadership of the Entity guidance for decision-making. Adoption of financial policies does not prevent an Entity from making bad decisions, but it does:

- enhance the quality of decisions,
- rationalize the decision-making process,
- identify objectives for staff to implement, and
- demonstrate to the Credit Rating Agencies evidence of strong financial management practices.

Further, it separates the policy discussion from the immediacy of having to get a transaction done.

Authority

The Funding Board has developed this guidance regarding Debt Management Policies pursuant to the authority in Tenn. Code Ann. Section 9-21-151(b)(1) to develop finance transaction policies to provide guidance to Entities in preparing their own policies.

¹ This includes the State, State agencies, local governments and local government instrumentalities, including other authorities, boards, districts, instrumentalities or entities created by such Entities or any combination of such Entities. Although a conduit issuer, such as an industrial development corporation, is included in the definition of “Entity”, a private enterprise borrowing through it is not.

² The term “debt” refers to bonds, notes, capital leases, loan agreements, obligations and any other evidence of indebtedness lawfully issued, executed or assumed by an Entity.

³ An Entity may not abdicate responsibility for development of a policy to another Entity other than to the Entity that created it. For example, an Entity borrowing from or participating in a pool or conduit program may not adopt the policy of the issuer lender (such as a public building authority); a created entity (such as an airport authority) may adopt the policy developed by its creating authority (such as the city or county).

⁴ Debt policies should be consistent with the Ethics Policies; refer to Tenn. Code Ann. Section 8-17-101: “citizens of Tennessee are entitled to an ethical, accountable and incorruptible government.”

⁵ The requirement for an engagement letter does not apply to any lawyer who is an employee of the Entity or any lawyer or law firm under a general appointment as counsel to the Entity and not serving as bond counsel for the transaction.

If bond counsel for a debt transaction does not represent the Entity in that transaction, the Entity will enter into a fee payment letter agreement with such lawyer or law firm specifying:

- a. the party represented in the debt transaction; and
- b. the Entity’s obligation with respect to the payment of such lawyer or law firm's fees and expenses.

⁶ The Funding Board’s Guidelines for entering into an Interest Rate or Forward Purchase Agreement (“Agreement”), require a Debt Management Policy and Derivatives Management Policy be adopted that comply with the Funding Board’s requirements. The term “derivative” refers to an interest rate agreement as defined in Tenn. Code Ann. Section 9-22-103 and other transactions related to debt obligations as identified by the State Funding Board.

Resources and Sources

1. Comptroller of the Treasury
 - Guide For The Issuance Of Notes By The Counties, Consolidated Governments, And Municipalities Of Tennessee (www.tn.gov/comptroller/lf/pdf/guide2003.pdf)

2. Government Finance Officers Association (GFOA) (www.gfoa.org)

Best Practices Governmental Debt Management

- Analyzing an Advance Refunding (1995)
- Business Preparedness and Continuity Guidelines (2005, 2008)
- Debt Management Policy (1995, 2003)
 - Post Issuance Compliance Checklist
- Debt Service Payment Settlement Procedures (2003, 2007)
- Investment of Bond Proceeds (1996 and 2007)
- Issuer's Role in Selection of Underwriter's Counsel (1998, 2009)
- Issuing Taxable Debt by U.S. State and Local Governments (1998)
- Maintaining an Investor Relations Program (1996, 2003)
- Pricing Bonds in a Negotiated Sale (1996, 2000, 2009)
- Public-Private Partnerships for Economic Development (2008)
- Role of the Finance Officer in Privatization (2009)
- Selecting and Managing the Method of Sale of State and Local Government Bonds (1994 and 2007)
- Selecting Bond Counsel (1998 and 2008)
- Selecting Financial Advisors (2008)
- Selecting Underwriters for Negotiated Bond Sales (2008)
- Tax Increment Financing as a Fiscal Tool (2006)
- Using a Web Site for Disclosure (2002)
- Web Site Presentation of Official Financial Documents (2009)
- Understanding Your Continuing Disclosure Responsibilities (2010) new
- Payment of the Expense Component of Underwriters' Discount(1996 and 2010) revised
- Use of Debt-Related Derivatives Products and the Development of a Derivatives Policy ADV (1995, 2003, 2005 and 2010) revised
 - Derivatives Checklist

Best Practices Budgeting and Fiscal Policy

- Adoption of Financial Policies (2001)
- Incorporating Capital Project Budget in the Budget Process (2007)

Advisories Governmental Debt Management

- Auditor Association with Financial Statements Included in Offering Statements or Posted on Web Sites (2005, updated 2006)
- Evaluating the Sale and Securitization of Property Tax Liens (1997)
- Evaluating the Use of Pension Obligation Bonds (1997, 2005)
- Need for Considerable Caution in Regard to OPEB Bonds (2007)

- Understanding the Issuer's Role in Secondary Market Securitization of Tax-Exempt Obligations (1993, 1996, 2005)
- Underwriter Disclaimers in Official Statements (2000)
- Issuing Build America Bonds ADV (2010) new
- Using Variable Rate Debt Instruments ADV (1997 and 2010) revised

Publications: Capital Finance and Debt Administration (11 titles)

- *Benchmarking and Measuring Debt Capacity*
- *Debt Issuance and Management: A Guide for Smaller Governments*
- *An Elected Official's Guide to Debt Issuance*
- *An Elected Official's Guide to Tax Increment Financing*
- *An Elected Official's Guide to Rating Agency Presentations*
- *A Guide for Preparing a Debt Policy*
- *A Guide for Selecting Financial Advisors and Underwriters: Writing RFPs and Evaluating Proposals*
- *Making Good Disclosure: The Role and Responsibilities of State and Local Officials Under the Federal Securities Laws*
- *Purchasing Credit Enhancement: How to Decide if Bond Insurance Makes Sense*
- *Structuring and Sizing the Bond Issue*
- *Tax Exempt Financing: A Primer*

Publications: Financial Management and Budgeting (26 titles)

- *Financing the Future: Long-Term Financial Planning for Local Governments*
3. International City/County Management Association (<http://icma.org/en/icma/home>)
 - Management Policies in Local Government Finance, 5th edition
([http://icma.org/en/Search?s="management%20policies%20in%20local%20government%20finance"](http://icma.org/en/Search?s=))
 4. Municipal Technical Advisory Service (<http://www.mtas.tennessee.edu/>)
 5. County Technical Assistance Service (<http://www.ctas.utk.edu/>)
 6. Rating Agencies:
 - a. Fitch Ratings (www.fitchratings.com)
 - b. Moodys (www.moodys.com)
 - c. Standard & Poors (www.standardandpoors.com)
 7. Municipal Securities Rulemaking Board (www.msrb.org)
 - Electronic Municipal Market Access (www.emma.msrb.org)
 8. Securities Industry and Financial Markets Association (www.sifma.org)
 - Investing in Bonds (<http://investinginbonds.com/>)
 9. California Debt and Investment Advisory Commission (www.treasurer.ca.gov/cdiac/)

Results of Fuel Hedging contract, FY2010-2011, through month of August

| | | |
|----------------|---------------|----------------|
| 9.52% | 4.44% | 4.40% |
| 12,000 gallons | 5,600 gallons | 7,4000 gallons |

| <u>Gas Price</u> | <u>Gas Contract</u> | <u>Spread</u> | <u>Diesel Price</u> | <u>Diesel Contract</u> | <u>Spread</u> | <u>Month</u> | <u>Gas contract</u> | <u>Diesel Contract 1</u> | <u>Diesel Contract 2</u> | <u>Total</u> |
|------------------|---------------------|---------------|---------------------|------------------------|---------------|------------------------|---------------------|--------------------------|--------------------------|------------------|
| \$1.9944 | \$1.820 | \$0.174 | \$2.0070 | \$1.884 | \$0.123 | July | \$2,896.86 | \$739.31 | \$865.94 | \$4,502.11 |
| 2.0614 | 1.820 | 0.241 | 2.0540 | 1.884 | 0.170 | August | 2,092.80 | 1,002.30 | 1,213.47 | 4,308.57 |
| 1.9447 | 1.820 | 0.125 | 2.1126 | 1.884 | 0.229 | September | 1,496.63 | 1,330.67 | 1,647.38 | 4,474.68 |
| | | | | | | October | | | | 0.00 |
| | | | | | | November | | | | 0.00 |
| | | | | | | December | | | | 0.00 |
| | | | | | | January | | | | 0.00 |
| | | | | | | February | | | | 0.00 |
| | | | | | | March | | | | 0.00 |
| | | | | | | April | | | | 0.00 |
| | | | | | | May | | | | 0.00 |
| | | | | | | June | | | | 0.00 |
| \$ 2.00 | \$ 1.82 | \$ 0.18 | \$ 2.06 | \$ 1.88 | \$ 0.17 | Fiscal Yr Total | \$ 6,486 | \$ 3,072 | \$ 3,727 | \$ 13,285 |

Russell Truell

From: Ramsey, Brooke [Brooke.Ramsey@53.com]
Sent: Monday, October 18, 2010 10:43 AM
To: Ramsey, Brooke
Subject: Fifth Third Bank - Energy Update - 10/18/10 - Crude steady...

Good morning,

Crude remains steady this AM at \$82/barrel (NYMEX WTI, November front month) near 6 month highs as the US Dollar continued to weaken through last week.... The 13% decline in the US Dollar index since June has supported commodities (except natural gas) across the complex, as prices rise to offset the weaker US Dollar.... The EURO rose to \$1.41 on Friday and sits near \$1.40 this AM, near highs of the year from January ... Absent strong fundamental data – as supply / demand appear to be reasonable– crude oil will continue to correlate to the US Dollar. OPEC supply alone is exceeding quota as the IEA estimated that the group achieved only 54% of supply cuts pledged for September...

Inventory numbers for the week ending 10/8 were fairly bullish for crude and products, and bearish again on the natural gas side :

| | Actual | Expected |
|-------------|---------------|-----------------|
| Crude | -416k | +1.45m |
| Gasoline | -1.77m | -1.5m |
| Distillate | -255k | -1.15m |
| Natural Gas | +91bcf | +90bcf |

Products (distillate/gasoline) continue to rise with crude oil, and gasoline remains seasonally expensive vs. last year (23% ahead of September 2009 pricing) ... Front month November heating oil NYMEX remains near \$2.25/gallon and gasoline is holding the \$2.15/gal mark..... Calendar 2011 and Calendar 2012 for NYMEX HO are \$2.36 and \$2.43 respectively.... Gasoline Calendar 2011 and Calendar 2012 strips are running near \$2.20 and \$2.25/gallon ...

Natural Gas continues to grind lower with supply injections increasing on a seasonal basis... The + 91Bcf injection was high for an October injection and expectations are for another 90-100 Bcf injection this week (for week ending 10/15/10)..... Calendar prices continue to fall and flatten the forward curve, providing good buy side value in fixed swaps and collars Calendar 2011 near \$4.40/MMBtu, Calendar 2012 near \$5.10 and Calendar 2013 near \$5.45/MMBtu.

Thanks and have a good week...

Brooke Ramsey