

e-certus



we connect the dots

September 22, 2008

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Securities and Exchange Commission
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Washington, D.C.
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RE: Sec File No. 57-21-08 & MSRB File No. SR-MRSB-2008-05

Dear Chairman Cox and Mr. Lanza:

First, we'd like to recognize the tremendous legal, technological and public policy accomplishments you have achieved by developing the EMMA system as you move into its implementation phase. The MSRB and the SEC are to be commended. Establishing a centralized electronic filing system for municipal securities is a major achievement in promoting increased transparency.

The focus of this comment letter is how to implement EMMA so that it best meets the needs of the investing public, issuers of municipal securities, and the capital markets, while minimizing the borrowing costs of the most credit worthy issuers.

The essence of our recommendation is that enhanced underwriters' disclosures about CAFR in the Official Statement, and publication of that filing information from EMMA on the Internet, will improve transparency and operation of the municipal securities market. Implementing EMMA with interactive data will accelerate transparency by permitting comparison of comparable issuers Official Statements and CAFRs.

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Our comment letter has these sections:

- Summary of the MSBR and SEC policy options to implement EMMA
- Introduction of e-certus and our past relationship with the SEC on interactive data
- Discussion of the municipal securities market
- Recommendation of interactive data standard
- Increasing underwriters' disclosures
- Using the Internet for EMMA filing information

We suggest reports that EMMA can produce that will provide incentives to issuers to accelerate filing data interactively. Next, we support the recommendation of the EDGAR Online September 9, 2008, comment letter that EMMA utilize interactive data. Last, we suggest a public outreach program to maximize EMMA's potential to increase transparency and prevent fraud in the municipal securities market.

SUMMARY OF POLICY OPTIONS

Depending on the policy choice made to implement MSRB 2008-5, the SEC and the MSRB combined provide an historic opportunity to transform the municipal securities market. The MSRB and SEC have three distinct policy options for submission to EMMA.

Option 1: PDF documents with XML as in the proposed Rule

Option 2: PDF documents with interactive data

Option 3: All documents converted to interactive data

We believe that increased transparency distinguishes issuers with better financial standing and results in their having higher credit ratings, thus lowering their borrowing costs relative to issuers who (a) do not have as high a credit rating, or (b) fail to provide sufficient transparency and therefore are not rewarded with lower borrowing costs. **To that end, we recommend an interactive standard data option for EMMA.**

INTRODUCTION

e-certus (the Company) specializes in XBRL applications across a variety of industry opportunities. These range from interoperability systems in intelligence and healthcare to software for litigation support for corporate documents filed with the SEC in interactive data.

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Under SEC Rule 15c2-12, every state and municipality must file a CAFR annually. Today, that task is a time-consuming and expensive process that draws in many different data bases and formats and is manual and error prone. The Company is working with state and local governments to prepare their Comprehensive Annual Financial Report (CAFR) in interactive data.

e-certus has a licensing agreement with an affiliate to use its software in preparing a CAFR from the originally input data files. Using data fusion techniques adopted from the intelligence community, our software can extract data from disparate data formats and produce the statements, schedules and other quantitative content contained in a CAFR. The software then supports the integration of the quantitative content with the narrative and graphic CAFR content, automatically reconciling balances reported in the notes and other narrative sections with those reported in statements, schedules, graphs and other quantitative information displays. Finally, the resulting CAFR can be published in either XML or XBRL. This preparation is much less expensive than manual preparation for the government entity preparing the CAFR. And, it provides an electronic audit trail from the CAFR back to the original source documents and data entries used to prepare the CAFR.

As CEO of e-certus and to introduce my background as it relates to this Comment letter, I was a Visiting Fellow at the Cato Institute where I co-authored the book, After Enron, Lessons in Public Policy (Rowman & Littlefield Publishers, Inc., 2005.) The chapter “The SEC as a Corporate Monitor,” recommended that the SEC adopt XBRL for corporate reporting and employ XBRL-based analytical tools to monitor corporate filings. I am pleased that the recommendation was originally developed with the input and guidance of Alan Beller, the former Director of the SEC’s Division of Corporate Finance. His contribution was invaluable.

I served as the Deputy Secretary of the Treasury Department from 1981-1985. In that position, I modernized the Treasury Department’s IT activities. In 1990-1991, I was the Vice Chairman and part of the incoming executive team that attempted to save the Bank of New England. Earlier in my career, I was with McKinsey & Company, Inc. where I led a number of management information systems and technology activities. These included building the first computer model of a medical school in 1970.

In short, I have experience and knowledge in accounting, technology, public policy, fraud and the need for transparency in capital markets. In After Enron, I concluded that “The failure of Enron was a systemic failure of American capitalism.” The municipal securities market may be a worse systemic failure than Enron, but we can’t yet tell. What we can tell is that there is a systematic failure of disclosure.

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BACKGROUND

The recently published 2008 DPC Data report “Estimating Municipal Securities Continuing Disclosure Compliance,” highlights the continuing disclosure problem in the \$2.6 trillion (outstanding) municipal securities market. The DPC study said: “...this study has brought to light a serious and systemic credit transparency problem in the municipal marketplace. Our findings indicate that non-disclosure is an established practice and a growing trend among obligors. It affects an increasing amount of debt, and presents risks to investors as well as the intermediaries that serve them.”

The report found that 50 percent of the bonds outstanding nine years or more have one or more disclosure delinquencies and that 25 percent are chronically delinquent. In 2006, bonds in disclosure delinquency represented more than \$348 billion in original par amount. This suggests that approximately 14 percent of outstanding bonds by par amount are delinquent.

Commenting on the failure of municipal securities issuers to honor their continuing disclosure requirements, the DPC report said: “At a minimum, it is a breach of the fundamental principals of investor protection, suggesting hidden problems or potential fraud.” This raises the question for the 25 percent of bond issuers who are chronically delinquent. When is a pattern of failing to honor the continuing disclosure covenants or terms of the bond’s Official Statement on continuing disclosure itself fraud? The existing Nationally Recognized Municipal Securities Information Repository (NSMSIR) filing system doesn’t permit the investor, analyst, credit rating agency, or government policy makers to even assess whether failure to file is fraud; much less identify non-compliant exceptions by municipal securities issuers. EMMA can begin to address this municipal securities market information deficiency.

ANALYSIS OF 2008-5

Section 15B(b)(2)(C) of the Securities Act of 1934 provides that the MSRB should issue rules that should “...be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in municipal securities...”

MSRB 2008-05 fulfills that mandate. The MSRB is to be applauded for its foresight and leadership in developing EMMA, its pilot, and having carried out extensive pre-

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implementation consultations with the municipal bond lawyers, underwriters, and issuers. Establishing centralized sources of free information for the public is a major step in increasing market transparency and fulfilling the SEC's anti-fraud mandate. The remainder of this letter addresses next steps in implementing EMMA.

INTERACTIVE DATA STANDARD

The SEC has been the country's leader in interactive data adoption for mutual funds, credit rating agencies, and now corporate reporting. The same logic for its adoption in those sectors applies to its adoption for municipal securities.

The Proposed Rule lists XML as the data standard for EMMA submissions. We submit this would be a suboptimal decision given that interactive data is widely accepted as the successor to XML for financial reporting, and is being implemented in the corporate sector for public company reporting in the U.S.

Using XML as the data standard for EMMA submissions would be like accessing a web-based software application designed to run on modern state-of-the-art computers and using an old fashioned telephone line to connect to the Internet. This would result in suboptimal performance compared with what is available using a broadband connection. With XML, EMMA will fall short of its promise and will have suboptimal performance.

XML was indeed state of the art in 1998 when it introduced tagging on HTML documents. However, it was insufficient and XBRL was developed and introduced in 2004 to deliver on the unfulfilled promises of XML by introducing tagging on data. The capabilities of interactive data have been discussed and demonstrated repeatedly elsewhere and need not be repeated in this comment letter.

The Proposed Rule suggests that compliance with PDF filings would not be difficult because paper filings are not significant and will become less so over time. This is not consistent with our understanding of the municipal securities market. We believe that a significant proportion of the underlying CAFR components of Official Statements are not in XML today and that as much as a third of the Official Statements are still in paper.

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OFFICIAL STATEMENT and CAFR

MSRB Rule G-36 only generally describes a final Official Statement. However, whatever data submission standard is chosen, we believe that it must apply to the term sheet, CAFR, and continuing disclosure obligation components of the Official Statement. **Transparency is only possible when all CAFRs are submitted in, or converted to, interactive data.**

While it appears that virtually all bond lawyers and underwriters use Word Perfect or a related computer program to prepare the term sheet portion of the final Official Statements, moving to PDF files should be fairly easy. Paper still appears to be prevalent, particularly among smaller issuers and regional underwriters and bond lawyers.

This fact is likely to produce resistance to the implementation of Rule 2008-05. In addition to normal resistance to any change, bond lawyers are extremely risk adverse because of concern about errors and omissions in translation, which could result in a failed or impaired bond offering and may result in the lawyer's professional liability.

We would recommend that the MSRB require the issuer's underwriter to disclose whether the issuer has used its CAFR for its "financial information" and "operating data" in the Official Statement and whether the terms of its continuing disclosure agreement are included in the Official Statement or not. This will permit EMMA to report on an issuer's compliance with their continuing disclosure agreements. (See discussion of Filing Reports below.)

Today we know of no municipal entity that is preparing their CAFR in interactive data and therefore question whether the issuers can immediately comply with a requirement that their CAFR be filed in interactive data. We know of at least four states that have expressed an interest in preparing their CAFRs in XBRL, but none have done so at this time. The term sheet portion of the Official Statement can easily be converted into interactive data with available software. Requiring the CAFR to be expressed in interactive data is a more difficult challenge. We have patented software that can prepare a CAFR from the data in a state or local government's original data files. This is licensable to any contractor or to the MSRB itself for use in converting CAFRs. Hence conversion of the CAFR, which is much more complex than a corporate report, is available and relatively inexpensive and extremely important in obtaining standardization. (See discussion of difference between corporate financial reporting and CAFR in following section SUPPORT for EDGAR Online Comment Letter.)

CAFR Background

The MSRB Rule G-36(a) (1) states that the term “final official statement” shall mean a document or documents defined in the Securities Exchange Act Rule 15c2-12. The MSRB Definitions say that: “ For primary offerings subject to Rule 15c2-12, the “final official statement” must include, at a minimum, information on the terms of the securities, financial information or operating data concerning the issuer and other entities, enterprises, funds, accounts or other persons material to an evaluation of the offering, and a description of the continuing disclosure undertaking made in connection with the offering (including an indication of any failures to comply with such undertaking during the past 5 years).” Neither the terms “final official statement” nor “annual financial information” are defined in Rule 15c2-12(f) (3); they are simply descriptive of the information.

The MSRB does define the term “**COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR)** – A report issued by a governmental entity that includes the entity’s audited statements for the fiscal year as well as other information about the entity. Such report must meet specific standards established by the Government Finance Officers Association in order to be considered a comprehensive annual financial report.”

Rule 15c2-12 does not establish a standardized format for the presentation of periodic financial disclosures or government program performance in the CAFR. The MSBR refers the standards established by the Government Finance Officers Association, which states: “GFOA recommend that governments subject to SEC Rule 15c2-12 consider the CAFR as their disclosure document for providing information useful to existing and potential investors in the secondary market.” (Recommended Practice; Using the Comprehensive Annual Financial Report to Meet SEC Requirements for Periodic Disclosure (1996 and 2006) CAFR by GFOA Executive Board, February 24, 2006.)

To fulfill its CAFR financial reporting requirements, the GFOA recommend that all state and local government do the following:

- “Maintain an accounting system adequate to provide all of the data needed to allow for the timely preparation of financial statements for the entire financial reporting entity in conformity with GAAP;
- Issue timely financial statements for the entire financial reporting entity in conformity with GAAP as part of a CAFR;
- Have those financial statements independently audited in accordance with either GAAS or GAS, as appropriate.”

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These are the Recommended Practices, Approved by GFOA's Executive Board, February 24, 2006. In governance terminology they are "best practice." The Government Finance Officers Association refers to the GASB in setting the accounting standards, but not the content for the CAFR.

We recommend that fact of the inclusion or exclusion of the issuer's CAFR be a mandatory disclosure for an underwriter in the Official Statement for a securities issue. Without the disclosure, the underwriter could not purchase the security from the issuer.

Potential CAFR Disclosures

A Sarbanes Oxley enhanced underwriter's disclosure approach can increase disclosure. That is, the underwriter should disclose whether or not the CAFR is included in the Official Statement. On EMMA these facts can be searched for and those issuers who do include their CAFR in their Official Statement and can be compared with those that do not include it.

The following is an illustrative list of the types of possible additional underwriter disclosures concerning the CAFR in an Official Statement. For example, the underwriter can be required to disclose or certify that:

- "This Official Statement Contains the Issuers Comprehensive Annual Financial Report"; or
- "This Official Statement Does Not Contain the Issuers Comprehensive Annual Financial Report"
- "This Official Statement Does Not Contain the Issuers Comprehensive Annual Financial Report that was filed under Rule 152c-12"
- "This Official Statement contains "information on the terms of the securities, financial information or operating data concerning the issuer and other entities", but **not** the issuers Comprehensive Annual Financial Report"
- "The underwriter represents and warrants that the issuer's financial statements are prepared in accordance with the recommended best practices of the Government Financial Officers Association and GASB accounting."
- "The underwriter represents and warrants that the issuer's financial statements are prepared according to GASB principles and are audited."
- "The underwriter represents and warrants that the underwriter has evaluated the issuer's unfunded pension and retiree health obligations and does not find that

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they will materially affect the issuer's ability to service this debt obligation.

- “The underwriter represents and warrants that the issuer has complied with all of its continuing disclosure obligations under all of its outstanding debt for the last five years.”

Drawing on the idea of Sarbanes Oxley's enhanced disclosures and certifications, the SEC can mandate that a ledger regarding the CAFR inclusion or exclusion be placed on the first page of the submission. Failure of the underwriter to disclose whether or not the CAFR is included would prohibit the underwriter from participating in a securities purchase.

These examples are illustrative, of course, and the SEC and MSRB would need to refine and edit it. However, if an underwriter cannot represent and warrant these to be true, then the SEC, as part of its anti-fraud mandate, can reasonably prohibit an underwriter from buying the issue.

The underwriters' disclosures do not require the issuer to do or prepare anything that they are not doing currently. An assiduous researcher can find this already public information with enough time and effort. Having the underwriter disclose it and provide it on EMMA simply makes the existing facts easier for the prospective purchasers of the security to make a decision. For instance, a Google search for “SEC” will produce 437,000,000 results. Unless the result is ranked and displayed in 1-10 results, it is not useful

The exact form of these underwriter's certifications will be drafted by the SEC, but a compliance checkbox on the first page of the Official Statement would enhance investor confidence in the municipal bond issue, insuring that the underwriter has done proper due diligence and is legally responsible for their due diligence. This addition to the required underwriters' disclosure would increase the transparency in municipal securities submitted to EMMA.

Having these disclosures available electronically from a central source would greatly increase their utility to all interested parties and make comparisons among issuers easier. Credit rating agencies and professional mutual fund buyers would certainly be interested in asking why an issuer did not include their CAFR. The choice to include the CAFR or not is the issuer's. The underwriter simply has to disclose the issuer's choice. Using interactive data, EMMA makes this information available for comparison among issuers.

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**ENHANCED
UNDERWRITERS
DISCLOSURES**

The MSRB and SEC can draw on the certification and disclosure approach of the Sarbanes Oxley Act to promote additional disclosure by underwriters of the contents of the Official Statement and official financial reports in the Official Statement. The introduction of EMMA now makes enhanced disclosures by the underwriters an effective means of increasing transparency.

The SEC and MSRB have a policy objective of increasing transparency in all capital markets. More and better information promotes improved decision making by all parties involved in the market and minimizes fraud. Improved economic efficiency can result from increasing transparency.

To date, the municipal securities markets have been opaque; collecting information has been difficult, expensive, and inefficient. Even continuing disclosure filings have been virtually impossible to locate, monitor or compare among issuers or types of bond issues.

For analysts and credit rating agencies, learning the underlying financial conditions of a state and local entity has been challenging and comparing one against another has been virtually impossible.

However, with the introduction of EMMA, the use of interactive data and the Internet provide an opportunity to collect and publish municipal securities information to introduce and promote transparency in the municipal securities markets. Interactive data ensures that each data element is identical in the CAFRs and the term sheet portion of the issuer's Official Statement.

The following section describes how EMMA may increase transparency in municipal securities by publication of "Reports on Filers." If interactive data is used the issuer's CAFR compared to other similar issuers would be provided in "Reports on Issuers." This should be a positive development for the better managed public entities and help them establish better credit ratings and lower borrowing costs versus other issuers. Today, those municipalities cannot adequately present themselves to the borrowing public because of the lack of transparency therefore, better credit risks are not easily able to distinguish themselves and ensure lower borrowing costs.

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The following are an illustrative sample of “Reports on Filers” that EMMA could publish on its web site that relate to the municipal securities and their filing status:

- List of issuers by state or class (hospitals, education) that have filed Official Statements, the par amount of the bond issue and what data format was selected when filing with EMMA, e.g., XML or interactive data.
- A report on whether quarterly or annual continuing disclosures have been filed by the bond issuer during the life of the bond, e.g., the disclosure compliance status of the bond since issue.
- Filing delinquencies by class of issuer or state and amount of the par value of the bonds that are delinquent.
- Comparison of filing delinquencies by issuer or class of issuer or state and the amount of the par value of the bonds that are delinquent on a real time basis and periodically, e.g., monthly, quarterly, or annually.

The Reports on Filers noted above are not available today, but with EMMA they are expected to be of interest to state and local elected officials, government watchdogs, local media, and those who report on the municipal bond industry, e.g., the Bond Buyer.

In addition, by using interactive data for the issuers’ underlying CAFRs in their Official Statements, EMMA can publish that information on its web site. The purpose would be to assist credit rating agencies, analysts and purchasers of the bonds in understanding the financial status of the municipality issuing the bonds. Using interactive data, EMMA could provide data feeds for “Reports on Issuers” or to a private financial reporting service, e.g., EDGAR Online. Examples of Reports on Issuers include:

- An issuer’s total general obligation debt compared to the issuer’s average annual general revenue for a year.
- An issuer’s existing pension liabilities as a percentage of the issuer’s average annual general revenue for a year.
- An issuer’s funded and unfunded pension liabilities as a percentage of the issuer’s average annual general revenue capacity and debt capacity.
- An issuer’s past and current retiree healthcare benefits as a percentage of the issuer’s average annual general revenue for a year.

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- Comparison of revenue capacity and funded and unfunded pension and healthcare liabilities among issuers of the same class of borrower, size, etc.
- Comparison of revenue capacity and debt capacity from the CAFR by comparable size and types of municipal securities issuers.
- Reports on the use of GASB accounting by various classes of bond issuers.
- Reports on the proportion of police and firefighters on active duty or retired receiving disability payments.

This last possible suggestion is highlighted, for example, by the disparity between Montgomery County, Maryland, where 60 percent of the police officers who retired over the last four years are on disability, versus only 3 percent in adjacent Fairfax County, Virginia. The ability to service a general obligation bond in the future is directly related to such unfunded liabilities. Similarly, Vallejo, California did not disclose in their bond issue the City's unfunded retiree pension liabilities, unfunded health liabilities and that the city was likely to file for bankruptcy, material information to a bond purchaser.

The information in the "Reports on Filers" and the "Reports on Issuers" is all existing public information, but virtually inaccessible and not easily compared. Today it is difficult, expensive and in some cases virtually impossible to find, much less compare.

Meaningful Reports on Issuers is only possible if the Official Statement submission contains the issuer's CAFR and is in interactive data format or is translated to interactive format by a conversion utility to feed EMMA. The objective is to use disclosure to (1) encourage all issuers to file their CAFRs with their Official Statements and (2) to be certain they are submitted or converted in interactive data for EMMA.

EMMA INFORMATION ON THE INTERNET

EMMA can promote transparency by making the filer's reports available on its web site, and providing RSS feeds to market participants and interested parties. For example, government watchdog agencies, inspector generals, legislative oversight committees, and industry news services and local news services would find the information useful to hold the issuers accountable for their actions.

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Use of the Internet, web sites, bloggers, and RSS feeds can transform the municipal bond market from its current opacity to a much more transparent market in terms of continuing disclosure compliance and ability to analyze the underlying issuer's financial health.

With interactive data, comparison with comparable issuers CAFRs becomes straightforward. Ultimately the need for an EMMA conversion utility would diminish and all submissions will be in interactive data. In the interim transaction, the Conversion Utility can ensure that all filings submitted to EMMA are in interactive data.

IMPLEMENTING INTERACTIVE DATA FOR EMMA

In addition to the current rulemaking activity at the MSRB and the SEC, there are four additional activities that we suggest be undertaken to implement interactive data for EMMA. They are:

Adopting Proposed Rule And Converting CAFRs

Ideally, the Final Rule for MSRB 2008-05 will mandate all submissions be electronically in interactive data and provide a conversion utility for the issuer's CAFRs or other financial information and operating statements beginning January 1, 2009. (We have expressed our concern about the issuer's ability to immediately comply with this ideal elsewhere.)

Alternatively, if the Proposed Rule is adopted for initial operations of EMMA requiring PDF submissions and an XML data standard, then provision should be made to upgrade to interactive data as soon as possible and an adoption time schedule announced with the final rule. The longer the MSRB takes to implement mandatory interactive data submissions for EMMA the greater the need for a conversion utility as a bridge to convert Official Statements and particularly CAFRs to interactive data.

If the mandatory implementation date for interactive data submission is within a relatively short period, i.e., six months, the need for the conversion utility is diminished. However, to realize the full potential of EMMA, the Official Statement must include the CAFR and it must be available in interactive data. Given that it appears it will take some time for all municipal bond issuers to issue native interactive data CAFRs, converting their CAFRs with the conversion utility is more compelling. This will enable EMMA to realize its full potential sooner.

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Developing State & Local Taxonomy

If the SEC and MSRB issue a final rule involving interactive data, the necessary next step is to develop a state and local taxonomy in interactive data submissions. If the Proposed Rule is adopted, enhanced by a conversion utility, the state and local interactive taxonomy will be necessary.

While taxonomy building was historically time consuming, and is still difficult, it can be developed in a number of months using newer taxonomy building tools and avoiding the time consuming repetitive meetings of earlier efforts. In fact, a Wikipedia approach to involving state and local officials in the taxonomy process will speed the development time and ensure that the relevant state and local experts are individually offered the opportunity to participate. This will limit the excessive travel and working group meetings that took place in early XBRL taxonomy development.

After the initial drafting of the state and local taxonomy, it would be vetted and approved by XBRL US, which will declare it provisional. At that time it may be used by the MSRB and SEC. Building on previous taxonomy work, newer computer mapping and Wikipedia techniques, this process should take four to six months.

Continuing Outreach

The MSRB should continue its education and outreach program with bond lawyers, underwriters, and issuers about EMMA and the submission requirements. This may take a continuing series of meetings with underwriters, bond lawyers and issuers to assist them in implementing EMMA and complying with the final rule.

There should be a focus on working with the issuers to move them to XRBL filing for their CAFRs. Such organizations as the Government Financial Officers Association appear ready to work with its members in transitioning to interactive data.

Tiered Implementation Of Interactive Data

In implementing interactive data for public companies, a tiered approach based on company asset size was used for implementation. We believe that a similar tiered implementation for EMMA filings may have merit and should be explored. We have not developed a tiered structure and have confidence that the MSRB and SEC staffs can better prepare a tiered approach.

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**SUPPORT FOR EDGAR
ONLINE COMMENT LETTER**

At this writing, there have been only four comment letters filed on MSRB 2008-05. Hence many of the anticipated responses aren't known or filed with the SEC and MSRB yet, and therefore can't be addressed in this comment letter.

The one substantive comment letter filed on MSRB 2008 -05 was by EDGAR Online, Inc. We certainly support the EDGAR Online recommendation to use interactive data for submissions to EMMA. EDGAR Online is the recognized leader in providing financial information and has valuable perspectives on this market.

We shared the dismay of EDGAR Online's management when we began to look for information on municipal securities. And we totally agree with their complaint that much of the public data filed with NRMSIRs is converted to proprietary formats and copyrighted, making it costly and difficult to obtain. EMMA can alter this situation.

We have a somewhat different perspective on developing a state and local taxonomy. We believe that it is a much more complex and more difficult process than private sector taxonomy. We concur that the work on the U.S. GAAP Taxonomy provides insights into building the state and local taxonomy. Lessons learned can help guide the development of the state and local taxonomy in an indirect manner. We also agree that where the municipal security is a conduit and the underlying financial statements are a corporation's re-published 10-K, then the existing U.S. GAAP Taxonomy work is an obvious help.

However, we do not believe such conduit municipal securities are as high a proportion of outstanding municipal securities as is inferred in the Edgar Online letter. Further, we do not believe that the existing U.S. GAAP Taxonomy is directly transferable to municipal securities that are non-conduit.

We do not agree with EDGAR Online on the close similarity between corporate information reporting and government reporting. A CAFR using GASB accounting standards and including non-uniform program performance reports are much different, more complex, and larger than GAAP financials for corporations. For example, the State of Tennessee's revenues are one-fifth of General Motors. Yet Tennessee's CAFR contains about five times as many statements and schedules as does General Motors' financial statements. For example, the 2007 State of Texas CAFR is 243 pages long. The 2007 General Motors Annual Report is 134 pages with many pages of pictures.

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The variety of fund and operating statements makes the CAFR more complex than corporate balance sheets, profit and loss and cash flow statements which are fairly standard for any corporate entity. To contrast that with corporate reporting, consider the 2007 CAFR for the City of Austin, Texas. It is 264 pages long and has two major sections. The Financial Section is 188 pages and audited. The Statistical Section is 76 pages long and unaudited. The Financial Section has Government-wide Financial Statements, Fund Financial Statements, and 61 pages of Notes to Basic Financial Statements. The Combining and Fund Financial Statements and Schedules includes nine separate fund accounting sections and Supplemental Schedules relating to Enterprise Grants, General Obligation Bonds, and Revenue Bonds. The Statistical Section includes Financial Trends, Revenue Capacity, Debt Capacity, Demographic and Economic Information, and Operating Information by Function and Program for the Last Ten Years.

The differences between government and corporate accounting and financial statements are well summarized in the GASB White Paper: “Why Governmental Accounting and Financial Reporting Is – and Should Be – Different.” (www.GASB.org) Accordingly, given the disparity between CAFR requirements and corporate GAAP financial reporting requirements, we believe that EDGAR Online somewhat underestimates the reporting complexity of CAFR preparation and reporting.

Last, we do not share EDGAR Online’s recommendation for a voluntary filing program in municipal securities. We believe that the Commission’s experience with the voluntary program for corporate filers indicates that no similar program is necessary for EMMA to be successful. Rather, implementing Option 3 with the filers choosing their submission and the MSRB converting the submissions into interactive data for EMMA is the optimum policy choice.

CONCLUSION & NEXT STEPS

In closing, we commend the SEC and MSRB for having developed and brought EMMA to this stage and for issuing proposed Rule MRSB 2008-05. Properly implemented with an interactive data standard, it can play a transforming role in moving municipal market disclosures to be more like corporate disclosures, promote the use of GASB standards, and increase transparency in the municipal markets.

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In our recent discussions with the private sector, we have identified widespread interest in improving municipal securities transparency. We know of four state governments that have expressed an interest in preparing their CAFR in interactive data. In addition, we have talked with an established lending institution that verbally committed to financing the type of conversion utility that we describe in the comment letter. The lender indicated that if a public-private group had the contract to operate the conversion utility, they would fund the set-up, because there is minimal technology risk.

These conversations suggest to us that it may be feasible to develop a public-private partnership to develop the conversion utility for EMMA. Indeed, we believe that a turnkey operating contract with a private group for the conversion utility does appear feasible. We would be pleased to participate in more detailed discussions and would welcome the opportunity to lead this effort on the private sector side.

The essence of our recommendation is that enhanced underwriters' disclosures of the CAFR in the Official Statement, and the publication of that filing information from EMMA on the Internet, will improve transparency and operation of the municipal securities market.

Those policy actions, combined with EMMA's implementation with interactive data, can achieve much of the objectives outlined in Chairman Cox's June 16, 2007 speech, "Improved Investor Protection in Municipal Securities." In turn, these objectives reflect the SEC staff report to the Congress, "Integrity in Municipal Markets" of July 18, 2007. We believe the fundamental transformation in the transparency and operation of the municipal securities market envisioned in those two documents can begin with the introduction of EMMA combined with our recommendations.

If we may be of assistance in answering further questions about this Comment letter or in discussing these matters, please contact us. We will follow up with SEC and MSRB staff to discuss our Comment letter.

Sincerely,

S.S.

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