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October 14, 2009

Filed Electronically

Ms. Elizabeth M. Murphy
Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

RE: File No. S7-15-09

Dear Ms. Murphy:

This is our second comment letter concerning Proposed Rule 34-60332. Our original comment letter was dated September 8, 2009 and it is attached for convenience. Although it is after the due date for comments, we would appreciate your posting this because it relates to a timely issue that we failed to mention in our original comment letter.

We support the Commission beginning a multi-year program to reform the municipal securities market to achieve the publishing of quarterly Comprehensive Annual Financial Reports ("CAFR"). This can only be done using advanced software to prepare the issuer's CAFR, which can provide timely audited annual reports and unaudited quarterly reports. We have this software that is commercially available today. From the review of the comment letters on the proposed rule, it is clear they do not know this is possible because they are not aware that CAFR Preparation Software exists. This prompted us to prepare our second comment letter that focuses on our subsequent thoughts about how best to introduce this software to the municipal securities issuers.

MULTIPLE-YEAR
MUNI MARKET REFORM

With the introduction of EMMA this year, the Commission has a municipal securities market exchange, not unlike the over-the-counter market for equities or even NASDAQ. Both NASDAQ and the over-the-counter market have listing requirements and exchange rules to remain listed. Failure to adhere to these requirements relegates a NASDAQ company to the OTC. Failure to adhere to the OTC minimum requirements relegates a company to the pink sheets, which materially increases their cost of raising equity and borrowing. This is the essence of transparency and capital market forces providing market discipline.

Relegation to a more expensive market is transparency and the power of capital markets working to reward good corporate performance and to discipline poor corporate performance. The principles of transparency and market discipline are equally applicable to the municipal securities markets. They can be the basis for a long-term reform of the municipal securities markets using transparency and the power of the underwriters and purchasers to ensure that municipal securities issuers provide investors with timely information on a comparable basis to corporate securities issuers.

The SEC can require underwriters to have contractual continuing disclosure undertakings that the issuers they underwrite to publish quarterly financial reports. This will be disclosed on EMMA. The SEC can require underwriters to only underwrite issuers who have contracts obligating the issuer to publish quarterly reports.

Today the Commission can issue a rule to be implemented or effective at a time certain in the future. For example, EMMA will only list those issuers with a contractual continuing disclosure undertaking to publish quarterly financials. Failure to comply with these continuing disclosure obligations would be published on EMMA and comparisons with other issuers provided to investors. This will widen the bond pricing between the best performing municipal issuers and those that perform less well. Continued failure to make timely quarterly disclosures could result in delisting of the poorest performing securities. This is like moving from the OTC market to the pink sheets for public corporations.

Obviously, this rule is not be feasible today, but the SEC can announce a rule today that this will take effect in 3 to 5 years to give the municipal securities issuers the necessary time to acquire the technology necessary to inexpensively and easily issue quarterly financial reports. The issuers will voluntarily comply when it is feasible, inexpensive, and possible to publish quarterly CAFRs. The underwriters will explain to the issuers that failure to comply will cause them to pay higher interest rates for their money in the private markets and/or not being able to raise the amount they need.

Listed vs. Unlisted
Municipal Securities

To reinforce this market discipline, the SEC can adopt an approach similar to the purchasers of listed securities versus unlisted securities. Similar to the approach in Rule 144, only high net worth individuals would be allowed to purchase municipal securities that are not listed on EMMA, because of the additional risk they represent. This is using transparency and capital market forces to promote reform in the municipal securities markets over time. The situation in municipal securities seems to warrant a similar approach.

Today the issuers cannot imagine CAFR preparation being easy and less expensive than their current manual process. They are like Samuel Morse in 1880 who when offered the patent to the telephone for $15 million, refused to have Western Union buy it. He simply couldn't imagine that people would use the telephone. He asked, "Whether any sensible man would transact his affairs by such a means of communication?" At the time, the New York Times couldn't understand why anyone in distant state would need to talk to some in another distant state. New technology introduces new paradigms that are not always evident at first. Morse couldn't envision the telephone. Prior to the introduction of EMMA, we couldn't have envisioned timely quarterly financial reports for municipal securities.

The remainder of this letter focuses on how the Commission can announce today a multiple-year program to deploy software technology that makes it feasible for the municipal securities issuers to inexpensively issue timely quarterly financials. At the same time it will reduce their cost to prepare their quarterly issued CAFRs. To paraphrase Samuel Morse, this paradigm shift requires the Commission envisioning municipal securities issuers "transact[ing] affairs" in a previously unimaginable way.

Just as Alexander Graham Bell founded the Bell Telephone Company using new technology, the SEC can use EMMA's technology to undertake the long-term reform of the municipal securities market by introducing CAFR Preparation Software and providing incentives for its adoption by using EMMA disclosures and market discipline from the new transparency EMMA makes possible.

COST OF INTRODUCING CAFR PREPARATION SOFTWARE

There are two costs to introducing the CAFR Preparation Software: a one-time installation cost and the annual cost of subscribing to the service. The installation cost is to configure the software with the existing computer systems, databases and software currently being used by the issuer. The CAFR Preparation Software is designed to work with all of the government entity's servers and software.

While it is impossible to generalize about the computer systems of the 50,000 issuers of municipal securities, it is quite possible that not one additional computer server would need to be purchased. We know that no issuer will need to replace its existing software, which further reduces the cost of an entity using CAFR Preparation Software.

Subscription Cost

The software subscription service is priced depending on the population size of the government entity, whether it is a state, municipality, county or special tax district. Hence, Virginia would pay more for the software than Vermont. The annual subscription will be several hundred thousand dollars a year depending on the size of the government entity. It is expected to save enough money in manual preparation of the CAFR that in many instances it will pay for itself the first year, but in almost all cases within two years (See Issuers Savings below.)

Enterprise software always has an annual maintenance fee that is expressed as a percentage of the basic annual software subscription cost. If the entity subsequently chooses to buy enhancements or upgrades of the CAFR Preparation Software there are additional subscription fees.

In order to make it easier for issuers to commit to the CAFR Preparation Software, we plan to have an introductory feature to offer at least one free first year software subscription trial to all state governments. If at the end of the one-year trial the state is not satisfied with the software, they simply stop using it and would have no further legal obligation to pay. If successful, this could first year free subscription could be extended to all issuers of municipal securities to accelerate introduction and adoption.

We are confident that the issuers will want to continue using the software and will elect to subscribe to the service. This market introduction sales program is not yet designed in detail, however, we can commit that our CAFR Preparation Software will be marketed with at least 12 months free usage and there will be no software subscription payments if the user is not satisfied and discontinues using it.

Installation Costs

One time installation costs are typically about one year's subscription costs so they vary with population size as well. Hence, if an entity were of the size that it would be paying a $300,000 annual subscription fee the installation and setup to configure the software would be expected to be approximately $300,000. Variance in the installation costs is expected based on the government entity's current age of their computer equipment, status of the software, number of databases, quality of documentation, etc. This installation expense is an out of pocket cost to our software company that is paid to a third-party who specializes in systems integration and software configuration. We are currently negotiating a teaming agreement with a leading firm to perform this work on a nation-wide basis.

Also, to entice the issuers into using the software we are committed to offering an optional financing plan to those government entities that request it. This will probably be a revolving credit facility with a private entity or bank. We have had preliminary conversations with such a specialized lending entity and have received a positive response. We are confident that this can be available.

Again, we are exploring having the installation loan forgiveness for those government entities that decide not to continue using the software. We believe those municipal securities issuers who do not continue to use the CAFR Preparation Software will be a small enough percentage that we, the Company, could absorb those loan loss write-offs in the interest of making the adoption of the software attractive to the issuers.

We believe that the one year subscription free offer to the states and financing their installation costs combined with the ability to walk away after one year is an extremely attractive program to induce the states to adopt CAFR Preparation Software. If successful, we would consider attempting to arrange installation financing for all other issuers, but this requires billions of dollars in financing, which we can't commit to until we see how the financing program works in the states. In principal we would like to offer it.

ISSUERS' SAVINGS

Based on interviews with CAFR preparers at the state, county, and municipal level, we understand that preparing a CAFR is an expensive, time consuming, error prone manual process. This is why the CAFRs for states are on average published 181 days after the close of the issuer's fiscal year. For a many medium size municipalities, manually compiling a CAFR can cost more than $1,000,000 each year. Many, if not most, issuers have no accurate estimate of their cost. Our estimate is that most issuers will save about 70 percent of their annual preparation cost by using the CAFR Preparation software.

Ignoring one time installation costs, assuming an annual subscription cost of $300,000 per year, an entity currently spending $1,000,000 per year would save the issuer $700,000 per year or $7,000,000 over a ten year period. Equally important, the issuer could publish a timely quarterly CAFR for almost no additional cost. Like the corporate world, an audited CAFR would only be prepared at fiscal year end, with the quarterly reports being unaudited.

We are so confident of the savings that we are prepared to offer the annual subscriptions on a percentage of savings basis. We understand that at this time many state and local governments can not accurately measure their CAFR preparation costs. Our view is that if the government entity would agree to assessment of their cost of CAFR preparation by an independent auditor, we would be willing to negotiate the price of the annual subscription based on the percentage of realized annual savings from the issuers current preparation cost. This may be a difficult procurement for a state and local government, but we would welcome the opportunity to test this pricing approach.

INTRODUCING CAFR PREPARATION SOFTWARE

Given the challenge of providing CAFR software to all 50,000 municipal bond issuers, dealing with their individual procurement processes, we have suggested to the MSRB that they consider using a Master Contract to expedite the introduction to the state and local communities. We have recommended that they use an RFP for CAFR Preparation Software. If the MSRB elects this option, we will respond to that RFP as others may.

If this Master Contract approach were adopted, the MSRB would administer the Master Contract, which would accelerate the introduction and adoption of the CAFR Preparation Software by providing a sole source justification for municipal securities' issuers to acquire the software while minimizing or avoiding a competitive bid process. We believe that our proposal for a free one-year subscription, the option of financing the installation costs, and no obligations if the government entity isn't satisfied will work well with the Master Contract approach to accelerate adoption of the CAFR Preparation Software.

We recognize that this Master Contract is a multi-year implementation effort, probably starting with the states, then larger cities and counties. By having one installed CAFR Preparation Software in each state the state's local officials could have one installation to provide the lessons learned for the local officials. By having states able to prepare quarterly CAFRs on a timely basis for minimal cost the states can provide an example for the local governments in their state.

We are having preliminary discussions with the MSRB and SEC staff about the possibility of doing a joint CAFR Preparation Software demonstration in a major city beginning later this quarter. There is no agreement or commitment at this time, and details must be worked out. The mayor of this city is a former corporate executive who has an unusually high knowledge of information technology.

CAFRS IN
INTERACTIVE DATA

Our CAFR Preparation Software can produce in virtually any data standard, but specifically it can be configured to produce in XML or in XBRL Once the state and local governments are using CAFR Preparation Software, preparing a state and local taxonomy to prepare CAFRs in Interactive Data is more a straightforward process than simply having repeated meetings. For example, we may produce a state and local taxonomy in XML and use others' rendering tools to produce it in XBRL.

There is no state and local taxonomy today, but we are undertaking the task to develop it and contribute it to XBRL.org. We believe that the mayor of this city may also be willing to participate in that project after finding that the CAFR Preparation Software demonstration works. We will create a state and local taxonomy for expert review, which would take place through online meetings and a Wikipedia process rather than the traditional multi-year series of in-person meetings. We are confident that a more online social network approach can produce a provisional state and local taxonomy within six to nine months.

When a state and local taxonomy is developed and filed as provisional, the SEC can adopt a two-step implementation process for state and local Interactive Data. First, after there is a provisional state and local taxonomy, EMMA can be configured to convert and publish all its filings in Interactive Data to increase transparency and utility for EMMA users. A second step would be to require the issuers' EMMA submissions to be in

Interactive Data on a phased multi-year implementation schedule. A future time for all of the issuers' filings to be submitted in Interactive Data can be phased in probably by size of the issuer similar to the corporate implementation of Interactive Data.

Last, we do not address the timing of the implementation for these major changes nor the possible different pace of timing for large, medium, and small issuers, because we have no expertise in that area. We recognize that this is a multi-year effort and would applaud the Commission's effort to provide a long-term path for municipal market reform.

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We appreciate the opportunity to engage in the SEC policy development and regulatory development process and stand ready to answer any questions from the Commissioners or SEC staff.

Sincerely,

R.T. McNamar
President
E-Certus, Inc.

Contact: rtmcnamar@e-certus.com

Cc: The Honorable Mary L. Schapiro, Chairman
The Honorable Kathleen L. Casey, Commissioner
The Honorable Elisse B. Walter, Commissioner
The Honorable Luis A. Aguilar, Commissioner
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