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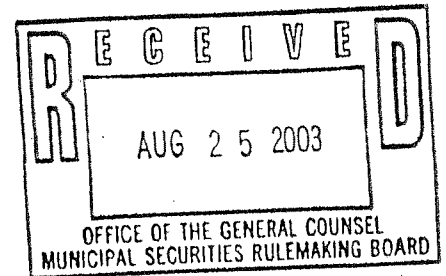
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August 7, 2003

Mr. Christopher Taylor, Executive Director  
Municipal Securities Rulemaking Board  
1900 Duke Street, Suite 600  
Alexandria, Virginia 22314



Dear Mr. Taylor:

I am writing to comment on the proposals to increase "transparency" through real time transaction reporting in the municipal securities markets. I am opposed to the proposed changes because I believe that it is clear that they will be detrimental to the industry and the interests of my clients.

I have been for twenty years a registered investment advisor managing assets for high net worth individuals. Although I manage some balanced portfolios, 85% of assets under management is in tax-exempt bonds. Prior to establishing my management firm I was first an institutional and then an individual salesperson at Goldman, Sachs & Co. for fifteen years.

Accordingly, I have not only been in business for a long time I was also in the business during times that important stock market regulatory reforms were initiated. I think there is much to be learned from the experience of the equity markets to help make judgments about the effects on the trading of tax exempt bonds.

Of course, I am interested in trading bonds for my clients at the most advantageous prices possible; and naturally I would like all the profits made by the dealers to go directly into my clients' accounts. Nonetheless, I know that liquidity is critically important to my clients' best interests and that current proposals in the name of transparency threaten the viability of the dealer community and will thus have a far greater deleterious effect on those client interests than the sharing of spreads on trades.

Although a comparison is naturally imprecise, a review of the experience in the equities markets is instructive. Well-intentioned regulatory efforts to provide more open transactions and narrower spreads have characterized the equities markets for over

twenty-five years. The most far-reaching of these efforts was the introduction of negotiated commissions in 1975.

Commissions on trades did decline and in this way benefited buyers and sellers of securities. But there were other consequences which, in the end, worked against the interests of investors. There were failures and massive consolidations in the broker/dealer/investment banking community so that power has become concentrated into far fewer hands. This consolidation was to some degree foreseen, although not nearly to the extent that it occurred.

There were other consequences not so well anticipated. For instance, SEC Chairman William Donaldson was recently asked when the problems occasioned by the too-close relationship between security research and investment banking began. He replied they were born in 1975 because the end of fixed commissions meant that the research/brokerage function's profitability declined to the point that it was not a viable function unless corrupted to serve the interest of investment banking marketing efforts.

By a stroke of extremely good fortune---which will not be repeated in the tax-exempt markets---after a short rocky period liquidity for equity trading was not meaningfully impacted. At the same time that fixed commissions ended exchange trading in puts and calls began, and equity dealers could provide liquidity to the buy side by hedging positions in derivatives.

Without such an ameliorating circumstance there would have been even more industry consolidations and spreads on block equity trades would have widened substantially to reflect the decreased liquidity owing to the lessened profitability attendant to trading equity shares. Believe me, I know, because I was there as an institutional salesperson in the industry's premier block trading firm.

There are other concerns unrelated to the stock market experience.

It is in the long-term interest of my clients, to have as many thriving dealers as possible. This is especially true for the tax-exempt markets with its historical multi-dealer structure.

It is obviously to the benefit of issuers to have as many dealers as possible bidding for or soliciting their deals, and I should think that any taxpayer called upon to pay debt service would recognize this fundamental economic rule.

Further, as the system exists there does not seem to be a need for change. Many dealers compete for my business, and the way I make my purchase choices depends on from whom I see the best offerings. This fact repeated many times in the market daily means

that dealers who want my business have incentives to keep spreads as low as possible in order to do so.

Salaries and other measures of profitability do not seem to suggest that there is widespread price gouging among tax-exempt dealers.

I am confident that under current conditions regulators such as the MSRB have both the means and the will to take appropriate actions against those engaging in abusive activities.

Further, largely because there are so many dealers in the system I, like other investors, have the ability to bid or offer in an auction process and I can choose an advantageous price for my transaction. If a spread is too high the transaction price will become unattractive, and I have the option of not finalizing the trade.

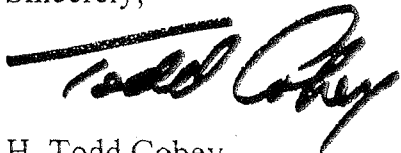
Similarly, if I get an advantageous price it is not a matter of great interest if an intervening dealer makes a profit, too.

Finally, in the absence of any new regulations there is already effective transparency at the high volume end of the market.

Accordingly, I do not perceive abuses in need of change and my experience tells me that change for the sake of change or to seem compliant to a fashionable word like "transparency" is simply not worth risking damage to the liquidity which is at the heart of a fair and efficient trading market.

All the above was written with conviction but was necessarily written in haste. I hope you feel encouraged to contact me if you have any questions or if there is any way I might be helpful to you. If convenient please use my e-mail address: [htc@cobeyinc.com](mailto:htc@cobeyinc.com).

Sincerely,



H. Todd Cobey  
Cobey, Jacobson & Gordon, Inc.