We have established a legislative internship in Washington, D.C., and will be seeking to fill the position in the coming months.

We have stimulated interest in the challenge raised by the Special Master's Report in the *South Carolina* case, tracked the *Boli* and other Social Security cases, and offered *amicus* support with respect to any *Tucson* appeal and with respect to the *City of Atlanta* litigation questioning the constitutionality of alternative minimum tax and rebate provisions.

We have completed with the American Bar Association a report on disclosure roles of counsel and we conducted, with the American Bar Association, a joint seminar on taxable bonds.

We also completed, with immense success, the annual NABL seminars regarding the fundamentals of municipal bond law and arbitrage law.

We have drawn attention to the need for concern regarding pending Blue Sky legislation requiring registration of certain governmental obligations.

We have developed a model engagement letter to assist bond counsel in establishing client relations and we have intensely examined our quality of individual performance and standards of practice.

We have commenced our oral history of bond counsel under the inspiration of Fred Kiel and have generally encouraged an *esprit de corps* among bond counsel.

We have strengthened the executive committee comprised of the officers of the Association by providing for monthly conference calls and close coordination as a matter of routine. The support of Trudy Halla, as Treasurer, Joe Johnson, as Secretary and Dean Pope, as President-Elect, have been invaluable.

In sum, far from treading water this year, we have strengthened the organization as whole, both in its internal structure and its outward image, and equipped ourselves for forthcoming battles: battles in the area of SEC registration moves; battles against further encroachment on tax-exemption through technical corrections and attempted federal revenue raising at the expense of state and local government; and battles for judicial support.

The events in the past week demonstrate the imminence and importance of the battles. Included among the Administration's revenue raising proposals to the House Ways and Means Committee on October 7 was a proposal to remove tax-exemption for all private activity bonds. Once again, long-term federal revenues are to be sought at the expense of the state and local government public purposes of providing for low-income housing, for manufacturing jobs, for health and education and for needed infrastructure for airports, ports, solid waste disposal and the provision of water and sewer services. In the context of this proposal, we should not forget that Treasury I, which was the starting point for the Tax Reform Act of 1986, defined a private activity bond as one where more than one percent of the proceeds was used in a trade or business and eliminated the security interest test.

In addition, perhaps the single most-telling event this year demonstrating the profound effect of the Tax Reform Act of 1986 upon tax-exempt bonds was the announcement on Monday by Salomon Brothers of their intended withdrawal from the public finance arena. When a leading underwriter withdraws, when Wall Street loses interest, when state and local governments lose their interest, when long-term profit projections and short-term inventory problems demonstrate that public finance is not a viable business, one wonders if the federal avarice has not overstepped its bounds.

These events place a serious responsibility upon us as bond counsel. We are the issue spotters. The issue is whether state and local governments must survive on a pay-as-you-go basis. The issue is whether we, as bond counsel, have enough ability, acumen and practical wisdom to convince our clients, state and local government, that the time to protest on the administrative, legislative and judicial levels has not passed.

On a personal note, I would like to state that I have enjoyed serving you this year and I particularly have enjoyed my many conversations with bond counsel throughout the country, which I hope will continue. In addition, I have truly learned the meaning of the phrase "the buck stops here" and am immensely pleased to be able, shortly, to pass responsibility to your forthcoming President, the very able Robert Dean Pope, of Hunton & Williams in Richmond, Virginia.

I want to thank all of you for your support.

PRESIDENT POPE'S REMARKS

Thank you. It is my first honor—and pleasure— as President to pay tribute to Sharon's remarkable abilities, energy and organization. It is difficult to determine which has been more impressive—the extraordinary quantity or the remarkable quality of Sharon's efforts on behalf of this Association. We all are very grateful. Thank you, Sharon!

Ten years ago, bond lawyers labored in an obscurity that many thought was deserved. Not even our partners and associates understood what we did, and when asked at school what their daddy or mommie did, our children had no intelligible answer.

I am not at all sure that anyone understands what we do any better than they did ten years ago, but we are certainly in today's news.

I am always suspicious of politicians who proclaim that we live today in the most perilous and challenging of times. All times are perilous and challenging, but it is indisputably true that our professional world has changed, often for the worse. Let me list some of the problems that we face and talk about what this Association may do in response.

One big problem for 1988 has of course been a big problem for 1987 and that is the Tax Reform Act of 1986.

The Association should continue its positive actions in this area. Our comments on rebate, refundings and other subjects have been taken seriously by the Treasury Department. We expect to engage in a near-constant process in dealing with rulings, regulations and press releases.

There also loom over us the bond issues that have gone sour, allegations of misconduct and threats of new regulations. The current volume of negative publicity about the bond world is without modern precedent. With the report on WPPSS about to be released, Congressional hearings likely and pressure rising for SEC registration of municipal bonds, we have every right to be deeply concerned.

We must respond—but with care. If Congressman Markey wishes to present a parade of questionable bond transactions with a variety of bad facts, you and I know that he will succeed. We cannot anticipate now what those hearings will show or what the views of Congress and the SEC will be, but whatever happens, we must bring to bear our special knowledge of local government finance to the legislative process as it looks at the bond world.

We will need to do a better job than we did with the 1986 Tax Act in educating Congress, and we will need to do a better job of involving our clients, the state and local governments of this country. Fortunately our clients are much more likely to listen to us now. If state and local governments had known two years ago what they know now, the public finance provisions of the Tax Reform Act of 1986 would have been substantially different. That is water under the bridge, but at least issuers are more likely to be sensitive to the danger.

Some of the questions we must be prepared to answer are as follows:

1. If there were bad bond transactions in the past, would legislation and in particular SEC registration have stopped them?

2. Are the kinds of transactions now being investigated and criticized, primarily those done in late 1985, likely in any circumstance to be repeated?

3. Is deficient disclosure pervasive in the tax-exempt world?

4. What are the costs to state and local governments of any proposed change, both in terms of dollars spent and of localities that are simply driven out the public debt market? Or, to put it a completely unbiased fashion, what is the cost-benefit analysis of compelling a rural county in Tennessee to register a $700,000 school bond issue with the SEC?

Another, not unrelated, problem is the increased level of litigation involving bond lawyers. It is obviously inappropriate to comment on particular litigation, but we all share a common concern about law suits that try to hold bond lawyers responsible for matters that are not within their control.

There is also another kind of litigation that will interest us this year and that is challenges to federal tax legislation. It is possible that in the *South Carolina* case, the Supreme Court will not come to grips with the basic constitutional question of tax exemption, but that question almost certainly cannot be avoided in the law suit filed by the State of Georgia and the City of Atlanta.

This Association must consider if and when it will file *amicus* briefs or take other action in these matters.

A final concern relates to the process of the selection of bond counsel. It is not a proper purpose of this Association to promote the hiring of its members or to discourage competition in public finance legal work. It is, in my opinion, a proper purpose of this Association to bring to the attention of issuers the qualifications that they should look for in hiring bond lawyers.

One of the projects that the Association is considering is a publication that would assist local governments in selecting bond counsel and help them in asking the right questions. Most people don't know what we do. If you think that a bond lawyer is overpaid and is not very important and if you really don't understand what he does, then it is really not surprising to think that anyone can do his job and that the work should go to someone who provides either the lowest bid or the largest political contribution.

We can no longer ignore the fact that this is a disturbing trend, but we must respond carefully if we are not to be misunderstood as merely trying to protect our own pocketbooks. I solicit from each of you your views on what the Association can and should do with the problem of the increased politicizing of the selection of bond counsel.

This trend in the public finance world is broader, involving also the selection of underwriters. Conscientious investment bankers should treat this as a serious problem, as they should the increasing tendency to dictate to investment bankers whom they will select as their own counsel. I suggest that underwriters may soon rue the day that they started letting other people decide who will represent them in bond transactions.

In responding to these problems, we should keep in mind the characteristics of a good bond lawyer. We should be creative but cautious. We should make sure that our suggestions and criticisms are soundly based and that we state our case effectively but without exaggeration.

The coming year will be one of intense scrutiny for the entire public finance world and for bond lawyers in particular. We remain maimed by the Tax Reform Act of 1986, and some of the few battles that we won may have to be fought again.

The role that this Association plays in many cases must be limited, but it can be significant and positive. Doing something, however, always entails the risk of being controversial or offending someone. But if we never speak, we will never be listened to, and if we speak too softly we will not be heard. The Association will continue to speak, but the Board needs to hear more from you—our members—about what we should say—or not say.

There are two groups of people in this country whose livelihood is critically dependant on their reputa-

tion for probity. They are of course T.V. evangelists and bond lawyers. It has not been a particularly good year for either group, and however much we may resist a comparison, it is true that bond lawyers are sometimes judged as greedy hypocrites who hide their selfish interests behind pious sermons on the rights of local government.

This is unfair, but it does us no good simply to protest that we are misunderstood and maligned.

Our best response to our critics is to be what good bond lawyers have always been—cautious, thorough, unfailingly scrupulous, devoted to the highest professional standards and protective of the legitimate and very important interests of state and local government. The television preachers may look for a miracle, but if we are to serve our clients and our profession at a time when the public finance world is under a dangerous cloud, we must look to our own efforts. I ask for the suggestions and help of each of you as we start a difficult, confusing but certainly interesting year.

THE NEW DIRECTORS

JOHN R. AXE, a graduate of the University of Michigan (1960), and Harvard Law School (1963), is a partner in the firm of Dykema, Gossett, Spencer, Goodnow & Trigg, which has offices in Detroit, Bloomfield Hills, Ann Arbor, Lansing, Grand Rapids, Washington, D.C., and Sarasota, Fort Lauderdale and Boca Raton. Based in Detroit, he is the head of the firm's Public Finance Group.

Mr. Axe was a member of the Bond Attorneys' Workshop Committee in 1981, 1983 and 1986. He is one of the authors of *Michigan Municipal Law*. He has served in the past as Chairman of the State Bar Subcommittee on Securities Law Revision. Between 1977 and 1983, he served concurrently as a member of the Michigan Higher Education Assistance Authority and the Michigan Higher Education Student Loan Authority.

FREDERIC L. BALLARD, JR., a graduate of Harvard College (1963) and Harvard Law School (1966), practices in the Washington office of Ballard, Spahr, Andrews & Ingersoll.

Mr. Ballard has served the Association as Chairman of its Committee on Administrative Policy (1986-1987) and as a member of the Bond Attorneys' Workshop Committee in 1983, 1984,1985, 1986 and 1987.

He is the author of *ABC's of Arbitrage* (1987-Packard Press, Philadelphia).

RICHARD CHIRLS holds B.S. (1973) and J.D. (1976) degrees from the University of Pennsylvania, and an L.L.M. in Taxation (1977) from New York University. He is a tax partner in the firm of Orrick, Herrington & Sutcliffe, located in its New York City office; the firm also has offices in San Francisco, Los Angeles and Sacramento. He served as Vice-Chairman of the Association's Committee on Education from 1985 to 1986, and has been active as a faculty member for the I.R.S. Seminar, the Tax Act Implementation Seminar, the Tax Reform Seminar, and Fundamentals of Municipal Bond Law. He has been chairman and a speaker at numerous seminars relating to public finance for the Practising Law Institute and other organizations for several years.

Mr. Chirls, who is reputed never to have turned down an offer to stand at a podium, is currently the Vice Chairman of the Tax-Exempt Financing Committee of the ABA Tax Section and past Chairman of the New York State Bar Association Committee on Tax Exempt Financing.

Mr. Chirls, when chairman of the NABL Arbitrage Seminar, was described by C.Willis Ritter as "a child who shall lead us," and views his appointment to the Board of Directors with some trepidation as part of the inevitable aging process.

WILLIAM H. MCBRIDE is a graduate of Princeton University (A.B. 1970) and the University of Texas Law School (J.D. 1976), where he was on the Law Review. His law school work was preceded by three years in the United States Army where he was with Military Intelligence in Bangkok. Following law school, Mr. McBride joined the Richmond, Virginia, office of Hunton & Williams. In January, 1981, he moved to Raleigh to head the firm's bond activities in North Carolina. Mr. McBride is the partner responsible for reviewing all arbitrage-related questions with respect to Hunton & Williams' tax-exempt bond issues. With other attorneys, he has co-authored articles on municipal bonds in North Carolina and on secondary liability of financial institutions in securities offerings.

Mr. McBride has been Chairman of the Association's Committee on Education (1985-1987) and Vice-Chairman of the (former) Committee on Arbitrage (1983-1985). He organized and was Chairman of the Seminar on the Fundamentals of Bond Law in March, 1986. In 1986 and 1987, Mr. McBride led two-day seminars for the Internal Revenue Service on Section 103. In September, 1986, he led a two-day seminar on the changes to Section 103 and other laws relating to tax exempt financing resulting from the enactment of the Tax Reform Act of 1986. In addition, Mr. McBride has been a panelist at every Bond Attorneys' Workshop since 1979, has been a speaker at the Fundamentals Seminar for the last three years and was a panelist at the Arbitrage Seminar in May, 1987. Other organizations for which he has spoken include the Southern Municipal Finance Analysts Association, the North Carolina Institute of Government and the North Carolina Association of County Attorneys.

A member of the American Bar Association's Committee on Federal Regulation of Securities, he is on the Liaison Subcommittee with State Bar Associations (as the North Carolina representative) as well as on the Subcommittees on Certificateless Securities and State and Local Government Obligations. In the latter group, he