

---

# KING & SPALDING

## BONDLETTER<sup>®</sup>

---

January 25, 2002

### ***Audits Abound***

*TBB* (January 14) reports that the IRS is auditing "as many as 10" three-year note issues issued by Pennsylvania school districts, the proceeds of which were invested in longer-term taxable obligations, and may seek Section 6700 penalties against the underwriters involved. The IRS believes that the school districts issued the notes without reasonable expectations that the proceeds would be spent, and that the transactions were arbitrage-driven.

Separately, the IRS has under audit the City of New Orleans' 1998 \$75.2 million pension bond issue. In a "material event" notice filed with the four Nationally Recognized Municipal Information Repositories, the City said that it "is vigorously pursuing the defense of this audit and ... that it will take all action necessary to preserve the tax-exempt status" of the bonds.

### ***Private Activity Bond Volume Caps Up for 2002***

*TBB* (December 28) reports that under a federal statute enacted in 2000, and by virtue of newly-available census data, the aggregate 2002 cap on tax-exempt private activity bonds will rise from \$19.7 billion to \$23.87 billion, or 21.2%. The new per state cap is the greater of \$225 million or \$75 per capita.

### ***IRS: Don't Co-Mingle Bond Proceeds***

The IRS's December rebate compliance survey of ninety-five randomly-selected issuers has revealed (*TBB*, January 18) that issuers which co-mingled bond proceeds with other revenues or other bond proceeds have difficulty computing arbitrage rebates. The IRS's Charles Anderson, Manager of Bond Field Operations, says that "We're going to take a real close look on the co-mingled funds without a doubt. We'll look at them a lot closer than the ones that aren't co-mingled."

### ***Short Takes***

*TBB* (January 23) reports that Kmart Corp.'s January 22 bankruptcy filing "could seriously jeopardize some of the 95 municipal debt issues sold by at least 76 different issuers in 17 different states." Most or all of these issues were issued before 1986, or were issued to refund pre-1986 issues.

**Inside...**

***Desk Telephone Reference***

Radio Revenue Bonds (*TBB*, January 16): On behalf of Colorado Public Radio, the Colorado Educational and Cultural Facilities Authority sold \$6.5 million of twenty-year tax-exempt revenue bonds at a 5.8% yield to refinance \$4 million of outstanding bonds and replenish CPR reserves used to buy two radio stations. The Colorado issue is believed to be the first ever rated by the national rating services; about \$40 million of unrated radio revenue bonds are outstanding nationwide.

*TBB* (January 10): Citing the "decline in the advertising market and the overall weak economy exacerbated by the events of Sept. 11," Thomson Financial has scrapped plans to sell *TBB* and other publications via an auction process.

SEC Release No. 2002-1: In a consent order issued on January 7 by the United States District Court for the Southern District of New York, Cole A. Bartiromo, 17, of Mission Viejo, California, and several Jane and John Does, were enjoined from securities fraud and directed to repatriate about \$900,000 from a Costa Rica casino account. Mr. Bartiromo's website, "since at least Nov. 1, 2001," had promised annual "safe" and "guaranteed" returns of up to 2,500% from pooled bets via three online sportsbooks and had "raised more than \$1 million from more than 1,000 investors."

## ***Desk Telephone Reference***

### Attorneys-Atlanta

Robert L. Steed	(404)572-4656
Richard G. Woodward	(404)572-4719
William A. Holby	(404)572-4663
Roger E. Murray	(404)572-3582
Mae Charles Barnes	(404)572-3586
Woodrow W. Vaughan III	(404)572-2711
Rachel Epps Spears	(404)572-4682
Robert L. Rearden	(404)572-3552
Michael J. Williams	(404)572-3584
L. Caroline LaFleur	(404)572-2744
Ranse M. Partin	(404)572-2829
Alexandria E. Basis	(404)572-4692
William D. Holley	(404)572-2767

### Attorneys-New York

Michael J. Hannigan	(212)556-2249
Douglas A. Bird	(212)556-2281
William J. Rizzo	(212)556-2284
Jacquelyn Cerasuolo	(212)556-2102
Brian M. Siper	(212)556-2104

### Secretaries-Atlanta

Kellie Boles	(404)572-3076
Cathy D. Brook	(404)572-3342
Margaret Collins	(404)572-4664
Dianne B. Conner	(404)572-4718
Lorrie Doyle	(404)572-4655
Yvonne B. McMillian	(404)572-4657

### Secretaries-New York

Josephine Edwards	(212)556-2232
Fidel M. dela Merced, Jr.	(212)556-2131
Carol Nardi	(212)556-2282

### Paralegals

Norma H. Bradshaw	(404)572-3407
Michelle Russell	(404)572-3315
Amme K. Whitfield	(404)572-5127
Connie D. Wright	(404)572-3429

### Document Clerk

Valerie Njiiri	(404)572-3126
----------------	---------------

©2002 Copyrighted material of Frederick O. Kiel used with permission. All rights reserved. Standard abbreviations: *Automobile Magazine*; *BCB* (*Bond Case Briefs*); *@dtcc* (*The Depository Trust & Clearing Corporation Newsletter*); *MaineAntDi* (*Maine Antique Digest*); *MSRB Reports* (*Municipal Securities Rulemaking Board Reports*); *TBB* (*The Bond Buyer*); *TBL* (*The Bond Lawyer: The Journal of the National Association of Bond Lawyers*); and the *TWSJ* (*The Wall Street Journal*). The names of these publications and sources appear here solely for the convenience of the reader. Neither BONDLETTER® nor any attorney associated with it should be understood to have endorsed or recommended any such publication or source. BONDLETTER® does not provide legal advice or legal opinions; readers should consult their attorneys for advice as to particular legal matters.

