

MEMO# 6929

May 15, 1995

ANALYSIS OF BANKRUPTCY COURT DECISION CONCERNING RIGHTS OF ORANGE COUNTY NOTE HOLDERS

* See Memorandum to Money Market Funds Ad Hoc Committee No. 3-95, SEC Rules Members No. 31-95, Creditor's Rights Subcommittee, dated April 27, 1995. May 15, 1995
TO: MONEY MARKET FUNDS AD HOC COMMITTEE No. 4-95 SEC RULES COMMITTEE No. 63-95 CREDITOR'S RIGHTS SUBCOMMITTEE RE: ANALYSIS OF BANKRUPTCY COURT DECISION CONCERNING RIGHTS OF ORANGE COUNTY NOTE HOLDERS

As we recently informed you, the U.S. Bankruptcy Court has held that Orange County's bankruptcy filing cut off the lien securing the County's 1994-95 Tax Anticipation Notes.* Attached for your information is an analysis of the court's decision prepared by Fidelity Investments. The attached letter describes some of the possible ramifications of the decision and suggests different approaches to mitigate its effect on the viability of short term municipal notes. In light of the Orange County bankruptcy, the Institute is considering forming an ad hoc group of members to examine municipal bankruptcy issues. If you are interested in participating in such a group, please return the attached form to Elizabeth Lyons (fax: 202/326-5827) by Friday, June 16, 1995. Craig S. Tyle Vice President & Senior Counsel Attachment

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