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From The President's Desk

Ralph H. Phillips

We're just 1 month+ away from the turn of the millennium. What will this new millennium bring? Peace? Prosperity? Despair? Prospects for the Year 2000 could be dimmed in light of "the millennium bug," or the Y2K computer glitch.

As many of you already know, this bug is the end result of a computer programming "mistake" in which the year is written with only 2 digits instead of 4. Therefore, the year 2000 would be recorded as "00" and could be misunderstood as the year 1900. This mistake was written into millions of "lines" of programming code and "hard-wired" into thousands of computer chips, over the past 35 years.

"Y2K, much ado about nothing?" I don't think so and that is why we put together this compilation of articles, opinions, resource sites, and questions and answers. **NOT** so we can reach conclusions **FOR YOU**, but so you can use this newsletter as a resource to begin formulating your own **FINAL** opinion on the situation. Because, problem or not, **TIME** is running out for you to work out an opinion and decide on a course of action (if any) to take.

Who were our resources for publication? The major newswires, the internet, accountants, attorneys, computer experts, the governing bodies of: the Commonwealth of Pennsylvania, the State of Texas, the United States, Canada, and Mexico; the SEC, the NASD, Countryside Magazine, the Washington Post, and the Pittsburgh Post Gazette, just to name a few. So, what's it going to be? Mass hysteria and looting in the streets? Business as usual with NO effects whatsoever? I think the end result will be somewhere in the middle. **It is up to each of US to decide where we stand between the two and plan accordingly! Good Luck!**

Financial Industry Preparedness

How secure will your money be when the clock strikes midnight on New Year's Eve? Worried that the Y2K bug will eat up your savings account? You shouldn't be, according to the Federal Deposit Insurance Corporation (FDIC).



Spurred by the government's efforts to prevent panic withdrawals as the calendar turns to a new millennium, the agency is trying to whip banks into Y2K readiness. And so far most banks have been doing very well according to the FDIC's report, issued April 21 of this year. Only 14 institutions were assessed as "unsatisfactory" in the agency's rating, which was based upon on-site visits and supervision of 5,867 financial institutions. The vast majority (97.3%) earned the government stamp of approval for Y2K readiness.

Supervision of the banks' Y2K compliance is shared by the FDIC, the Comptroller of the Currency, and the Federal Reserve. To ensure the highest level of compliance among the financial institutions, the Fed has warned that it is prepared to step in and take over banks that are paralyzed by the Y2K bug. But so far, there are few signs that the computer glitch will have any impact

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Learn Your Stuff: Read a book on Y2K

101 Ways to Survive the Y2K Crisis by Stephen F.

Tomajczyk
Griffin Trade Paperback, 1999,
240 Pages, \$8.99



Book Description:

12:01 a.m. on January 1, 2000, is the wrong time to start taking steps to protect yourself and your family from the possibly catastrophic effects of the Y2K crisis. Entire states may find themselves without power. Water-purifying facilities may fail. The only way to insure your safety and the safety of your loved ones is to begin preparing now. And *101 Ways to Survive the Y2K Crisis* is the book that shows you how. With its user friendly format — including different Y2K preparation budgets & a comprehensive resource section — this book teaches the techniques and procedures needed to survive anything Y2K may throw at you.

About the Author

S.F. Tomajczyk served eight years with the New Hampshire Division of Public Health Services, where he was involved in a variety of health-related "crisis" issues, including disease outbreaks, water sanitation, product recalls, radiation hazards, and natural and man-made disasters. Mr. Tomajczyk is trained in crisis communications, emergency management, first aid, wilderness survival, and the Incident Command System.

— Amazon.com

10 Things You Can Do to Prepare for the Millennium

1. Prepare as you would for a winter storm. Do not go overboard with stockpiling, as this is potentially dangerous.
2. Purchase enough food for a one to two week period. Canned and dried foods are best. Store plenty of water (assume 1 gallon per person per day).
3. Be sure to have basic items on hand. Paper cups, plates, and towels, plastic utensils, candles, matches, toilet paper, and a can opener are examples.
4. Have a first aid kit available. You can purchase a kit and manual from your local American Red Cross chapter.
5. Consider special needs of family members such as medication or diapers. If you have pets, consider the items they need.
6. Have plenty of blankets, jackets, and winter clothes.
7. Make sure you have a full tank of gasoline in your family vehicles.
8. Keep available a radio with batteries and a cellular phone.
9. Have some extra cash on hand. *This does not mean you should liquidate your bank account.* Keep all the financial statements you receive.
10. Enjoy the New Year.

A Poll on the Millennium: What are you doing to prepare for Y2K?

Do you know what Y2K means?

Yes: **87%**
I think so: **6%**
No: **7%**

544 total votes — Source: Mister Poll

Is your PC Y2K compliant?

Yes: **51%**
I think so: **21%**
I have no idea: **8%**
No: **7%**
I don't think so: **6%**
Huh?: **4%**

542 total votes — Source: Mister Poll

Will you withdraw money from your bank prior to the New Year?

No: **45%**
Some of it: **23%**
Yes: **20%**
Why would I do that?: **9%**

540 total votes — Source: Mister Poll

Are you stockpiling any of these items in fear of shortages?

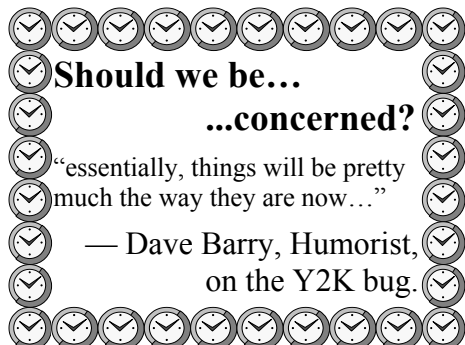
Food: **18%**
Money: **16%**
Batteries: **12%**
Fuel: **9%**
Weapons: **9%**
Cigarettes: **6%**
None of the above: **27%**

1064 total votes — Source: Mister Poll

Have you purchased any of these items to prepare for Y2K?

Firearm: **8%**
Y2K publications: **8%**
Generator: **7%**
New computer: **6%**
Safe: **5%**
Short wave radio: **5%**
None of the above: **57%**

653 total votes — Source: Mister Poll



**Should we be...
...concerned?**

“essentially, things will be pretty
much the way they are now...”

— Dave Barry, Humorist,
on the Y2K bug.

What do you consider to be the worst case scenario resulting from the Y2K problem?

Temporary inconvenience: **35%**
Mass confusion: **15%**
Global anarchy: **14%**
Nothing's going to happen: **12%**
Telecom. Breakdown: **9%**
Worldwide recession: **8%**
Stock market crash: **4%**

532 total votes — Source: Mister Poll

(From "Financial Industry..." on page 1)
on the banks.

Fed Chairman Alan Greenspan told Congress there's no reason for people to rush to the banks on Dec. 31 to move cash from accounts to under mattresses. "The most sensible thing is to leave it where it is," he said in testimony before the Senate Banking Committee on Feb. 23. "There's almost no conceivable way that computers will break down and records of people's savings accounts would disappear."

As for investment companies (mutual funds), Y2K should not be any problem. That is what the funds are saying to investors and regulators after spending millions of dollars to fix computer problems. The Securities and Exchange Commission (SEC) established a string of guidelines for fund companies and formed a task force to track their progress. The panel required fund companies and their advisors to disclose any effects of the Y2K problem. The SEC also required 400 investment firms and fund companies to participate in a series of tests sponsored by the Securities Industry Association.

"We feel comfortable with the industry as a whole," said SEC commissioner Laura Unger. While small firms have less cash to spend than large ones, the SEC is not aware of any specific problems.

The tests were carried out in April and the results were satisfactory. Wall Street firms and exchanges completed extensive mock trading of stocks, bonds, and other securities, simulating the end of December and the start of the next year with almost no interruptions from Year 2000 computer problems, according to a summary of the results released by the Securities Industry Association. The tests measured nearly 260,000 steps in

Postponing The Wedding ... Divorce

You're in love. You want to get married. What better way to start your life together than to take your vows on the eve of the new millennium?

A December 31 wedding offers a great excuse to drink good champagne and it guarantees a date on New Year's Eve. But postponing your "I do's", until after midnight could shave thousands of dollars from your tax bill.

For one thing, the IRS typically bases your taxes on your marital status at the end of the calendar year.

If you're single on December 31, you can file as a single person for 1999. But if you get married on New Year's Eve, the IRS (in it's infinite wisdom) will consider you married the entire year — and tax you accordingly. That can get expensive for couples subject to the "**marriage penalty**", a wrinkle in the federal tax code that takes more taxes from working couples who make roughly the same salary. The penalty is triggered when the combination of your income and your spouse's vaults you into a higher tax bracket. The Treasury Department says 48% of joint filers will pay a marriage penalty averaging \$1,141 per couple this year.

Congress has talked (repeatedly) about eliminating the penalty, but it's (highly) unlikely it'll do anything this year. So, if you're subject to the marriage penalty, it could hit you next year. But holding your nuptials after December 31 will at least postpone the hurt, and you'll have more money for the honeymoon.

If marriage will move you into a higher tax bracket, look for other ways to take advantage of your last year of singledom. Suppose you're thinking about selling some stock or mutual

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thousands of transactions with the 400 participating firms encountering slightly more than 50 failures to handle the Year 2000 dates correctly. The glitches were fixed quickly enough for the trades they affected to be completed on schedule, according to the report. The results of these tests, the largest ones scheduled for the \$300 billion financial industry, were in line with expectations.

The financial industry has been widely viewed as a leader in addressing Year 2000 concerns.

— Quang Tran

**A Y2K Conundrum:
What's worth worrying about-and what's not**

Who would have believed that a little thing like changing the date of the century would drive otherwise rational people to buy electrical generators, stockpile food, and stack gold bars under their beds?



Here's a sneak preview of who will end up having the last laugh on New Year's Eve — the worrywarts or the Pollyannas:

Don't worry about planes falling from the sky.

The Federal Aviation Administration says that as of July 1 all of its systems were Y2K-ready.



Simulations done earlier in the year at Denver International Airport and nearby air traffic control facilities demonstrated that January 1 should be an ordinary day for flying.

In fact, FAA administrator Jane Garvey will take to the air on New Year's Eve aboard an American Airlines flight from Washington, D.C., to Dallas/Fort Worth and on to San Francisco. That will keep her aloft for both midnight Greenwich Mean Time and midnight Pacific time. "It's a very visual, symbolic way to indicate that we have a high degree of confidence in the system," says Garvey.

However, the FAA doesn't control foreign airspace or air traffic systems. Expect travel advisories, possibly from the State Department, on the Y2K status of countries to which you may be flying.

Don't worry about elevators plunging to the ground.

"An elevator doesn't care what date it is," says Peter Kowalchuk of Otis Elevator, the world's largest elevator company. The worst case scenario is a power failure that shuts down an elevator and traps people inside,



and Otis is helping its customers with contingency planning for such a situation. So far, however, no top Otis executives have pledged to be in an elevator at the stroke of midnight...

Worry a little about a run on grocery stores.

"Unnecessary consumer panic buying is our biggest concern," says Carole Throssell of the Food Marketing



Institute. "There's no need to stockpile food." Stores typically keep a seven to ten day supply of nonperishable food items on hand, and a 60 day supply in the warehouse. Unlike during weather emergencies, warehouses will have time to stock from floor to ceiling, says Throssell.

Worry a little about a wild day on Wall Street.

Trading on the New York Stock Exchange, the NASDAQ stock market, and the American Stock Exchange will end at 1:00 PM, EST New Year's Eve



— a cushion against both a possible computer malfunction and a widespread sell-off. With January 1 a Saturday, most government agencies and private firms will take New Year's Eve as a holiday. But the markets didn't consider closing because it's an important day for investors to make year end tax related trades.

Worry a lot about finding a babysitter.

Agencies that place child care workers for short-term assignments say they're already fielding calls from parents who want to celebrate on New Year's Eve. The going rate for a professional sitter will probably be about \$20 an hour.



— Kiplinger.com

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And now for your retirement...

The Social Security Administration (SSA) was one of the first federal agencies to tackle the Y2K bug problem back in 1989 and appears to be in good shape. But its interdependence on its partners—the U.S. Treasury to disburse the benefit payments, the Postal Service to deliver the checks, and the private banking system to credit direct deposits—is illustrative of how the Y2K problem affects all aspects of the economy and our lives. Nonetheless, SSA is confident that it will be open for business on Jan. 3, 2000, and retirement payments will be paid on time.

Private pension benefits may be another story. "Thousands and thousands of retirement checks from different associations and private employers—that may be a legitimate concern," [one source] warns. Ask your plan administrators what they are doing to prepare for the Y2K problem, to let them know that you are aware and concerned about the problem. One of the reasons that banks and the securities industry have been at the forefront of Y2K compliance is the intense oversight by federal regulators, Huntress says. Without public and government scrutiny, some businesses have been slower to react to the biggest challenge facing the information technology industry.

— Kiplinger.com

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A Few Words of Caution

As with any potentially serious problem affecting our society, some will try to exploit the uninformed consumer and offer to sell them remedies for the Y2K bug. Do not make any purchases without first conducting a good deal of research. Check with manufacturers of products FIRST, to see whether or not they are Y2K-compliant. Do not trust a salesman offering a quick fix.

Please remember — If it sounds too good to be true, it most certainly is!

Y2K Report — Nation Almost Ready — But Some Services, Schools Behind

The White House issued its most optimistic predictions ever for the year 2000 technology problem: The lights won't go out, water lines won't run dry, ATM machines will dispense cash and planes won't fall from the sky.

But in its next to last status report on the nation's Y2K readiness, the Clinton administration also warned that many schools, local governments, small hospitals, and small businesses are making inadequate preparations; and taking a wait and see attitude toward computer failures.

"There is now increasing confidence, and people should be comfortable that the basic infrastructure of the country will hold," said John Koskinen, chairman of the President's Council on Year 2000 Conversion.

In a letter to Cabinet officials, President Clinton urged continued vigilance and said he was, "confident that we will be able to oversee a successful transition to the new millennium."

The Year 2000 problem — also called Y2K and the millennium bug — occurs because some computer programs, especially older ones, might fail when the date changes to 2000. Because the programs were written to recognize only the last two digits of a year, such programs could read the digits "00" as 1900 instead of 2000.

With less than 150 days left before



the New Year, Mr. Koskinen predicted that Americans will start to focus any Y2K worries closer to home.

"It's comforting to know we're not going to have a national catastrophe in any of these major areas, but ultimately tell me about my local government, my power company and my water company."

The report carried tough criticisms of the nation's school districts, colleges, and universities for making insufficient preparations. It cited a survey months ago by the Education Department showing only about 1/4 of the nation's schools were ready for 2000, and fewer than one in three higher education institutions were ready. Mr. Koskinen chided schools for what he called "disturbingly small levels of compliance." Nearly 1/3 of schools haven't even finished taking a full inventory of ways Y2K glitches

might affect them. "It's getting very late in the day to be at that stage," he said.

Education Secretary Richard Riley wrote to leaders of the country's colleges and universities about "the seriousness of the Y2K computer problem in higher education," warning that, "problems could prevent students from receiving financial aid."

Mr. Riley said 40 percent of schools told a recent survey that they won't be ready for 2000 until October or later, giving them "little time left to adjust if schedules slip or problems are discovered."

The White House report, which called Y2K preparations "one of the most extraordinary management challenges of our time," also complained about many local governments' lack of progress. It warned that only slightly more than 1/3 of the nation's 911 emergency call centers — largely run by local governments — were ready this summer.

— *The Cincinnati Enquirer*

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The U.S. is well on its way to Y2K compliance... NOW, for the rest of the world...

China

In contrast to the United States and Europe, where the public debate over the Year 2000 issue has gone through a full cycle — from near hysteria to having many people dismiss the whole thing as a minor annoyance — China is just waking up to the idea that on Jan. 1, 2000, some of its computers may not work.

According to Mark Landler of The New York Times, experts there warn that China could suffer everything from severe disruptions in power and water to lesser but still expensive glitches in



telecommunications, banking, public health, and transportation. And China's woes could spill over to Hong Kong, where banks, brokerage firms, and shipping companies with close ties to the mainland are worried about lost cargo and missing payments.

"China is very, very behind in Y2K contingency planning," said Joseph Sweeney, director of research at the Hong Kong office of Gartner Group, a research firm that specializes in the Year 2000 problem. "There's no way many of their organizations will come up to speed in time."

In a recent survey, a Chinese re-

search firm, Century Perspective Market Research, found that only 15 percent of commercial and governmental organizations had a fixed Year 2000 flaws and tested their systems. Numbers like these are alarming and potentially dangerous.

Part of the reason for China's lax attitude is that China is not nearly as dependent on computers as the United States or other Asian coun-



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(From "Postpone the Wedding ..." page 2)

funds. If you're in the 15% tax bracket for the 1999 tax year, you'll pay only 10% in capital gains taxes on profits from your sale. If you get married and move into the 28% tax bracket, your capital gains taxes will jump to 20%.

The 'marriage penalty'

Because of the 'marriage penalty,' a couple with income equal to two single people pay more federal income tax:

| | Individual | Couple |
|---------------------------|------------------------------------|-----------|
| Adjusted Gross Income | \$50,000 | \$100,000 |
| Minus Personal Exemptions | -\$6,950 | -\$12,500 |
| And Standard Deduction | | |
| Taxable Income | \$43,050 | \$87,500 |
| Federal Tax | \$8,766 (\$17,532 for two singles) | \$19,002 |

Marriage Penalty \$1,470

Source: USA Today Research

Divorcing couples also can take steps to reduce their taxes. The IRS treats divorce the same way it treats marriage: Your status December 31 determines how you'll be taxed for the entire year. Even if separated, the IRS usually considers you married until the divorce is signed.

If you pay a marriage penalty, divorcing **before** the end of the year may reduce your 1999 tax bill. But if you and your spouse enjoy a marriage tax bonus — which typically occurs when one spouse makes a lot more money than the other — you may want to stay hitched until after the ball drops on Times Square. Treasury says 41% of couples will get an "average" bonus of \$1,274.

Married couples have two options at tax time: filing a joint tax return or married filing separately. Typically, the latter results in higher taxes, so few couples choose it. But if you and your spouse are estranged, and not yet divorced, you may want to consider filing separate returns. When you file jointly, you're liable for your spouse's taxes, not a happy prospect if you're breaking up.

Most couples don't give much thought to the tax consequences of divorce, AND neither do their lawyers. That's a big mistake, particularly when the settlement involves stocks, mutual funds, or other investments. Suppose, for example, you and your soon-to-be ex parcel out a portfolio of stocks, each receiving shares valued at \$50,000. That sounds fair, but if the original purchase price of your shares was \$10,000 and the original price of your spouse's shares was \$40,000, you'll owe more in capital gains taxes when you sell yours. Think about it!

— USA TODAY

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Nervous Firms Stock Up For Y2K

The reason the U.S. economy is so robust is under the desks at Regeneron Pharmaceuticals in Tarrytown, NY. The 370 employee biotech research company normally operates on the lean inventory system that most successful companies adopted years ago. But Regeneron officials fear

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(From "...Rest of the world..." on page 4)

tries. Seventy percent of people live in rural areas, where computers — let alone computer bugs — are barely known. Even in big cities, the prospect of computer failures is not frightening to a country that measures calamity on the scale of last year's Yangtze River floods.

At a minimum, though, the Year 2000 problem could cramp China's economy, which is growing despite the Asian slump. Gartner Group estimates that 66 percent of Chinese companies will experience some failure in their computers. That compares with 40 percent of companies worldwide.

As the Year 2000 draws closer, the focus among computer companies in China has shifted from how to get ready for Jan. 1 to how to deal with the fallout from inevitable failures afterward.

Latin America

With a handful of exceptions, notably Mexico and Chile, Latin American governments were late in grasping the severity of the "millennium bug." They now realize they lack the time, money, and programmers to forestall potentially crippling public sector failures when 2000 arrives.

In the United States, where tens of billions of dollars have been spent on ridding computers and other electronic equipment of the date sensitive glitch, failures are expected to cause disruptions akin to a bad snowstorm.

"For us it could be like a volcanic eruption," said Hernando Carvalho, a Colombian civil engineer and lawmaker who began surveying government readiness in December 1998 and found it woefully lacking.

World Bank experts and independent analysts say Latin and Caribbean governments can now do little more than focus on preventing disasters brought on by the Y2K problem. Like most governments in the developing world, they're feverishly working on plans for skirting unreliable computer systems to ensure the delivery of essential services like water, electricity, and public payrolls.

"Basically everybody's in the same boat. They're only focusing on critical systems and contingency plans," said Rafael Hernandez, an information specialist with the World Bank.

Gartner analysts predict half of all Latin American companies and state agencies will see at least one critical failure — from power outages to air transport interruptions — in Argentina, Colombia, the Dominican Republic, Guatemala, Jamaica, Panama, Puerto Rico, and Venezuela. Even worse off are Costa Rica, Ecuador, El Salvador, and Uruguay, they say.

For example only about 10 percent of Venezuela's electricity distribution system has undergone computer fixes so far, and the government says the country desperately needs \$1.5 billion for Y2K repairs.

Yet there is a silver lining in the clouds. Mexico and Chile budgeted explicitly for Y2K, last year, and Mexico has stricter reporting requirements for financial institutions than the United States, said Carlos Guedes of Brazil, Deputy Controller and Chief Information Officer for the Inter-American Development Bank.

— Quang Tran

Banking on Y2K Safety

Leave Your Money Where It Is, Greenspan Says

Federal Reserve Chairman Alan Greenspan warned that banks will be the safest place for people to stash their cash at the end of the year, despite popular worries that a computer bug could cause problems for the nation's financial system. "I think you will have a far greater chance of losing your money if you take it out than if you leave it in," Greenspan told the Senate Banking Committee. He implied that the risk of deposits being electronically wiped out by a computer glitch is less than the danger of being robbed of money withdrawn because of such fears. "The most risky activity that people can take is to take all the currency out of their banks" because that will only spawn a new industry — "millennium thievery," Greenspan said, drawing laughter from lawmakers.

Greenspan also said people's financial worries about potential New Year's computer problems are far greater than the likelihood of the problems actually occurring. "I see that the concerns that a lot of people have about what is going to happen to their banks ... [are] far more adverse than [what] I think even remotely is going to be the case," he said.

Citing Y2K concerns, the May 1999 issue of Consumer Reports warned readers that it would be "prudent ... to withdraw — and safely store — about two weeks' worth of cash, or to stock up on travelers' checks, a few weeks before December 31." And a Gallup survey in March found that more than half the respondents said they probably or definitely would withdraw extra cash before the end of the year. Fed and other bank officials say there should be no need for anyone to do that. "I have a high degree of confidence that all normal banking services will be available," said Fed Governor, Edward M. Kelley, Jr., who has been following Y2K preparations for the Central Bank. "Take out no more than you would for any long weekend," advised William N. Dana, President of the Central Bank of Kansas City. Still, Dana does plan to have extra cash on hand should some

of his customers want it — which is just one example of how the nation's banks and financial institutions are preparing for the New Year.

A few weeks ago, the Central Bank of Kansas City pulled the plug sequentially on different parts of its operations to be sure it could operate with no power if necessary at the New Year. In fact, Dana said his bank will be open for business on January 1, a Saturday, to reassure customers that they need not worry about whether they will be able to get cash, make deposits, check account balances, buy travelers' checks and money orders or make other routine transactions. Even if the power company has problems — and a Kansas City Power & Light Co. spokeswoman said it won't — Dana said his tellers can check depositors' balances without having access to computer records. About the only thing that wouldn't work would be the pneumatic tubes at the bank's drive-in station.

Such tests and myriad others are examples of the kind of financial system war games being played by bankers and their regulators in anticipation of the New Year. For many months, the Federal Reserve and the nation's financial institutions have been overhauling their computer systems and software to make sure there are few if any problems on New Year's Day. The Fed, to use Greenspan's word, has made "exhaustive" preparations to ensure that financial institutions will be able to function normally in the New Year. The Fed and the other financial regulators, the Office of the Comptroller of the Currency, the Federal Deposit Insurance Corp., the Office of Thrift Supervision, the National Credit Union Administration, and the Securities Exchange Commission, have been looking over the shoulders of all the institutions as they move toward becoming Y2K ready. A mainframe computer was set aside by the Fed to allow all the institutions that have transactions

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Electric Systems

Pass Y2K Test

North America's electric system sailed through its biggest test of Y2K readiness without any major mishaps. More than 500 utilities/electric co-ops, power pools, and generators in the US, Canada and Mexico jointly staged a dress rehearsal for Jan. 1, when it is feared the change to the year 2000 could unleash computer problems stemming from an inability to differentiate between the "00" in 1900 and the "00" in 2000.

Despite evident success, U.S. Energy Secretary Bill Richardson cautioned the industry against self-congratulation. "It was a good exercise, but we should make sure that the 1% of utilities that still aren't Y2K compliant come into compliance soon," Mr. Richardson said in an interview. He observed the exercise from the command center of the Bonneville Power Administration in Vancouver, Washington; which manages power flows from hydroelectric projects in the Pacific Northwest. The 24 hour test, coordinated by the North American Electric Reliability Council, unearthed a few small glitches, but the biggest problem may have been an attempt by a computer hacker to infiltrate the communications system of the Bonneville Power administration and post false data.

The hacker "falsely impersonated a dispatcher" but "was detected and stopped," said Mr. Richardson, adding that the FBI is seeking the impostor, who could face federal charges of attempted sabotage. The Energy Secretary said he wants security reviews throughout the federal power system to see if other computers are vulnerable to hackers.

Two grid operators on the East and West coasts said the most excitement they had Wednesday night was caused by massive lightning storms, which knocked out power to a substation in San Francisco and temporarily disabled the New York Power Pool's backup control center. Doomsayers frequently identify the nation's electric system as a potential

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(From "Nervous Firms..." on page 5)

lab supplies may be hard to come by after the year 2000. So, stuffed in closets and under desks are a months supply of filters and precise fluid dispensers called pipettes — \$100,000 worth of extra inventory, just in case.

The gross domestic product (GDP) shot up at an annual rate of 4.8% last quarter, and the Commerce Department said inventory was a big reason. But in January, when Regeneron scientists need fresh pipettes, they'll just reach under their desks. With thousands of other companies also using up excess inventory, the economy could grind to a near halt in early 2000, economists say. Hofstra University economist Irwin Kellner says about one in four firms have switched from a just-in-time to a just-in-case inventory system as a defense against possible supply disruptions caused by the Y2K glitch.

Kellner estimates that the Y2K stockpiling by businesses and consumers will subtract 2 percentage points from first quarter Gross Domestic Product, putting the annual rate at about 1%. Each percentage point is worth about \$100 billion in goods and services. So under Kellner's scenario, there will be \$200 billion less bought early next year than there would have been without the Y2K scare.

National Association of Realtors economist James Smith expects GDP to soar 7% in the fourth quarter of '99 and limp in at 0.5% in the first quarter of 2000. There might be negative growth, Smith says, except for all the people he expects to take \$1,000 or so from ATMs in late December and then spend most of it in January.

Many companies have told the SEC that stockpiling is part of their Y2K contingency plans. Dell Computer is not one of them. It is so confident in its suppliers Y2K preparations, that it has no plans to pad its six-day inventory, spokesman T.R. Reid says. Even Murray Goldberg, CFO of Regeneron, agrees that a Y2K computer glitch is a minor risk. The bigger worry, he says, is that so many companies will be stockpiling that suppliers will have nothing left by early January.

— USA TODAY

Analysts Fear Y2K "The Movie" More Than "Y2K"

The experts preparing against technological mayhem in 2000 are worried. Not about the mayhem, they're fretting about a movie. NBC will air, in November 1999, *Y2K*, a made-for-TV film that forebodes disaster at the turn of the third millennium. Power failures sweep the Eastern Seaboard. Commercial jet instruments fail. A nuclear power plant teeters on the brink of a meltdown. Not only that: ATMs won't spit out any cash!

Variety magazine calls it "a disaster picture that imagines near-apocalyptic results." *The New York Times* bills it as "a movie for the chronically panic-stricken."

This is **not** what Y2K "wonks" expect to happen in the wee hours of January 1, and they're worried viewers will react to *Y2K* the way listeners did to Orson Welles' infamous radio depiction of Martian landings in *The War of the Worlds*. "I'm hoping it doesn't become something like crying 'Fire!' in a theater," says Mike Benzen, President of the National Association of State Information Resource Executives. "Nuclear plants aren't going to melt down. Airplanes aren't going to fall out of the sky. We don't want to see people greatly altering behavior."

After years of preparation, experts say most critical systems in this country are ready for the new millennium. You wouldn't know it from *Y2K*. The movie, which airs November 21, at 9 PM ET, stars Ken Olin as a systems-failure expert working for the federal government. As New Year's Eve turns into a catastrophe, he urges that all planes be grounded, then gets caught up trying to prevent a nuclear plant, outside Seattle, from melting down. NBC says no one has tried to stop the movie from airing. It begins with a reminder to viewers that it's fiction, not fact. "In no way are we promoting it in a way that we feel would frighten the public," NBC spokeswoman Rebecca Marks says. However, Lou Marcoccio, research

(Continued on page 8)

(Continued from "Banking on Y2K..." on page 6) directly with any of the 12 regional Federal Reserve Banks to test their updated systems. Only a relatively few smaller institutions haven't successfully run such tests, Kelley said. "I have no meaningful worries at this point," he said. "That doesn't mean that every one of the more than 100,000 automated teller machines will work on January 1," he stressed. "After all, on a given day, some are always out of service for one reason or another."

"I seriously doubt we will get by the crossover to the Millennium without any glitches, but if they occur, they will be isolated and short-lived," Kelley said.

Meanwhile, to make sure they are indeed short-lived, the regulators are putting in place every backstop they can think of. Altogether, the Fed will spend an estimated \$125 million on what Kelley called "this enormous and complex project." For instance, the Fed, which supplies all financial institutions with the currency they use, already has beefed up its inventory of bills and plans to put stashes of cash in additional locations around the country. The Fed plans to have an additional \$50 billion or more available. That way any of the financial institutions which usually get cash deliveries once a week can get a new supply within a day, Kelley said. The planning is so detailed, Kelley continued, that potential traffic congestion points have been taken into account to make sure no deliveries will be delayed.

Between now and the end of the year, most financial institutions, like the Central Bank of Kansas City, will be communicating with their customers in a variety of ways seeking to convince them that Y2K, as far as the financial system is concerned, will be a non-event. Dana said his bank already has sent letters about Y2K to its customers along with monthly statements. "Our message is that they [our customers] have no reason to worry," Dana said.

— *The Washington Post*

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**Small Airlines
Draw Y2K Concern**

Many foreign aviation agencies and some smaller domestic airlines haven't reported on preparations for year-2000 problems raising concerns about their readiness, government agents said.

In testimony before Congress, Transportation Department Inspector General Kenneth Mead said that of the 185 countries surveyed on Y2K issues, by the International Civil Aviation Organization, 53 hadn't responded by the end of August, **even though** the information was due July 1. In addition, an FAA survey of all U.S. air carriers got just a 41% response rate, though that included almost all of the airlines that carry the bulk of the traffic.

A spokesman for the international aviation organization said it now has replies from 144 countries. That accounts for the "vast majority" of air traffic, he said, and more reports are coming in. Still, Mr. Mead urged the US Government to resolve "uncertainties" about international air travel, including whether U.S. carriers will be able to fly to countries that haven't reported their preparations for the date change. He also said that

(Continued from "Y2K The Movie..." on page 7)
director for the Gartner Group, one of the leading consultants on Y2K, says people who watch the movie might be influenced to buy a home generator, pull their money from the bank, or overstock groceries. These are the types of actions that most Y2K experts counsel against. "I think it's absolutely wrong to depict a worst-case scenario of what can occur," Marcoccio says, "It will impact people's thinking."

Otto Doll, South Dakota's commissioner of information and technology, says NBC is motivated by money. "They're out to make a buck, just like anybody else," he says. "There's nothing wrong with that. Heck it's the American way."

Some government watchdogs aren't at all concerned about *Y2K The Movie*.

"Entertainment is entertainment," says Don Meyer, spokesman for the Senate's special panel on Y2K. "How much of a social impact do made-for-TV movies really have?"

— USA TODAY

while 90% of the biggest U.S. carriers responded to the survey, the response rate for mid-size airlines was just 47%, and for small companies, it was just 40%. The General Accounting Office told Congress that 78% of the 113 major U.S. airports that reported to the FAA were expected to complete year-2000 preparations, by Sept. 30.

— The Wall Street Journal

(Continued From "Electric Systems..." on page 6)
weak point for the year-2000 problem. But utilities, after a slow start, have been spending heavily to bring their computer and communications systems up to snuff. The electric council estimates the U.S. utility's Y2K spending at about \$1 billion. The Energy Department released a report naming 24, primarily small utilities and small co-ops, that have been tardy in reporting their Y2K status, hoping to shame them into compliance.

This drill was the second and final coordinated test of the system, following one in April. Utilities primarily tested backup communications systems such as radios and satellite telephones and the effectiveness of disaster contingency plans. They did not tinker with the actual operations at any facilities. "Everything went beautifully," said Ron Liebo, an official with the electric council, which is a nonprofit industry group that enforces electric reliability standards in the U.S.

Mr. Liebo said test results indicated the nation's utilities will keep the electrons flowing even if Y2K glitches cause sporadic telephone-system breakdowns that disrupt data flows needed to keep a precise match between the supply of electricity and consumer demand. That is because utility workers have been drilled to collect the data by hand.

The overnight test spanned the rollover from Sept. 8 to Sept. 9 out of fear of a separate computer coding confusion. The number 9999 sometimes appears in software used by old mainframe computers to mark the end of a string of code. Some experts had feared their might be confusion between the code and the date 9-9-99 that could trip equipment. No problems were reported.

— The Wall Street Journal

**We're Ready for the
Year 2000
*AN OPEN LETTER TO INVESTORS***

Monday, January 3, 2000, marks the first trading day of the new millennium. Our goal? Business as usual. To that end, thousands of dedicated professionals have worked long and hard to help ensure that your accounts remain safe and sound.

Securities firms, capital markets, and financial utilities all collaborated in one of the largest, most complex tests of computer systems ever undertaken by the industry. These preparations earned the highest rating—five stars—from the Senate Special Committee on the Year 2000 Technology Problem, as well as high praise for thoroughness and effectiveness from regulators and technology experts. Nevertheless, a special team will be closely monitoring the securities markets to make the transition to the New Year as seamless as possible. For us, there's no such thing as being over-prepared.

Is there anything you should be doing as Y2K approaches? Yes. Keep in mind a few practical guidelines that we encourage you to follow.

Stay invested for the long term. We believe that the market will continue to reward prudent investors with the patience to stick to sound investments over time.

Continue keeping good records. Review and save your account statements, confirmation slips, and other financial information. This, of course, makes sense at any time.

Leave stock certificates in the safekeeping of your securities firm. There's no need to risk their loss by needlessly moving them.

Learn the facts. If you have concerns, talk to a Representative of the firm serving you and learn more about its Y2K safeguards.

You can also find out more about what Year 2000 means to you as an investor by visiting www.sia.com. Or call toll-free 1.877.524.7969 to request a copy of the Year 2000 tool kit. Join us in ringing in the new millennium with optimism for its opportunities.

(this letter was signed by the Chairmen of the following securities industry organizations)

- Securities Industry Association
- National Assoc. of Securities Dealers
- New York Stock Exchange
- Philadelphia Stock Exchange
- Pacific Stock Exchange
- Chicago Stock Exchange
- Boston Stock Exchange

But Wait — What About **MY** Computer!?

Jan. 1, 2000, is little more than 40 days away, so I am writing this from my Y2K survival cave in a secret location. My computer is perched atop cases of ammo and I'm surrounded by huge drums of drinking water and towering crates of beef jerky. I'm ready for the Millennium Apocalypse.

Actually, I made up that cave thing. But this is, indeed, my Y2K column. And it's message to you PC owners out there is: **Don't panic.** Most of you won't have any significant Y2K problems with your PC's, and fixing any that do arise will be fairly simple—or at least as simple as anything else you do with your PC. It won't be nearly as hard as it has been to fix the big mainframe and server computers that companies and governments must overhaul for the Year 2000.

Still, a Y2K problem could screw up your PC, or your data. If your PC thinks it's 1900 instead of 2000, some calculations and other operations could be badly thrown off. And in some rare cases, especially with older PC's, your machine may fail to start up, or data could be lost. So here's a Y2K primer for owners of consumer PC's. It covers four sections: hardware, the operating system, software programs and your personal data.

Hardware: Apple says it's Macintosh computers have always been able to handle Year 2000 dates. Windows PC's made before the past couple years, however, may not be so hardy.

There are two obscure, hidden hardware components that keep the date in a PC and pass that date on to the software. One is called the Real Time Clock, or RTC. The other is called the BIOS. You can test both with a free, download program, called YMARK2000, from a testing lab called NTSL, at http://www.nstl.com/html/nstl_ymark2000.html. Unfortunately, running this test requires a little knowledge of the old DOS operating system. So you may want to buy a \$45 utility program from Symantec, called Norton 2000, that does the test process from Windows.

If your PC flunks, you should check the manufacturer's Web site. In some cases, PC makers suggest workarounds like manual resets of the computer's clocks after the New Year, or download software utilities called "drivers" that can compensate for any clock errors. Or you may have to upgrade the affected hardware.

Operating Systems: Apple's Mac operating system is said to be compliant, but Microsoft's Windows may have some very minor problems. Only the latest version of Windows, called Windows 98

Second Edition, is fully Y2K compatible, according to Microsoft. However, a Microsoft Y2K expert, says Windows Y2K problems are so obscure that most consumers will never encounter them. One example: the phone dialer may incorrectly record the date of some calls.

Still, to be safe, you may want to upgrade your version of Windows. You don't have to buy new software to do this. **Microsoft has available free Y2K "patches" for Windows NT, Windows 95 and Windows 98.** These can be found at the company's Y2K Web site or on a free CD-ROM you can get by calling 1-888-MSFT-Y2K. You can also find detailed information about the Y2K problems for all of the company's operating systems. Microsoft has also made an instructional videotape available for free rental at Blockbuster Stores.

Microsoft warns consumers not to believe a myth circulating on the Internet that you can ward off any Y2K problems merely by changing the "short date style" specified in the "Regional Settings" control panel so that it includes a four-digit representation of the year. This is merely a cosmetic setting, controlling how dates are displayed, and it has no impact on how Windows computes dates "under the hood". Changing this setting is a good idea just for clarity at the turn of a century. But it doesn't solve underlying problems.

Software: Most of the software programs you use probably don't depend on getting the date right. But some do, especially personal finance programs like Intuit's Quicken or Microsoft's Money. You'll have to check with each company whose software you use for details.

There are some shortcuts. Microsoft has a free product analyzer that scans your PC for Microsoft programs and prints a report on their Y2K compatibility. Norton 2000 does the same kind of scan, only it looks for software from many companies. Microsoft says all versions of Money are Y2K compliant. Intuit says Quicken 2000 is compliant, and so are Quicken 98 and Quicken 99, as long as you have Revision 4 of those earlier programs. People with older versions can upgrade, for free, to Quicken 98.

Data: Some people have date-sensitive data files, such as spreadsheets and databases. It's wise to comb through these and change two-digit years to four-digit years. **Microsoft offers** a free "wizard" that will do some of this automatically if you have Excel 97 or later.

Even if you do none of this stuff, odds are you'll be OK. But it's probably worth spending a few hours to be safe, even if you don't have a cave stocked with beef jerky & MRE's (meals-ready-to-eat).

— The Wall Street Journal

What About **MY** Computer!? (continued)

Haven't had enough yet? Okay, this article is devoted to a directory of resources offered by major vendors of PC's and software. This guide should be read in conjunction with the article in the previous two columns. There you can find an overview of the Y2K problem for PC users.

AOL: www.aol.com/info/year2000html; America Online has very little to say about Y2K, except that its latest Windows version, 5.0, is compatible. Phone: 1-800-827-6364 for basic Y2K readiness questions.

APPLE: www.apple.com/about/year2000; Contains sections for hardware, operating systems, and software that help you identify your product and whether or not it is compliant. Phone: 1-800-500-7078. You can also e-mail questions to y2kinfo@apple.com.

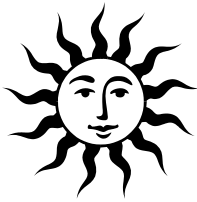
COMPAQ: www.compaq.com/year2000/guide.html; The site includes compatibility info for numerous Compaq models and the option to install the Compaq Year 2000 Device Driver for older systems. Make sure to check out the "Tools" section from the list on the left side of the page. If you need more help, phone: 1-800-925-9723.

DELL: www.dell.com/year2000; Model by model compliance lookup. You can download the free Y2000RTC Driver for older, noncompliant systems. Phone: 1-888-560-8324.

GATEWAY: www.gateway.com/about/y2k; The site states that all Gateways purchased after 1-1-1997 are year 2000 compliant and walks you through the issue and includes instructions for manually resetting the internal clock. Phone: 1-800-846-2301.

IBM: www.pc.ibm.com/year2000.pccathome.html; Includes Aptiva and ThinkPad information. You will need your model number to search the product database. If your hardware isn't compliant, you will have to manually reset the date, install a driver or update the BIOS. Or, telephone IBM at: 1-888-411-1932.

M I C R O S O F T: computingcentral.msn.com/guide/year2000/msy2k/introducing/y2khome.asp; The site is very comprehensive in outing the Y2K issue and the steps you need to take to test your PC. To check the status of your Microsoft product, go to computingcentral.msn.com/guide/year2000/msy2k/learningmore/microsoftprod.asp. 1-888-673-8925.



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— Peter Skirkanich

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