

Research Comments

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Wow! There must have been a clandestine meeting among the top MIS professionals at some warm locale over this past holiday season where everyone suddenly realized there was a potentially major computer problem just two years away. Our suspicions about this "meeting" crystallized when we began receiving numerous inquiries and communications from clients, vendors, the SEC and other constituencies regarding the looming Year 2000 problem. According to Fortune (April 27, 1998), "The bill for eradicating" the Millennium Bug from the global economy's software has been estimated at \$300 billion to \$600 billion by the Gartner Group, a computer-industry research firm in Stamford, Conn." To put this in perspective, Fortune continues, "Even the lower figure would dwarf the federal government's huge bailout of the savings and loan industry in the early 1990s." Wow! The Gartner Group estimates that there are 180 billion lines of code worldwide that will need to be fixed at an estimated cost of \$1.00 to \$1.50 per line.

Fortunately for our industry, the worst potential problems seem to be concentrated in the manufacturing sector where, in addition to the "soft-code" problems of computer programs themselves, many pieces of manufacturing equipment contain hard-coded, embedded chips that directly control these machines. This type of "difficult-to-find" problem will necessitate the replacement of millions of dollars worth of equipment. Not unlike the financial industry, however, is the compounding effect of the interdependence of vendor and client systems on such things as just-in-time inventory requirements in the industrial sector and security pricing in the financial sector.

To further illustrate the seriousness of this problem, Fortune states: "A report released a few weeks ago by Forrester Research in Cambridge, Mass., says that on average, large corporations are only 34% of the way through the Year 2000 job. The surveyed companies, on average, have completed 66% of the task of assessing the dimensions of the problem and the risks, but have made only 40% of the necessary fixes and have tested only 18%" (emphasis added).

According to information from Advent Software, the BIOS (basis input output system) on "PCs manufactured after the end of 1995 from the larger PC vendors will correctly handle the change to 2000." Advent goes on to say that as to operating systems "Microsoft states that all of their operating systems, including DOS, were designed to transition into the new millennium without being affected by the Year 2000 problem." Further, "Microsoft again states that all of their applications are designed to transition into the new millennium. However, documented issues are noted" at <http://www.microsoft.com/year2000/>.

As to Garner Asset's own progress on the Year 2000 issue, here's where we are. All our "mission critical" systems are being run on either Pentium or Pentium II processors on computers manufactured after March of 1997. We are internally using the Windows 95 operating system and the latest versions of Microsoft applications including Excel, Word, Powerpoint and FrontPage98. Our externally provided portfolio accounting systems come from Advent Software. All of these applications are reportedly Year 2000 compliant. We are currently in the process of checking with our outside pricing vendor and our electronic

trade settlement vendor to determine their level of compliance. Our belief is that they are either already compliant or will be well before midnight on 12/31/99. If they are not for any reason, the majority of our industry will be affected. We are developing contingency plans to address both of these issues.