Welcome to the Preconference Slide

Mike Stanton, Publisher, The Bond Buyer

>> Let's make this the 30 second warning. If everybody could grab your coffee and take your seats. Let's get started. So good morning my name is Mike Stanton. I'm the publisher of the Bond Buyer. It's my pleasure to welcome you all to our CDIAC preconference to 23rd Annual Bond Buyer California public finance conference but the CDIAC preconference has an impressive track record of its own. I think we're in our 13th year of cooperation between the Bond buyer and CDIAC in taking the first day of the conference to really take an in-depth dive into some of the bigger issues facing the marketplace and really there's nothing better suited to that right now than disclosure standards and practices in the marketplace and the potential to improve them through things like Rule G-17 and other initiatives and we're going to be talking about that during the day. One of the things I've learned about dealing with media market crowds in my career is that we are prone to gallows humor and I may have heard a couple whispers as we were preparing for this conference. An entire morning on disclosure? I'd rather give blood. Happily. As I was walking down here I noticed one of the other conferences is for the healthcare industry in this hotel. They are taking blood donations, so if we get a little slow, feel free. The Olympic Ballroom. I'm sure it's for a good cause over there. Back to the topic of disclosure. I think that was put in really great focus for us last year at the California public finance conference when Elise Walter from the SEC came in and she spoke about some of the SEC's initiatives and her personal drive to see municipal market initiatives throughout the SEC and she put in the context of someone who respects what this market accomplishes, you know, for the issuers particularly and for the residents and the stakeholders in every community in the nation. And she expressed a sense of the market as a great national resource for those things to make government move forward. Mark Campbell, Executive Director at CDIAC who's been the lead person in assembling the tone and content for today's agenda, shares that viewpoint and state it very eloquently, far more so than I can. I'm going to turn over the podium over to him. Mark as you know has been Executive Director of CDIAC for, I believe, three years now, a long record in California State government prior to that working in the department of finance as well as in an earlier stint at CDIAC and he will get us started.

Welcome to the Pre-conference Slide
Mark Campbell, Executive Director, CDIAC

>> Well thank you all for being here and as Mike mentioned, this is our 12th, 13th collaborative effort with the Bond buyer and we are grateful that you get here early to participate in our conferences. I consider this the sort of AP class. So you're all getting AP credits here. If you have kids in high school, or you recall taking AP classes yourself. This is extra credit. I saw Mike last night and he said he was going to set me up, so I think he intends I say something intelligent about G-17. I have nothing to say which is why I brought all these smart people together. I do want to thank the Bond buyer for holding this in downtown LA. I know this is the first time they've returned to downtown LA in I think 10 years. It reminds me a lot of downtown Sacramento. So I feel very much at home. On the way here I was trying to think of some opening comments and I really didn't have anything to say but I was fortunate enough to have a gentleman ride up on a bike and I paid him a dollar because he was Murray the professional comic. So he gave me a couple of jokes. There was one about a woman with a tattoo. Actually I don't think I can tell his jokes. So I'm just going to go ahead and recognize our effort today is to engage in a discussion with you, the audience, facilitated by our speakers here in a structured format on the topic of G-17 and we recognize one year after the interpretive notice from the MSRB that there are still issues to address. And improvements to make with regard to the disclosures under G-17. And we think this is a perfect time to have this discussion. We are also somehow prescient in knowing what the SEC would do and we recognize they have just approved the rule with regard to municipal advisors. And so there's likely to be some discussion on that as well. So we're grateful for the coincidence there.

I'm going to move quickly here and introduce Jay Goldstone. Jay is going to speak to you as the chair of the municipal securities rulemaking Board. I think that's the first time I've actually seen him speak in that capacity. Jay has recently retired from the city of San Diego. He served as chief operating Officer from July 1, 2007 to March 1, 2013. Oversaw the city's daily operations and implemented mayoral and Council initiatives and policies. Prior to his appointment as Chief Operating Officer, Jay served as the city's first chief financial officer and did a whole bunch of really important stuff. So of course you have the bio. Jay has 35 year career in municipal finance administration. Prior to serving in San Diego, he spent 10 years as director of finance at the city of Pasadena and I will also note he has listed in order of priority his roles first serving as commissioner to the California Debt and Investment Advisory Commission and only secondly as chair of the municipal securities rulemaking Board, so thanks for that prioritization. Anyways,

Jay is going to address rule G-17 as it was initially introduced and the underlying principles and concepts there.

SESSION ONE - Rule G-17: What Does the Rule Mean?

Jay Goldstone, Chair, Municipal Securities Rulemaking Board

Slide1: MSRB Rule G-17 What Does It Mean?

>> That was an interesting take, Mark. I thought I was saving the best for last. In any event, welcome, everybody. Thank you for joining us today and I think you're going to benefit a lot from some of the dialogue and discussion. Before I begin I want to acknowledge Steve Heaney who like myself in about four or five days will no longer be on the MSRB but a colleague of mine on the MSRB and then the incoming class I noticed Lakshmi Kommi who will be the incoming board member, so welcome. And of course Lynette Kelly and she will be speaking later this afternoon. As part of the CDIAC conference as well as the Bond Buyer conference later in the week.

You know, when we, let's see, I've got to get this clicker and figure out how it works, there we go. So when we were coming up with the title of this and it sort of says G-17 what does it mean? That was sort of the neutral title to come up with. Thought about several other kinds of titles like what is G-17, or why do we need it? But listening to some of the comments over the past year it's probably, you know, from some of the industry folks it's probably what were they thinking? What I'd like to do is cover a little bit of the thought process the background that led up to the G-17 letter that has been a topic of a lot of you know, conversation. I think some people have probably appreciated it. A lot of people haven't appreciated it. They don't know what it really means as an issuer. So I'm going to cover a little bit about the G-17. In my perfect world when I'm done speaking everyone here will fully embrace G-17 and understand why we needed it. And it will live on forever. But I'm also a realist. And I don't expect that but at least if you have a better understanding of what was behind it you will be able to deal with it. You know, and I know when we deal with issuers for an example, they come in all sizes and sophistication, you know, frequency in the market, or lack of a frequency. So as you are trying to put rules together that is one thing I learned being on the MSRB, one size doesn't fit all and yet trying to create a rule that is clear and understandable and that can be followed you try to come up with one framework and what may be important for the small issuer may be less important for the large issuer.

Slide 2: Presentation Overview

So, what I want to do is first talk little bit about the MSRB. Not go into a lot of details. I suspect most of you in the room have an understanding and a knowledge base of who the MSRB is and what our goal and purposes are. But I also recognize that there are people in the room that could be fairly new to the business. Maybe you've never done a bond deal, or have done just maybe one, to those who have done millions if not billions of debt issuance, but will talk a little bit about the MSRB. But I will get into some of the details, the rule itself of G-17 and I will distinguish between sort of the rule of G-17 and all the interpretive guidance's that have been prepared over the years. And then I will talk little bit more about the financial disclosure and some of the importance of disclosure.

Slide 2: About the MSRB

So about the MSRB. You know, very simply, a self-regulatory organization established in 1975 by Congress. So, our authority, you know, comes through Congress. We write rules. Up until recently we wrote rules to regulate the broker-dealers and banks in the business. We will get into the business of writing some rules that would regulate applied municipal advisors now since the SEC has come out with their definition. But, we also are there to protect issuers and investors. And back in 1975 until July of 2010 when Dodd-Frank passed, it really was the regulation of broker dealers and banks and the protection of investors. And so, the rules that the MSRB prepares really is to try to direct behavior. It's not to curtail the market. I mean one of our objectives is market efficiency, market transparency. If everyone in the industry behaved in the best interest of the market itself you probably wouldn't need the rules, but we also know that it's not the case. It's not the case in our industry and it's probably not the case in every single industry out there and that's unfortunate. But we also recognize that we don't want to go overboard with rules. They've got to make sense. They've got to have the kinds of positive impacts that we are anticipating. Our rules that we prepare get approved ultimately by the SEC and they get enforced by the SEC and FINRA and a few other regulatory agencies. We do not enforce our own rules. We help interpret them with those regulatory agencies but we are not enforcers. And as I mentioned, you know the whole objective is to promote a fair and efficient municipal market.

Slide 4: How the MSRB Fulfills its Mission

So, in terms of its mission, you know rulemaking is one of the aspects of the

MSRB focuses on and that's one that's gotten a lot of attention in the past. Probably prior to Dodd-Frank and especially prior to EMMA, the MSRB was probably envisioned as a rulemaking Board, obviously MSRB, but with the sole purpose of writing rules. That has clearly been expanded. But even in the rulemaking arena this past year the board has taken a lot of time to begin the re-examination of its existing rules and I'm going to talk in more detail little bit more about the G-17 and some of the things we've done around that but just look at the overall rulebook that we have in place. It is good corporate governance. Some of the rules go back into the mid-to late 70s and again we want to make sure that they make sense for today's market. That they are sort of harmonized with other regulatory agencies that create rules that impact our industry. And so, there is the process right now underway where we send out for comments to get input from the industry. I am on the current rulebook and of course in the coming year I know the board is going to be very busy you know, working on the municipal advisory rules now since we have the definition.

But again rulemaking is only one aspect. I would hope that everybody is very well aware of EMMA and its functionality in the market and how it has really changed the market. It's an area where disclosure should occur by every issuer on a continuing basis, all your continuing disclosure all your material event notices. You know, anything going on. EMMA is going through a transformation. We are calling it sort of EMMA 2.0, but it's going to be a multiyear project to make it more user-friendly, being able to sort, extract information. It is a learning tool. We have a user, issuer toolkit, and investor toolkits on there, some real basic fundamentals of what is a municipal bond. So there is that kind of information that is available to issuers, to investors and obviously in the marketplace. Trade data and information is all reported through EMMA and available. So, again, a very, very powerful tool and it's being viewed by the industry as just a major shift from a disclosure standpoint. I know when I first got into the market and you would have disclosure obligations and you would send your continuing disclosure to the NRMSIRs. I would imagine how many of you were able to retrieve information from the NRMSIRs? It probably wasn't at all practical if it all available. Through EMMA, that is definitely doable.

And then of course the third leg of the stool is education and outreach, events such as this but beyond just conferences we are reaching out to different industry groups, the GFOAs, the SIFMAs, the trade organizations that are out there to have dialogue and conversations. Again, it's not our objective to catch people doing things bad. We want to help do things right. But obviously if they do things bad, then there should be consequences. And so it's sort of the three-legged stool of what the MSRB focuses on.

And this past year have we've done a little bit less on new rulemaking, a lot more on the outreach and education and as well as all the different enhancements we've been making to EMMA.

Slide 5: Dodd-Frank and the Municipal Market

I mentioned Dodd-Frank, and that if I recall correctly was passed sometime I think in July 2010. And Dodd-Frank did a whole host of things but sort of in our industry it expanded the role of the MSRB and I mentioned that to not only regulate broker dealers and banks but to regulate municipal advisors. But also not only to protect investors but to protect issuers. We sort of scratched our heads and talk about this in the course of the year. We think we are probably the first self-regulatory organization that has been charged with the responsibility of protecting the issuers of municipal securities. Or of any security. Usually it is the investors of the securities you are trying to protect. But we are also trying to protect issuers and Congress right or wrong in their wisdom sort of felt again because of the diversity of the issuer community out there that there are some very sophisticated issuers but a lot more unsophisticated issuers out there and they need some protection. And so of course we've been debating over the past year, what does issuer protection really mean? We don't really regulate issuers. We're not contemplating regulating issuers. We're not promoting that. That is not being discussed in Congress. I think there may be some out there who think we should, maybe the Tower amendment. That that is not our objective and that's not what we are looking at.

Slide 6: MSRB Rule G-17

So we try to decide what does issuer protection mean? Clearly things like this where we can educate and provide information, provide tools like EMMA to issuers but also things like G-17. And so that was one of the first things, you know, my first year on the board after the passing of Dodd-Frank, the board got expanded to 21 members, majority public and we were debating what can we do to ensure a little bit more understanding of the markets on the behalf of issuers. And so outgrowth was sort of an interpretive guidance for G-17. And G-17 in and of itself, and I don't know if people have read the rulebook, and I'm speaking probably more to issuers out here. I would hope all broker-dealers banks, municipal advisors, you know, have read the book. But G-17 as a rule is very simple. It is short and concise. Are one to two sentences long. And it basically addresses fair dealings with all parties. So there is an obligation on behalf of broker-dealers, banks, municipal advisors to have fair dealings, treat your client fairly. Treat the investor community fairly. And that is a pretty broad statement. And don't

engage in any deceptive or dishonest or unfair practice. Pretty straightforward.

Slide 7: MSRB RULE G-17

The issue over time was what does that really mean? What might be fair in one case, or to one individual, may not be deemed fair to another individual. And so, the board years ago and continuing through this latest interpretive guidance made changes to G-17. And added interpretive guidances. So the rule itself never changed. But the interpretive guidances to the point where at one point up until this year when we did a fresh look at G-17 all the interpretive guidances ended up being like 34 or 36 pages of interpretive guidances for a one or two sentence rule. And G-17, the letter of notification was one of those interpretive guidances. Again, it's really meant to protect issuers. So they understand what they are getting into. One of the scenarios that I would describe as I was speaking over this past year and especially being an issuer I would suspect most issuers were not hired to issue debt. They were hired to put the budget together, to balance the books, to make sure payroll got out accurately and on time. Get your accounts payable done and one day the city manager or councilmember comes to you and says you know, we need this new fire station, or we need new pipes put in the ground, we have 50 year old pipes and they're breaking. We need you to raise capital and as an issuer, especially in a small organization where you don't have the depth of staff support, you are trying to figure out what do I do? Do I go to the bank and borrow the money? How do I raise it? Then you start learning about underwriters and investment bankers and bond counsels and all the players in the business and you're relying on your professionals and like most things we do relying nonprofessionals is fine and that's part of what we should do, that's part of our professional responsibilities to know.

Slide 8: Obligations of Underwriters to State and Local Governments So in the concepts of G-17 there were several goals so we were trying to accomplish there. Again, to require that underwriters to disclose the nature of its relationship with the issuer. You know, to understand the fact that the underwriter may be, most likely is working two sides of the transaction. Trying to work on behalf of the issuer to get the lowest interest rate possible, the lowest cost of funds, but then on the other side of the transaction within the company, trying to get investors enticed to buy your deal and get your investors the highest rate of return as possible. That is a born, naturally born in, built-in conflict. Doesn't make it wrong, doesn't make it bad, doesn't mean that underwriters aren't trying to still do the best job for you, but going into a transaction as an issuer I think it is very, very important that you have a basic understanding. Thus, in G-17 disclose your potential conflicts and one of the basic ones is again you are working two

sides of the ledger. There may be other conflicts from a Corporation standpoint that you should be aware of so that you as an issuer are making an informed decision to move forward or not move forward. What kind of structure, what not to structure, to hire a particular firm or not hire a particular firm. All that information is again issuer protection helping you inform.

Slide 10: Disclosures

The other aspect of the disclosure is the nature of the transaction itself. And I know in my experience whenever I'd get an RFP and I'd get all these proposals on structure and the deals because I have a particular need, at the end of the day when we ended up doing the final transaction and the structure you know sometimes it was fairly similar to the original proposal but a lot of times they changed and they change because better information is out there, the underwriter is getting a better understanding of the issuer's risk tolerance, do you do variable-rate transaction, fixed-rate? All of those variables go into it. So, the proposal may sound good on paper on day one, over time it evolves. But, at the end of the day, the underwriters, the deal gets done and it gets closed, the underwriter leaves City Hall, leaves County offices, leaves wherever your offices are and goes on to the next transaction and we're left for the next 20 or 30 years living with the deal and do you know what you signed up for? G-17 hopefully is intended to have the underwriter, as clearly and succinctly as possible, explain the complexities of the deal so that you have a better understanding how, and maybe it doesn't get into how you have to account for it from an accounting standpoint, but what are your obligations over the next 20 or 30 years whether it's continued disclosure or your inability to refinance because of the non-recall period. And so forth.

There's also recognition as I was trying to say earlier where one-size-fits-all we know that doesn't always work what might be a sophisticated transaction to issuer A may be a run-of-the-mill type transaction for issuer B, somebody who's been out in the market over and over again understands, you know, what, you know what the risks might be on a variable-rate transaction. Where somebody who's not been out in the market for a long time maybe doesn't. Now, obviously maybe that person shouldn't be doing variable-rate deals, but again by explaining this, hopefully the issuer will read the letter, understand it, share it with its lawyers, in-house lawyers, bond counsel lawyers, have those discussions and so forth.

And of course, finally it requires the underwriters to disclose other materials information that may be needed. Again, so you can assess the appropriateness of the

transaction for you. And again, it may be an appropriate transaction for your city on one kind of a deal and it may not be appropriate on another kind of a deal. So that is the whole intent. And as I mentioned, you know, covering the three main areas, and of course sitting around the table preparing this interpretive guidance you know, working with staff, working with our lawyers, working with the full board and again the board is made up of a very diverse group of individuals with diverse backgrounds. It seemed very simple and straightforward at the time. And I still think it is, but it's probably grown beyond what a lot of us thought initially. I know some people say that maybe it got over lawyered, maybe it got just really thought through. Obviously you've got the underwriting, those firms trying to protect their interests because if they are disclosing this they want to make sure that if they left something out as just a mere oversight that they don't get slammed. You know, issuers are saying well, what does it mean if I sign this letter? Am I absolving any responsibility or obligations? And so all of these things sort of percolated once this interpretive guidance went to affect and the first G-17 letter went out. I was still in issuer when I got my first G-17 letter. It was 5 to 7 pages and probably four pages longer than I was envisioning it was going to be. So all of a sudden now what do all of the words on the page mean? So again, I think some very well-intentioned and I think still has a lot of practical applications there.

You know, again, not to repeat, but it should be, you know, the role of the underwriter, the real or potential conflicts of interest from the underwriter. And the elements of the financing that may be complex or not complex. And of course, that became another question, is when should this kind of disclosure be made? And of course in a perfect world it would be at the earliest possible moment. Does that mean at the RFP when you are responding to an RFP? There's clearly some elements within an RFP that dovetail with the G-17 that you should be disclosing. You can disclose conflicts easily. The particular transaction that you are proposing within your RFP response, you could and should disclose the complexities there. It doesn't mean that it becomes a one-time letter because over time those things evolve. It should absolutely be clear and understandable. While it may be a lot need legalese, it still has to be enough plain English for the issuer to understand. And again you have to remember most issuers out there are out in the market maybe once a year. Maybe even less frequently than that. You don't have the large issuers that are out there constantly, that many of them. And of course the disclosure itself really needs to be fair and balanced. So you know, the risks, you don't want to downplay the risks but on the other hand you don't have to overplay them and there are some things that you just don't know at the time.

Slide 11: Financial Aspects

From the financial aspects you know, the compensation. How are you being compensated as an underwriter? So that the issuer knows. Transparency is sort of the soup du jour throughout this industry and elsewhere and the more transparent we can be the better we are. Obviously there may be some proprietary information that is worth protecting, or you feel the need to protect, but how are you being compensated? Is it solely, for an example, from the issuer as part of the cost of issuance? Is there some relationship that you have with some other third party that you're getting some of your compensation, or that you may be paying some fees to? All of these things should be disclosed, you know, the profit-sharing arrangements. Is there somebody else behind the scenes that the city may have been dealing with in a different capacity and didn't know that oh, by the way they are the ones that maybe brought the underwriter to the table. So, what other relationships are there? Payments to issuer personnel. Anything that may go, obviously there's a lot of rules on pay to play and so forth that are forbidden, but anything that's going on and of course the big issue that we've had some discussion this past year on and probably will continue to have discussions on is the retail order period. And we just have a rule that we've been working on the retail order period and the role of the obligations of the underwriter to follow the wishes of the issuer on the retail order period and adequately disclosing and reporting, proving basically that there was an adequate retail order period. And who got the orders during that period.

Slide 12: Statements and Representations

You know on misstatements and misrepresentations, again, a lot of this is just common sense. But, unfortunately and as I mentioned earlier in everybody's business, common sense doesn't always play out for everybody in the business. Truthful and accurate. Not misrepresenting or omitting any material facts. Not to be misleading. That's where the plain English comes in, you know to point back to some words that may be very confusing and say but I represented it here, you know it just leads to sort of a messy relationship and possible litigation in the future. And it does not serve the issuer community well.

And of course you know one of the things that gets discussed as sort of the last bullet over there are sort of the prohibiting or discouraging the use of municipal advisors. One thing that has been maybe not a widespread practice but out there is where there may be an underwriter that says you don't need a municipal advisor or financial advisor. I can handle it all. They cannot do that. That is a violation. And so pretty prescriptive of what the expectations are. Of the underwriters and the broker dealers, banks on the transactions. In terms of what they need to disclose. And again, it was one

of the first steps from the MSRB's perspective of trying to protect issuers.

Slide 13: MSRB Outreach on Rule G-17 Obligations

So, what have we done as it relates to getting the word out? Obviously we do seminars, programs like this, to talk about G-17. Again, what is every party's obligation? And it is probably even more so from the issuer standpoint because when they get their first letter, they weren't expecting this, you know, what does it mean? We do industry events. We have implementation guidance again posted on the MSRB's website. And we recently put out an FAQ, frequently asked questions, trying, based on feedback we've been hearing, trying to be responsive to what does this mean?

Slide 14: Underwriter Feedback

What does it mean if an issuer refuses to sign, what is the sort of best effort to get a signature and so forth. And a lot of this was based on the feedback that we were getting from the industry, both, I will go back, both from underwriters as well as issuers. And of course what is the right timing? So when should you deliver this disclosure. And as I say, the earliest possible moment the better. So, when you are doing an RFP there are certain aspects of G-17 disclosure that you should incorporate into the RFP response. And then over the course of time as a transaction evolves there may be supplemental disclosure that should take place. Again, complex versus routine. It puts a little burden on the underwriter to understand or know what might be a complex versus a routine type of financing. You have to make some judgment. You need to understand who your market is. If you're with the city of San Diego or the city of Los Angeles maybe more of the kind of transactions may be deemed more routine. It doesn't eliminate your obligation to do some disclosure but you at least have a basic understanding that, or expectation that they have an understanding. Versus if you go to a city that maybe hasn't been in the market for three or four years you definitely know that they don't have that understanding or the depth of their organization, you know, the conflicts disclosure, any conduit financings. What to do on conduit financings, who do the letters go to? Does it go to the state if the state is the conduit, does it go to all the sub entities? In the FAQ, in the other discussions you know we talk about that.

Slide 15: Issuer Feedback

Of course as much consternation as probably some of the underwriting community had with this, we got a lot of feedback from the issuer community as well.

You know, what does it mean when I first get this letter? First of all what is this letter, the first one you get, you weren't expecting it, you weren't paying that close attention to G-17 as an issuer and all of a sudden you get this letter and you've done hundreds of deals in your career and all of a sudden this is the first time you're getting this letter. So what does it mean, and as you read through it and it's explaining all this information and it asks you to acknowledge receipt, what does that signature mean? And what happens from an underwriter's standpoint if the issuer doesn't want to sign it? Well, we tried to make it clear that if the issuer doesn't sign it that still okay from an underwriter standpoint, they just need to document it, put it in the file, show that either first of all that they sent a particular letter maybe following up with e-mail so you have the audit trail so you can say hey, I did the best effort to try to get the issuer to sign off and acknowledge this. But some issuers just don't want to do that because they are not sure what liabilities they may be waving and so forth. On the other hand there are issuers who are out there who want to sign it, but who want to add a statement to the end of the letter. This signature does not do X but it does do Y. It basically says I acknowledge I got this piece of paper. I don't agree with it or disagree with or it whatever I just acknowledge I got this piece of paper and that's fine, too. It's a tool to communicate and that's really what we are trying to do there.

What happens when you have a syndication on a transaction? You have four or five firms and you are getting four or five G-17 letters, can you consolidate that into one? Well on some aspects of you very easily can, depending on the complexity of the transaction you probably don't need each firm sort of describing that but on the other hand some of the conflicts that may be unique to a particular firm they have a certain obligation there. And again, as I talked about similarly on the underwriter side, you have the issuer side in terms of the conduit.

Slide 16: Rule G-17 Interpretive Notice FAQs

So again, the FAQ was an attempt to help the underwriters understand their obligations and help local governments understand what to expect with all of this. Again, this kind of information is on the MSRB's website. On one of my last slides, I will share with you how you can get to the websites if you have not already been there. I would hope everybody in this room has been to the website numerous times. Again, all with the goal of trying to promote regulatory efficiency. One of the, I know as a public member on the board I would suspect there was some concerns from the underwriting community. You know, this person coming in, what sort of philosophy would they be bringing? Would it be let's put more rules in place, let's stick it to one aspect of the

industry. My general philosophy, I do believe that this seems to be the general tone at the board level is, no rules for just a rule sake, it's got to make sense, it's got to address an issue. It's got to solve an issue and solve a problem. One of the things we did this past year is we took a step back and as I mentioned we looked at the overall rulebook and we are starting to examine those areas that might need change. But we also took a much more in depth review of G-17 and the 34 pages of interpretive guidance. And that is one area that I think the board is extremely proud of and again it is to add clarity. If we expect you to follow rules we want the rules real clear. So we look at such things as suitability for an investor. What is a suitable type of investment for an investor and try to break that out separately. The sophisticated market participants, who are, trying to pull that out and of course the timing of trade information to the investor. And again, adding clarity, harmonize parts of our rules with FINRA who are trying to enforce the rules and if there is inconsistency then what takes precedence.

Slide 17: Promoting Regulatory Efficiency

So those are some of the things that we have worked on over this past year. The board has decided we are not going to print this book anymore. It will be posted online, so you can still have total access and those rules might get updated you will have an up-to-date version. But, as we move forward and bring people to use EMMA a lot more. Let me take a last couple minutes and then I will open up to questions, in terms of disclosure practices and importance. I looked at this slide and staff helped me prepare, staff prepared these for me, let me be straight here. And I realize that staff is always looking out for the boss. We are talking about security charges against and I looked at this list and I said, huh, I don't see San Diego on there. So thank you, staff. We want to put that out of our minds but unfortunately probably one of the first entities to have security fraud, you know, why is disclosure important, what is your responsibility as an issuer on ensuring you have adequate disclosure? Again, you are not regulated. You've signed the 15c- 2 12 and your continued disclosure obligation and so you have that at the end of every bond transaction, you sign that letter. But, on the other hand you are not specifically regulated. There are probably at least were some and I'm not fully sure what the attitude on the SEC is in terms of regulating issuers and the Tower amendment, but they are sure doing it in a different way, in a very serious way and that is through enforcement actions. And it can be extremely costly, extremely painful and a huge embarrassment and it doesn't really matter if your faulty disclosure was intentional or unintentional. Bad disclosure is bad disclosure. And a lot of these evolve around you know, pension and weak pension disclosure. But there's examples where a particular entity doesn't do continuing disclosure and they just sort of you know, blow it off.

They're not getting much financial information out into the marketplace and therefore now when even an elected official makes some grandiose statement about how well their particular community is doing financially, you know the SEC will look at that and say that is really the only financial information out in the marketplace. If that is not an accurate statement, which it may not be, it may be more a political statement, that could lead to enforcement actions as well.

Slide 20: New Financial Disclosure Resources

So everybody within the organization has a responsibility. It's not just those people who are signing on the bottom line of a bond transaction. It is not just a staff. It works its way all the way up to the elected officials as they are reviewing documents. So one of the things we try to do from the MSRB, and again this is the outreach, is to encourage better, more timely disclosure. We are trying to make it a much easier, on EMMA we have reminders. You can sign up for e-mail alerts. So a reminder when it comes time for your continuing disclosure you can get an alert as an investor. You can get e-mail notifications when other things get posted. All these things we are working on to enhance the user-friendly nature of EMMA and its functionality. You can put links to your homepage, or your organization's either investor , which hopefully you would have sort of a sub webpage that would be deemed the Investor webpage, and all of these things, we're moving forward with all the different enhancements on EMMA. Again, you've got financial requirements, you've got operational requirements. You need to make the decision. I mean there are clearly some activities that become material events that are blatantly obvious that they are material events that you should be disclosing. There are other things that are maybe less obvious. If anything you should err on the side of over disclosure. But make sure it has been reviewed carefully and that is accurate and that it's timely.

Slide 21: Getting Started: Sign up for Financial Disclosure Reminders

Again, we are making the disclosure available on EMMA. And we have access to state and local government toolkit I mentioned that you can see at the MSRB.org website. And then within EMMA we have additional information again to keep track of your filings and other transactions that are going on. And again, you can subscribe to the e-mail updates by going to the MSRB.org. You can follow MSRB on twitter, coming into the 21st century and everything. So we do a lot of releases. You can sign up for releases that we send out on very regular basis. Whether it's notices of filings that we make with the SEC or other announcements or other information that's made available all through

the different websites.

Slide 22: Stay Informed

So, and again, you've got the EMMA website which is just Emma.MSRB.org, but you can go to the MSRB.org website and there is a link to EMMA as well. If you have got any problems or issues we've got a support line as well. And the one thing a lot of us have taken pride in is the fact that EMMA is up just a tad below 100% of the time and we work because if it's a valuable tool in the industry it's got to be available and we're constantly monitoring and making sure that it's available. So, with that I'd be happy to take any questions that you might have. Put you all to sleep. No questions? That makes it easy. No, Natalie, sit down. Lynnette?

Question from Audience:

>> I know the answer, but I think it's important for the people in the audience whether you have gotten criticism or complaints about [inaudible] have you ever heard any criticism at all about the rules [inaudible] suggested that those were not appropriate [inaudible]?

Jay Goldstone

>> So the question for those in the back basically we've gotten a lot of feedback, positive and negative in terms of G-17specifically have I heard, or have I heard from board members or from the industry complaints about the ultimate goal or objective of what we're trying to do and the answer is no. And I think the market recognizes that the better job we can do to ensure a fair and efficient market it's in all of our best interests. It can ultimately minimize the amount of regulations out there. It can minimize Congressional action and so forth and it's just the right thing to do. And so, really I've never heard complaints about our ultimate goals and objectives, but there are obviously in any business there are differing opinions as to how to achieve those. And just like we've made some changes already to G-17 and tried to make it clear, it doesn't mean that the G-17 letter in and of itself is never going to change. It's not going to happen tomorrow. We want to let it sort of run its course for a while, but over time as we learn more and get better information there may be tweaks or modifications to it. But it's here to stay for the future and I did also mean to mention that there are G-17-like, to a much lesser degree at this point, obligations for municipal advisors as the MSRB next year and in subsequent years starts tackling the MA definition and putting rules in place. You

know, that will be examined over time. And whether or not it's becomes more prescriptive about what those kind of disclosure should or should not entail will be a determination of future boards. Well, thank you very much.

[Applause]

Mark Campbell

>> I want to thank Jay. Jay has been a part of many of our CDIAC programs and I hope we can continue the relationship as Jay's career evolves here. We're going to have a little change up in our ordering unless Chris Miers has found our location. We're, if we've got all the speakers for the third session, dynamics of underwriter disclosures, I'd like to ask them to come up and we're going to switch to that panel. Chris is somewhere between here and Chicago. I'm also going to take a minute to pull our...Chris made it. Boy, I'm sorry, guys. David, you can sit down. Don't go anywhere, though. Chris. What a magic act.