Session Five: Considering Best Practices and Principles for Improving Disclosure in the California Market

Robert Doty, Senior Counsel and Advisor, Government Financial Strategies
Dave Sanchez, General Counsel, De La Rosa and Company
Tim Schaefer, Founder and Principal Owner, Magis Advisors

Note: No Slides.

[**Audio began abruptly]**

Mark Campbell, Executive Director, CDIAC

>> ...G-17 and we're asking this last panel to go where Lynnette referenced with regard to other consultants. But then to more broadly consider some other forms of disclosure that are in practice. Or, other disclosures that issuers should be asking for. On the panel, and for those who do attend CDIAC programs regularly, you will recognize these three guys. And that's why we turn to them. They are thoughtful on the subjects. And have been very productive presenters in the past in formulating thoughts and discussions. Robert Doty, senior counsel and advisor to Government Financial Strategies. I will take a minute just to introduce the three of them. Robert has his own consulting firm, AGFS serving other parties. He's got over 40 years of experience in the financial markets as an underwriter, financial advisor, bond issuer and investor, underwriter's counsel and he's extensively published working both with GFOA in the past and NMFA currently on various topics. Dave Sanchez, General Counsel De La Rosa and Company. Prior to joining De La Rosa he was attorney fellow in the office of municipal securities division of trading and markets at the SEC. And, joined the commission staff in 2010 after practicing municipal finance law in California for more than 17 years at the law firms of Orrick, Herrington and Sutcliffe and Sidley Austin. As well as, with the city of San Francisco and financial securities assurance. And then Tim Schafer, the founding and principal owner of Magis advisors. Tim has more than 40 years of experience in municipal securities industry, has played a number of different roles going back to work as a ratings analyst, right, Tim?

Tim Schaefer

>> An investment banker and a bond trader when I started. Don't hold that against me.

>> Okay good. I'm going to give it to you guys to bring us home.

Dave Sanchez

>> Good afternoon. Thank you. Our task in this session was to do two things. One to expand on topics that were brought up earlier to attempt to provide more color where we could, or also to answer questions that you may have that accumulated throughout the day. And our other task is to discuss other professionals. So we talked about broker-dealer obligations under G-17. We talked about the municipal advisor's fiduciary duty rule, and so we talked about other participants in the bond transaction. And, what type of disclosure responsibilities they may have or should have. And if it is should have, how would they possibly be implemented.

So, each of us is going to take some time sort of wrapping up our takeaways from earlier sessions, and the first thing I would like to talk about which was really interesting to me was the number of issuers who said pretty clearly that they would like, on the G-17 letters for the disclosure portion, the disclosure of conflicts of interest to be more specific and more clear. It is worth noting that I was at the SEC when G-17 was proposed by the MSRB and approved by the SEC. It was one of the longest approval processes for a SRO rulemaking so did take a lot of study and a good portion of the comment letters asked specifically for that and those did come from issuers where they said do not just require broker-dealers to tell us their conflicts. We want more specificity, we want to know dollar amounts, we want to know more information like that. And the MSRB's response, and the ultimate conclusion was that if the issuer is aware of the conflicts then they can do further diligence and ask the questions. So I mean it is obviously not a closed issue. You have heard numerous times that G-17 will be continued to be revisited. So that touches on another point which Lynnette Kelly brought up which is that the MSRB rulemaking process is an open door in there are numerous opportunities for comment and so it is very important for issuers to also be part of the comment process and you should not be afraid when you look at comment letters there are many trade letter groups which will submitted 25 page comment letter but that doesn't mean that it's 25 pages worth of ideas and it's very easy on all these comment processes both at the MSRP and SEC to do a one paragraph comment. A lot of times you know as a regulator we are most happy to read those comment letters because they are the most direct. As you know, going from being a regulator to now being a G-17 letter writer, that was very valuable feedback for me to hear and as you see letters from De La Rosa and hopefully more and more of them G-17 letters from us that you will see the responsiveness to the type of comment because I think it is very valid.

Robert Doty
>> I think that the G-17 letters are an important part of an evolving market system or structure. It clarifies the role of underwriters. A great many issuers misunderstood the role. Partly because they just didn't understand it at all. Partly because they were front-line bankers who were telling them that everything was going to be okay and they were going to look out for the issuers who only found out after something went wrong that the underwriters didn't have any responsibility to them. That is an overstatement, but that is not too far off the mark. But now that the underwriter role is being clarified, we are going to be looking at municipal advisors who are going to have to look out for the issuer's best interest. And this is going to be a game changer. I think that there is, over the next several years, and by that I mean the next 5 to 10 years, not the next 60 days, there will be enormous changes in the market in terms of the relationships of the parties. I will, as we talk we will talk about the effects on municipal advisors. But when municipal advisors are a focus, then I think that suddenly it becomes relevant to ask well, there are, isn't there another fiduciary at the table? And what are they doing? There is nobody to oversee them except maybe the State Bar associations but they are a fiduciary and many of the issues relating to municipal advisors also relate to bond counsel and disclosure counsel.

Dave Sanchez
>> I definitely agree with that. I mean it was very interesting being at the SEC that a lot of the complaints that we heard about were about bond counsel and there were two things that were very telling and that during the process of writing the municipal advisor role the bond counsel argued very strenuously that attorney should be exempted because it is part of their ethical duty to weigh in on the business aspects of a deal. But, in the actual practice and in some of the official comment letters from NABL and other attorney groups it did not appear that the they were looking out like you would expect a fiduciary to do and part of that can be the dynamics that folks have touched on earlier today, which is that one this is a very small world. So there are a lot of intersecting personal relationships and you will see FA's and bond counsel be a team. You will see underwriters and bond counsels be a team. You will see those teams happen and that is not always disclosed. So it's interesting because I agree that the State Bar will never be an effective regulator to this small group of lawyers. It is an open question as to whether issuers fully understand, you know, all the potential conflicts that bond counsel can have, one of which is contingent compensation for sure but there are definitely a lot of

ancillary services offered by bond counsel firms that do raise these types of conflict of interest questions. And other than one content provision in the government, which is the bond counsel cannot also represent underwriters there is no direct regulation of bond counsel and how they might act in relation to an issuer and how they might disclose their potential conflicts of interest. And it will not happen from the State Bar because the State Bar is too busy going after solo practitioners who may have a drinking problem, or stole client trust fund money but it's not going to go after bond counsel firm on this type of potential conflict with their ethical duties. So, it's going to have to come from issuers asking for this.

Robert Doty
>> This is going to have to come from issuers. I don't think anybody is suggesting, just to calm the bond counsel down, nobody is suggesting their regulator be set up for bond counsel but it's going to have to be the issuers who ask the question and who become sensitized to the conflicts of interest that pervade in the municipal advisor industry. We have plenty of time here still to talk about some of those, but then the logical question is well what about this other fiduciary and it's going to have to be the issuers.

Tim Schaefer
>> I'd like to jump in on that if I may. One of the things that I have found to be very frustrating throughout this process is that I see in this room experienced, active issuers and it's clear to me you all get it. But, it's also equally clear to me that when we look at recent history, particularly to borrow from Warren Buffet who said you never know who's swimming naked till the tide goes out, the tide went out in 2008, and we discovered that there were a lot of smaller issuers and middle-market issuers who had been exposed to some practices which were highly questionable. So what I think our collective challenge, literally everybody in the room, those of you who are thought leaders in the issuer community, the regulators who are sitting in the room, the lawyers, the MAs, the broker-dealer underwriters, is to make sure that we do whatever we can to beat down the response that I get from time to time, because I'm predominantly a small-market advisor, when an underwriter tenders a G-17 disclosure letter and the client who is more often than not not trained as an attorney calls me on the phone and says what does it mean? And I think that really presents the larger challenge to us. It's not that the people that are receiving these disclosures are ignorant, or not engaged. That is not the point but they are busy doing things like running their city, county, school district, special district and so forth. And they may be infrequent visitors to this market. So they

are not necessarily as sensitized to some of these issues as the rest of us are because we are engaged and active in it.

The second observation that I would make on that point is that I to agree with what Dave Sanchez has said here and that is that it's very clear that the conflicts need to be made clearer. But I'm just wondering aloud, this is where I get to get in trouble again, I'm wondering aloud whether or not we are all really focused on where some of those potential conflicts are. I've always been taught in my career that conflicts are those that are primary and secondary, and secondary conflicts can be things that sometimes don't immediately appear to us. My little firm happens to be a registered investment advisor. So if, and I don't do this, but if I were to take research from behind the firewall of your broker-dealer firm that has commercial value my registration requirement as an investment advisor requires that I tell a potential client that I'm doing that because it's a thing of value. Now, the trick is what's the value? How do we attach a value to it? How do we measure whether or not that's affecting whether or not I am steering an investment client to your broker-dealer firm? And that is the whole point of it. It's to make sure that you have the opportunity to ask the question. I will tell you if anybody got their feelings hurt when I said that some issuers say what does it all mean, it's no different in the investment community either. The investment advisory client more often than not calls and says what does it all mean when they say that form ADV being delivered to their mailbox.

And then the final observation I would make for some conversation amongst us, I hope, is that one of the things I'm deeply troubled by is what I believe was Lynnette, or David Leifer referred to as the race to the lowest fee. Now, for a second here, those of you at broker-dealer firms are going to be really happy to hear me say this, but I wish I could put the genie back in the bottle for every time that a broker-dealer firm hungry for a deal will show up and say I will underwrite those bonds for three dollars a thousand. And broker-dealer B says I will underwrite them for $2 a thousand and you know what happens. We are off to the races at that point. The first half of my career was spent as a trader and a syndicate department and I can look up and almost promise you that nobody is making any money at three bucks a thousand. So how do they do it? On volume? No it's on markups, it's on retrading. You know, those folks have got big overhead too and if got to put the capital at risk, so what we would hope is that we don't engage in this mutually assured self-destruction as municipal advisors and you issuers will not encourage that the way we sometimes perversely seem to be encouraging it in the broker-dealer community. Having said that now I get to annoy all you broker-dealers

when I say that doesn't mean it's worth three points either. Okay? It just has to be fair and reasonable under the circumstances.

So, I'm sorry and one last thought, when Lynnette introduced the comments about, talking about the deliberative process at the Securities and Exchange Commission as a whole, she mentioned that one commissioner I believe it was Commissioner Aguilar said that he was encouraged that the adoption of the MA rule would, and I am paraphrasing, go a long way to ferreting out pay to play undisclosed conflicts, lack of competence and so forth. And why I can certainly agree to that I now want to take it back to what David Leifer said when he closed the last session that was less notice of the MAs are to be less trusted either. So, it is clear to me that we probably still all, including yours truly have more learning to do at this point and we have to have a lot more conversation about it. The conversation isn't going to be worth much if we don't have the input from the issuers because this is all designed around helping you, so you leaders in the issuers community please get your smaller colleagues to get active and get engaged and start working with us on this.

Dave Sanchez

>> So I, go ahead I think there are two things you can be assured of going forward is that you will have disclosures from broker-dealers and they may evolve slightly, but you're certainly going to have them going forward. You will so also have certain disclosures from your financial advisors and one of the things raised earlier was you know, your control of the process through the RFP processes and the like and your ability to ferret out from information from other people. So, what has been raised in some ways when I was at the SEC when the broker-dealers are charged with making these kinds of disclosures a lot of the commentary was why just us and it is true, why just broker-dealers? I mean, so if there is no other outside entity that is going to require other financing participants to make these kind of disclosures, you still as an issuer have the ability to ask these questions and to ferret out this information which is very important. I mean, again, not every issuer was trained in the capital markets but most of them are very smart and they will make decisions based on the information they have, so they are going to make better decisions when they have better information. So because of the MSRB and SEC you're going to have information about FAs and underwriters of the question is how do you get the similar type of information from other financing participants which are just letters of course. As we went through the MA rule you started to see all the people who potentially play in the sandbox and you have feasibility consultants and you have those questions for them too. Are you only getting paid if you

deliver a feasibility study to make sure that the bond deal goes through? It is so obvious a conflict of interest. What are potential conflicts of interest you have as a feasibility consultant? So as issuers with many of you using RFP processes you have the ability absent any other regulation to gather this information and it is very important for your decision-making process.

Tim Schaefer
>> Can I ask the two of you a question about that?

Dave Sanchez
>> Sure.

Tim Schaefer
>> Earlier we heard some speculation from the fellow from RBC about, I think it was he that made the statement, if not I apologize for misquoting you, but should this kind of disclosure from MAs be context sensitive to the type, scale and sophistication of the issuer that it is been tendered to? What do you think of that?

Robert Doty
>> Of course, of course. That goes without saying. What this is going to lead to is a huge shakeout in the financial advisory business. There are going to be a lot of financial advisors who can't tolerate the regulation. Most of them are small. They will not be able to handle the record-keeping. Insurance is going to be very expensive and what good is $1 million of insurance anyway? And let's face it, a very large number of financial advisors are just not competent. They are just, everybody knows this, but nobody in the financial advisory business wants to say it. They want to talk about...

Tim Schaefer
>> Here here. Now there are two of us that have said it.

Robert Doty
>> All right. But I talk to bond Council and I talked to issuers, everybody knows that there's a very large number of incompetent financial advisors. I'd say it's the majority of them. I'm not kidding. I'm not kidding.

Tim Schaefer

>> Many underwriters would agree with you.

Robert Doty
>> What the rule has done is it has placed a focus on the financial advisors because the exemptions for a lot of other players depend upon whether the issuer has a quote independent registered financial advisor. And to paraphrase an e-mail that I got from a congressional aide, he was worried that the financial advisors are just going to be outgunned. They are not able to stand up to it because they don't have the training. What this means is that education is critical. This means initially, to get past the qualifications exam, but continuing education and so on. I think that I would suggest that the regulation be ramped up over time. And I think it will be. But it's going to be a shock. It's going to be a shock to a lot of financial advisors. Contingent fees. Contingent fees are a curse of the municipal market. They are a curse. The issuers have an entire team of people none of whom can be paid, not one of them unless the transaction closes. And so if something goes wrong, everybody papers over it because they've worked on it for three or four or five months and they are not going to get any money for all of that work if the transaction doesn't close. That is too much conflict. I agree with what David said. Every fee structure has some element of conflict, but not like that one and I would suggest that there be an absolute prohibition upon financial advisors calling themselves independent if they take a contingent fee. I just cannot imagine. You know, and I work for a non-dealer financial advisor. And I hear the non-dealers going off and criticizing every dealer in the country as if their bankers are the children of the devil. And yet, these bankers are generally more competent than the very financial advisors who are saying these things. So, conflicts of interest. Contingent fees. Payments from third parties. Can you believe it? Can you believe that financial advisors accept money from underwriters and bond counsel that they have to negotiate with? And sometimes they recommend.

Tim Schaefer
>> Gambling, right here in Casablanca.

Robert Doty
>> Look, that's happening, it's happening right under our noses. It's going to end. I can assure you it's going to end, but it's happening. And David mentioned reciprocal arrangements. Another place where I see big change is with expert work products, feasibility studies. This is something that's really needed. But you know, by the way,

those of you who know that the SEC has released a 777 pages you can stop page 250, if that's any consolation. There are 18 pages later, no, 23 pages later that the actual rules, but you can stop at page 250 if that's any consolation. I've touched every one of those 777 pages. But, some of them for not very long. And I never saw the word appraisal, or appraiser. And you know what, I'm sorry I'm having a dry throat, appraisers provide advice regarding bond structure because it goes to the security of the bonds and in California for example in a Mello-Roos financing you need to have a certain ratio of value. So, anyway, I do want to emphasize the importance of education. I think there's going to be a shakeout.

Tim Schaefer
>> I agree. I have colleagues in the broker-dealer community who privately will turn to me when talking about a competitor. I hope they don't say this about me when I'm not in the room, but will talk to me about a competitor and say well, you know he really does run a mean schedule. And I think that is the hurdle that the municipal advisor financial advisor community has got to get past that.

Dave Sanchez
>> I mean at any point, feel free to ask questions.

Robert Doty
>> Just don't throw anything.

Dave Sanchez
>> To revisit the part about the pressure will definitely be on financial advisors, again, to prove their mettle because of this exemption from the municipal advisor rule which says that other parties to the transaction will not be municipal advisors if there is an independent municipal advisor on the deal, but it also underscores one other point that was raised earlier for financial advisors that it's very important to document the scope of your engagement because that exception only covers the same scope of engagement that you have. So, and this is one thing that is very common that a lot of financial advisors not provide advice with respect to swaps. So it isn't fair game if there's just a financial advisor sitting at the table if they are only talking about pricing that's the only place where the exemption applies. If they exclude out the swaps then the exemption does not apply to with respect to the swaps it's important for issuers to be aware of and also for municipal advisors to be aware of and frankly everybody to be aware of. Does anyone

else have any?

Robert Doty
>> I've already said everything. I just kind of ran on there, but, and I appreciate people not throwing anything. But, and I'm not kidding about what I just said. I mean, this is what I actually think. It's just that I can say it and not have to worry too much.

Tim Schaefer
>> I just have one additional observation to make on that. I'm a small company. Microscopically small, one would argue. We have professional liability insurance, but I want to tell you issuers, when you talk to your risk managers, bear down on this. Bear down on this really hard. Because when you put an RFP out and you ask me to respond to this, or your city attorney asks me to provide you know, a declarations page or certificate of insurance on professional liability insurance, let me just tell you what my personal experience has been in buying that kind of insurance. Now, I'm not trying to scare you, this probably will, but I'm not trying to do it for the purpose of frightening you. Number one, one of the first exclusions from the covered events is transactions involving securities. There's a blinding flash of the obvious. Okay? So, what you have to do when you're in this business right now is you have to go back and negotiate with the insurance underwriter how to negotiate away big chunks of that exclusion. And that, trust me, is a mind numbing process. Because that insurance underwriter has no idea what a municipal advisor does for a living. Well, why aren't you registered as a broker-dealer? Well because we are not a broker-dealer. Well, what exactly is it that you do? Well we give advice to with respect to security. So you are an investment advisor? No, no we are not advising investors we are advising the issuers of securities. Don't they have the registered with the SEC? No these are municipal securities. You get the idea. Okay. So particularly larger issuers engage your risk managers in this discussion because I think if you start to pinpoint a little bit more accurately what some of these insurable risks are, you will put the people that are furnishing that insurance to you in a position where they have better information to go back to the insurance underwriters with.

The last observation is that, again, I can tell you that professional liability insurance is frightfully, frightfully expensive and when we are talking about contingent fees based on the size of issue, what do you suppose the first question is that the insurance underwriter asks me when I apply for professional liability insurance? Well, how much exposure do you take? Well, we just did a $700 million deal for the Denver

public schools. And then you hear the smelling salts come out and somebody is fanning this poor underwriter that says, oh my God, how do I judge what my risk is on that? And that gets turned into fees. So, to the commenters, to the board members present and past in the MSRB, I would say to you, be very mindful of that phenomena, phenomenon, rather when you regulate on professional liability insurance. Because, there are complexities that don't initially make themselves obvious. And to you issuers of the community, get your risk managers engaged and get them engaged early so that we can give you, to the extent that we are able, so that we can give you insurance coverage that is meaningful and not just a dead business cost to us from which you can take no comfort.

Robert Doty
>> I think having said all the negative things I said from the issuer's point of view, the world ultimately is going to be much much better. It's going to be vastly improved. There will be people who, there are firms today who do focus on the issuer's best interest. But I think there will be more of those people. There will be a greater sensitivity to what that means. There will be a greater level of competence over time. When I say they're incompetent I do not mean they are not educable. And I think that will happen. And the issuer in my view the issuer is better off having somebody who does not have a contingent fee.

Dave Sanchez
>> So the overall title of this preconference was, is G-17 a pathway to clarity or not and one of the comments we heard in the first session was that even though there's been complaints about the actual process of the G-17 disclosures, no one has really complained about the overall goal. And I think that that will be expanded to municipal advisors and issuers. The goal is issuer protection and issuer education so that issuers can make the best decisions for taxpayers based on full information. And so that will be expanded to include municipal advisors and those are two very core participants. The question is and probably the third most important element to this is bond counsel. The question is, how can it possibly be expanded to other market participants? And part of that is within your control as other people have stated. You do have control of your RFP process and you can ferret out this information. So it's not possible for that to come from the MSRB. It is kind of amusing that in the MSRB's pay to play role they do allow for voluntary pay to play submissions by attorneys. I think they have never received one. So it is really going to have to come from you guys asking those questions on your own.

And so, I think you know, what I've heard at least is that the G-17 disclosure model does provide a pathway to clarity and we've heard from issuers that they would like it to be more targeted and its potential is there to also pull in other market participants and get the same level of clarity from them.

Robert Doty
>> I agree. I think that the MSRB also has the mission to protect issuer's interests. And this is the road through which it will be done. It is going to be, there are some issuers who do complain about it. My response is no good deed goes unpunished.

Tim Schaefer
>> Just a thought on G-17, and this qualifies as musing, not necessarily as an opinion, but, and this may strike some of you in the room as being a blinding flash of the obvious, but I look around the municipal advisor community and I see some folks who sometimes I think in a misguided attempt, misguided, but good faith attempt to serve their client well think their job is to arbitrarily beat up an underwriter. You know you need to do the '05 better, or whatever, fill in the blank. Believe me underwriters I'm not carrying your water up here. I'm just making a musing. And yet, when I look at G-17 I see the plain language of G-17 simply says it now applies to municipal advisors, so deals with all persons and the last time I checked, those of you who were broker-dealers were also persons. So I think that what may I hope will infect this discussion is a renewed impetus toward the greater professionalism and and a greater professionalism and engagement. That's what I would be hopeful for. On a positive note for G-17.

Dave Sanchez
>> It is important that G-17 people are very aware of it because of the disclosure aspect of it but it's a very broad behavioral rule and it does apply to interactions with all persons, not just issuers.

Robert Doty
>> It's going to, you will have some aspects that are not immediately obvious because of the advisor's responsibility to the issuer. But, it does relate to all persons dealing fairly with all persons. And I think where the advisors are providing advice on disclosure to investors, that it calls that into play as well. And so as advisors become more sensitive to G-17 they are likely to also have a more refined interest in how disclosures being made.

Dave Sanchez
>> I'm good. Questions?

>> Any questions? You sure? You looked like you had a question almost there.

>> I think we are there, I think we are done.

Mark Campbell
>> We have a couple written ones. We completely failed to acknowledge that there are cards for those who want to be anonymous. To ask questions.

Questions, (Dave Sanchez reads)
>> So this first question is given the tendency to copy and reuse RFPs how do you suggest issuers incorporate appropriate questions in RFPs on disclosure and conflicts. Obviously you will have to start a new process. If you are just using the old one it's not going to pull this in. But it is useful to use the template that the MSRB has provided in the G-17 to ask certain types of questions. So that is available on the MSRB website. You can look up the rule G-17 interpretive guidance and see the way they explain the conflicts that have to be disclosed and you can pull that into your RFP and ask those types of conflict questions. You can also see what has been disclosed in the letters that you've received, the types of conflicts that you have heard about and use those and ask those questions of other professionals. But it will require reviewing your RFP and updating and improving it.

Tim Schaefer
>> I would add to that that I wonder to the issuer community how many of you in California, and this is unique to California, require your advisors or presume that your advisors are filing form 700 statement of economic interest in your community? Because many of us believe that by virtue of being your advisor and having a fiduciary duty to you we are in fact participating in a governmental decision and that is right in 18-702A I believe it is in the court of California regulations. I am not a lawyer but I'm real familiar with that one.

Question (Robert Doty reads)
>> This one is can you name other forms of disclosure compensation that MAs currently provide issuers? I've used an hourly rate since the mid-90s, for the last more

than 15 years, almost 20 years and I have never charged anything except an hourly rate since I'd say about 1995 or 1996. The was when I had a previous firm and I merged my business with Government Financial Strategies and Government Financial Strategies has always charged an hourly rate and that goes back to actually the late 80s I believe. Tim, I think you...

Tim Schaefer
>> Yeah, when I started this little company in 2008 three weeks before Lehman Brothers, so don't count on me for good timing, we made a little conscious decision that we would not take new client engagements on a contingent fee basis. So we typically work either on an hourly basis, we have done retainer arrangements with hourly budgets. I refer to that as the cell phone rollover minutes plan. Or straight hourly charges. Now, there are two or three exceptions in the company's client list to that no contingency and those are largely clients that have been with me for many years and have followed me now through a couple of different firms, and they and I have developed some bad habits. So I admit that I haven't been able to retrain them yet. But clearly the impetus in our little company is to move to forms of compensation that are less conflict-ridden and the one we prefer frankly is the rollover minutes strategy. You know we will be on the ground with you here for X number of months. Monthly retainer, we charge time against that up to an agreed-upon limit and we are done. And it makes no difference whether you sell or not, makes no difference whether you sell a lot or little and you know this is all going to end. But and this is the downside for the issuer community, it also means you have to go to the city Council and ask for some budget appropriation for us and we think that's perfectly appropriate because we are all your fiduciary.

Robert Doty
>> I do have to correct that Government Financial Strategies does use fixed rates in addition to hourly rates depending on what the client wants and if a transaction does not close there will be a pro ration, but it's still not contingent.

Tim Schaefer
>> We do the same thing.

Question (Dave Sanchez reads)
>> We have an additional question directed to me which says as you draft the G-17 letters how do you feel about the concept of tailored letters to different types of issuers.

One answer is regardless of how I feel about it, there is a definite requirement to tailor the letters to different types of issuers. But I do agree with that. So I mean one of the things that we do is we do investigate not only the issuer and their experience with that type of financing, but also the individuals that their issuer would have with the financing because they could be a new issuer official that doesn't have experience even though the issuer does or conversely they could be a new issuer but somebody with a long experience as a different issuer. I actually thought the comments earlier today by the issuers were very helpful in helping me to rethink how to further tailor these letters and I would expect to see that as they continue to go out. But it is, I think that is the key to these letters and I think your comments earlier were pretty loud and clear that, get us to the meat of this letter. We want to know about the conflicts. We want to know specifically what these conflicts mean and we don't want a lot of excess language. I don't think any of our letters have been more than two pages but I'm going to get them shorter and more to the point. I think that was helpful and we will continue to do that. Yes?

Question
>> [Inaudible]

Dave Sanchez
>> So, we don't unless we have to and I think that's the rule. So if all the relevant issue disclosure was provided by the senior manager, then unless we have a specific conflict, we don't. I mean, at least earlier feedback from issuers was that that is the way they like it because they get the overall deal disclosure from the senior manager and then we only step in if we have to talk about conflicts specific to us. It is probably useful, we always see the senior manager letter, we always review the senior manager letter. So certainly if there was something missing or certainly now if it seems like it's excess verbiage and not entirely clear, we would probably weigh in on that aspect as well. Any other questions? Okay.

Robert Doty
>> Thank you

Tim Schaefer
>> Thank you, everybody.

Mark Campbell

>> Well I'm just going to close. I want to thank Robert, Dave and Tim for summarizing and ruminating on some improvements here and closing everything by beginning from the beginning session and rolling it up. I want to recognize all the work that the speakers did in developing this session and thank them. We have a couple others, David and Steve if he is still around I want to thank you for sitting in on some discussions with CDIAC. I want to recognize Linda Louie, our education coordinator and Susan Mills that brought all the speakers together and coordinating all these sessions and certainly want to recognize Bond Buyer for allowing us to host this preconference. So we hope we have served a purpose in discussing the G-17, moving this from what I perceive G-17 to be which is one of those commercials for pharmaceuticals where you get all the potential threats and health hazards to a more understandable set of risks and expectations. And we expect that this conversation will continue. I've heard from a few how if some of our panels should have been structured differently. So we expect to continue working on G-17 and disclosures as Robert mentioned the work that the MSRB will be doing will give us additional opportunities to conduct training. The nice thing about the municipal markets is it changes so quickly. CDIAC is invaluable. All right. Thank you all very much. Enjoy Bond Buyer.