

California Debt and Investment Advisory Commission

Webinar Transcript

Navigating Investor Disclosures During the COVID-19 Crisis

May 1, 2020

With a COVID-induced recession looming, investors are eager for information regarding the financial position of municipal issuers. At minimum, they expect issuers to uphold their continuing disclosure agreements and material event notifications, and to accurately describe their financial situation in initial offering documents. But how does an issuer provide accurate information regarding its financial condition when circumstances are unprecedented and dynamic? Should issuers make voluntary disclosures to the market? Is there greater risk in disclosing nothing or disclosing what you know in the midst of economic uncertainty? Join us in a discussion of the disclosure challenges faced by issuers, where panelists will aim to provide strategies on how to navigate this very challenging dilemma.

[Editor's Note: This transcript has been prepared by the California Debt and Investment Advisory Commission (CDIAC) and it believes it to be a fair and accurate reproduction of the comments of the speakers. Any errors are those of CDIAC and not the speakers.]

Title Slide – Navigating Investor Disclosures During the COVID-19 Crisis

ROBERT BERRY: Good morning, everyone, and welcome to *Navigating Investor Disclosures During the COVID-19 Crisis*. This is a webinar presented by the California Debt and Investment Advisory Commission. My name is Robert Berry, and I am the executive director here at CDIAC.

Before going any further, I'd like to express sincere gratitude to you all for joining us this morning for our webcast. We know how busy and preoccupied everyone is trying to maintain your operational continuity, communication with your teams, and all the while, providing the crucial financial management that underpins the health of the municipal market, the operation of vital infrastructure, and the delivery of essential services throughout our state. Thank you for being here and thank you for what you do every day.

When CDIAC pulled up the tent stakes on our in-person seminar programming amid the early stages of the COVID crisis, we surveyed many of our faculty members and other public finance experts from both the public and private sectors. We were trying to gauge where CDIAC could bring on some virtual programming to contribute to topics of priority to the public finance officials in California. Accurate and complete disclosure of information as to an issuer's financial condition in the face of unprecedented economic uncertainty was by far the number one topic, and judging by the number of you on this webcast this morning, we have some agreement. So while we do have the relative certainty of federal securities law as a guide, we recognize that there are a variety of disclosure approaches that vary based on the circumstances unique to each agency or municipality. So we encourage you to carefully consider today's discussion, examine the referenced resources, and in consultation with your trusted professionals, determine the appropriate disclosure path for your agency.

Slide 2 – Housekeeping

2:02

ROBERT BERRY: So before we get started with the program, I'd like to highlight a few housekeeping topics that are on the screen. While the presentation today is shaped as more of a discussion, not a lecture, the slides for today's presentation are available in .pdf form in the Handouts section of your webinar control panel. We encourage you to submit questions using the box marked Questions near the bottom of your control panel. Go ahead and submit questions at any time during the presentation, and we will take up those questions just prior to conclusion of the program. Access to live captioning is available during the program and there is an address on the screen for you to access live captioning. As far as a replay is concerned, we will send registrants a replay link and a transcript in a few days, early next week, and then it will also be posted to our website for later review. I know everyone has become a certified webinar expert in the last six weeks, but if you are having technical issues, try the toll-free number on the screen or the link to GoToWebinar.

So before I introduce our main presenters for today, I am pleased that we are joined by a special presenter this morning that is uniquely qualified to set the stage for our discussion today: California's chief issuer and investor, the chair of the California Debt and Investment Advisory Commission, and the 34th Treasurer of the State of California, Fiona Ma. Treasurer Ma.

Slide 4 – California State Treasurer Fiona Ma, CPA

3:36

CALIFORNIA STATE TREASURER FIONA MA: Thank you, Robert. I hope everyone is well and safe in this new normal we are all facing. California is home to the world's fifth largest economy, and our economy is among the most important in the world. The California treasury, for which I am responsible, manages cash receipts measuring in the trillions of dollars each year; provides oversight of the state's surplus money investment portfolio that closed last night with \$103 billion in invested funds, just over \$30 billion of which belongs to your agencies; and, we sell all debt securities offered by the State and our agencies, measuring in the tens of billions of dollars.

By executing my responsibilities well as an elected financial professional in California, my hope is to create tangible and lasting benefits for current and future generations of Californians, just as you seek to do in your agencies.

Events and actions by the Governor, the Legislature, and the people of California over the past ten years or so, including responsible spending decisions and a meaningful reserve policy, have produced significant budget surpluses while also eliminating the wall of debt incurred in the past great recession. As a consequence, the state's financial condition, including cash and liquidity position, as the State entered into the COVID-19 economic shock were very strong. But even the strongest resources will be tested in such a swift and dramatic change of economic fortunes as we have experienced in the last six to ten weeks.

Borrowing money in the public markets is accompanied by explicit promises to the investors who lend us money for critical public projects. Among those promises is one to promptly identify and disclose material events that affect our financial resources and the investors' confidence in our ability to repay those debts in full and on time. Borrowing money, just like investing, is a "trust" business. And good effective disclosure is the cornerstone of trust. Today, I believe that you will learn a lot from this duo of disclosure experts who are uniquely qualified to speak to the concerns

you may have in this critical time. Each is a trusted and effective partner to this agency and to my office.

I want to again thank you all for joining us here today. I believe that this is going to be a very useful and successful webinar based on how many of you have joined us here today. So again, be safe, stay well, and I'm going to turn it back to Robert to start off the official presentation. Thank you very much.

ROBERT BERRY: Thank you very much, Treasurer Ma.

Slide 5: COVID-19 Municipal Debt Resources 6:37

ROBERT BERRY: Okay. At CDIAC, we recognized early on in the crisis that the flow of important information coming into our email inboxes from our allied public finance organizations, rating agencies, market professionals was arriving at an incredible pace. So I asked our education team here at CDIAC to gather the public information, organize it, and keep it up-to-date with anything new so that you could know that you could come to CDIAC to find that article or webinar invite or replay that you mistakenly deleted or lost track of. The resources that will be discussed today, like the SEC Office of Municipal Securities Staff Legal Bulletin, are also included on this page. So I invite you all to take a look at it and give us your suggestions for additions or improvements.

Slide 6: Outline 7:30

ROBERT BERRY: Our presenters for today will be engaging in a discussion as I mentioned earlier and will be talking about considerations of COVID-19 disclosure content in a variety of circumstances and in the context of voluntary, primary, and continuing disclosure. We'd like to engage you in the conversation as well, so please send in your questions.

Slide 7: COVID-19 Related Disclosures in California 7:55

ROBERT BERRY: The MSRB is producing and updating weekly a special data pull of all COVID-19 related initial and continuing disclosures. The direct link to the specific MSRB page is on CDIAC's COVID-19 page that I just described under Data Resources. They provide the issuer, disclosure date, disclosure category and a very easy, direct link to the disclosure document itself.

And what you see on the screen is simply a data sort that we did quickly for the COVID-19 disclosures from California. Several interesting items from this data: the increase in COVID-19 disclosures, generally, from March to April as you might expect; the large number of COVID-19 disclosures under the two 15c2-12 annual financial information obligations that were made in March, when the crisis was in its early stages; and then, aside from the annual financial filings and rating change category, the other continuing disclosure categories of Other Financial/Operating Data and Other Event-Based Disclosures were the largest categories. What's important to notice is those two categories typically hold the voluntary disclosures that are made. So who is doing voluntary disclosures and what are they saying?

Slide 8: COVID-19 Voluntary Disclosure Data 9:26

ROBERT BERRY: This is data from Lumesis. This is a link also on CDIAC's COVID-19 page under the Data Resources section right next to the MSRB link. Lumesis pulls the MSRB data through three times a day and highlights all the voluntary disclosures that are made. They display the data by issuer, date of disclosure, category and also provide a direct link into the disclosure document. So I sorted through those from California. There is 50 total, more than half by conduits, really a function of the condition of their obligor in those cases, but 24 additional voluntary disclosures for a variety of issuers – large transportation authorities to cities, counties, both urban and rural.

So this is not a commentary about the value or the appropriateness of the voluntary disclosure or the approach used, but just that there are examples out there to be considered as you wrestle with disclosure issues.

Slide 9: Our Presenters

10:36

ROBERT BERRY: Now, let's move on to the feature presentation and allow me to introduce our speakers for today. First, we have Daniel Deaton. Dan is a partner in the Public Finance group of Nixon Peabody. He represents governmental agencies, nonprofit corporations, underwriters, and others as bond counsel, disclosure counsel, and underwriter's counsel in a wide variety of tax-exempt and taxable public finance transactions. Dan is frequent collaborator and presenter with CDIAC.

Joining Dan is Brooke Abola. Brooke is a deputy city attorney in the Office of the San Francisco City Attorney. She advises the San Francisco International Airport (SFO) on finance matters and matters relating to the Airport Museum. Before joining the SFO team, she was senior counsel at the Metropolitan Transportation Commission and was previously in private practice in public finance. Brooke is also frequent presenter and member of CDIAC's faculty.

So let me turn it over to Dan and Brooke.

DANIEL DEATON: Thank you, Robert. And our structure today is that – what Brooke and I are going to try to do, is have a conversation about what we think are the key sets of questions and key sets of issues that folks are dealing with out there. And I think that both Brooke and I have been sort of involved and have had in our own personal places that we are practicing, have to deal with these questions, and they're the ones that have been the hard ones, the difficult ones to think through, and the difficult ones to process through. And so what we've really structured through is just asking each other back and forth these issues that I think that we've dealt with but we think everybody is dealing with across the country. So let me just start out with the first question, and I'm going to ask it to Brooke and we will talk about it, is that, Brooke, why has it been so difficult for issuers to determine an appropriate approach and content for COVID-19 disclosure?

Slide 10: Why has it been so difficult for issuers to determine an appropriate approach and content for COVID-19 disclosure?

12:32

BROOKE ABOLA: Thanks, Dan. And before I speak to that, I just want to briefly mention that the views I express today are my own personal views and do not reflect any official perspective of the San Francisco City Attorney's Office or the airport – just me, Brooke Abola.

So the first thing I would say in response to this question, Dan, is that issuers are stretched really thin. We are talking about cities and counties. They are on the front lines. They are providing services and figuring out novel questions, responding to immediate needs of their constituents, integrating new information constantly, and making lots of difficult decisions. It is an all-hands-on-deck, 24/7 kind of emergency right now. And so issuers have been figuring out how to keep their employees safe, how to support their constituents, how to support an unprecedented amount of remote work in the workplace, and that's really been, appropriately, the primary focus. There also may not, you know, in the finance realm, there may not be an immediate need to develop disclosure. For a lot of issuers, their annual report was completed before February, no material event has occurred, and they're not going into the market, so there may not be an immediate push to say something that is required to be said to investors. And doing a voluntary notice feels risky because there is so much uncertainty.

The uncertainty is multifaceted. Yes, it's the question of the trends that might develop, but it's also a lack of necessarily control over how everything is going to play out. There are actions and decisions happening at the federal, state, and local level, all of which may impact a particular issuer's credit. And those often are not things that one might have seen coming a week ago, a month ago, or even a day ago. So that is a huge factor. Uncertainty about the economy. It's hard to assess. No one really knows how big the effect has been on the economy even in the second quarter, let alone thinking about kind of the larger residual impact on the economy for the rest of the calendar year. And issuers aren't really sure how individual behavior is going to change and evolve as shelter in place is eased and individual responsibility becomes the level of protection.

So for example, from my perspective at an airport, will people be getting on airplanes? And how much and how often? That's a huge factor. Other facets of economic behavior – will the supply chain be changing? Will flows of goods change? Will housing prices go down? What will happen to tourism this year, in future years? Will tourism come back? Will international travel rebound? And so there is also a lot of information that issuers are developing within organizations for internal purposes. They may be thinking about insurance claims. They may be thinking about emergency funding claims. They may be looking at responses to specific information requests and need to provide transparency to policy bodies, to the public.

And so information is being generated and developed but sometimes in a bit of an ad hoc fashion, and given the economic circumstances, in the background you have investors that are actually really hungry for information. They know that local municipal finances are being affected by this, and they want to understand if they are holding bonds, if they're buying bonds, if they're selling bonds, what information might be relevant to their decisions. So they realize that historical information is probably not very relevant, and there may just be silence coming from the issuer, so there is this disconnect between what investors may be looking for and what issuers feel that they have the bandwidth or ability to provide right now, Dan.

DANIEL DEATON: Yeah. Yeah. So and I think – and that's a great summary of it. And I think what I have personally just seen, and I've seen it in a lot of different places, is just three pressure points that are hitting consistently, just crushing uncertainty from all the reasons that you just described. This real pressure that is coming in from a lot of different fronts to push data out to... in a lot of different fronts, for a lot of different financial stakeholders, on a lot of different contexts, many of which are very different than what investors would be able to digest in that context, and then just an enormous amount of concern in the investment community as they are having to make

very difficult decisions as to what to hold, what to buy, what to sell. And that pressure is really being felt very heavily at the issuer level. It is probably the most challenging disclosure environment that any of us have encountered in our careers, I think.

BROOKE ABOLA: I would agree with that. These are absolutely unprecedented times, and it takes a lot of leadership and intentionality to move forward with any certainty right now.

DANIEL DEATON: Yeah.

BROOKE ABOLA: All right. Let's move on to the next slide.

Slide 11: Considerations for COVID-19 Disclosure Content

18:39

BROOKE ABOLA: We are going to think about now what factors issuers can consider when they're making decisions about the content of their COVID-19 disclosure. Dan, my question to you on this topic is, how can an issuer disclose to investors an impact that the issuer itself is probably still figuring out?

DANIEL DEATON: Yeah. I think we find ourselves in an environment where I think this has forced folks to have to think outside of the box, outside of the traditional sort of forms of disclosure that we have been providing in our marketplace for quite some time. And I think that in many instances, and not all but many instances, it really actually isn't possible to take what has been disclosed in the past or what has been the traditional, sort of, form of disclosure, populate that disclosure, and send it back out to investors because of the reasons that we describe. Uncertainties happening on multiple different levels, not just one. And a lot of that information is simply just not capable of being produced right now.

I think that what I have experienced is folks kind of falling into one extreme or the other extreme. And on one side of it, folks feeling as though they need to put out very detailed projections and forward-looking, sort of, pictures what's going to happen, which really just is not possible in today's environment. And then, I think that the bulk of people are really falling to the other extreme, which is in light of that uncertainty, really believing that there is not much that they can provide. So either providing nothing at all or providing a disclosure that is so generic that it doesn't actually provide investors anything new, any meaningful data, or any meaningful picture that allows them to understand how the credit on their bonds has shifted.

And so I do think that the key to disclosure in a COVID-19 environment is figuring out ways to sort of split the horns of those extremes and find those things that are capable of being disclosed. And we'll do the best job we can to provide examples where that's been very effective at being able to provide that kind of information. But I think that a lot of what I have experienced through this issue is there tends to be a lot of focus that is being brought on what people don't know about COVID-19. And there is so much that all of us don't know about how this is impacting the economy and everybody's lives and individual issuers and everything.

And I think that a lot of success in the area of finding that way to split the horns of those extremes is to start to focus on what we do know. What are the things that we actually concretely and tangibly know that is within us? And I have been surprised as we have shifted the conversation away from what we don't know to the things that we do know, the kinds of effective disclosures that have actually made their way out. Now, not the same form, not the same things that we have

disclosed before, but still very, very helpful for investors as investors are able to at least get a little bit of a glimpse of what reality inside of the issuer is looking like. And Brooke, I don't know if you had something to add to that?

BROOKE ABOLA: No, I mean, that makes a lot of sense, Dan, and it's pretty consistent with how, you know, we approach things over at the airport. You know, to think about, okay what is some data that we already have and that we might have, you know, a comparable data set, that we have this year's data we could compare to last year's data just to give a sense of scope of what's changing in terms of some of our metrics. And we really looked at that and were able to find, hey, we have data from TSA about how many passengers they screen. We have that from last year and we have that from this year, so it is not a perfect approximation because we have, you know, at the airport we certainly have people that never go through TSA because they get off one plane, and they go to a different gate and get on a different plane, but it gives you some read on passenger traffic, which is kind of a key metric for the airport credit.

And so the team was able to put together kind of a comparable data set and we can report on that weekly. And we have been doing that. And so it's not a complete disclosure but it is a key data point that we were able to quickly pull together, and like you said, sort of be in the middle between those two extremes.

DANIEL DEATON: Yeah. And one of the big themes that we'll talk about today and we'll raise it here, is that it sometimes isn't as obvious as when you think about it, but some of the best data and some of the best information that investors can receive, it's just that picture that management is experiencing and becomes the basis upon which management is going to have to make decisions. And that's really important for investors to understand because what management is oftentimes is deciding as they work through that crisis has a lot to do with the credit quality of bonds. So even just that set of picture that management is looking at.

As we'll work through this, we're going to make the point that as such, even regardless of how uncertain it is, whether it ends up being a correct way of looking at it, all of that is beside the point to a certain degree. What management sees – and what management thinks – matters, especially in a volatile environment like this. So Brooke, let's get concrete rather than speaking in abstract terms. What are some sort of concrete examples of – what are some things that can be disclosed in this highly uncertain environment that's meaningful for investors, but still represents responsible disclosure by an issuer?

BROOKE ABOLA: Absolutely. So as I think we've both been saying, I think just thinking about what is known and what can we say is true today. So thinking about available sources of data that might be leading indicators of financial performance – in a revenue credit, you might look at passenger levels, traffic levels, road traffic for a toll road, passenger counts on a transit system, taxable sales data if sales tax revenue is important. What data is available, and Dan, as you eluded to, even if it is not.... A lot of times, the definitive data that we report in our primary market disclosures or our audits, it can be laggy because it's reported and then it's digested and maybe it's audited. And so it can be we are reporting March data in May. And at a time like this, if possible, if there is a way to present preliminary data in a more real-time fashion, I think that is something to consider because that's going to give kind of a more accurate and timely picture, which is, of course, useful to investors.

Another category would be management decisions and actions that might matter to investors. There are all kinds of decisions being made in operationally and financially and in terms of key business relationships at various levels within organizations right now. And so just reporting what those decisions are; if appropriate, rationale or thought process or factors that went into decisions; as well as benefits or negative effects of those decisions that are expected or that were factored into the decision. So this might be cutting a certain percent of positions and saving a projected amount of money, allowing a group or class of tenants to defer rent or reduce rent. Things like that.

Known financial trends, of course, would be helpful – so assessed valuation is such, and so amount for property taxes and water sales have been unaffected, or they are down, depending on circumstances. Things like that. Known economic data that might represent a leading indicator of financial performance for the issuer. And again, you know your finances best to know what that would be, but maybe it's taxable sales, maybe it's unemployment rates. And then, as Dan also referenced, what are the financial scenarios that management is using as they are looking at making decisions, taking actions, planning for the future and, you know, that information can be a helpful snapshot. It's not the issuer saying this is what we think will happen in the future. It's the issuer saying this is the scenario that we're using to make our key decisions that we've described to you.

So those are some concrete examples, and I'm sure others can think of ones that are unique to their unique circumstances. I mean, this is really a situation where each credit is going to have a slightly different answer to this question.

DANIEL DEATON: Yeah. Remarkable thing of each of these five categories is they are actually things that are known. These are known things. They are not things that represent some prediction of the future, and even if it is a financial scenario that management is operating from, that is something that is known now. We do know that management is working from the scenario and making decisions. And I'll just add a couple things in that regard.

You know, oftentimes there is a recurring theme that oftentimes the actual revenue or net revenue impact of what's going on with respect to a particular credit can be very highly uncertain and highly unknown. But as Brooke mentioned, oftentimes, the underlying leading indicating operating data can be a very, very strong indication of the order of magnitude of what's actually happening with that revenue stream. So for example, it could be in a situation that a lot of transportation systems are experiencing right now, where it is really unclear what the revenues of the ridership system is going to look like. However, what is known is the operating data is being collated and does indicate what the overall level of ridership is within the system, and if it's fifty percent of average, well, there's not an ability to predict the actual revenue. Investors then have an order of magnitude of what they're kind of looking at and can make good decisions on that basis.

I think the other point about management decisions that I would just reference is, I think that we are all hearing terms maybe I didn't even know they existed. I had never heard of terms such as V-recovery, U-recovery, and L-recovery kinds of concepts. But one of the things that is really important for investors to understand, is that if management is believing, is making management decisions that will ultimately hit the bottom line and the credit quality of the bonds is effected by those management decisions. And management is making a decision they believe there's going to be a very quick and immediate rebounding impact as a result of COVID-19. That management approach can actually increase the overall risk to the bond holders because if that doesn't

materialize, it could actually make things worse later on. As opposed to if they're making a decision that's not such a quick rebounding kind of recovery. So that is a known fact. In other words, as management starts to develop – this is the approach we're looking at, this is what our projected revenues and expenditures are, this is what we believe is going to occur with respect to these credits – that then creates an overall risk profile that is known today and investors really know how they fit in the overall mix of that.

So I think what I like about this list and like about sort of thinking this process through, is that I think that issuers actually know a lot more than they probably realize that they know. And granted, they don't know enough to be able to provide traditional disclosures like have been provided in the past, but that doesn't mean that there isn't really valuable known information that cannot be provided.

BROOKE ABOLA: That's very true and very encouraging, I would say.

DANIEL DEATON: Yeah, I agree.

BROOKE ABOLA: So, I think next we go to a polling question that leads into our next topic, which is voluntary disclosures.

Slide 12: Polling Questions

32:27

BROOKE ABOLA: So we have two polling questions. We're going to take one at a time. So the first is: have you posted, or are you considering, a voluntary disclosure? So maybe we can go ahead and go into that one.

Polling Question Open for Responses

32:46

BROOKE ABOLA: So go ahead and answer. Have you posted, or are you considering a voluntary disclosure? You can select yes, under consideration, not currently considering, or if you are not an issuer, or you are not applicable. I'll just give a minute for those responses to come in.

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33:24

BROOKE ABOLA: All right. And our second polling question: what primary mode are you using to make a voluntary disclosure or are considering using, to make a voluntary disclosure? Maybe we can go into...if we're going to go into that one or see the results from the first one first.

Polling Question Results

33:52

BROOKE ABOLA: There we go. Okay, so here's the results. So, of our participants, we have eight percent that have already posted, 26 percent are under consideration, and 36 percent not currently considering, and about 30 percent chose not applicable. Dan, do you think that is pretty consistent with what you are seeing more broadly?

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34:17

DANIEL DEATON: Yes, I think there's a lot of people who are considering whatever it is they need to do, a lot who sort of really aren't interested in providing a voluntary disclosure given sort

of the environment we find ourselves in, and then, I think, there's sort of about that number that really made an effort to try to get out what they can get in the environment. So I think that's a pretty good lay of the land from what I see.

BROOKE ABOLA: Great. And, yeah, I know in the airport we just made a second voluntary disclosure last night on EMMA. We had made an initial, kind of less fulsome voluntary disclosure also on our investor relations page. So that takes us into our next polling question.

Polling Question Open for Responses 35:05

BROOKE ABOLA: Are you considering investor relations website, EMMA, a regular issuer website, another place to disseminate a voluntary disclosure, or is this not applicable for you? Take a moment please to respond to our second polling question.

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BROOKE ABOLA: All right. So the results are tabulating. And on this second question, we are going to say more about this a little bit later.

Polling Question Results 35:48

BROOKE ABOLA: Let's see. So we have the vast bulk going on EMMA if they are going, three percent looking at an investor relations website, six percent at a regular issuer website, two percent other venues, but fifty percent on EMMA, which is the vast bulk of people who answered something other than not applicable, it looks like. All right, so now I think we will go over to our slide.

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BROOKE ABOLA: We're going to talk a little about the factors an issuer would consider when deciding whether to disseminate a voluntary disclosure.

Slide 13: Voluntary Disclosures 36:24

BROOKE ABOLA: And Dan, I think the very first question that I would love if you could speak to is the legal framework against which a voluntary disclosure is going to be evaluated.

DANIEL DEATON: Yeah. And this gets in a little bit in terms of some of the legal structure of the federal securities laws, and let me just kind of very briefly provide an overview of what that looks like and kind of what that framework is for local issuers. Now, we know that under the federal anti-fraud laws, there is no general duty to update disclosure, and where an issuer has, I think as Brooke described at the outset of the presentation, is not in a market, is not preparing their annual continuing disclosure report and is just sort of in between that phase. The mere fact that they have bonds that are outstanding and the mere fact that they have provided disclosure in the past doesn't create an affirmative obligation to update that disclosure and to provide disclosure, and therefore, that's where the term voluntary disclosure has come in.

But I think there is two very important and sort of critical considerations that could make a voluntary disclosure a lot less voluntary. And I think that is really important for folks to understand.

Quite timely, the Office of Municipal Securities on February 7th, 2020, so just right before the COVID outbreak, did issue a Staff Legal Bulletin that really is right in the fairway of a lot of what folks are dealing with right now. And the overview of the Staff Legal Bulletin was to say that there is no general duty to update prior statements that an issuer has made. But it also is important to understand that statements that are reasonably expected to reach the investment community are still caught within the federal anti-fraud laws. And in our market, the City of Harrisburg action was the classic action where that was brought out, and the SEC actually provided a very helpful 21(a) report that even provided more explanation that was related to that. Both in the action of the City of Harrisburg as well as the SEC's Staff Legal Bulletin really emphasizes the following point, which is that number one, every statement that is reasonably expected to reach the investment community is tested under the federal anti-fraud laws.

However, the circumstances of those statements matter. And what that means is that if an issuer has taken the effort to provide a known channel to provide investors good quality information, then the other information that might be provided outside of that becomes the kind of information that is so conspicuously prepared for other purposes that a reasonable investor should not rely on those. And that has been the framework since 2013 that the SEC has provided, and the staff at the Office of Municipal Securities sort of reiterated that just as early as of February 7th of this year.

And I don't think that structure has ever been as applicable as it is under COVID-19. I think it is one of those environments that people have asked the question, should I disclose or not disclose? But as the SEC staff noted in the Staff Legal Bulletin, disclosure is happening already. It has been many, many constant – many recurring themes of this are issuers who are asking the question whether there should be disclosure. Well, there are actually a lot of already statements in the media and in other places where information about the financial condition of the issuers has already been provided.

And oftentimes, the information that is provided out to the marketplace can be provided in good faith for good faith purposes. However, they could be provided for different financial stakeholders that when viewed from the perspective of an investor, can actually be fairly misleading. You know, a couple of those examples that I have seen is, for example, a statement that can make it out to the media can say that we're projecting a revenue loss of 1, 2, and 3, when they are actually not projecting it at all. They may be budgeting that, or they may be assuming it for a scenario or planning purposes, but in truth, inside they don't know how much. And it could end up becoming down the road that there could end up being a very different financial impact, and if the facts came in that it was very different, somebody could look at statements as being misleading. So in that environment, a voluntary disclosure can become the way by which an issuer controls the narrative to investors, and in this environment, it is almost impossible to prevent a lot of this information flying out the gates. And the voluntary disclosure mechanism may be the one way that an [investor] can frame the statements, frame what they know, frame what they don't know and provide a pathway that tells investors, we've provided you this pathway to provide this information, but you go outside of that pathway at your own risk and reasonable investors should not.

The second consideration that I think from a legal perspective, and it's kind of I'd call it a quasi-legal consideration, is how SEC is going to approach this question. On April 8th, the chair of the SEC, Jay Clayton, as well as the head of corporate finance, for public companies and not in a municipal sector, but a fairly applicable statement to these issues in the sense that it wasn't provided for corporations to follow corporate rules, but there is really nothing within it that doesn't sort of

touch on the same issues and legal structures that municipal issuers are going to deal with. The SEC very strongly encouraged public companies in that instance to provide investors, but more importantly, provide the market with good data so that they can make these investment decisions. And actually, remarkably, one of the points that they get to at the very end is that they do reference the case law and other protections that exist in the federal securities laws for issuers who in good faith and make properly-framed forward-looking statements, there are good protections within the federal securities laws for that, and the SEC also stated they don't have an interest in second guessing those people in those regards. And I think what the sense from the public statement one gets is that I think the SEC is very concerned that everybody is going to be lulled into a paralysis of disclosure given the uncertainty, but at some point data is going to start coming out and I think the concern is that there are going to be these disclosures that are going to come out in a few months or at some stage, and it is going to become these shock disclosures that hit the market and can very substantially affect pricing of those securities within the marketplace. And I think what Clayton is focused on, is if issuers are able to iteratively provide what they know, the market can absorb that information without this sort of shock issue that sort of hits the market.

And I think the SEC is also, sort of, I believe making the point that they're paying very close attention to how issuers throughout the capital markets are engaging with investors and wanting to make sure that the integrity of the markets remain whole during this period. And so I think that from the SEC's perspective, if there are these shock disclosures that go out several months and then it turned out that there were actually statements all the way along through other means that were sort of not provided for investors, but that was the only thing that desperate investors could have gotten their hands on, it could create an environment of legal problems for even municipal issuers. And so they're really in the end of what the SEC and Clayton is trying to do, is really tilt the balance of things to say it's really in the issuers advantage to try to provide a steady diet of what it knows, responsible disclosure, frame it correctly, make sure that things aren't being communicated in a way that are not accurate or trying to bite off saying something that is certain but is not, but providing iterative disclosure to the market so that that could be digested in an appropriate way. So, Brooke, I think that that from my perspective is kind of the way that I approach the legal framework for voluntary disclosure.

BROOKE ABOLA: Yeah, and it's really instructive. I mean, I think it's strangely providential perhaps that the Staff Legal Bulletin came out when it did. And you know this idea of, you know, there being a paucity of relevant information resulting in a greater emphasis on statements made to the press or statements made in public meetings or things like that is happening in real time at issuers right now. And so looking to that guidance is very instructive.

DANIEL DEATON: That's great. Now, Brooke, let me just ask you – and I know that you have a lot of experience with this – what should issuer consider if an issuer decides to go forward with a voluntary disclosure?

BROOKE ABOLA: Yeah, so I think that a way to approach this is, first, as I was alluding to think about what already has been, or likely will be, communicated to the public or in a manner that, you know, you can sort of reasonably expect will reach the public through other means. This might be, kind of as I was just alluding to, this might be statements to the press, this might be statements in public meetings, this might be an internal report that is a public record that you are aware, you know, is being or has been provided in response to a public records request. This could include communications to subsectors of the public, like a key stakeholder group that's a stakeholder for

your organization, where, you know, statements being made to them are not expected to be treated as confidential and may be discussed with the press or reported publicly. So, looking at all of those categories and information first.

And then as we had kind of discussed already when thinking generally about disclosure, about COVID-19, is thinking about what does the issuer know, what are known facts today about the impact of COVID-19 that would be relevant to investors and help them make those informed investment decisions, and we went through several of those on the previous slide. And I just want to emphasize here that sometimes information that the issuer may think about including would be information of a type, that customarily, we might not update mid-fiscal year or of a type that we might not include in our annual report, you know, in terms of the updated material financial and operational information.

You know, so for example, as one example that you might see, it would be, I think, in a time when there is a concern about revenue coming in – so an impact on either a revenue credit because customer levels are down, an impact on a tax revenue backed debt where we if know that the basis for the revenue is down, like sales tax, sales are down, that type of thing – there is going to be in an especial interest in the issuer's liquidity and reserves because investors will worry, well, if the revenues are trickling rather than flowing, where will funds come from to pay debt service as it's coming due? And so where issuers typically might not provide updates to liquidity levels, this might be a topic that you look at discussing and you would want to put appropriate caveats around it if something is an approximate number, not a precise number, if it reflects a certain valuation of funds that are invested, that type of thing of course you want to put appropriate disclaimers or explanations around a number like that that you publish, but I think considering presenting that type of information would be appropriate, especially if it's going out in reports.

And I think the critical goal of this type of disclosure is really to give investors a full context and a full explanation of the basis that the numbers are derived from because what happens when these statements eke out into the press, a quote here, a number there, there is not the typical kind of disclosure context around that number that investor would see if they saw a number as one of many numbers of a discussion in an official statement or audit or an annual report. And so it's unclear the significance of the number, and it may be being given the wrong meaning or an undue weight. And so one of the benefits of a voluntary disclosure is the ability to place numbers in their appropriate context. So I wanted to emphasize that piece as well. And yeah, Dan, I think the other question du jour is what are the pros and cons? Should we only be posting on EMMA? Is the investor relations website an option? And sort of how do you kind of make that judgment call? What would you advise issuers to look at there?

DANIEL DEATON: Yeah, and let me just make a couple of real quick points in terms of what you had stated. I think on that question, one is just really encouraging folks to be aware of what is publicly available through newspapers, through board filings, through other things. Really important to be aware of that, and look at that information from an investor's perspective, and if the decision is, wait a minute, that really wasn't a realistic situation. We said that we're projecting something that we are really budgeting, or whatever is the case. It's really important to be aware of what is publicly available in any form from investors and make sure that if there is something off with that, really taking a serious consideration of voluntary disclosure.

The second point that I would make is the one that you had made, Brooke, as well is some of the most valuable disclosure that we have received investor feedback is: what's your burn rate and how much liquidity do you have? Do you as an issuer, are you burning through cash so quickly and do you believe you've reached an X point in the process where liquidity will run out? Those are the serious, serious focus points by investors right now. Obviously, the COVID-19 crisis is at its essence a liquidity crisis. Hopefully, we get back up and going, and that's all that ends up being, although that's probably not likely, bit of course, liquidity and cash and burn rate are really high focus points for investors at this point. So that's one of those things that investors really would like to know sooner rather than later if that burn rate is going to end up with a problem in the near future.

So on the question of EMMA or an investor relations, I will say very simply as the SEC and the Staff Legal Bulletin noted, there should be no reach difference that exists between posting something on EMMA or posting something on an investor relations website. It's important to keep in mind that the SEC's fair disclosure rule in the corporate sector that allows for these interim disclosures contemplates disclosures on company websites, so that's nothing new from the SEC's perspective. So there is nothing wrong with an issuer using its own website in order to disseminate disclosures, and there's good reasons for that. A lot of times, once it gets posted on EMMA, it can't be brought down, and it may be something in a couple years that the issuer wants to bring back down or wants to be able to deal with differently, so investor relations websites can be very valuable tools.

I think there's a couple of things to consider, however, about an investor relations website. For issuers who have long-standing investor websites, and investors know that it's there, know that the issuer has used those websites for a long time to provide interim disclosure, there is no reason why an investor relations website cannot be the vehicle to disclose interim disclosure to investors. Further, if there is any concern about that, then an issuer can simply post a notice on EMMA saying we're using our investor relations website to provide COVID-19 updates. And there really is no good reason why that's not a legitimate and capable way of using those.

The value to EMMA is twofold. I think that one good aspect of an EMMA disclosure is it really does push it out to all the CUSIPs. It's a push-it-out kind of disclosure. If investors have put in the CUSIP numbers and they're receiving updates and so on, it is more conspicuous and visible at some level within the investment community, and so it can be helpful in that regard. And it can also be helpful in terms of creating a public record of disclosure in a way that depending on the kind of websites being dealt with may not be as obvious. But with an investor relations websites that does a good job of saying we posted this down and this is what the date of it is, then that difference can be there. But I think at the end of day, it is an issuer decision. Who are your investors, how long has an investor relations website been used, and what's the best way to get the information to the investors while preserving, sort of, internal considerations that the issuer has. So, Brooke, I don't know if you have anything to add on that.

BROOKE ABOLA: I think that's a really good summary and, you know, addresses a wide variety of circumstances. You know, you certainly can't be faulted going to EMMA. Right, Dan?

DANIEL DEATON: No, but I think that, you know, there are times when EMMA disclosures, depending what is the nature of being disclosed, it could be a problem. For example, if you have a somewhat complicated document or complicated something that is really being provided because

institutional investors are asking for specific information that they are trying to do diligence, if it is pushed out to every CUSIP number, to a retail investor it could require explanation in order for retail investors not to get confused by that disclosure. That may not actually happen if it's actually posted in the right way on an investor relations website. So one of the downsides of EMMA [*is*] that [*it*] takes information that might not actually be narrative-based disclosure and it could be sent out to retail investors who might not actually know what to do with it. So in some instances, investor relations websites can actually be quite helpful in just providing raw data where EMMA is not as helpful sometimes.

BROOKE ABOLA: And in that circumstance, if you were trying to newly create an investor relations channel to allow for that differentiation, would you maybe want to start with an EMMA disclosure saying we are creating an investor relations page where you can look for information?

DANIEL DEATON: That's what I have recommended. If it something that's just brand new and investors have no reason to go there, it really suits everybody for the market as a whole to be aware of the existence of that website and not to turn out that somebody happened to stumble on it and get a whole bunch of data that everyone else wasn't aware of.

BROOKE ABOLA: Very helpful. Thank you.

DANIEL DEATON: So the next question, Brooke, is: should issuers consider a voluntary disclosure to end all voluntary disclosures, or should they consider sort of a stream or series or iterations of voluntary disclosures?

BROOKE ABOLA: I mean, I think the idea of the one voluntary disclosure to solve it all can really paralyze a team because we are standing on shifting ground. Things are changing minute to minute and the idea that, oh, we just wait until things settle out and can make a nice voluntary disclosure, well, we might be waiting until after the audit came out. So I think that it's important to, you know, if there is something important to say, that investors need to know, to kind of not hesitate to go ahead and put that information out in context along with all of the knowns that we have been talking about. Knowing that, you know, as circumstances change and evolve and new material developments occur, there may need to be further updates. And I think for issuer and for the finance clients that we advise, Dan, I think this has lots of benefits because it creates this really strong communication line between the issuer and investors. The investors feel like they can count on updates coming when appropriate. And hopefully, this prevents the investors from giving too much weight or setting too much store, and statements that may be being made out of context or outside of the, kind of, defined communication channels of EMMA and/or an investor relations page, where at least the fact that regular communications are coming in the form of these disclosures could let investors have a context in which to interpret the one-off information that they need, that may be showing up elsewhere.

Now, just making one statement is okay. There is no duty to update any particular statement once it has been made under the federal anti-fraud laws. And we certainly do advise a disclaimer, you know, saying we are not taking on any obligation to update the information we are providing as a best practice when an issuer is making a voluntary disclosure. But I think the reality would be that this is going to be kind of an ongoing workstream to sort of take a step back. Is it time to say something to investors? What are we ready to say? Put that together and release it. Certainly not saying this should be a daily or even a weekly thing but, you know, thinking about it, you know,

frequently going forward is probably a good approach. At the airport, we did look at, I mentioned, the TSA passenger screening counts. So we looked at sort of creating a quick and systematic way to make those weekly data updates available for our investor relations page, but we've also done a couple of longer narrative disclosures as well. And I think that creates a good balance of timely and frequent information, as well as more substantive or in-depth discussion.

DANIEL DEATON: Yeah, and I think what the airport did was a great, great model. As the COVID-19 outbreak occurred, you know, not being sort of able to control reality, the airport didn't know what was happening with passenger traffic, whether airlines would survive. What you did know was, we've got this amount of passenger traffic for X month, and every week, we have this much throughput at TSA. This is what we know, and that was sort of like able to be provided. We know this, and we don't know anything else, but we do know this. And then as the airport sort of went down through that process and started to sort of bite off more of understanding of the larger picture of maybe what it would do or how it would handle things, the airport started to think about more iterations in those disclosures, and so thinking about the disclosure of COVID-19 impact and its iterations and as a series of it for everybody that has done it makes it way easier. And I think that what I have heard from various investors is they just simply want to know that the issuer is going to keep an open dialogue, and so it also communicates to investors, we know you, we see you and we are providing you what we know and will keep a dialogue of what we have going on. So that is what I think.

BROOKE ABOLA: That's very true. So I think we are ready to go on to the next slide. We are going to move from voluntary disclosures to primary offering disclosure.

Slide 14: Polling Question Skipped

Slide 15: Primary Offering Disclosure

1:03:22

BROOKE ABOLA: And Dan, I was hoping you could just speak to, you know, how is primary offering disclosure different from voluntary disclosure that is really going to the secondary market?

DANIEL DEATON: Yeah, and I'm going to say this just very quickly. Obviously, we are starting to get a little bit late in the webinar, and so the real point of the difference between primary offering and voluntary disclosure is that a primary offering purports to be a description of the full financial and operating condition of whatever credit is being sold. And so whatever is being said about COVID-19 needs to be put in place with all of the other disclosures that is contained within the offering document. And I think that the other major point is to understand that for voluntary disclosures or pure secondary market disclosures in municipal securities market, it should be that just the higher scienter knowledge of wrongdoing standard applies to those disclosures. The primary offering is the negligence standard that the SEC has used in multiple actions applies to those statements. I think for primary offering it just imposes a higher responsibility of understanding how COVID-19 disclosure fits with the rest of the disclosure and making sure there is a lot of very careful process that is brought to bear on it.

BROOKE ABOLA: Makes sense, yeah. It's really a whole different kettle fish, and you also might have a much broader working group, you know, leaning in and assisting and thinking about how it all fits into the bigger picture as well, so that is a difference as well.

DANIEL DEATON: Yeah. And as we work through this, Brooke, what should issuers consider if they actually include in their offering document projections of future financial performance?

BROOKE ABOLA: Yeah, so as we have been saying this is a state of play where historical information may not be as relevant. I mean, it's still important information to provide, but it may not feel as timely or relevant in these new and uncertain times. And so issuers may consider putting projections in primary disclosure or voluntary disclosure, I suppose, and you always want to accompany projections with underlying assumptions so that investors can evaluate the basis that the projections are made from. So in the first instance, just giving careful thought and attention to what the assumptions are that are going into any forward-looking numbers, whether they're projections or just, you know, the scenario that management is looking to make decisions off of. And then you want to think about whether they need to be updated to reflect a current state of affairs.

For example, if there is a key revenue source that you know has been significantly reduced, does the baseline number for the projections for the month of March or April reflect that reduction and you work from there? Are you, kind of, folding that type of information in? And the goal there is really to have narrative disclosure about COVID-19 and what's happening kind of sync up and make sense when read side by side with the assumptions that are described to factoring into your forward-looking numbers. And then, Dan, I know you work with a broad variety of issuers, so that was kind of my perspective, but what other thoughts do you have about projections of other counsel for issuers wrestling with this notion of including projections in disclosure at this time?

DANIEL DEATON: Yeah, and I think really important to understand is that the securities laws provide enormous protection for folks who make forward-looking statements. There is a lot of case law on it. The case law doctrine is referred to as the caution doctrine, and in essence it states that when folks are clear about the nature of what they are presenting, they give folks a reasonable view into the assumptions that are being provided, that the mere fact that those projections don't materialize doesn't mean that there is a misstatement that exists within the document. But what that does mean is that it's very important for issuers to think about what is this forward-looking information that they're providing? And the important thing is to make sure that if what is being provided is not an actual projection based off of an economic baseline, and instead it is really just a scenario or that mathematical model that an issuer is working from, that everything is correctly framed so that folks understand the nature of what they're reading because that's where issuers ultimately get protected.

And so there are situations where folks are able to provide projections just like they always have. The reason for that is because they have operating data and financial data that substantiates that they do have a baseline of what they are working from, notwithstanding all of the uncertainties. In many other situations, they literally don't have an economic baseline and historical information is really not very helpful. And in those situations, there is a lot of cautionary language, not boilerplate language, but actually very specific language by the issuer that informs investors what they are looking at. So, that's helpful.

BROOKE ABOLA: Right. Investors may or may not agree with management but at least they understand how management is thinking.

DANIEL DEATON: That's right, and it gives them an understanding of that's how management sees it, which itself is helpful because a lot of times they might not know. They want to know what management sees, but it also informs them what decisions management's going to be making and gives them ability to evaluate how to look at that. Okay, Brooke, last question on primary offerings, a big issue that's coming up and it's occurring quite a bit. How should issuers address the concern that the POS will speak as of its date but massive developments are happening all the time on COVID-19, and those could happen between the date of the POS and then between pricing and closing, where a big bomb could drop right after closing. How should they handle that?

BROOKE ABOLA: This is just a real tough one, and it's a constant state of being right now that new information is coming out, and a lot of it's bad news. So the first key thing to remember is that federal anti-fraud laws are tested at the time of pricing so issuers should be especially careful right now to think about the state of the disclosure at the time of pricing. Have material events occurred since the printing of the POS? Maybe you want to build into financing schedule, you know, a checkpoint and a plan to even have a supplement going if you think you need to supplement the POS prior to pricing. The other thing I would say is if you think there is going to be something big between pricing and closing, there is of course an obligation to update investors. There's an underwriting period after closing as well for material developments. It's probably good to consider what can be said about the things you anticipate and can you give a hint as to the nature of the news that's coming out even if there is not 100% confidence yet maybe in numerical aspects of it so that when that news comes out, it was something that was disclosed to investors to the extent it could be at time of pricing. Dan, do you have other thoughts on that one or other suggestions for how to navigate that well?

DANIEL DEATON: Yeah. I think at the end of the day if there are known updates, known developments that are going to happen through the course, you know, trying to do the best that folks can to let investors know that those things are going to be coming out so they're not surprised. Obviously, people can't predict the future. If there's things that happen outside of the control of things, everybody understands that that's the nature, but I think to your point, Brooke, the really critical legal point is that we tend not to have to worry in our industry about changes that occur between the printing of a POS and pricing. There doesn't tend to be much about our credits that develop. But boy, this environment is different. And one of the things to keep in mind that pricing in other markets, oftentimes there is an evaluation five minutes before pricing to make sure nothing has changed because it can be so dynamic in how things are moving along and changing. We're kind of in that mode. So really developing good procedures so that the day before, day of pricing there is just a bring down thoughtfulness about is this picture still the whole picture is a really critical legal point to be focused on in this environment, where usually we always theoretically understood that. Now, it is actually very practically important to do that.

BROOKE ABOLA: Yeah. That makes sense. All right. We have one more slide to present, and I know we're running long.

Slide 16: Continuing Disclosure

1:13:09

BROOKE ABOLA: We want to leave a little time for questions, so this is our lightning round, Dan. We have this a lot.

DANIEL DEATON: Yeah, we're in a lightning round. Exactly.

BROOKE ABOLA: Continuing disclosure. If an issuer is amending financial obligations because of COVID-related matters, is there a listed event notice required?

DANIEL DEATON: Yeah, and just the key deal here because we're in lightning round is folks are making these new events that were put under 15c2-12 and are financial obligations, and it is just important to keep in mind that folks are making amendments to financial obligations. Amendments that are made to financial obligations that are material amendments are going to trigger a (15) notice, even if the financial obligation was imposed before the rules went into effect. But really critical, if there is an amendment to a financial obligation such as an extension of a principal payment or something being done because of financial difficulties internal to the issuer, that's a (16) notice even if there is no default, no acceleration, the amendment of the financial obligation as a result of those financial difficulties could trigger a (16). And there have already been situations where was for me personally wildly counterintuitive that a (16) notice would have been required, but when we looked at it in isolation, it was clear that it was. So for folks to be aware of, if amendments are being made to bank loans or to letters of credit or extensions or what is being done, there needs to be an evaluation of whether a (15) or (16) event is required and which of the two, given the environment. And then, Brooke, real quickly, obviously the rating agencies are doing all sorts of stuff with respect to ratings in this environment, does an issuer have an obligation to file a listed event notice if more than one or more rating agencies changes ratings or their outlook?

BROOKE ABOLA: Right. So the SEC in the 2010 interpretive release made it clear that outlook changes are not rating changes for purposes of defining a material event about rating changes. So it's not required for an outlook change. A rating change does need to be reported as a material event. And if there is an outlook change, it does make sense to consider whether to include that as a voluntary disclosure standalone or in a broader disclosure. And I just wanted to mention there are other listed events that may come into play as financial challenges continue, depending on circumstances. It's probably a good practice to just refresh yourself on this of material events more generally and just have those in the back of your mind as you move forward and navigate the choppy waters we're in.

DANIEL DEATON: Very good. Robert, I think that is that.

Slide 17: Question and Answer Session

1:16:14

ROBERT BERRY: Okay. Well, I guess we will go to a few of the questions that have come in. Most of the questions relate to voluntary disclosure, really based on preliminary data. The perceived need by the participants today and the practical reality of needing to update those voluntary disclosures. I think you covered a lot of that in your presentation, but I believe there is one participant that is particularly thinking about a voluntary disclosure and the timing of that. Her question is, generally, do you think issuers should consider doing voluntary disclosure after budgets are adopted in June since their financial condition has changed so significantly since their last annual continuing disclosure? So a specific question relative to timing of a voluntary disclosure.

DANIEL DEATON: Yeah, I think that goes right to the point, and I think what absolutely should be done is when there is an adopted budget, and maybe even at the proposed budget stage, there is likely to be extensive amount of information that investors will be able to access. And in the

absence of a voluntary disclosure, one could argue that investors could reasonably rely on whatever those public statements are. And oftentimes, budgets are prepared for very different financial stakeholders, and budgets can include assumptions on revenues and expenditures that really don't represent what an investment market would consider a projection of revenues and expenditures. Sometimes, they can include actually just numbers that are put in there in order to effectively meet the requirement of having an adopted budget. And so one thing that sort of goes to the heart of the matter is that issuers need to think very carefully about what is the information that is going out and is available to investors. And if all investors are going to get from the time of the last annual continuing disclosure undertaking is an extensive adopted budget that really doesn't speak to investors, it may be very important to provide a voluntary disclosure so that investors are able to understand from their [*the issuer's*] perspective how all this has changed. Brooke, I don't know if you have anything to add to that?

BROOKE ABOLA: No. I mean, I think if you were looking at, Dan, part of where I heard you going with your counsel there is maybe think about doing voluntary disclosure while the budget is in development even to give some context around the numbers and the bottom line. And I think, you know, that would be particularly relevant if you know that you're sort of doing some kind of calculus to feed numbers into the budget or looking at some kind of scenarios that lead to the numbers that are being presented in the budget. Those are kind of examples of those, you know, management scenarios and points that, again, investors certainly would appreciate a broader understanding of as they evaluate the issuer's credit.

DANIEL DEATON: Yeah, there's a proposed budget that's out there and is available to investors, and that proposed budget was put together really with the objective of trying to get a balanced budget by an appropriate deadline, but really, the issuer did that for budgetary purposes and really was not really trying to hold themselves out as actually projecting what could be largely passive revenue streams. Doing a voluntary disclosure could be quite important to frame the circumstances of those statements and allow investors to understand what they're actually reading when they look at that information.

BROOKE ABOLA: I think the question also was, Dan, is a voluntary disclosure needed after the adoption of a budget? And I think that would definitely be something to consider, especially if the policymakers made important decisions in the budgeting process that might have operational or financial impacts on the credit.

DANIEL DEATON: Yeah, absolutely, and that's where the concept of iterative disclosure can be extremely helpful.

ROBERT BERRY: Okay. Well, we are over our time. There are a couple of questions that came in late. We will try to follow up with folks after the program. Before you go, I think we will go to the next slide there.

Slide 18: Connect with CDIAC

1:21:30

ROBERT BERRY: There we go. So before you go, please stay in contact with CDIAC. We will be producing some new COVID-related webinars that we'll be announcing soon. Your ideas are also welcome, so please let us know. In closing, on behalf of CDIAC, I would like to thank Treasurer Ma for joining us, and of course, our presenters Dan Deaton and Brooke Abola for their

dedication of time and expertise to this program and to the California public finance community. A big thank you to our CDIAC education team, Karen McMillen, Angela Ayala, and Sandra Kent for their hard work in producing this webinar. And, of course, thank you to all of you for joining us this morning. We look forward to you joining us for future programming. So long and have a great day.

DANIEL DEATON: Thank you.

BROOKE ABOLA: Thank you.