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JULY 2012

SIFMA Model Underwriter Disclosures Pursuant to MSRB Rule G-17

[Letterhead of Underwriter/Senior Managing Underwriter] **[Comment 1]**

[Date] **[Comment 2]**

[Name of Issuer] **[Comment 3]**
Address
City, State, Zip Code

Attn: [Name of Authorized Issuer Official] **[Comment 4]**

Re: Disclosures by Underwriter/Senior Managing Underwriter
Pursuant to MSRB Rule G-17
[Name or Short Description of Proposed Bond Issue]

Dear [Name of Authorized Issuer Official]:

We are writing to provide you, as [_____] of [Name of Issuer] (Issuer), with certain disclosures relating to the captioned bond issue (Bonds), as required by the Municipal Securities Rulemaking Board (MSRB) Rule G-17 as set forth in MSRB Notice 2012-25 (May 7, 2012)[1].

OPTION 1: [Name of Firm] [intends/proposes] to serve as an underwriter, and not as a financial advisor or municipal advisor, in connection with the issuance of the Bonds.

OPTION 2: The Issuer has engaged [Name of Firm] to serve as an underwriter, and not as a financial advisor or municipal advisor, in connection with the issuance of the Bonds.

As part of our services as underwriter/senior managing underwriter, [Name of Firm] may provide advice concerning the structure, timing, terms, and other similar matters concerning the issuance of the Bonds. [As senior managing underwriter, we are providing this letter on behalf of the underwriters that are members of the underwriting syndicate for the Bonds. You also may receive additional separate disclosure letters pursuant to Rule G-17 from one or more co-managing underwriters for the Bonds.]

IF A CONDUIT ISSUE, ADD THE FOLLOWING (MODIFY AS NECESSARY TO REFLECT THE TERMS OF THE TRANSACTION): [As the issuer of the Bonds, you will be a party to the bond purchase agreement and certain other legal documents to be entered into in connection with the issuance of the Bonds, but the material financial risks described in this letter will be borne by the

[1] Interpretive Notice Concerning the Application of MSRB Rule G-17 to Underwriters of Municipal Securities (effective August 2, 2012).

obligor, as set forth in those legal documents. A copy of this letter is also being sent to the obligor.]

I. Disclosures Concerning the Underwriters' Role:

(i) MSRB Rule G-17 requires an underwriter to deal fairly at all times with both municipal issuers and investors.

(ii) The underwriters' primary role is to purchase the Bonds with a view to distribution in an arm's-length commercial transaction with the Issuer. The underwriters have financial and other interests that differ from those of the Issuer.

(iii) Unlike a municipal advisor, the underwriters do not have a fiduciary duty to the Issuer under the federal securities laws and are, therefore, not required by federal law to act in the best interests of the Issuer without regard to their own financial or other interests.

(iv) The underwriters have a duty to purchase the Bonds from the Issuer at a fair and reasonable price, but must balance that duty with their duty to sell the Bonds to investors at prices that are fair and reasonable.

(v) The underwriters will review the official statement for the Bonds in accordance with, and as part of, their respective responsibilities to investors under the federal securities laws, as applied to the facts and circumstances of this transaction[2].

II. Disclosures Concerning the Underwriters' Compensation: **[Comment 5]**

The underwriters will be compensated by a fee and/or an underwriting discount that will be set forth in the bond purchase agreement to be negotiated and entered into in connection with the issuance of the Bonds. Payment or receipt of the underwriting fee or discount will be contingent on the closing of the transaction and the amount of the fee or discount may be based, in whole or in part, on a percentage of the principal amount of the Bonds. While this form of compensation is customary in the municipal securities market, it presents a conflict of interest since the underwriters may have an incentive to recommend to the Issuer a transaction that is unnecessary or to recommend that the size of the transaction be larger than is necessary.

III. Additional Conflicts Disclosures: **[Comment 6]**

OPTION 1: [[The underwriter] has not identified any additional potential or actual material conflicts that require disclosure.]

OPTION 2: [[The underwriter] has identified the following additional potential or actual material conflicts: **[Comment 7]**

[2] Under federal securities law, an issuer of securities has the primary responsibility for disclosure to investors. The review of the official statement by the underwriters is solely for purposes of satisfying the underwriters' obligations under the federal securities laws and such review should not be construed by an issuer as a guarantee of the accuracy or completeness of the information in the official statement.

- Conflicts of Interest/Payments to or from Third Parties
    - [Distribution agreements: [The underwriter] has entered into a separate agreement with [distributor] that enables [distributor] to distribute certain new issue municipal securities underwritten by or allocated to [the underwriter], which could include the Bonds. Under that agreement, [the underwriter] will share with [distributor] a portion of the fee or commission paid to [the underwriter].]
    - [Disclosure of payments, values, or credits received by the underwriter in connection with its underwriting of the Bonds from parties other than the Issuer that relate directly or indirectly to collateral transactions integrally related to the Bonds, i.e. such as an affiliate providing a letter of credit or standby bond purchase agreement, or acting as trustee, serving as remarketing agent, swap counterparty, escrow bidding agent, or GIC bidding agent: Affiliates of the underwriter may serve in separate capacities in connection with the issuance of the Bonds, including serving as [_____]. The affiliated entity will be separately compensated for serving in that capacity. [The underwriter] expects to receive a payment, value, or credit from its affiliated swap dealer affiliate if the Issuer decides to enter into an interest rate swap on the Bonds.] **[Comment 8]**

- Conflicts of Interest/Profit-Sharing with Investors
    - [Describe any such relationship, if applicable.]

- Conflicts of Interest/Credit Default Swaps **[Comment 9]**
    - [[The underwriter] engages in the issuance or purchase of credit default swaps (CDS) for which the reference is the Issuer or an obligation of the Issuer. This potentially can represent a conflict of interest, in that trading in CDS may affect the pricing of the underlying reference obligations, as well as the pricing of other obligations (such as the Bonds) brought to market by the Issuer.]

- Other Conflicts of Interest Disclosure
    - [Employee of underwriter/affiliate on governing body of Issuer or of obligor, if any]
    - [Director/trustee/employee of obligor on board of directors of underwriter/affiliate]
    - [Employee of underwriter/affiliate related to senior Issuer official]
    - [Bank affiliate of underwriter to receive swap termination payment, loan repayment, or redemption of bank bonds]
    - [Underwriter [may/intends to] place Bonds in the underwriter's or an affiliate's tender option bond program to be held for the account of the underwriter or the affiliate]
    - [Underwriter/affiliate holds a loan or securities (in a material amount) of Issuer outside the ordinary course of business, including, for example, a distressed loan or securities that are not trading and that may be/will be refunded by the transaction]
    - [Underwriter representing multiple issuers/obligors on same project]
    - [For a LIBOR-based transaction, underwriter/affiliate is a reference bank for purposes of setting LIBOR]
    - [Any other relevant conflicts or potential conflicts]

[IV. Disclosures Concerning Complex Municipal Securities Financing: **[Comment 10]**

OPTION 1: [Since [the underwriter] has recommended to the Issuer a financing structure that may be a "complex municipal securities financing" for purposes of MSRB Rule G-17, attached is a description of the material financial characteristics of that financing structure as well as the

material financial risks of the financing that are known to us and reasonably foreseeable at this time.]

OPTION 2: [Since [the underwriter] has not recommended a "complex municipal securities financing" to the Issuer, additional disclosures regarding the financing structure for the Bonds are not required under MSRB Rule G-17.]

OPTION 3: [In accordance with the requirements of MSRB Rule G-17, if [the underwriter] recommends a "complex municipal securities financing" to the Issuer, this letter will be supplemented to provide disclosure of the material financial characteristics of that financing structure as well as the material financial risks of the financing that are known to us and reasonably foreseeable at that time.]

If you or any other Issuer officials have any questions or concerns about these disclosures, please make those questions or concerns known immediately to the undersigned. In addition, you should consult with the Issuer's own financial and/or municipal, legal, accounting, tax and other advisors, as applicable, to the extent you deem appropriate.

It is our understanding that you have the authority to bind the Issuer by contract with us, and that you are not a party to any conflict of interest relating to the subject transaction. If our understanding is incorrect, please notify the undersigned immediately.

We are required to seek your acknowledgement that you have received this letter. Accordingly, please send me an email to that effect, or sign and return the enclosed copy of this letter to me at the address set forth [above/below]. Depending on the structure of the transaction that the Issuer decides to pursue, or if additional potential or actual material conflicts are identified, we may be required to send you additional disclosures regarding the material financial characteristics and risks of such transaction and/or describing those conflicts. At that time, we also will seek your acknowledgement of receipt of any such additional disclosures.

We look forward to working with you and the Issuer [and the obligor] in connection with the issuance of the Bonds. Thank you.

Sincerely,

_____
[Senior Manager or Co-Manager with Conflict]

Acknowledgement:

_____
[Name of Authorized Issuer Official]

Date: _____

CC **[Comment 11]**: [Obligor/Municipal Guarantor]
[Co-managers/Lead Manager]
[Bond Counsel]
[Financial Advisor]
[Underwriters' Counsel]

The following comments are included for the convenience of the drafter. All comments should be deleted from the actual letter.

[Comment 1] If there is no underwriting syndicate relating to the Bonds, references in this letter to "Senior Managing Underwriter" should be deleted and references to "underwriters" should be changed to the singular. Co-managing underwriters are reminded that they may be required to send a separate disclosure letter to the Issuer in certain circumstances. See Comments 6 and 7 below.

[Comment 2] The disclosure pursuant to MSRB Rule G-17 concerning the arm's-length nature of the underwriter-issuer relationship must be made in the earliest stages of the underwriter's relationship with the Issuer with respect to an issue (*e.g.*, in a response to a request for proposals or in promotional materials provided to the Issuer).

Similarly, pursuant to MSRB Rule G-23, a dealer that clearly identifies itself in writing as an underwriter and not as a financial advisor from the earliest stages of its relationship with the Issuer with respect to that issue (*e.g.*, in a response to a request for proposals or in promotional materials provided to the Issuer) will be considered to be "acting as an underwriter" under Rule G-23(b) with respect to that issue. The writing must make clear that the primary role of an underwriter is to purchase, or arrange for the placement of, securities in an arm's-length commercial transaction between the Issuer and the underwriter and that the underwriter has financial and other interests that differ from those of the Issuer.

The provision of the disclosures required by Rule G-17 would also satisfy comparable disclosure requirements under Rule G-23 and, depending on timing and circumstances, may be provided in lieu of a separate letter under Rule G-23.

[Comment 3] It is important to note that neither Rule G-17 nor Rule G-23 generally cover conduit obligors. For conduit issues, the disclosures should be sent to the Issuer once it has been identified.

[Comment 4] All of the disclosures must be made in writing to an official of the Issuer that the underwriter reasonably believes has the authority to bind the Issuer by contract with the underwriter and that, to the knowledge of the underwriter, is not a party to a disclosed conflict.

[Comment 5] Disclosure concerning the underwriters' compensation generally must be made when the underwriters are engaged to perform underwriting services, such as in an engagement letter rather than in a bond purchase agreement.

[Comment 6] Conflicts disclosure must be made when an underwriter is engaged to perform underwriting services, such as in an engagement letter. With regard to conflicts discovered or arising after the underwriter has been engaged (for example, conflicts that may not be present until an underwriter has recommended a particular financing), the disclosure must be provided in sufficient time before the

execution of a contract with the underwriter to allow the Issuer official to evaluate the recommendation.

Conflicts disclosure must be made by the particular underwriter/syndicate member subject to such conflicts. Conflicts disclosure by the senior managing underwriter is not intended to address separate conflicts disclosures from a co-managing underwriter that may be necessary. A co-managing underwriter should consider whether to send its own Rule G-17 conflicts disclosure letter at the time of its appointment by the Issuer, identifying any applicable potential or actual material conflicts. In the event that a co-managing underwriter determines that no potential or actual material conflicts exist, it should maintain appropriate records to substantiate that determination. Although not required to do so, a co-managing underwriter may choose to send the Issuer a Rule G-17 conflicts disclosure letter even if no potential or actual material conflicts are identified.

The situations listed in this letter are meant to trigger a discussion of potential conflicts and are not exhaustive. Conflicts disclosure may need to be updated if additional conflicts arise.

[Comment 7] Each underwriter should separately review the potential or actual material conflicts identified in Option 2 to determine whether any are applicable and require separate disclosure by that underwriter. Inapplicable items should be deleted.

[Comment 8] The underwriter is not required to disclose the amount of any such third-party payments. The third-party payments to which the disclosure requirement would apply are those that give rise to actual or potential conflicts of interest and typically would not apply to third-party arrangements for products and services of the type that are routinely entered into in the normal course of business, so long as any specific routine arrangement does not give rise to an actual or potential conflict of interest.

[Comment 9] Include a description of the underwriter's CDS activity generally only if the underwriter is engaging in such activities that are applicable to the Issuer. Activities with regard to CDS based on baskets or indexes of municipal issuers that include the Issuer or its obligation(s) need not be disclosed, unless the Issuer or its obligation(s) represents more than 2% of the total notional amount of the CDS or the underwriter otherwise caused the Issuer or its obligation(s) to be included in the basket or index.

[Comment 10] If an underwriter in a negotiated offering recommends a complex municipal securities financing to the Issuer, it must make particularized disclosures as to the material financial characteristics of the complex municipal securities financing, as well as the material financial risks of the financing that are known to the underwriter and reasonably foreseeable at the time of the disclosure. In addition, as described in Section III of this letter, the underwriter also must disclose any incentives for the underwriter to recommend the financing and other associated conflicts of interest. The disclosures referred to in this paragraph are not required if the underwriter has not recommended the complex municipal securities financing to the Issuer. The level of disclosure required may vary

according to the Issuer's knowledge or experience with the proposed financing structure or similar structures, capability of evaluating the risks of the recommended financing and financial ability to bear the risks of the recommended financing, in each case based on the reasonable belief of the underwriter. The disclosures must be made in writing to an official of the Issuer whom the underwriter reasonably believes has the authority to bind the Issuer by contract with the underwriter (i) in sufficient time before the execution of a contract with the underwriter to allow the official to evaluate the recommendation and (ii) in a manner designed to make clear to such official the subject matter of such disclosures and their implications for the Issuer. The disclosures concerning a complex municipal securities financing must address the specific elements of the financing, rather than being general in nature. If the underwriter does not reasonably believe that the official to whom the disclosures are addressed is capable of independently evaluating the disclosures, the underwriter must make additional efforts reasonably designed to inform the official or its employees or agent.

General descriptions of certain complex municipal securities financing structures and the related risks are attached hereto. The disclosures should be tailored to the unique features and risks of the specific financing. The level of disclosure may be re-evaluated over time as the Issuer gains experience with a complex financing over the course of multiple new issues utilizing that structure or as the Issuer undergoes personnel changes with new employees with differing levels of expertise.

Although the attached descriptions include disclosure regarding fixed rate bonds, absent unusual circumstances or features, the typical fixed rate bond offering is not viewed as a complex municipal securities financing for which disclosure is required under Rule G-17. Nevertheless, the underwriter may choose to provide disclosures to the Issuer on the material aspects of a fixed rate bond structure that it recommends, particularly if the underwriter reasonably believes that the Issuer's personnel lack knowledge or experience with such structure.

[Comment 11] Although MSRB Rule G-17 generally does not cover conduit obligors, the underwriter should consider sending a copy of its disclosure letter to an appropriate official of the obligor and to any other party who will be financially obligated with respect to the payment of the Bonds. In addition, the senior managing underwriter should consider sending a copy of its letter to any co-managing underwriters, including those who may be appointed at a later date, and a co-managing underwriter sending the Issuer a separate disclosure letter should consider sending a copy of its letter to the senior managing underwriter.