SIFMA Model Risk Disclosures Pursuant to MSRB Rule G-17

(as of February 2, 2021)

**Exchange Offers**

[BACKGROUND INFORMATION – DELETE BEFORE SENDING: the following model disclosure relating to exchange offers is intended to be used as part of the underwriter’s disclosure of the material financial characteristics and risks of a complex municipal securities financing that includes an exchange offer, as required by MSRB Rule G-17. This disclosure may be provided separately or added to any complex municipal securities financing disclosure that is otherwise being provided to the issuer in connection with the transaction. DELETE ANY DRAFTER’S NOTES/FOOTNOTES BEFORE SENDING.]

The following is a general description of the financial characteristics of the proposed exchange offer for the outstanding [DESCRIBE BONDS THAT WILL BE THE SUBJECT OF THE EXCHANGE OFFER] (the Outstanding Bonds), as well as a general description of certain financial risks that are known to us and reasonably foreseeable at this time and that you should consider before deciding whether to proceed with the exchange offer. If you have any questions or concerns about these disclosures, please make those questions or concerns known immediately to us. In addition, you should consult with your financial and/or municipal, legal, accounting, tax, and other advisors, as applicable, to the extent you deem appropriate. [DELETE THE FOLLOWING SENTENCE IF THE ISSUER HAS DETERMINED THE STRUCTURE OF THE EXCHANGE OFFER: [If you decide that you would like to pursue the exchange offer, we may provide you with additional information more specific to your particular exchange offer.]

[IF A CONDUIT ISSUE, ADD THE FOLLOWING (MODIFY AS NECESSARY TO REFLECT THE TERMS OF THE TRANSACTION): [As the issuer of the [DESCRIBE THE BONDS OR OTHER OBLIGATIONS THAT WILL FUND THE EXCHANGE OFFER] (the New 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 New Bonds, but the material financial risks described below will be borne by the obligor, as set forth in those legal documents. A copy of our disclosure letter relating to the New Bonds and the exchange offer is also being sent to the obligor. In such case, any reference below to “you” or “your” refers to the obligor, unless otherwise noted because of the transaction’s terms.] [DRAFTER’S NOTE: change a “you” or “your” depending on whether the issuer or the obligor bears the obligation under the transaction’s terms, particularly in the *Financial Characteristics* section below.]

**Financial Characteristics**

*Legal Framework.* The exchange offer will be an offer to exchange some or all the Outstanding Bonds for New Bonds and/or cash or other consideration through an offer to the holders of the Outstanding Bonds. Among other circumstances, an exchange offer can be an appropriate financial strategy where outstanding tax-exempt bonds, such as the Outstanding Bonds, are not eligible for an advance refunding (either because those bonds have already been advance refunded or do not otherwise qualify for advance refunding under the federal tax rules) and are not eligible for a current refunding (under the federal tax rules, a current refunding means that the New Bonds are issued no more than 90 days prior to the redemption date of the Outstanding Bonds). An exchange offer can also be used to extend maturities, reduce coupon payments and, with a consent solicitation, modify existing covenants. An exchange offer may also be attractive for an issuer that does not have sufficient liquidity to repurchase Outstanding Bonds and can be a valuable restructuring alternative to bankruptcy for a distressed company.

As market participants in connection with issuance of the New Bonds, we and you are subject to

various laws and regulations, including the anti-fraud provisions of the Securities Exchange Act of 1934, such as Rule 10b-5 thereunder. These anti-fraud provisions also apply to issuers, like you, engaging in an exchange of outstanding debt, such as the Outstanding Bonds. In connection with corporate securities, there is also extensive regulation of exchange offers and other types of tender offers through legislation, regulations issued by the Securities and Exchange Commission (SEC) and various court cases. While these laws, regulations, and court cases may not specifically apply to municipal securities, adherence to their principles generally is considered best practice to satisfy fair dealing obligations in the municipal marketplace. The exchange offer will constitute a firm offer to the market to exchange the Outstanding Bonds, subject to certain provisions and conditions. You should consult with your legal and financial professionals if you decide to proceed with the exchange offer and in evaluating the legal framework for the exchange offer and the exercise of conditions to an exchange offer.

*Third-Party Participants*. Often an exchange offer involves the engagement of certain third parties, such as an Information Agent or Tender Agent. These firms have specialized knowledge of the tender process for book-entry securities held through The Depository Trust Company (DTC), including the ability to help identify bondholders and to increase the expectation that necessary information relating to the exchange offer will reach all bondholders in a timely manner.

*Pricing of the Exchange Offer*. [USE THE FOLLOWING PARAGRAPH FOR A MODIFIED DUTCH AUCTION EXCHANGE OFFER.] The exchange offer is contemplated to be a modified dutch auction tender offer for a period of [\_\_] business days. With a modified dutch auction tender offer, bondholders will submit Outstanding Bonds for tender at levels within a predetermined range that you set. The mechanism to determine clearing amounts and prices should be transparent to all participants and will be mechanical in nature.

[USE THE FOLLOWING PARAGRAPH FOR A FIXED PRICE EXCHANGE OFFER.] The exchange offer is contemplated to be a fixed exchange offer for a period of [\_\_] business days. With a fixed exchange offer, bondholders electing to submit Outstanding Bonds for tender will do so at the levels that you determine at the time that the exchange offer is publicly disseminated to the holders of the Outstanding Bonds. Subject to certain notice and timing requirements, you will have the ability to modify the fixed amount of bonds, price or prices, coupons, or other elements of the offer during the course of the exchange offer, should you wish to do so.

The completion of the exchange offer may be subject to certain conditions that you establish at the time that the exchange offer commences. For example, depending on the nature of the exchange offer and based on discussions with your counsel, you may elect not to complete the exchange offer if certain events occur, such as war or escalation of hostilities, moratorium, bankruptcy, adverse legal proceedings, material default or a material change in the economics of the exchange offer.

*Role of the Dealer Manager*. [You have engaged us/If you engage us] as dealer manager for the exchange offer [and/,] we will perform the duties typical of an exchange offer as provided in the Dealer Manager Agreement, to be executed by you] and us, as dealer manager. We maintain relationships with both investors and issuers/obligors and must balance those competing interests through the normal course of our business, including in connection with exchange offers. [MODIFY OR DELETE THE FOLLOWING SENTENCES, AS APPLICABLE.] [We also have disclosed to you that one or more of our affiliates own Outstanding Bonds in an aggregate amount of $\_\_\_\_\_\_ million [for our own account or as part of sponsored mutual funds]. In our roles as underwriter for the New Bonds and dealer manager for the exchange offer, we have not engaged that affiliate in any manner related to this transaction and we anticipate engaging with them like we would any other investor or holder of Outstanding Bonds].

**Financial Risk Considerations**

Certain risks may arise in connection with an exchange offer, including some or all the following

(generally, the obligor, rather than the issuer, will bear these risks in connection with an exchange offer for conduit revenue bonds):

*Uncertainty of Results*. The results of an exchange offer can be uncertain. Since there is limited ability to communicate with investors prior to an exchange offer, there may be a high degree of uncertainty as to the principal amount of the Outstanding Bonds that actually will be tendered for exchange. The level of participation cannot be known at the time the exchange offer is launched and may affect the overall economics of the exchange that you ultimately offer and execute. An exchange offer can be subject to conditions such as minimum acceptance from holders of the Outstanding Bonds. As a consequence, there is execution uncertainty with an exchange offer.

*Varying Impact on Particular Bondholders*. An exchange offer or the specific terms or financing structure may affect particular bondholders differently, including holders of the Outstanding Bonds or other bonds that are not part of the exchange offer. This may affect the results of the exchange offer. We are obligated to deal fairly with all investors.

*Alternatives to the Exchange Offer May be Better*. The Outstanding Bonds mature [or are subject to mandatory tender for purchase] on [DATE] [INSERT THE FOLLOWING IF APPLICABLE] [and are callable (for refinancing or remarketing) beginning on [DATE]]. No assurances can be provided as to the ultimate financial effect of the exchange offer and it is possible that you may obtain a better economic result if you simply wait and refinance or remarket the Outstanding Bonds on [DATE] rather than proceed with an exchange offer.