SIFMA Model Risk Disclosures Pursuant to MSRB Rule G-17

(as of February 2, 2021)

**Commercial Paper**

[BACKGROUND INFORMATION – DELETE BEFORE SENDING: Although commercial paper generally is not a “complex municipal securities financing” for purposes of MSRB Rule G‐17’s disclosure requirements, underwriters nevertheless may wish to provide disclosures regarding commercial paper because, in some circumstances, it can be considered one.]

The following is a general description of the financial characteristics of Commercial Paper (CP), 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 issue CP. 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 FINANCING: [If you decide that you would like to pursue this financing alternative, we may provide you with additional information more specific to your particular CP issue.]

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 CP dealer agreement and certain other legal documents to be entered into in connection with the issuance of the CP, 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 is also being sent to the obligor. In such case, any reference below to “you” or “your” shall refer 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**

*Maturity and Interest*. Securities issued under a CP program are fixed-rate debt securities with maturities no longer than 270 days (as may be limited by the expiration of any relevant liquidity or credit support) that are sold by a CP dealer on a periodic basis and, usually, in connection with a maturity of CP that has previously been issued. For each issuance, subject to any maximum interest rate stated in the CP governing documents, the CP dealer will attempt to sell CP in accordance with the CP governing documents. The maximum interest rate for the CP generally will range between 9% per annum and 15% per annum, depending on among other factors, the structure of the CP, the terms of any credit or liquidity support, if any, and whether interest is intended to be taxable or tax-exempt. Interest on the CP is paid at the end of each CP period. CP typically is offered to investors in minimum authorized denominations of $100,000 and generally integral multiples of $1,000 above that amount. CP will not be subject to redemption or tender for purchase prior to maturity.

*Liquidity Support.* Generally,the source of funds to pay owners of maturing CP will be the proceeds of the issuance of new CP offered by the dealer to new investors. You will be required to ensure a source of funds to pay the maturing principal amount of CP if the dealer is unable to successfully market new CP. Some issuers may have sufficient liquid funds available to pay maturing principal of and accrued interest on CP and, in some cases, may pledge a specific fund or portfolio of investments as security. In many cases, however,liquidity or credit support for the payment of principal of and accrued interest on maturing CP (a liquidity facility) will be provided by a financial institution. The liquidity facility may take the form of an irrevocable letter of credit issued by a bank or a standby liquidity support agreement or revolving credit agreement from a financial institution (in any event, the liquidity provider). Unlike a letter of credit, a standby liquidity support agreement typically will set forth certain events that will permit the liquidity provider to terminate the standby liquidity support agreement upon notice or, in some circumstances, will cause the agreement to terminate automatically. The authorizing documents for the CP may provide that new CP may not be issued if the liquidity facility for the CP has been terminated. The agreement with the bank may also provide that maturing CP cannot be rolled over unless the representations and warranties remain true and correct and there is no event of default or potential event of default. In tax-exempt CP programs, the issuance of new CP may be limited by state or local law or by federal tax requirements imposed by the U.S. Internal Revenue Code.

*Role of the Dealer*. The CP dealer is a municipal securities broker-dealer appointed and paid by you to sell CP on a periodic basis in accordance with the terms of the governing documents of the CP program. As your CP dealer, we will set the interest rate and maturity borne by the CP and arrange for the sale of the CP, including new CP to replace maturing CP. Our fees will be paid by you. The annual fee will be based on the weighted average principal amount of the CP outstanding during the year, payable on a quarterly basis. [STATE THE FEE IF IT HAS BEEN DETERMINED: Our fee for serving as dealer will be [\_\_] basis points per year, calculated as set forth in the CP dealer agreement.]

While we will have no obligation to do so, in some cases, in our sole discretion, we may purchase CP for our own account in order to achieve a successful roll (i.e., because there otherwise are not enough buyers to purchase the CP or for other reasons), thereby avoiding the issuer’s need to draw on any liquidity facility, if any, to pay the owners of the maturing CP. However, we are not obligated to purchase CP and may cease doing so at any time without notice. Although not required to do so, we also may make a market in the CP. Any purchases and sales of CP in the secondary market may be at prices other than par. [We also may sell CP that we own to one or more affiliated investment vehicles or enter into derivative agreements with affiliates or others to reduce our exposure to the CP]. Our purchase of CP may create the appearance that there is greater demand for the CP in the market than is the case.

Under certain circumstances, you may remove us as dealer, or we may resign. The authorizing documents for the CP will set forth any required notice and will require appointment of a successor dealer.

[IF APPROPRIATE FOR A PARTICULAR ISSUER OR TRANSACTION, PORTIONS OF THE SIFMA RISK DISCLOSURE FOR FIXED RATE BONDS MAY BE INSERTED, SUCH AS, FOR EXAMPLE, EXCERPTS FROM THE “SECURITY” SECTION TO DESCRIBE THE RELEVANT SECURITY FOR THE CP.]

**Financial Risk Considerations**

Certain risks may arise in connection with your issuance of CP, including some or all the following (generally, the obligor, rather than the issuer, will bear these risks for conduit revenue

bonds):

*Interest Rate Risk*. Interest rate risk is the possibility that the interest rate that you pay on the outstanding CP at each roll may increase. This can be triggered by various factors, such as a general increase in short-term interest rates, a decrease in marginal income tax rates, credit concerns relating to you or your market sector or industry, or a reduction in the credit quality or ratings of any liquidity provider for the CP. If any of these events occur, the debt service costs associated with the CP will increase, which may negatively affect your coverage ratios and reduce the amount of your available cash. The interest rate on the CP may be capped at a maximum interest rate, which generally will range between9% per annum and 15% per annum. See “Financial Characteristics *– Maturity and Interest*” above.

*Liquidity Risk.* You may face liquidity risk since CP is subject to payment at maturity. Whether due to events relating to your creditworthiness or due to external events that affect the market generally, you may be unable to successfully issue CP to retire maturing CP or we may be allowed to terminate our obligations as dealer under the CP dealer agreement. Other events may prevent you from meeting the conditions to issuance of new CP under the provisions of the authorizing documents for the CP. In any such event, in order to pay the owners of the maturing CP, the issuing and paying agent for the CP will demand funds from you or, if a liquidity facility is in effect and available, it will draw funds under the applicable liquidity facility. Thereafter, unless and until new CP is successfully issued, or you issue other obligations to retire the CP, you will pay interest to the liquidity provider at a negotiated or formula-driven rate on the amount drawn, which is typically higher than the rate that otherwise would be borne by the CP. In addition, you may be required to pay the principal of the matured CP by the date set forth in the liquidity facility, which date is likely to be earlier than the date that you might otherwise have anticipated to retire the CP. The period by which you must pay the principal amount and interest on the CP to the liquidity provider is known as a “term out.” If there is no term out, you will be required to immediately repay the full amount of any draws to the liquidity provider. Depending on the amount of the maturing CP that is not successfully issued, you might be obligated to repay the entire principal amount of the CP on short notice. If the CP is secured by or payable from an investment portfolio or invested funds, your inability to issue new CP may result in you having to liquidate investments in an unfavorable market.

*CP Dealer Risk*. In the event that the CP dealer does not perform its duties in a satisfactory manner or resigns or ceases its dealer efforts, you may be required to appoint a successor CP dealer or may experience higher interest rates resulting in an increase in debt service costs. You also may experience difficulty in engaging a new CP dealer and in remarketing or refinancing the CP.

*Refinancing Risk*. If you intend to remarket or refinance the CP (whether to another mode, fixed rate bonds, bank loans, or other obligations), as a result of changes in market conditions, changes in law, changes in your credit ratings or your financial condition, you may be unable to remarket or refinance the CP or may pay a higher interest rate.

*Liquidity Facility Renewal Risk*. Liquidity facilities may be issued for a term shorter than the period that you intend to keep CP outstanding, generally from one to five years. Upon expiration of the term of the liquidity facility, it must be renewed or replaced. You may be unable to renew the expiring liquidity facility, or you may have difficulty obtaining a replacement one at a reasonable cost. There are a limited number of financial institutions that are acceptable to the market and who are willing to provide liquidity facilities for tax-exempt and taxable CP. In addition, as a result of market conditions and prospective changes in regulatory requirements, the cost of obtaining a liquidity facility may vary from currently prevailing market rates. If a liquidity provider is unwilling to extend the expiring liquidity facility and you are unable to find a suitable replacement, you may be unable to offer new CP and you will be required to pay the principal amount of the maturing CP, issue refunding bonds, secure a bank loan, find some other source of repayment, or draw on the liquidity facility. Your ability to issue refunding bonds or to secure a bank loan will depend on various factors, including general market conditions and your creditworthiness. In the event of a draw on the liquidity facility, you will have to repay the liquidity provider as described above under “Liquidity Risk.”

*Liquidity Provider Default Risk*. In the event that a liquidity provider is not able to perform under its liquidity facility, a default may result, depending on the terms of the authorizing documents. You may be required to pay the maturing principal of the CP, issue refunding bonds, secure a bank loan or substitute liquidity facility, or find some other source of repayment. Your ability to issue refunding bonds or to secure a bank loan or substitute liquidity facility will depend on various factors, including general market conditions and your creditworthiness.

If the credit ratings of the liquidity provider are reduced, we may have difficulty as dealer selling new CP and the CP likely will bear a higher interest rate.

*Issuer Default Risk*. You may be in default if the funds pledged to secure your CP are not enough to pay debt service on the CP when due. The consequences of a default may be serious for you and, depending on applicable state law and the terms of the authorizing documents, the holders of the CP, the issuing agent and any liquidity provider may be able to exercise a range of available remedies against you. For example, if the CP is secured by a general obligation pledge, you may be ordered by a court to raise taxes. Other budgetary adjustments also may be necessary to enable you to provide sufficient funds to pay debt service on the CP. If the CP is a revenue issue, you may be required to take steps to increase the available revenues that are pledged as security for the CP. A default may negatively impact your credit ratings, including ratings on the CP. If the ratings on the CP are decreased, we may have difficulty as your dealer selling new CP and the CP likely will bear a higher interest rate. Further, a default may effectively limit your ability to publicly offer bonds or other securities at market interest rate levels. If you are unable to provide sufficient funds to remedy the default, subject to applicable state law and the terms of the authorizing documents, it may be necessary for you to consider available alternatives under state law, including (for some issuers) state-mandated receivership or bankruptcy. A default also may occur if you are unable to comply with covenants or other provisions agreed to in connection with the issuance of the CP or the delivery of any liquidity facility.

This description is only a summary of issues relating to defaults and is not intended as legal advice. You should consult with your bond counsel for further information regarding defaults and remedies.

*Issuer Ratings Downgrade Risk*. If your credit ratings are reduced, we may have difficulty as dealer selling new CP and the CP likely will bear a higher interest rate. In addition, a downgrade of your ratings may result in increased fees payable to a liquidity provider which would result in higher cost of funds.

*Regulatory Risk*. As a result of prospective changes in regulatory requirements, the cost of obtaining a new liquidity facility or maintaining an existing liquidity facility may increase, which would result in higher cost of funds.

*Reinvestment Risk*. You may have proceeds of the CP to invest prior to the time that you are able to spend those proceeds for the authorized purpose. Depending on market conditions, you may not be able to invest those proceeds at or near the rate of interest that you are paying on the CP, which is referred to as “negative arbitrage.”

*Tax Compliance Risk*. The issuance of tax-exempt bonds is subject to several requirements under the U.S. Internal Revenue Code, as enforced by the Internal Revenue Service (IRS). You must take certain steps and make certain representations prior to the issuance of tax-exempt bonds. You also must covenant to take certain additional actions after issuance of the tax-exempt bonds. A breach of your representations or your failure to comply with certain tax-related covenants may cause the interest on the CP (if issued as tax-exempt obligations) to become taxable retroactively to the date of issuance of the CP [ADD OR MODIFY THE FOLLOWING, IF APPLICABLE: , which may result in an increase in the interest rate that you pay on the CP or the mandatory retirement of the CP]. The IRS also may audit you or your CP or other bonds, in some cases on a random basis and in other cases targeted to specific types of bond issues or tax concerns. If the CP is declared taxable, or if you are subject to audit, we may have difficulty selling new CP and the CP likely will bear a higher interest rate. Further, your ability to issue other tax-exempt bonds also may be limited.

This description of tax compliance risks is not intended as legal advice and you should consult with your bond counsel regarding tax implications of issuing CP.

*Money Market Reforms: Potential Risks from Changes to the Investor Base for CP.* Since 2010, the U.S. Securities and Exchange Commission has been adopting reforms designed to reduce investor runs on money market funds in times of financial crisis. Reforms adopted in July 2014 caused money market fund managers to make significant changes to their fund structures and families related to the money market reforms. The reforms have had a significant impact on all money market funds, but particularly institutional prime money market funds, including the portion thereof that invest in municipal securities, such as CP. Changes for such funds included the implementation of a floating net asset value, the implementation of liquidity fees and redemption gates, changes in the use of amortized cost accounting, and increased disclosure requirements. Certain money market fund rule changes do not apply or are optional for retail and government money market funds. Though most money market fund families have generally made their changes in connection with incorporating the money market reforms (including some managers moving certain investors into funds not subject to such reforms), changes related to money market funds that invest in CP are still possible. Any further money market reform-related changes which reduce the amount of money market fund assets available to purchase CP could result in (i) reduced market demand for CP, (ii) increased rates for CP as investors value the structure relative to other product alternatives or in connection with remarketed or rolling CP in order to try to access different investors, and (iii) potential changes in the maximum maturities that investors in CP will purchase. Additionally, to the extent that further changes occur by the money market fund managers which reduce money market fund assets available to CP, dealers of CP could have a more difficult time remarketing or rolling such securities if the universe of potential investors is materially reduced or changed. You should discuss these changes and potential changes and effects with your advisors as you consider whether to issue CP.