MEMORANDUM

TO: File No. S7-45-10

FROM: Jessica Kane
Office of Municipal Securities

DATE: March 7, 2013

RE: Meeting with Representatives of the Securities Industry and Financial Markets Association ("SIFMA")

On March 5, 2013, Chairman Elisse B. Walter; John J. Cross III, Director of the Office of Municipal Securities; Cristie March, Senior Advisor to the Chairman; and Jessica Kane, Senior Special Counsel to the Director of the Office of Municipal Securities met with representatives from SIFMA. See the attached list of participants from SIFMA. The participants discussed the Commission's proposed rules for the registration of municipal advisors.

The attached materials were provided.

SIFMA Meeting with Chairman Walter
March 5, 2013
SEC Offices, 2:00 p.m.

<u>Participants</u>

Michael Bartolotta, Vice Chairman, First Southwest

Michael Decker, Managing Director, Municipal Division, SIFMA

Frank Fairman, Managing Director & Head of Public Finance Services, Piper Jaffray

Kenneth Gibbs, President of the Municipal Securities Group, Jefferies

Ira Hammerman, Senior Managing Director and General Counsel, SIFMA

Ben Juergens, Executive Director, Morgan Stanley

Leslie Norwood, Managing Director and Associate General Counsel, SIFMA

John Rolander, Vice President and Manager Fixed Income – Capital Markets, Fifth Third Securities

Lanny Schwartz, Partner, Davis Polk & Wardwell LLP

Stratford Shields, Managing Director, Morgan Stanley

David Stephens, Managing Director, Bank of America/Merrill Lynch.

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MUNICIPAL ADVISOR REGULATION: INSTITUTIONAL/INVESTMENT BANKING ISSUES SUMMARY[1]

SIFMA supports the goals of the Dodd Frank municipal advisor legislation to create a regulatory scheme for unregulated entities and protect municipal entities. However, in drafting regulations and reviewing MSRB rules to implement this statute, it is critical that the SEC carefully consider the costs and burdens for market participants and the benefits to and impact on municipal issuers.

- **The proposed municipal advisor rules will harm municipal entities.** The proposed municipal advisor rules, as applied to entities that are already regulated, will harm municipal entities without providing meaningful regulatory benefits. Firms may be forced to curtail many services that benefit issuers (including issuer-requested and uncompensated services) due to the rule's expansive interpretations, which exceed the statutory requirements and subject firms to as-of-yet undefined fiduciary obligations and restrictions.

- **Focus on previously unregulated entities.** The legislative purpose behind Section 975 was primarily to regulate the previously unregulated municipal financial advisors. The Commission should refrain from expanding the requirements for regulated dealers and advisers and should give full effect to the statutory exemptions.

- **Define advice.** The Commission should clearly define what constitutes advice, provide a safe harbor similar to that proposed for security-based swap dealers, and provide that a municipal advisory relationship only exists where there is a written contract to provide advice.

- **Rely on statutory definition of investment strategies.** Congress directed a limited definition of "investment strategies," and the Commission should not expand it to all activities touching any municipal assets.

- **Strengthen the statutory underwriter exception.** The Commission should make clear that the statutory underwriter exception covers (i) underwriters' ancillary advice regarding structuring and related issues, (ii) activities of prospective underwriters, and (iii) private placements and remarketing of municipal securities.

  Concerning ancillary advice by an underwriter or prospective underwriter, the Commission should incorporate the process that it sanctioned when approving the MSRB's recent interpretation of underwriters' Rule G-17 duty to deal fairly with municipal entities. Under that interpretation, a potential underwriter must clearly disclose its non-advisory "arm's-length" role in any potential transaction at the inception of the underwriter's relationship with the issuer concerning an issue. The Commission should apply this same "underwriter versus advisor" distinction in connection with the underwriter exception. Ancillary advice by an underwriter that complies with its G-17 obligations by providing the required disclosure would be fully covered by the underwriter exception, and the underwriter would not be at risk of being deemed a municipal advisor by virtue of incidental advice or communications.

- **Clarify appropriately the application of registration requirements to registered investment advisers and solicitation activities for fund vehicles.** The Commission should clarify that (i) the investment adviser exemption applies even if the advice alone would not trigger Advisers Act registration (e.g., advice concerning instruments other than securities) or the advisor is otherwise exempt from registration (e.g., banks), and (ii) solicitation of investment in a fund is not solicitation for the fund's adviser.

- **Limit the paperwork burdens of registration.** The Commission should not require firms that are otherwise registered with the Commission as broker-dealers or investment advisers to complete an entirely separate registration form. Similarly, where a firm registers as a municipal advisor, its employees should not be required to separately register as individuals.

[1] Please note that this summary does not include retail brokerage or banking issues. SIFMA would welcome the opportunity to address these matters separately.

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RELATED SIFMA COMMENT LETTERS

TOPIC	DATE	AVAILABLE AT
SEC Interim Temporary Rule on Registration of Municipal Advisors	November 15, 2010	*http://www.sec.gov/comments/s7-19-10/s71910-10.pdf*
SEC Municipal Advisor Permanent Registration Proposal	February 22, 2011	*http://sec.gov/comments/s7-45-10/s74510-587.pdf*
SEC Municipal Advisor Permanent Registration Proposal (Pay-to-Play)	February 25, 2011	*http://www.sec.gov/comments/s7-45-10/s74510-657.pdf*
MSRB Proposed Rule G 36 Regarding Fiduciary Duties of a Municipal Advisor (MSRB Request for Comment)	April 11, 2011	*http://msrb.org/Rules-and-Interpretations/Regulatory-Notices/2011/~/media/Files/RFC/2011/2011-14/SIFMA.ashx*
MSRB Proposed Interpretation of Rule G 17 With Respect to Municipal Advisors (MSRB Request for Comment)	April 11, 2011	*http://msrb.org/Rules-and-Interpretations/Regulatory-Notices/2011/~/media/Files/RFC/2011/2011-13/SIFMA.ashx*
MSRB Proposed Interpretation of Rule G 17 With Respect to Underwriters of Municipal Securities (MSRB Request for Comment)	April 11, 2011	*http://msrb.org/Rules-and-Interpretations/Regulatory-Notices/2011/~/media/Files/RFC/2011/2011-12/SIFMA.ashx*
MSRB Proposed Interpretation of Rule G 17 With Respect to Underwriters of Municipal Securities (Initial MSRB Rule Filing)	September 30, 2011	*http://sec.gov/comments/sr-msrb-2011-09/msrb201109-4.pdf*
MSRB Proposed Interpretation of Rule G 17 With Respect to Underwriters of Municipal Securities (Amendment 2 to MSRB Rule Filing)	November 30, 2011	*http://sec.gov/comments/sr-msrb-2011-09/msrb201109-10.pdf*
SEC Order Instituting Proceedings to Determine Whether to Disapprove Proposed Interpretation to G 17, as Amended	January 27, 2012	*http://www.sec.gov/comments/sr-msrb-2011-09/msrb201109-18.pdf*

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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]

<u>[IV. Disclosures Concerning Complex Municipal Securities Financing:</u> **[Comment 10]**

<u>OPTION 1</u>: [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.

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AUGUST 1, 2012

SIFMA Model Risk Disclosures Pursuant to MSRB Rule G-17

[Floating Rate Notes[1]]

The following is a general description of the financial characteristics of Floating Rate Notes (FRNs), 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 FRNs. 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 FRN issue.]

IF A CONDUIT ISSUE, ADD THE FOLLOWING (MODIFY AS NECESSARY TO REFLECT THE TERMS OF THE TRANSACTION): [As the issuer of the FRNs, 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 FRNs, 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.] [IF NOT A CONDUIT ISSUE, DELETE REFERENCES BELOW TO "THE OBLIGOR".]

Financial Characteristics

Maturity and Interest. FRNs are debt securities either with short-term maturities (generally one to five years) or with nominal long-term maturities coupled with a mandatory tender for purchase after a stated period (in either case, the Floating Rate Note Period) that also generally is one to five years in length. The purchase price of the FRNs subject to mandatory tender at the end of the Floating Rate Note Period is 100% of the principal amount (par). FRNs may be issued as part of a multi-modal issue or as a separate issue of securities. If the FRNs are not retired at maturity or at the end of the Floating Rate Note Period, as the case may be, the FRNs may be remarketed into or refinanced by a new Floating Rate Note Period, new FRNs, variable rate demand obligations (VRDOs), fixed rate bonds or other obligations. FRNs may be offered to investors in authorized denominations of $5,000 or any integral multiple. FRNs typically are sold without third-party credit or liquidity support.

The interest rate on the FRNs floats, generally weekly, and is based on a spread to an index (typically, either the SIFMA Index or LIBOR, each briefly described below), subject to any

[1] Under MSRB Rule G-17, the underwriters must provide an issuer with disclosures about complex municipal securities financings that they recommend to the issuer for a negotiated offering. Floating Rate Notes generally will be treated as a complex municipal securities financing.

applicable maximum interest rate. The spread will be fixed for the duration of the Floating Rate Note Period and will be determined at the time of pricing of the FRNs, based on your credit ratings, if any, your financial condition, general market conditions, the duration of the Floating Rate Note Period and whether interest is intended to be taxable or tax-exempt. The maximum interest rate for the FRNs generally will range between 9% per annum and 15% per annum. Interest on the FRNs typically is paid monthly or semiannually.

"*SIFMA Index*" is the Municipal Swap Index compiled from weekly interest rate resets of tax-exempt variable rate issues reported to Municipal Market Data that meet specific criteria established from time to time by SIFMA. The SIFMA Index is generally determined on Wednesday of each week and published and effective for the one-week period beginning on Thursday. In our capacity as a remarketing agent, we may remarket bonds that are included in calculating the SIFMA Index.

"*LIBOR*" is the London-Interbank Offered Rate, which is an interest rate for a specified period for US Dollar investments that is managed by the British Bankers Association. LIBOR is determined each day at 11am (London time) and is the average rate (with some adjustments) derived from the quotations provided by certain reference banks that are determined by the British Bankers' Association. IF APPLICABLE, ADD THE FOLLOWING: [We or an affiliate may be a reference bank for purposes of setting LIBOR.]

In most cases, the authorizing documents for the FRNs include an alternate mechanism for determining the interest rate on the FRNs in the event that the SIFMA Index or LIBOR, as applicable, is not calculated.

Redemption. FRNs generally will not be subject to optional redemption until six months prior to the maturity date or the end of the Floating Rate Note Period. If optional redemption is permitted, FRNs may be redeemed on any business day during that six-month window at a redemption price of par plus accrued interest. You will be required to send out a notice of optional redemption to the holders of the FRNs.

Mandatory Tender at End of Floating Rate Note Period. Unlike VRDOs, FRNs are not subject to optional or mandatory tender during a Floating Rate Note Period. FRNs (unless maturing) are subject to mandatory tender by the holders at par at the end of the Floating Rate Note Period. If you intend to remarket the FRNs at the end of the Floating Rate Note Period, you will be required to appoint a broker-dealer or a municipal securities dealer as remarketing agent to sell the FRNs at the end of the Floating Rate Note Period. You [or the obligor] will negotiate the terms of the remarketing, including the remarketing fee, at the time of the remarketing. The remarketing agent generally either will agree to underwrite or to use its best efforts to remarket the FRNs into a new Floating Rate Note Period or as VRDOs, fixed rate bonds or other obligations.

Depending on the terms of the FRNs, you [or the obligor] may be obligated to fund the purchase price of the FRNs if the remarketing agent is unable to successfully remarket the FRNs or if you are unable to refinance the FRNs at the end of the Floating Rate Note Period. In that situation (referred to as a "hard put"), if you do not provide sufficient funds, you will be in default. In other instances (referred to as a "soft put"), if the remarketing agent is unable to successfully remarket the FRNs or if you are unable to refinance the FRNs at the end of the Floating Rate Note Period, you will not be obligated to fund the purchase price of the FRNs, but the interest rate that you pay on the FRNs will increase. That adjusted interest rate, after the passage of a specified period of time, could go as high as the maximum interest rate and remain at that level until the FRNs are paid in full. The terms of any hard put or soft put can vary and will be negotiated in connection with the issuance of the FRNs and will be set forth in the authorizing documents for the FRNs.

[IF APPROPRIATE FOR A PARTICULAR ISSUER OR TRANSACTION, PORTIONS OF THE 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 FRNs.]

Financial Risk Considerations

Certain risks may arise in connection with your issuance of FRNs, including some or all of the following (generally, the obligor, rather than you, 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 FRNs during the Floating Rate Note Period may increase, which can be triggered by factors such as a general increase in short-term interest rates or in the index on which the interest rate is based. In addition, at the end of a Floating Rate Note Period, if you decide to roll the FRNs into a new Floating Rate Note Period, the interest rate on the FRNs during the new Floating Rate Note Period also may increase as a result of various factors, including general market conditions, increases in spreads over the index used to set the interest rate and your credit ratings, if any, or your financial condition. In either situation, the debt service costs associated with the FRNs will increase, which may negatively affect your coverage ratios and reduce the amount of your available cash. The interest rate on the FRNs may be capped at a maximum interest rate, which generally will range between 9% per annum and 15% per annum. See "Financial Characteristics – *Maturity and Interest*" above.

Index Risk

Recent reports have identified problems in the way that LIBOR has been set in past years. Although the matter is still under review by relevant regulatory authorities, there is a possibility that the method of establishing LIBOR could change. The Municipal Securities Rulemaking Board also recently announced that it will review indices used by the municipal market to develop educational materials about their use and to ensure that the market operates fairly and transparently. The method of establishing indices used in the municipal market, including the SIFMA Index, may change over time. A change in LIBOR or the SIFMA Index may affect the interest rate that you pay on the FRNs. In addition, there is a risk that, at any point in time, the indices (and therefore the rate of interest that you pay on the FRNs) may be affected by factors that are unrelated to the market for FRNs or for tax-exempt securities generally. The authorizing documents for your FRNs should include an alternate mechanism to determine the interest rate on the FRNs in the event that the applicable index is not calculated.

Refinancing Risk
If you intend to remarket or refinance the FRNs at the end of a Floating Rate Note Period (whether as new FRNs, VRDOs, fixed rate bonds or other obligations), as a result of changes in market conditions, changes in law or changes in your credit ratings, if any, or your financial condition, you may be unable to remarket or refinance the FRNs at the end of the Floating Rate Note Period or you may pay a higher interest rate during any new Floating Rate Note Period. If the FRNs are structured to include a hard put and you are unable to successfully remarket or refinance the FRNs at the end of the Floating Rate Note Period, you may be obligated to fund the full amount of the purchase price of the tendered FRNs, much sooner than you otherwise may be expecting. If the FRNs are structured with a soft put and you are unable to successfully remarket or refinance the FRNs at the end of the Floating Rate Note Period, you may pay a higher interest rate to the holders of the FRNs, which could be as high as the maximum interest rate and remain at that level until the FRNs are paid in full. See "Financial Characteristics – *Mandatory Tender at End of Floating Rate Note Period*" above.

Issuer Default Risk
You may be in default if the funds pledged to secure your FRNs are not sufficient to pay debt service on the FRNs when due. You also may be in default if the FRNs are subject to a hard put and you are unable to fully fund the purchase price of the FRNs at the end of the Floating Rate Note Period. 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 FRNs and the trustee may be able to exercise a range of available remedies against you. For example, if the FRNs are 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 or, if applicable, purchase price of the FRNs. If the FRNs are revenue bonds, you may be required to take steps to increase the available revenues that are pledged as security for the FRNs. A default may negatively impact your credit ratings. 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 FRNs.

This description is only a brief 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.

Reinvestment Risk
You may have proceeds of the FRNs 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 FRNs, which is referred to as "negative arbitrage".

Tax Compliance Risk

The issuance of tax-exempt bonds is subject to a number of requirements under the United States 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 FRNs (if issued as tax-exempt obligations) to become taxable retroactively to the date of issuance of the FRNs, which may result in an increase in the interest rate that you pay on the FRNs or the mandatory redemption of the FRNs. The IRS also may audit you or your FRNs 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 FRNs are declared taxable, or if you are subject to audit, you may be unable to remarket or refinance the FRNs at the end of a Floating Rate Note Period or you may pay a higher interest rate during any new Floating Rate Note Period. 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 the FRNs.

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AUGUST 1, 2012

SIFMA Model Risk Disclosures Pursuant to MSRB Rule G-17

[Fixed Rate Bonds[1]]

The following is a general description of the financial characteristics and security structures of fixed rate municipal bonds ("Fixed Rate 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 issue Fixed Rate Bonds. 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 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 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 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.] [IF NOT A CONDUIT ISSUE, DELETE REFERENCES BELOW TO "THE OBLIGOR".]

Financial Characteristics

Maturity and Interest. Fixed Rate Bonds are interest-bearing debt securities issued by state and local governments, political subdivisions and agencies and authorities. Maturity dates for Fixed Rate Bonds are fixed at the time of issuance and may include serial maturities (specified principal amounts are payable on the same date in each year until final maturity) or one or more term maturities (specified principal amounts are payable on each term maturity date) or a combination of serial and term maturities. The final maturity date typically will range between 10 and 30 years from the date of issuance. Interest on the Fixed Rate Bonds typically is paid semiannually at a stated fixed rate or rates for each maturity date.

Redemption. Fixed Rate Bonds may be subject to optional redemption, which allows you, at your option, to redeem some or all of the bonds on a date prior to scheduled maturity, such as in connection with the issuance of refunding bonds to take advantage of lower interest rates. Fixed Rate Bonds will be subject to optional redemption only after the passage of a specified

[1] Although Fixed Rate Bonds generally are not "complex municipal securities financings" for purposes of MSRB Rule G-17, the underwriters nevertheless may wish to provide disclosures regarding Fixed Rate Bonds in certain circumstances, depending on the level of sophistication and experience of the issuer and its personnel. Under MSRB Rule G-17, the underwriters must provide an issuer with disclosures about complex municipal securities financings that they recommend to the issuer for a negotiated offering.

period of time, often approximately ten years from the date of issuance, and upon payment of the redemption price set forth in the bonds, which may include a redemption premium. You will be required to send out a notice of optional redemption to the holders of the bonds, usually not less than 30 days prior to the redemption date. Fixed Rate Bonds with term maturity dates also may be subject to mandatory sinking fund redemption, which requires you to redeem specified principal amounts of the bonds annually in advance of the term maturity date. The mandatory sinking fund redemption price is 100% of the principal amount of the bonds to be redeemed.

Security

Payment of principal of and interest on a municipal security, including Fixed Rate Bonds, may be backed by various types of pledges and forms of security, some of which are described below.[2]

General Obligation Bonds
"General obligation bonds" are debt securities to which your full faith and credit is pledged to pay principal and interest. If you have taxing power, generally you will pledge to use your ad valorem (property) taxing power to pay principal and interest. Ad valorem taxes necessary to pay debt service on general obligation bonds may not be subject to state constitutional property tax millage limits (an unlimited tax general obligation bond). The term "limited" tax is used when such limits exist.

General obligation bonds constitute a debt and, depending on applicable state law, may require that you obtain approval by voters prior to issuance. In the event of default in required payments of interest or principal, the holders of general obligation bonds have certain rights under state law to compel you to impose a tax levy.

Revenue Bonds
"Revenue bonds" are debt securities that are payable only from a specific source or sources of revenues. Revenue bonds are not a pledge of your full faith and credit and you are obligated to pay principal and interest on your revenue bonds only from the revenue source(s) specifically pledged to the bonds. Revenue bonds do not permit the bondholders to compel you to impose a tax levy for payment of debt service. Pledged revenues may be derived from operation of the financed project or system, grants or excise or other specified taxes. Generally, subject to state law or local charter requirements, you are not required to obtain voter approval prior to issuance of revenue bonds. If the specified source(s) of revenue become inadequate, a default in payment of principal or interest may occur. Various types of pledges of revenue may be used to secure interest and principal payments on revenue bonds. The nature of these pledges may differ widely based on state law, the type of issuer, the type of revenue stream and other factors.

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2 The discussion of security characteristics is limited to general obligation and revenue bond structures. This summary should be expanded and modified, as necessary, for other security structures, such as bonds that are secured by a double-barreled pledge (general obligation and revenues), annual appropriations or a moral obligation of the issuer or another governmental entity. If the security for the bonds is known at the time this disclosure is provided to the issuer, include only those portions relevant to the actual security for the bonds.

Some revenue bonds (conduit revenue bonds) may be issued by a governmental issuer acting as conduit for the benefit of a private sector entity or a 501(c)(3) organization (the obligor). Conduit revenue bonds commonly are issued for not-for-profit hospitals, educational institutions, single and multi-family housing, airports, industrial or economic development projects, and student loan programs, among other obligors. Principal and interest on conduit revenue bonds normally are paid exclusively from revenues pledged by the obligor. Unless otherwise specified under the terms of the bonds, you are not required to make payments of principal or interest if the obligor defaults.

The description above regarding "Security" is only a brief summary of certain possible security provisions for the bonds and is not intended as legal advice. You should consult with your bond counsel for further information regarding the security for the bonds.

Financial Risk Considerations

Certain risks may arise in connection with your issuance of Fixed Rate Bonds, including some or all of the following (generally, the obligor, rather than you, will bear these risks for conduit revenue bonds):

Issuer Default Risk
You may be in default if the funds pledged to secure your bonds are not sufficient to pay debt service on the bonds 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 bonds, the trustee and any credit support provider may be able to exercise a range of available remedies against you. For example, if the bonds are 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 bonds. If the bonds are revenue bonds, you may be required to take steps to increase the available revenues that are pledged as security for the bonds. A default may negatively impact your credit ratings and may effectively limit your ability to publicly offer bonds or other securities at market interest rate levels. Further, if you are unable to provide sufficient funds to remedy the default, subject to applicable state law and the terms of the authorizing documents, you may find it necessary 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 bonds.

This description is only a brief 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.

Redemption Risk
Your ability to redeem the bonds prior to maturity may be limited, depending on the terms of any optional redemption provisions. In the event that interest rates decline, you may be unable to take advantage of the lower interest rates to reduce debt service.

Refinancing Risk

If your financing plan contemplates refinancing some or all of the bonds at maturity (for example, if you have term maturities or if you choose a shorter final maturity than might otherwise be permitted under the applicable federal tax rules), market conditions or changes in law may limit or prevent you from refinancing those bonds when required. Further, limitations in the federal tax rules on advance refunding of bonds (an advance refunding of bonds occurs when tax-exempt bonds are refunded more than 90 days prior to the date on which those bonds may be retired) may restrict your ability to refund the bonds to take advantage of lower interest rates.

Reinvestment Risk

You may have proceeds of the bonds 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 bonds, which is referred to as "negative arbitrage".

Tax Compliance Risk

The issuance of tax-exempt bonds is subject to a number of requirements under the United States 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 bonds to become taxable retroactively to the date of issuance of the bonds, which may result in an increase in the interest rate that you pay on the bonds or the mandatory redemption of the bonds. The IRS also may audit you or your bonds, in some cases on a random basis and in other cases targeted to specific types of bond issues or tax concerns. If the bonds are declared taxable, or if you are subject to audit, the market price of your bonds may be adversely affected. 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 the bonds.

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AUGUST 1, 2012

SIFMA Model Risk Disclosures Pursuant to MSRB Rule G-17

[Variable Rate Demand Obligations[1]]

The following is a general description of the financial characteristics of Variable Rate Demand Obligations (VRDOs), 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 VRDOs. 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 VRDO issue.] [ADD THE FOLLOWING SENTENCE IF THE VRDOs ARE STRUCTURED WITH AN INTEREST RATE SWAP: If you are contemplating entering into an interest rate swap in connection with your VRDOs, you should consider the financial risk considerations discussed in the SIFMA Model Risk Disclosures Pursuant to MSRB Rule G-17 related to Interest Rate Swaps.]

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 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.] [IF NOT A CONDUIT ISSUE, DELETE REFERENCES BELOW TO "THE OBLIGOR".]

Financial Characteristics

Maturity and Interest. VRDOs are debt securities with nominal long-term maturities (often 20 to 30 years) in which the interest rate is reset by a remarketing agent on a periodic basis (e.g., daily, weekly, monthly, annually or commercial paper periods up to 270 days). For each interest reset, subject to any maximum interest rate stated in the VRDOs, the remarketing agent is required to set the interest rate at the rate necessary, in its judgment, as the lowest rate that permits the sale of the VRDOs at 100% of their principal amount (par) on the interest reset date. The maximum interest rate for the VRDOs generally will range between 9% per annum and 15% per annum, depending on, among other factors, the structure of the VRDOs, the terms of any credit or liquidity support and whether interest is intended to be taxable or tax-exempt. Interest on the VRDOs is paid at the applicable variable rate monthly (for daily, weekly or

[1] Under MSRB Rule G-17, the underwriters must provide an issuer with disclosures about complex municipal securities financings that they recommend to the issuer for a negotiated offering. Variable rate demand obligations generally will be treated as a complex municipal securities financing.

monthly modes), semiannually (for the annual mode) or at the end of each commercial paper period (for the commercial paper or CP mode). VRDOs typically are offered to investors in minimum authorized denominations of not less than $100,000.

Redemption. Optional redemption of VRDOs generally is more flexible than with fixed rate bonds and is usually at a redemption price of par, without redemption premium. Short-term VRDO modes (daily or weekly) may be subject to optional redemption on any business day or, in some cases, on any interest payment date. Longer term VRDO modes (monthly, annual or CP) typically will be subject to optional redemption on any interest payment date. You will be required to send out a notice of optional redemption to the holders of the bonds, usually not less than 15 to 30 days prior to the redemption date.

Optional and Mandatory Tender. For VRDOs in a daily, weekly, monthly or annual mode, the owner of the VRDOs generally will have the option to tender (or "put") its VRDOs for purchase at par at a specified time (typically any business day for daily and weekly modes and on the interest reset date for longer modes) with a specified amount of advance notice (e.g., same day's notice for VRDOs in the daily mode, 7 days' notice for VRDOs in the weekly mode and 15 to 30 days' notice for longer modes). At the end of each commercial paper period for a VRDO in the CP mode, the VRDO will be subject to mandatory tender for purchase at par. VRDOs also may be subject to mandatory tender for purchase upon the occurrence of certain events, including certain conversions from one interest rate mode to another or upon replacement or expiration of a credit or liquidity facility. As described below, the remarketing agent is obligated to use its best efforts to remarket VRDOs subject to optional or mandatory tender.

Liquidity Support. In the ordinary course, the source of funds to pay owners of tendered VRDOs will be the proceeds of the remarketing of the VRDOs by the remarketing agent to new investors. You [or the obligor] will be required to ensure a source of funds to pay the purchase price due to the tendering owners in the event that the remarketing agent is unable to successfully remarket the VRDOs. While some issuers may provide liquidity support from their own funds (self-liquidity), in most cases liquidity support will be provided from a financial institution. The liquidity support may take the form of an irrevocable letter of credit issued by a bank (the letter of credit also will provide credit support for the payment of principal of and interest on the VRDOs) or it may be in the form of a standby bond purchase agreement (SBPA). Unlike a letter of credit, the SBPA typically will set forth certain events that will permit the provider of the SBPA to terminate the SBPA upon notice or, in some circumstances, will cause the SBPA to terminate automatically. The authorizing documents for the VRDOs may provide that, if the liquidity facility has been terminated, you [or the obligor] will be required to purchase the VRDOs from their owners and/or pay a higher interest rate on the VRDOs, in some cases as high as the maximum permitted rate on the VRDOs.

Role of Remarketing Agent. The remarketing agent is a broker-dealer or municipal securities dealer appointed and paid by you [or the obligor] to set the periodic interest rate on the VRDOs and to use its best efforts to sell VRDOs that have been tendered (optionally or mandatorily) for purchase. Typically, the underwriter or senior managing underwriter of the VRDOs is the remarketing agent. The remarketing agent's annual fee is based on the outstanding principal amount of the VRDO issue and the interest mode then in effect. [STATE THE REMARKETING FEE IF IT HAS BEEN DETERMINED: The remarketing fee for the VRDOs during the initial [______] mode will be [__] basis points per year.]

In some cases, the remarketing agent, in its sole discretion, may acquire tendered VRDOs for its own inventory in order to achieve a successful remarketing (i.e., because there otherwise are not enough buyers to purchase the VRDOs or for other reasons), thereby avoiding the need to draw on any liquidity facility to pay the tendering bond owners. The remarketing agent, however, is not obligated to purchase VRDOs and may cease doing so at any time without notice. Although not required to do so, the remarketing agent also may make a market in the VRDOs by purchasing and selling VRDOs outside of the formal tender process. Any such purchases and sales may be at prices other than par. The remarketing agent also may sell VRDOs that it owns to one or more affiliated investment vehicles or enter into derivative arrangements with affiliates or others in order to reduce its exposure to the VRDOs. The purchase of VRDOs by the remarketing agent may create the appearance that there is greater demand for the VRDOs in the market than is actually the case.

Under certain circumstances, you [or the obligor] may remove the remarketing agent or the remarketing agent may resign or cease its remarketing efforts. The authorizing documents for the VRDOs will set forth any required notice and will require appointment of a successor remarketing agent.

[IF APPROPRIATE FOR A PARTICULAR ISSUER OR TRANSACTION, PORTIONS OF THE 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 VRDOs.]

Financial Risk Considerations

Certain risks may arise in connection with your issuance of VRDOs, including some or all of the following (generally, the obligor, rather than you, 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 VRDOs may increase, which 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 the entity providing liquidity and/or credit support for the VRDOs. If any of these events occur, the debt service costs associated with the VRDOs will increase, which may negatively affect your coverage ratios and reduce the amount of your available cash. The interest rate on the VRDOs may be capped at a maximum interest rate, which generally will range between 9% per annum and 15% per annum. See "Financial Characteristics – *Maturity and Interest*" above.

Liquidity Risk
You may face liquidity risk since VRDOs may be subject to optional and mandatory tender for

purchase by their owners. If the remarketing agent is unable to successfully remarket the tendered VRDOs, in order to pay the tendering owners, the tender agent or trustee will demand funds from you, if you are providing self-liquidity, or it will draw funds under any applicable liquidity facility. Thereafter, unless and until the VRDOs are successfully remarketed, you will pay interest to the liquidity provider at an agreed-upon rate on the amount drawn, which is typically higher than the rate otherwise borne by the VRDOs. In addition, you may be required to pay the principal of the unremarketed VRDOs by the date set forth in the letter of credit or SBPA, which date is likely to be earlier than the stated maturity date of the VRDOs. The period of time by which you must pay the principal amount and interest on the VRDOs 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 VRDOs that are not remarketed, you might be obligated to repay the entire principal amount of the VRDOs.

Credit or Liquidity Facility Renewal Risk

Liquidity facilities, such as a letter of credit or SBPA, typically are issued for a term shorter than the stated maturity of the VRDOs, generally from one to five years. Upon expiration of the term, the liquidity facility must be renewed or replaced. You may be unable to replace the expiring liquidity facility or you may have difficulty obtaining a replacement liquidity facility 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 VRDOs. 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, the VRDOs will be subject to mandatory tender for purchase and you will be required to pay the purchase price (par plus accrued interest) of the VRDOs, either by remarketing the VRDOs in a different mode that does not require liquidity (such as converting the VRDOs to fixed rate bonds), issuing refunding bonds, securing a bank loan, finding some other source of repayment or drawing on the liquidity facility. Your ability to convert the VRDOs to a different mode, to issue refunding bonds or to secure a bank loan will depend on a number of 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 or a mandatory tender of the VRDOs may result, depending on the terms of the authorizing documents. You may be required to pay a higher rate of interest or, if a mandatory tender is triggered, you may be required to pay the purchase price (par plus accrued interest) of the VRDOs, either by remarketing the VRDOs in a different mode that does not require liquidity (such as converting the VRDOs to fixed rate bonds), issuing refunding bonds, securing a bank loan or finding some other source of repayment. Your ability to convert the VRDOs to a different mode, to issue refunding bonds or to secure a bank loan will depend on a number of factors, including general market conditions and your creditworthiness.

Issuer Default Risk
You may be in default if the funds pledged to secure your VRDOs are not sufficient to pay debt service on the VRDOs 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 VRDOs, the trustee and any credit and/or liquidity support provider may be able to exercise a range of available remedies against you. For example, if the VRDOs are 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 VRDOs. If the VRDOs are revenue bonds, you may be required to take steps to increase the available revenues that are pledged as security for the VRDOs. A default may negatively impact your credit ratings, including ratings on the VRDOs. If the ratings on the VRDOs are decreased, holders of VRDOs that are subject to optional tender may elect to put their VRDOs, the remarketing agent may have difficulty remarketing the VRDOs and the VRDOs likely will bear a higher interest rate after any applicable interest reset. 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 VRDOs.

This description is only a brief 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.

Reinvestment Risk
You may have proceeds of the VRDOs 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 VRDOs, which is referred to as "negative arbitrage".

Tax Compliance Risk
The issuance of tax-exempt bonds is subject to a number of requirements under the United States 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 VRDOs (if issued as tax-exempt obligations) to become taxable retroactively to the date of issuance of the VRDOs, which may result in an increase in the interest rate that you pay on the VRDOs or the mandatory redemption of the VRDOs. The IRS also may audit you or your VRDOs 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 VRDOs are declared taxable, or if you are subject to audit, holders of VRDOs that are subject to optional tender may elect to put their VRDOs, the remarketing agent may have difficulty remarketing the VRDOs and the VRDOs likely will bear a higher interest rate after any

applicable interest reset. 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 the VRDOs.

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AUGUST 1, 2012

SIFMA Model Risk Disclosures Pursuant to MSRB Rule G-17

[Fixed Rate Bonds[1]]

The following is a general description of the financial characteristics and security structures of fixed rate municipal bonds ("Fixed Rate 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 issue Fixed Rate Bonds. 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 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 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 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.] [IF NOT A CONDUIT ISSUE, DELETE REFERENCES BELOW TO "THE OBLIGOR".]

Financial Characteristics

Maturity and Interest. Fixed Rate Bonds are interest-bearing debt securities issued by state and local governments, political subdivisions and agencies and authorities. Maturity dates for Fixed Rate Bonds are fixed at the time of issuance and may include serial maturities (specified principal amounts are payable on the same date in each year until final maturity) or one or more term maturities (specified principal amounts are payable on each term maturity date) or a combination of serial and term maturities. The final maturity date typically will range between 10 and 30 years from the date of issuance. Interest on the Fixed Rate Bonds typically is paid semiannually at a stated fixed rate or rates for each maturity date.

Redemption. Fixed Rate Bonds may be subject to optional redemption, which allows you, at your option, to redeem some or all of the bonds on a date prior to scheduled maturity, such as in connection with the issuance of refunding bonds to take advantage of lower interest rates. Fixed Rate Bonds will be subject to optional redemption only after the passage of a specified

[1] Although Fixed Rate Bonds generally are not "complex municipal securities financings" for purposes of MSRB Rule G-17, the underwriters nevertheless may wish to provide disclosures regarding Fixed Rate Bonds in certain circumstances, depending on the level of sophistication and experience of the issuer and its personnel. Under MSRB Rule G-17, the underwriters must provide an issuer with disclosures about complex municipal securities financings that they recommend to the issuer for a negotiated offering.

period of time, often approximately ten years from the date of issuance, and upon payment of the redemption price set forth in the bonds, which may include a redemption premium. You will be required to send out a notice of optional redemption to the holders of the bonds, usually not less than 30 days prior to the redemption date. Fixed Rate Bonds with term maturity dates also may be subject to mandatory sinking fund redemption, which requires you to redeem specified principal amounts of the bonds annually in advance of the term maturity date. The mandatory sinking fund redemption price is 100% of the principal amount of the bonds to be redeemed.

Security

Payment of principal of and interest on a municipal security, including Fixed Rate Bonds, may be backed by various types of pledges and forms of security, some of which are described below.[2]

General Obligation Bonds

"General obligation bonds" are debt securities to which your full faith and credit is pledged to pay principal and interest. If you have taxing power, generally you will pledge to use your ad valorem (property) taxing power to pay principal and interest. Ad valorem taxes necessary to pay debt service on general obligation bonds may not be subject to state constitutional property tax millage limits (an unlimited tax general obligation bond). The term "limited" tax is used when such limits exist.

General obligation bonds constitute a debt and, depending on applicable state law, may require that you obtain approval by voters prior to issuance. In the event of default in required payments of interest or principal, the holders of general obligation bonds have certain rights under state law to compel you to impose a tax levy.

Revenue Bonds

"Revenue bonds" are debt securities that are payable only from a specific source or sources of revenues. Revenue bonds are not a pledge of your full faith and credit and you are obligated to pay principal and interest on your revenue bonds only from the revenue source(s) specifically pledged to the bonds. Revenue bonds do not permit the bondholders to compel you to impose a tax levy for payment of debt service. Pledged revenues may be derived from operation of the financed project or system, grants or excise or other specified taxes. Generally, subject to state law or local charter requirements, you are not required to obtain voter approval prior to issuance of revenue bonds. If the specified source(s) of revenue become inadequate, a default in payment of principal or interest may occur. Various types of pledges of revenue may be used to secure interest and principal payments on revenue bonds. The nature of these pledges may differ widely based on state law, the type of issuer, the type of revenue stream and other factors.

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[2] The discussion of security characteristics is limited to general obligation and revenue bond structures. This summary should be expanded and modified, as necessary, for other security structures, such as bonds that are secured by a double-barreled pledge (general obligation and revenues), annual appropriations or a moral obligation of the issuer or another governmental entity. If the security for the bonds is known at the time this disclosure is provided to the issuer, include only those portions relevant to the actual security for the bonds.

Some revenue bonds (conduit revenue bonds) may be issued by a governmental issuer acting as conduit for the benefit of a private sector entity or a 501(c)(3) organization (the obligor). Conduit revenue bonds commonly are issued for not-for-profit hospitals, educational institutions, single and multi-family housing, airports, industrial or economic development projects, and student loan programs, among other obligors. Principal and interest on conduit revenue bonds normally are paid exclusively from revenues pledged by the obligor. Unless otherwise specified under the terms of the bonds, you are not required to make payments of principal or interest if the obligor defaults.

The description above regarding "Security" is only a brief summary of certain possible security provisions for the bonds and is not intended as legal advice. You should consult with your bond counsel for further information regarding the security for the bonds.

Financial Risk Considerations

Certain risks may arise in connection with your issuance of Fixed Rate Bonds, including some or all of the following (generally, the obligor, rather than you, will bear these risks for conduit revenue bonds):

Issuer Default Risk
You may be in default if the funds pledged to secure your bonds are not sufficient to pay debt service on the bonds 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 bonds, the trustee and any credit support provider may be able to exercise a range of available remedies against you. For example, if the bonds are 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 bonds. If the bonds are revenue bonds, you may be required to take steps to increase the available revenues that are pledged as security for the bonds. A default may negatively impact your credit ratings and may effectively limit your ability to publicly offer bonds or other securities at market interest rate levels. Further, if you are unable to provide sufficient funds to remedy the default, subject to applicable state law and the terms of the authorizing documents, you may find it necessary 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 bonds.

This description is only a brief 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.

Redemption Risk
Your ability to redeem the bonds prior to maturity may be limited, depending on the terms of any optional redemption provisions. In the event that interest rates decline, you may be unable to take advantage of the lower interest rates to reduce debt service.

Refinancing Risk

If your financing plan contemplates refinancing some or all of the bonds at maturity (for example, if you have term maturities or if you choose a shorter final maturity than might otherwise be permitted under the applicable federal tax rules), market conditions or changes in law may limit or prevent you from refinancing those bonds when required. Further, limitations in the federal tax rules on advance refunding of bonds (an advance refunding of bonds occurs when tax-exempt bonds are refunded more than 90 days prior to the date on which those bonds may be retired) may restrict your ability to refund the bonds to take advantage of lower interest rates.

Reinvestment Risk

You may have proceeds of the bonds 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 bonds, which is referred to as "negative arbitrage".

Tax Compliance Risk

The issuance of tax-exempt bonds is subject to a number of requirements under the United States 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 bonds to become taxable retroactively to the date of issuance of the bonds, which may result in an increase in the interest rate that you pay on the bonds or the mandatory redemption of the bonds. The IRS also may audit you or your bonds, in some cases on a random basis and in other cases targeted to specific types of bond issues or tax concerns. If the bonds are declared taxable, or if you are subject to audit, the market price of your bonds may be adversely affected. 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 the bonds.

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Interest Rate Swaps[1]

The following is a description of the characteristics of interest rate swaps, as well as a 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 enter into an interest rate swap[2] in connection with your Bonds. If you decide that you would like to pursue this financing alternative, [[the underwriter] [the swap dealer (Swap Dealer)] or your municipal advisor and qualified independent representative, as applicable] will provide you with additional information describing the material terms of your particular interest rate swap.[3] If you have any questions or concerns about these disclosures, please make those questions or concerns known immediately to us. **There may be accounting, legal and other risks associated with a swap and you should consult with your financial and/or municipal, legal, accounting, tax and other advisors, as applicable, to the extent you deem appropriate concerning such risks.**

[Insert following the October 14, 2012 CFTC Business Conduct Standards compliance date: **Under the CFTC Business Conduct Standards, the Swap Dealer is required to have a reasonable basis to believe that you have a "qualified independent representative" in connection with your swap. See Other Considerations -- Compliance With Dodd-Frank herein.]**

Characteristics of Interest Rate Swaps; Rights and Obligations of Swap Parties

Financial Characteristics. An interest rate swap is a two-party agreement by and between you and a Swap Dealer to exchange payments based on periodic changes in interest rates or indices on the dates and for the term specified in the swap agreement. Interest rate swaps typically involve an exchange of payments calculated based upon fixed and floating rates or upon two different floating rates. In the municipal market, the floating rates commonly used are the SIFMA Index (SIFMA) and the London Interbank Offered Rate (LIBOR).[4] Swap payments are calculated based on a "Notional Amount" specified in the swap agreement; the Notional Amount is not, however, exchanged by the parties.

[1] Under MSRB Rule G-17, an interest rate swap entered into in connection with an offering will generally be treated as a complex municipal securities financing.

[2] These disclosures can also be delivered, as applicable, in connection with material amendments of existing swaps.

[3] The Interpretive Notice Concerning the Application of MSRB Rule G-17 to Underwriters of Municipal Securities (effective August 2, 2012) provides that the Underwriter may satisfy its swap disclosure obligation if the required disclosure has been provided to an issuer by the Swap Dealer or the issuer's independent swap or other financial advisor, as long as the Underwriter has a reasonable basis for belief in the truthfulness and completeness of such disclosure.

[4] "*SIFMA Index*" is the Municipal Swap Index compiled from weekly interest rate resets of tax-exempt variable rate issues reported to Municipal Market Data that meet specific criteria established from time to time by SIFMA. The SIFMA Index is generally determined on Wednesday of each week and published and effective for the one-week period beginning on Thursday.

"*LIBOR*" is the London-Interbank Offered Rate, which is an interest rate for a specified period for US Dollar investments that is managed by the British Bankers Association. LIBOR is determined each day at 11am (London time) and is the average rate (with some adjustments) derived from the quotations provided by certain reference banks that are determined by the British Bankers' Association. In most cases, swap documents refer to an alternate mechanism for establishing the index in the event that the SIFMA Index or LIBOR, as applicable, is not calculated.

Payment obligations on your swap will generally be netted so that only one party makes a payment on each payment date.

Nature of the Swap Obligation. The execution of a swap typically will not affect the nature of your obligation or legal liability to your Bondholders. Upon the execution of a swap, you continue to be legally obligated to your Bondholders to make debt service payments. From an economic perspective, the swap enables you to effectively convert your rate payment obligation, for example, from floating to fixed or from fixed to floating, but your bond and swap obligations are separate and distinct.

Master Agreements. Your swap will be executed under the terms of a Master Agreement, using the documents published by the International Swaps and Derivatives Association, Inc. (ISDA). Multiple swap transactions may be documented under one Master Agreement by the execution, from time to time, of separate confirmations executed by the parties. Swaps are typically aggregated and, if applicable, netted under one Master Agreement, with the effect that parties that have executed multiple swaps may treat them as one single agreement. This is consistent with the treatment of swaps, generally, under principles of U.S. bankruptcy law.

Swap Termination. A swap may be terminated by you or the Swap Dealer prior to its scheduled termination date upon the occurrence, as to the other party, of one or more of the following Events of Default: Failure to Pay or Deliver, Breach of Agreement, Credit Support Default, Misrepresentation, Default Under Specified Transactions, Cross Default, Bankruptcy, and Merger Without Assumption and one or more of the following Termination Events: Illegality, Credit Event Upon Merger and any other event specified in the swap documents, typically including certain ratings downgrades. Consistent with the aggregation of swaps under a Master Agreement, the occurrence of an Event of Default or of certain Termination Events in respect of a party to a Master Agreement may have the effect of terminating all of the swaps under such Master Agreement.

Termination Payments. Upon a swap termination, a payment may be owed by either party depending upon market conditions at the time of termination, regardless, generally, of which party is the defaulting party or the party affected by a Termination Event. The amount that would be payable by one party to the other if a swap were terminated on any particular day is typically referred to as the "Termination Payment" for the swap. A Termination Payment typically reflects the then-current mark-to-market value of a swap upon its termination in light of then-prevailing market conditions. For example, if you agree to pay a fixed rate on a swap and, following swap execution, fixed rates in the relevant market decline, it would be expected that the mark-to-market of the swap would be "against" you (*i.e.*, you would owe a Termination Payment if the swap were terminated because your obligation under the swap is to pay a fixed rate at a time when market rates are lower).

Mark-to-Market Amounts. A calculation of the mark-to-market value of a swap that would be payable if the swap were terminated may be used for various purposes. Among other things, it reflects, on any given date, the amount of any unrealized loss or gain on the swap for purposes of your financial statements; it may be used for purposes of establishing compliance with financial covenants and other terms of your indenture and other credit agreements; and it may be used to calculate the amount of collateral you are required to deliver to secure your payment obligations under the swap.

Tax Considerations. Consideration should be given as to whether a swap should be "integrated" with the Bonds for purposes of yield calculation on the Bonds for U.S. Federal tax purposes. You should consult with your Bond Counsel regarding the tax implications of entering into the swap.

Material Economic and Operational Terms of Interest Rate Swaps

OPTION 1: Fixed Payer Swap

In a fixed payer swap, an issuer makes payments based on a fixed rate determined at the pricing of the swap and receives payments based on a floating rate index such as SIFMA or LIBOR. An issuer typically enters into a fixed payer swap to hedge against the interest rate volatility of variable rate debt. The floating rate payments made by the Swap Dealer are intended to offset an issuer's variable rate debt exposure, so that, as a result of the variable rate debt taken together with the swap, an issuer makes payments based on a net fixed rate.

[Describe material economic and operational terms of the fixed payer swap.]

<u>OPTION 2</u>: Fixed Receiver Swap

In a fixed receiver swap, an issuer makes payments based on a floating rate index such as SIFMA or LIBOR and receives payments based on a fixed rate determined at the pricing of the swap. An issuer typically enters into a fixed receiver swap in connection with fixed rate debt. As a result of the fixed rate debt taken together with the swap, the issuer makes payments based on a net floating rate.

[Describe material economic and operational terms of the fixed receiver swap.]

<u>OPTION 3</u>: Basis Swap

In a basis swap, an issuer makes payments based on one floating rate index such as SIFMA or LIBOR and receives payments based on a different floating rate index.

[Describe material economic and operational terms of the basis swap.]

<u>OPTION 4</u>: Interest Rate Cap

In an interest rate cap, one party agrees to pay the other an amount determined by the degree, if any, that a floating rate exceeds a predetermined fixed rate, called the strike rate. Interest rate caps are typically purchased by an issuer in connection with variable rate debt to economically provide a maximum rate payable on variable rate debt without actually subjecting the terms of the debt to a maximum rate.

[Describe material economic and operational terms of the interest rate cap.]

<u>OPTION 5</u>: [Other Swaps]

[Insert description of swap: Rate Lock, Swaption, Interest Rate Floor, Yield Curve Swap, Security-Based Swap, etc.]

[Describe material economic and operational terms of the swap.]

<u>Risk Considerations of Interest Rate Swaps</u>

<u>Credit/Counterparty Risk</u>. Counterparty risk is the risk that the Swap Dealer (or its Credit Support Provider or Guarantor) will not fulfill its obligations as specified by the terms of the swap. An issuer that elects not to clear its swap is exposed to the credit and counterparty risk of the Swap Dealer. If an Event of Default or Termination Event occurs as to the Swap Dealer, including, without limitation, as a result of the Swap Dealer's bankruptcy or significant ratings downgrade, you will generally have the right to terminate the swap, but the amount of any payment you receive, if any termination payments are owed to you, would be subject to the Swap Dealer's ability to make the required payment. Upon the bankruptcy or other insolvency of a Swap Dealer, among other things, your obligation to make payments to your insolvent counterparty, the timing of swap terminations and the valuation of a swap upon its termination as well as your right to the return of any excess collateral you may have posted, may be determined, or affected, by principles of relevant bankruptcy or other insolvency law. You may not receive amounts from the Swap Dealer to which you would otherwise be entitled, including but not limited to ongoing

payments under the swap, termination payments and the return of any excess collateral. You should consult with your counsel regarding these and other considerations, and your rights, in the event of the Swap Dealer's bankruptcy or other applicable insolvency proceeding.

Termination Risk. Termination risk is the risk that the swap (or multiple swaps under a Master Agreement) could be terminated prior to its (or their) scheduled termination date(s) as a result of any of several events relating to either you or the Swap Dealer, including your payment default on a swap or the Bonds or a downgrade of your ratings and other events specified by the terms of the swap and the Master Agreement. Upon an early termination, a substantial Termination Payment could be due and payable; you may either owe a Termination Payment to the Swap Dealer or receive a Termination Payment from the Swap Dealer depending on then-prevailing market rates in the relevant market for a swap with the same term and structure. You may be able to fund a Termination Payment from the proceeds of your borrowings. However, your contractual obligation to make a Termination Payment is unconditional and is not subject to your ability to incur debt or access the public markets.

Interest Rate Risk. Interest rate risk is the risk that rates will increase or decrease, and such fluctuations will affect the swap's cash flow, mark-to-market value and upon an early termination, the required Termination Payment. On a fixed payer swap, you also forgo the opportunity to take advantage of lower rates if rates decrease.

Basis Risk. Basis risk arises from the mismatch between the rate you receive under the swap and the rate you pay on the Bonds. For example, basis risk describes the risk in a fixed payer swap that the floating rate you receive under the swap may not equal the floating rate you pay on the variable rate bonds that you are hedging. The two rates may not fluctuate the same way or to the same extent. Basis risk will also be impacted by the ratings of any credit enhancer or liquidity provider on the variable-rate bonds, a failed remarketing, as well as general market conditions.

Tax Risk.[5] Tax risk is a specific basis risk stemming from the mismatch between, for example, the percentage of LIBOR or other rate you receive on a swap and the interest rate you pay on your tax-exempt variable rate bonds, as a result of the occurrence of tax events affecting your bonds or tax-exempt bonds generally, including changes in marginal income tax rates and other changes in the Federal and state tax systems. For example, a reduction in marginal Federal income tax rates, a reduction of the Federal tax rate on interest income, a change in the treatment of municipal bond interest or a change in the structure of the Federal tax system may cause variable tax-exempt interest rates and the SIFMA Index to rise relative to taxable interest rates or LIBOR, increasing basis risk, as the amounts you receive under the swap may be less than the amounts you then owe on the Bonds.

Liquidity Risk. Liquidity risk is the risk that it may be difficult to terminate a swap or to assess the market value of a swap under certain market conditions. The Swap Dealer may, but is not obligated (unless specifically agreed to under the swap documentation), to unwind or terminate the swap at market at your request. Generally, you may not assign, amend or novate the swap without the prior written consent of the Swap Dealer. There can be no assurance, and the Swap Dealer does not guarantee, that another swap dealer will be willing to accept the rights and obligations under your swap or that the Swap Dealer would consent to such a transfer.

Collateral Risk.[6] Under certain circumstances, you may be required to deliver collateral to secure your payment obligations under the swap. Your obligation to post collateral on a swap will be calculated, from time to time, on the basis of the mark-to-market value of the swap (and on other swaps under the Master Agreement) and may be substantial. Since you deliver collateral [directly to the Swap Dealer] [to a third

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[5] Include when there is a mismatch between the interest rate payable on the Bonds and the rate payable on the swap.

[6] Include when an issuer agrees to deliver collateral to secure its obligations under the swap.

party custodian], the return of your collateral is subject to the [credit and bankruptcy risks of the Swap Dealer] [and the credit and operational risks of the third-party custodian.][7] [If a third-party custodian were to default in its obligations to return collateral in connection with the swap, you could suffer losses, and such losses could be substantial.] You should consult with your counsel regarding your rights with respect to collateral.

Operational Risk. Operational risk is the risk of loss arising from failures of systems and controls for recording, monitoring and quantifying the risks and contractual obligations associated with swaps, for valuing transactions and transferring funds or for detecting human error or system failures. Monitoring and management of a swap or your swap portfolio may require the dedication of resources and personnel on an ongoing basis.

Amortization Risk. Amortization risk is the risk of a mismatch between the principal amount of the Bonds and the Notional Amount of the related swap.

Other Considerations

[*Delete the following sentence if the Issuer is not issuing VRDOs.*] [If you are contemplating entering into a swap in connection with your VRDOs, you should consider the financial risk considerations discussed in the SIFMA Model Risk Disclosures Pursuant to MSRB Rule G-17 related to Variable Rate Demand Obligations.] [*Delete the following sentence if the Issuer is not issuing Fixed Rate Bonds.*] [If you are contemplating entering into a swap in connection with your Fixed Rate Bonds, you should consider the financial risk considerations discussed in the SIFMA Model Risk Disclosures Pursuant to MSRB Rule G-17 related to Fixed Rate Bonds.] [*Delete the following sentence if the Issuer is not issuing FRNs.*] [If you are contemplating entering into a swap in connection with your FRNs, you should consider the financial risk considerations discussed in the SIFMA Model Risk Disclosures Pursuant to MSRB Rule G-17 related to Floating Rate Notes.] Certain other considerations may also arise in connection with your execution of a swap, including some or all of the following:

Pricing of Swaps. Price and other terms of swaps are individually negotiated between you and the Swap Dealer. The Swap Dealer does not represent or warrant to you that the prices at which the Swap Dealer may offer to enter into a swap with you will be the best prices available to you. Similarly, provision of an indicative valuation or price by the Swap Dealer should not be considered to be an offer to enter into or terminate the relevant transaction at that value or price. Because swaps are not standardized or publicly traded, their value at any time may not be precisely ascertainable; different market participants, using different pricing models, may arrive at different values. The transaction costs associated with a swap may be material and may impact the level at which a swap is executed or terminated. Transaction costs include, but are not necessarily limited to, trading costs, hedging costs, funding charges, swap dealer fees and legal expenses.

Upfront Payment.[8] Consideration should be given as to the characterization of an upfront payment made by the Swap Dealer on any swap. To the extent that that the Swap Dealer makes an upfront payment to you that constitutes an off-market payment, such amount could be considered to be a loan from the Swap Dealer to you. You should consult with your counsel regarding any upfront payment you may receive from the Swap Dealer in connection with the swap.

Trading for Swap Dealer's Own Account; Swap Dealer's Financial Market Activities. The Swap Dealer may act in various capacities throughout the financial markets and these activities may, in certain

[7] Include depending on whether an issuer is expected to deliver collateral directly to the Swap Dealer or to a third-party custodian.
[8] Include if the swap includes an upfront payment.

circumstances, adversely affect the value of the swap. The Swap Dealer may engage in proprietary trading for its own accounts in instruments similar to the swap, subject to regulatory restrictions on such proprietary trading activities, engage in similar or offsetting transactions with other counterparties or act as calculation agent with respect to Events of Default, Termination Events or other events. Such trading and hedging activities can adversely affect the value of the swap.

Index Risk. The Swap Dealer may provide data that is used to compile the floating rate index on the swap, such as the SIFMA Index and LIBOR. [The Swap Dealer or an affiliate of the Swap Dealer may be a reference bank for purposes of setting LIBOR.][9] [In the Underwriter's capacity as a remarketing agent, the Underwriter may remarket bonds that are included in the calculation of the SIFMA Index.][10] Recent reports have identified problems in the way that LIBOR has been set in past years. Although the matter is still under review by relevant regulatory authorities, there is a possibility that the method of establishing LIBOR could change. The Municipal Securities Rulemaking Board also recently announced that it will review indices used by the municipal market to develop educational materials about their use and to ensure that the market operates fairly and transparently. The method of establishing indices used in the municipal market, including the SIFMA Index, may change over time. A change in LIBOR or the SIFMA Index may affect the rate that you pay, or receive, as the case may be, on the swap. In addition, there is a risk that, at any point in time, the indices (and therefore the rate that you pay, or receive on the swap, as the case may be) may be affected by factors that are unrelated to the market for swaps generally.

Compliance with Dodd-Frank. Under the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd Frank"), which was signed into law in July 2010, regulatory agencies, including the U.S. Commodity Futures Trading Commission (the "CFTC") and the Securities and Exchange Commission are required to adopt, and are in the process of promulgating, regulations governing multiple aspects of swap transactions and the functioning of the swap market. More specifically, the CFTC has adopted regulations which enumerate certain business conduct standards applicable to swap dealers (the "CFTC Business Conduct Standards") when dealing with counterparties generally, and additional requirements applicable to swap dealers when dealing with Special Entities[11], including municipal market issuers. Under the CFTC Business Conduct Standards, the Swap Dealer is required to have a reasonable basis to believe that you have a "qualified independent representative" for the swap that has, among other things, undertaken a duty to act in your best interests and to evaluate the pricing and appropriateness of the swap. The compliance date for the CFTC Business Conduct Standards is October 14, 2012. As further regulations under Dodd-Frank are finalized or become effective, the Swap Dealer is expected to be required to adopt additional processes or procedures. The [Underwriter] [Swap Dealer] reserves the right to supplement these disclosures or request certain additional representations from you and your qualified independent representative.

Role of the [Underwriter][Swap Dealer]. The [Underwriter][Swap Dealer] is acting solely as a principal, and not as your agent, advisor or fiduciary in connection with the swap. The [Underwriter][Swap Dealer] has not assumed a fiduciary responsibility in your favor with respect to the swap and nothing in the swap documents or in any prior relationship between you and the [Underwriter][Swap Dealer] creates an advisory, fiduciary or agency relationship between you and the [Underwriter][Swap Dealer] in respect of the swap (whether or not the Swap Dealer or any affiliate of the [Underwriter][Swap Dealer] has provided or is currently providing other services to you on related or other matters). In connection with the swap, the Swap Dealer is your arm's length contractual counterparty. The [Swap Dealer][Underwriter] has different financial interests than you do. You should determine, without reliance upon the [Underwriter][Swap Dealer] or any of its affiliates, the financial and economic risks and merits, as well as the legal, tax and accounting characterizations and consequences, of the swap and that you are capable of

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[9] Include if applicable.
[10] Include if applicable.
[11] As such term is defined in Dodd-Frank and the CFTC Business Conduct Standards.

assuming such risks and should consult, to the extent you deem necessary, with your own legal, tax, accounting and financial advisors [qualified independent representative, municipal advisors] to determine whether the swap is in your best interest and make an independent analysis and decision to enter into the swap based on such advice. The [Swap Dealer] [Underwriter] is not expressing an opinion as to whether you should enter into a swap.

Assessing the Magnitude of Potential Exposure

In assessing the magnitude of your exposure on a swap, consideration should be given both as to the impact on your ongoing cash flow as well as the impact if the swap were to terminate at a time when you would be obligated to make a Termination Payment.

For example, your maximum exposure on each payment date under a fixed-payer swap is determined by assuming, as of a date of determination, that the floating rate is zero. The maximum exposure on each payment date would be equal to the fixed rate applied to the Notional Amount in respect of such payment period. Likewise, if such swap were terminated at such time as the swap floating rate was at or near zero, the Termination Payment could be substantial, and would approximate the present value of the fixed rate applied to the Notional Amount payable over the remaining term of the swap. In addition, if you have entered into the swap in connection with an issue of variable rate bonds, and there is a disruption in the market or some other event affects the rate on your variable rate bonds, you may be required to make maximum payments on the swap at a time when you are also required to make payments on the Bonds at or near their maximum rate. [*Delete the following sentence if the Issuer is not issuing VRDOs.*] [If you are contemplating entering into a swap in connection with your VRDOs, you should consider the financial risk considerations discussed in the SIFMA Model Risk Disclosures Pursuant to MSRB Rule G-17 related to Variable Rate Demand Obligations related to the magnitude of potential exposure on the VRDOs.]

For each product, add disclosure as applicable: [12]

OPTION 1: Fixed Payer Swap

OPTION 2: Fixed Receiver Swap

OPTION 3: Basis Swap

OPTION 4: Interest Rate Cap

OPTION 5: [Other Swaps]

[12] Include, as appropriate, a description [text, grid or other format] of the magnitude of the potential exposure of an issuer under market conditions unfavorable to an issuer, as to both regularly scheduled swap payments and swap termination payments.

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SIFMA Model Risk Disclosures Pursuant to MSRB Rule G-17

Tender Offers[1]

[THE FOLLOWING MODEL DISCLOSURE RELATING TO TENDER 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 A TENDER OFFER. 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.]

Financial Characteristics

The following is a general description of the financial characteristics of the proposed tender offer for the outstanding [DESCRIBE BONDS THAT WILL BE THE SUBJECT OF THE TENDER 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 tender 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 TENDER OFFER: [If you decide that you would like to pursue the tender offer, we may provide you with additional information more specific to your particular tender 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 TENDER 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 tender offer is also being sent to the obligor.] [IF NOT A CONDUIT ISSUE, DELETE REFERENCES BELOW TO "THE OBLIGOR".]

Legal Framework
The tender offer will be an offer to purchase some or all of the Outstanding Bonds through a public offer to the holders of the Outstanding Bonds. The tender offer will be funded from the proceeds of the [New Bonds]/[IF NOT ALREADY DEFINED, DESCRIBE THE BONDS OR OTHER OBLIGATIONS THAT WILL FUND THE TENDER OFFER (the New Bonds)]. Among other circumstances, a tender offer can be an appropriate financial strategy where the outstanding tax-exempt bonds, such as the Outstanding Bonds, are not eligible for an advance

[1] Under MSRB Rule G-17, the underwriters must provide an issuer with disclosures about complex municipal securities financings that they recommend to the issuer for a negotiated offering. A tender offer generally will be treated as a complex municipal securities financing.

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).

As market participants in connection with issuance of the New Bonds, we and you are subject to various laws and regulations, including anti-fraud provisions and Rule 10b-5 of the Securities and Exchange Commission (SEC). These anti-fraud provisions also apply to issuers, like you, engaging in a repurchase of outstanding debt, such as the Outstanding Bonds. In connection with corporate securities, there is also extensive regulation of tender offers through legislation, regulations issued by the 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 marketplace. The tender offer will constitute a firm offer to the market to purchase 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 tender offer and in evaluating the legal framework for the tender offer and the exercise of conditions to a tender offer.

Third-Party Participants
Often a tender 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 tender offer will reach all bondholders in a timely manner. We have worked with several Information Agent firms and can provide suggestions on selecting a firm, but ultimately it is [your/the obligor's] decision whether to engage a third party or whom to engage relating to the tender offer.

Pricing of the Tender Offer
[USE THE FOLLOWING PARAGRAPH FOR A MODIFIED DUTCH AUCTION TENDER OFFER.] The tender 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 prices determined by them 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 TENDER OFFER.] The tender offer is contemplated to be a fixed price tender offer for a period of [__] business days. With a fixed price tender offer, bondholders electing to submit Outstanding Bonds for tender will do so at the price or prices that you determine at the time that the tender 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 price or prices during the course of the tender offer, should you wish to do so.

The completion of the tender offer may be subject to certain conditions that you establish at the time that the tender offer commences. For example, depending on the nature of the tender offer and based on discussions with your counsel, you may elect not to complete the tender 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 tender offer.

Role of the Dealer Manager
[You or the obligor have engaged us/If you or the obligor engage us] as dealer manager for the tender offer [and/,] we will perform the duties typical of a tender offer as provided in the Dealer Manager Agreement, to be executed by [you/the obligor] 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 tender 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 tender 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 a tender offer, including some or all of the following (generally, the obligor, rather than you, will bear these risks in connection with a tender offer for conduit revenue bonds):

Uncertainty of Results
The results of a tender offer can be uncertain. Since there is limited ability to communicate with investors prior to a tender offer, there may be a high degree of uncertainty as to the principal amount of the Outstanding Bonds that actually will be tendered for purchase. The level of participation cannot be known at the time the tender offer is launched and may affect the tender price or prices that you ultimately offer and pay. As a consequence, there is execution uncertainty with a tender offer.

Varying Impact on Particular Bondholders
A tender 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 tender offer. This may affect the results of the tender offer. We are obligated to deal fairly with all investors.

Alternatives to the Tender 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 tender 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 a tender offer.

OHIO TURNPIKE COMMISSION
682 Prospect Street
Berea, Ohio 44017

REQUEST FOR QUALIFICATIONS ("RFQ")
TO SERVE AS UNDERWRITER

ISSUE DATE
February 26, 2013

INQUIRY END DATE
5:00 p.m., E.S.T., March 6, 2013

QUALIFICATION STATEMENT SUBMITTALS TO BE RECEIVED BY:
2:00 p.m., E.D.T., March 13, 2013

<u>SUBMITTED BY</u>:

COMPANY NAME ______________________________

CONTACT NAME ______________________________

STREET ADDRESS ______________________________

CITY AND STATE ____________________ ZIP __________

TELEPHONE NUMBER __________ FAX NUMBER __________

EMAIL ADDRESS ______________________________

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OHIO TURNPIKE COMMISSION

682 Prospect Street
Berea, OH 44017
(440) 234-2081

REQUEST FOR QUALIFICATIONS ("RFQ")
TO SERVE AS UNDERWRITER

NOTICE TO UNDERWITERS

The Ohio Turnpike Commission ("Commission") requests Qualification Statements to provide underwriting services.

Sealed Qualification Statements will be received at the Commission's offices, 682 Prospect Street, Berea, OH 44017, c/o the Purchasing Department, until **2:00 P.M., E.D.T., March 13, 2013.**

Firms interested in responding to this RFQ are welcome to submit specific questions seeking clarification of the RFQ requirements. These **questions shall be submitted in writing** and **emailed to: kevin.golick@ohioturnpike.org, or faxed to (440) 234-0232 Attn: Kevin Golick, not later than 5:00 p.m., E.S.T., March 6, 2013. Do not contact the Commission or any employee or representative of the Commission by phone. Do not address email or fax questions to anyone other than Mr. Golick.** At the completion of the Inquiry Period, a summary of all questions and answers will be compiled. Firms that so request will be forwarded a copy of each question and the Commission's response. This information will be provided via email or fax only (email address and/or fax number must be provided).

The Commission reserves the right to require Responding Underwriters to submit additional written or oral clarification of their Qualification Statements and to meet with one or more, but not necessarily all, of the Responding Underwriters to obtain additional information and/or clarification, and to negotiate final terms of a contract.

The Commission will notify the Successful Underwriter(s) as soon as practicable after the receipt and review of Qualification Statements. The Commission reserves the right to reject any or all Qualification Statements and the right to waive minor errors or technicalities.

OHIO TURNPIKE COMMISSION
REQUEST FOR QUALIFICATIONS
TO SERVE AS UNDERWRITER

PART I - General Information

The Ohio Turnpike Commission (the "Commission" or "Turnpike") is soliciting Qualification Statements from Investment Banking firms to serve as either senior managing or co-managing underwriter on one or more potential transactions. Responding Underwriters, with submission of their Qualification Statements, represent that they will commit to providing underwriting services for a period of at least one year and for possibly one or more transactions. Currently, a new issue of up to $1.1 billion is being considered for the Third Quarter of 2013.

One or more underwriting firms may be selected for each or all of the transactions. There is no assurance that if selected for one of the transactions the firm will be selected for any of the other transactions.

Responding Underwriters must demonstrate proven ability to prepare and structure a successful financing program and to distribute, with the assistance of one or more co-managers, the Commission's bonds on both a regional as well as a national level.

This RFQ is not and shall not be construed as an offer of a contract by the Commission, and selection for qualification purposes will not be a commitment by the Commission to enter into a contract. Any contractual arrangement for underwriting services will be evidenced solely by a separate bond purchase agreement authorized and executed by the Commission for each bond issue.

PART II - Description of the Commission

The Ohio Turnpike Commission is a body "both corporate and politic" and constitutes an "Instrumentality of the State." The Commission was created by the Ohio Turnpike Act (Chapter 5537, Ohio Revised Code) adopted by the 98th Ohio General Assembly, effective September 1, 1949. The Commission is authorized and empowered to construct, maintain, repair, and operate the Turnpike system at such locations as shall be approved by the Governor of the State of Ohio and in accordance with such alignment and design standards as are approved by the Director of the Ohio Department of Transportation ("ODOT"). The Commission is also authorized and empowered to issue Turnpike Revenue Bonds of the State of Ohio, payable solely from Turnpike revenues. Under provisions of the Act, Turnpike Revenue Bonds shall not be deemed to constitute a debt or a pledge of faith and credit of the State or any political subdivision thereof, and Turnpike monies are not currently available to the State of Ohio or any political subdivision of the State. **However, legislation currently pending in the Ohio General Assembly (House Bill 51) would authorize the Commission to**

issue bonds for the purpose of funding other highway infrastructure projects (see Part III below).

A nine-member board, of which five are voting members, currently governs the Commission. By law, four of the voting members are appointed to staggered eight-year terms by the Governor (with no more than two members of the same political party), and the fifth voting member is the Director of ODOT. The remaining four non-voting members are two legislators (one Senate member and one House member, appointed respectively during each General Assembly by the Senate President and Speaker of the House) and the Directors of Development and OBM. The Board of Commissioners typically meets once a month on the third Monday of the month. Legislation currently pending in the Ohio General Assembly (House Bill 51) would modify the Board by adding two more voting members, with future members' terms becoming three-year terms.

The first twenty-two mile section of the Ohio Turnpike connecting with the Pennsylvania Turnpike was opened for traffic on December 1, 1954. The remaining 219 miles of the Turnpike were opened on October 1, 1955. The Ohio Turnpike links the east and midwest by virtue of its strategic position along the system of interconnecting toll roads between Boston, New York City and Chicago, consisting of the Massachusetts Turnpike, New York Thruway, New Jersey Turnpike, Pennsylvania Turnpike, Ohio Turnpike, Indiana Toll Road and Chicago Skyway.

Even though the Commission receives no federal funding, all of the 241.26 mile Turnpike has been incorporated by the Federal Highway Administration into the Interstate Highway System. The Turnpike is designated Interstate Route 80/90 between the Ohio-Indiana line and the Lorain County West Interchange (Milemarker 142); Interstate Route 80 between the Lorain County West Interchange (Milemarker 142) and the Niles-Youngstown Interchange (Milemarker 218); and Interstate Route 76 between the Niles-Youngstown Interchange (Milemarker 218) and the Ohio-Pennsylvania line. The Turnpike is linked directly with Interstate Routes 75, 280, 480, 71, 77 and 680.

PART III - <u>Description of the Financing</u>

The Commission is planning to issue up to $1.1 billion in revenue bonds in 2013 to fund both Turnpike and infrastructure projects. With passage of the aforementioned legislation (House Bill 51), the Commission will be authorized to enter into agreements with ODOT to fund "infrastructure projects," applications for which will be made to the Commission by the Director of Transportation. Said applications may only be for projects that have been approved and recommended by Ohio's Transportation Review and Advisory Council. The Commission will review such those applications and fund those projects in accordance with rules it will adopt under that legislation.

The Commission currently has in place a Master Trust Agreement for the issuance of its senior lien Turnpike Revenue Bonds. Such Bonds are not obligations of the State of Ohio and are paid solely from Turnpike Revenues. The revenue bonds to be issued during 2013 will be subordinate junior lien bonds that are expected to be issued under a new junior lien trust agreement generally as described in the "Status Quo with Increased Bonding Capacity" option of the Ohio Turnpike Opportunity Analysis which can be found at: http://www.ohturnpikeanalysis.com/Ohio-Turnpike-Opportunity-Analysis-12-12-12-FINAL.pdf.

The Commission reserves the right to select multiple teams to underwrite the sale of the bonds referenced herein. Oral interviews may be conducted for senior management positions.

PART IV - Scope of Services

The scope of services being requested from the senior managing underwriter in connection with issuing the revenue bonds shall include, but are not limited to, the following:

1. Make recommendations on all aspects of the financing, including size, structure, rates, and other terms and conditions of the proposed obligations.

2. Prepare financing and refinancing plans based upon the assessment of requirements relative to applicable laws, tax issues, bond approval, traffic and revenue analyses, and bond market conditions and circumstances.

3. Prepare cash flows and debt models containing estimates of interest, principal amortization and issuance costs; recommendations of debt structures, cash flows, security structures and credit enhancements.

4. Development of strategies for marketing and selling the bonds at the lowest interest rates possible Willingness to commit firm capital to support fair and appropriate pricing levels.

5. Prepare a detailed financing schedule and calendar of events clearly setting forth all dates, tasks, and responsible parties.

6. Provide the Commission, its counsel and its financial advisor periodic market updates prior to the sale date. Shortly prior to the sale, prepare a formal pre-pricing presentation to be given at a Commission meeting, which demonstrates the following:
    a. Comparable state transportation or comparable state-level issues, detailing interest rates and takedowns by maturity.
    b. Estimate of interest rates at that point in time and the expected spread of those rates to the AAA municipal market index. If the issue is an advance refunding or refinancing, the expected present value savings.

7. Assist with preparation for, and participate in, meetings and conference calls with rating agencies, credit enhancement providers, and investors, possibly including electronic and in-person investor road shows.

8. Assist in the drafting and preparation of a preliminary and final official statement. Assist the Commission in the selection of a printer and work with the printer to assure that the preliminary official statement is distributed to all potential investors in a timely and cost efficient manner and final official statement is timely distributed to bond purchasers.

9. Make available to the Commission and its financing team, readily-accessible personnel to timely answer questions and assure that all details and tasks are completed in a timely manner.

10. Manage through negotiation the entire sale including coordination with co-managing underwriters, and assure the Commission that the bonds will be fairly priced and equitably distributed among syndicate members in a manner consistent with Commission direction.

11. Provide, in advance of the pricing, the proposed pricing of each member of the underwriting team, a recommended pre-pricing scale and the rationale for determining the recommended scale and a list of comparable transactions that have recently priced or will be priced contemporaneously with the Commission's obligations.

12. During the pricing of the obligations, provide the Commission the ability to remotely monitor the placement and status of orders on a real-time basis, including the type of order (retail, institutional, member) and the firm placing the order.

13. Marketing of the obligations and timing of the sale, to include development and execution of a comprehensive marketing plan addressing both the retail and institutional investor bases, regular and timely reports on the status of the tax-exempt bond market and any economic reports or other news that may impact the tax-exempt bond market.

14. Prepare a final record of the sale "Final Pricing Book" showing the type of account and, for each institutional account, its location and amount of bonds purchased. In addition, include comparable interest rate results versus the AAA municipal index and versus other issuers of comparable credit quality, along with market conditions. Analysis should include takedown by maturity, interest rate and original issue discount, and credit rating.

15. Deliver at the completion of the sale a final contract to purchase the entire issue on behalf of the underwriting team upon terms and conditions mutually acceptable to the Commission. Organize and coordinate the final

closing on the issue to assure the Commission that funds will be available in a timely and efficient manner.

16. Provide additional services that are necessary or customary in order to properly fulfill the role of providing investment banking services to the Commission in connection with the bond issue(s).

The scope of services being requested from the co-managing underwriter(s) in connection with issuing the revenue bonds shall include, but are not limited to, the following:

1. Assist in marketing and distribution of the Commission's bonds.

2. Commit capital as required in underwriting the Commission's bonds.

3. Provide support for the Commission's bonds in the secondary market.

4. Other services as required from time to time.

The Commission reserves the right to review and approve all Agreements Among the Underwriters ("AAU") to include "Priority of Orders," as well as liability and participation.

PART V - Tentative Schedule of Events

February 20, 2013	**Commission approves the release of the Request for Qualifications**
February 26, 2013	**Issue RFQ to Underwriters**
5:00 p.m., E.S.T., March 6, 2013	**End of Inquiry Period**
2:00 p.m., E.D.T., March 13, 2013	**Qualification Statements due back from Underwriters**
March 21, 2013	**Interview Underwriters**
April 15, 2013	**Estimated date for selection of Underwriting Team (subject to Commission approval and discretion)**
April 15, 2013	**Kick-off Meeting / Conference Call for Financing Team**

PART VI - Commission's Reservation of Rights

Any and all underwriting firms chosen by the Commission are expected to meet all performance standards established by the Commission, its staff and advisors. Any failure to meet these standards or not perform the services in a manner acceptable to the Commission, its staff and advisors, may be considered a breach of performance and result in dismissal by the Commission.

In addition the Commission reserves the right to:

1. Reject any and all Qualification Statements;

2. Select any underwriting firm or any combination of firms desired to meet the Commission's objectives;

3. Alter or adjust the financing program without any financial obligation of the Commission, its staff or advisors;

4. Approve and select the Commission's bond counsel, financial advisor, trustee and paying agent, financial printers, credit enhancement providers, accountants, engineers and all other service providers;

5. Change the project's schedule of events or cancel any project without any financial obligation for services provided, out-of-pocket expenses incurred, or any other obligations to the underwriters;

6. Waive any minor errors or technicalities, and make any award(s) that is determined to be in the Commission's best interests;

7. Request additional information from Responding Underwriters regarding past debt issuances and/or debt issuances that occur subsequent to Qualification Statement submission;

8. Conduct follow-up interviews with Responding Underwriters;

9. Determine management fee, underwriting fee, takedown, and all out-of-pocket expenses allowed to be charged to the transaction(s); and

10. Add or eliminate underwriting firms for reasons including, but not limited to, the following:
    a. Personnel Changes;
    b. Sanctions or limitations by SEC, NASD, etc.;
    c. Mergers and Acquisitions;
    d. Actual or Apparent conflict of interest; and
    e. Discovery of misrepresentations made in a Qualification Statement submitted in response to this RFQ.

PART VII - Inquiries Regarding the RFQ

All inquiries regarding clarification of this RFQ shall be **in writing and emailed to: kevin.golick@ohioturnpike.org, or faxed to 440-234-0232 Attn: Kevin Golick, not later than 5:00 p.m., E.S.T., March 6, 2013**. Do not contact the Commission or any employee or representative of the Commission by phone. Do not address email or fax questions to anyone other than Mr. Golick. **During the RFQ solicitation process and the ensuing selection process, Responding Underwriters are not permitted to contact Turnpike staff, Commission members, its counsel, bond counsel or financial advisor, other than as indicated above.**

PART VIII - Evaluation of Qualification Statements

The Qualification Statements received by the Commission in accordance with the instructions set forth below will be evaluated based upon several factors, including, but not limited to, the following:

1. Capability to perform the required scope of services, including: i) the ability to structure, price, market, and distribute the Commission's bonds (in Ohio and nationally); and ii) knowledge and experience in the tax-exempt bond markets, particularly with obligations of like credit, size, and structure.

2. Commitment and performance of the Responding Underwriter and its public finance department, the quality and timeliness of its work, the length of time the firm has been committed to public finance and the likelihood the firm will remain committed through the Commission's financing program.

3. The training, education and experience of the individuals to be assigned.

4. Degree of physical presence and tax-exempt municipal bond experience in Ohio.

5. Financial capacity and willingness to underwrite the Commission's bonds at appropriately aggressive levels.

6. Ability to carefully and successfully manage large and complex transactions and provide assistance to the Commission staff and its advisors.

7. Experience underwriting toll road, bridge or tunnel authority obligations.

PART IX - <u>Submission of Qualification Statements</u>

One original and five copies of each Responding Underwriters' Qualification Statements shall be submitted, along with an electronic copy on compact disk, no later than **2:00 P.M. (E.D.T.), March 13, 2013**, at the Ohio Turnpike Commission's Administration Building, c/o the Purchasing Department, located at 682 Prospect Street, Berea, Ohio 44017. **<u>Email and/or facsimile responses to the RFQ will not be accepted</u>**. Responses to the General Information requested in Part A below should be limited to no more than **fifteen** pages, exclusive of any résumés and Financial Statements provided.

All Qualification Statements submitted to the Commission shall become the property of the Commission and shall be deemed to be "public records." Statements that are labeled "confidential," or that contain information identified as "confidential," will not be considered.

Once the initial qualified list has been established, Qualified Underwriting firms may update their response to this RFQ at any time. However, Qualified Underwriters are responsible for notifying the Commission of material changes in ownership, organization, personnel, litigation or conflicts, securities or tax law enforcement or other actions, or any other materials changes or developments, within thirty days of their occurrence.

The Qualification Statements shall be substantially in the format and include the information requested below. Where necessary, Responding Underwriters are encouraged to submit their responses to individual questions on separate sheets:

A - General Information to be Included

1. Please indicate whether the Firm is seeking consideration to serve as the senior underwriter, co-managing underwriter, or both. Then, identify the individuals from your firm who will be primarily and directly responsible for providing those services to the Commission and attending working group meetings.

    a. Include at a minimum the senior investment banker, support investment banker, lead underwriter and quantitative analyst).

    b. In the form of brief synopses provide information relative to the training, education and number of years of experience of the listed individuals. (Note, resumes may be attached as an appendix and would not be subject to the page limitations. Do not include resumes in the body of your response)

2. Provide a brief overview of the Responding Underwriter's firm, its business operations/lines and its organizational structure.

a. Include the number and location the firm's offices, number of employees, location of headquarters and principal place of business.

b. Include the principal location of the firm's public finance division.

c. Include a description of any significant changes in public finance staffing levels and number of offices since January 2010.

d. Indicate if the firm is a minority or female business enterprise.

3. Describe the Responding Underwriter's physical presence in the State of Ohio and your experience and rankings with respect to senior managing large Ohio tax-exempt municipal bond offerings ($50 million or more in par) since January 2010.

4. If seeking to serve as the Commission's senior underwriter, describe your firm's experience and qualifications with respect to structuring cash flows and debt issuances for toll revenue credits similar to the Commission's. Discuss specific ideas you have for structures applicable to the proposed Commission bonds that maximize leverage while minimizing interest costs.

5. Describe your firm's experience, qualifications and resources with respect to its ability to market and distribute tax-exempt obligations at fixed rates, both nationally and in the State of Ohio. Distinguish your firm from your competitors in this regard.

6. Categorize (as primarily institutional, primarily retail, or institutional and retail) the Responding Underwriter's distribution capability. Also provide the following information:
   a. The number of institutional salespeople dedicated to municipal and/or tax-exempt bonds.
   b. The number and type of institutional accounts covered by the firm's municipal and/or tax-exempt sales force.
   c. The number of retail salespeople dedicated to municipal and/or tax-exempt bonds.
   d. The number of Ohio retail accounts held by the firm.

7. Describe the Responding Underwriter's marketing strategy for Ohio Turnpike bonds and highlight specific ideas you have for improving the marketing and selling of the Commissions bonds. Include in the discussion:
   a. Maximizing interest among and expanding the Commission's institutional investor base;
   b. Maximizing retail orders including a discussion of the merits of a separate retail order period (describe your definition of "retail");
   c. Approaches to encourage active participation by all members of the underwriting team (e.g., designation policy).

8. Provide a description of the firm's capital structure and leveraging practices. Also provide the following financial information:
   a. The Responding Firm's excess net capital position as of the date of the most recent filing with the NASD.
   b. The Responding Firm's uncommitted excess net capital is allocated or available to public finance.
   c. The maximum amount of bonds the Responding Firm may underwrite based on the excess net capital amount provided in subsection b. above.

9. Describe two recent examples of tax-exempt financings that demonstrate your firm's willingness to commit capital to underwrite unsold balances and affirm the value of an issuer's obligations. Please identify issuer name, par amount, credit rating, maturity years/term, and date of issuance, and include contact information for the issuer(s) involved in these financings.

10. The Commission reserves the right to negotiate fees with the selected Responding Firm based upon the type of transaction and market conditions at the time of issuance. Please identify issuer name, par amount, credit rating, maturity years/term, and date of issuance, and provide detailed pricing on the three (3) largest tax-exempt municipal transactions (if one of those transactions is not a toll road transaction, include a toll road transaction as the third illustration). Include the following for each issuance identified: (i) underwriter's discount breaking out average takedown, management fee, and expenses coupons; (ii) yields and dollar price; (iii) spread to MMD; (iv) issuer's rating; and, if issuer is outside of Ohio, (v) state of issuance.

11. Briefly list any financial ideas you have presented to the Commission since January 1, 2010.

12. In one page or less, discuss any other relevant factors that you believe should be considered by the Commission.

13. One copy of your most recent audited financial statements.

B - Bond Experience

Please provide a tabular list of the following types of transactions since January 2008 in which the Responding Underwriter serves as a senior manager in negotiated bond sales:

1. fixed rate bonds or notes for state-level issuers outside of Ohio;

2. bond or note issuances for state-level bond issuing authorities or agencies in the State of Ohio; and

3. bond or note issuances of more than $25 million of non-state-level issuers in Ohio (e.g., local governments and school districts).

C - Regulatory Information

1. With respect to the State of Ohio, describe your firm's compliance with MSRB rule G-37.

2. Describe any investigation, review or litigation regarding a violation or alleged violation by your firm of any state or federal securities or tax law or regulation relating to municipal and/or tax-exempt financings that is currently pending or concluded since January 1, 2009.

3. Describe any investigation, review or litigation regarding a violation or alleged violation by the firm of any State of Ohio ethics (Chapter 102 and Sections 2921.42 and 2921.43 of the Ohio Revised Code), campaign financing (Chapter 3517 of the Ohio Revised Code), and lobbying (Sections 101.70, et seq. and Sections 121.60 et. seq. of the Ohio Revised Code) laws or rules that is/are currently pending or concluded since January 1, 2009.

D - Certifications

With submission of its Qualification Statement the Responding Underwriter shall certify the following, which certifications will be confirmed in writing in any bond purchase agreement entered into between the Commission and the Responding Underwriter:

1. The proposed issuance will not create any conflict of interest for the firm; or, if a conflict may exist, the nature of the conflict must be described.

2. The firm is not in violation of any laws or regulations, which would have a material adverse impact on the firm's ability to provide the services described in its Qualification Statement.

3. The firm is an Equal Opportunity Employer and does not discriminate against applicants or employees on the basis of race, color, religion, national origin, handicap, age, gender, sexual orientation or Vietnam-era veteran status.

   (Please note that it is the policy of the Ohio Turnpike Commission to attempt to ensure the fullest possible opportunity for participation of all firms, including firms owned and controlled by minorities and females, in the participation of contracts, leases, purchase orders and all forms of agreement where work, labor, services, supplies, equipment and materials, or any combination of the foregoing involves funds expended by or on behalf of the Ohio Turnpike Commission. The Ohio Turnpike Commission has certified firms as "minority and female business enterprises." A list of certified firms is available through the Ohio Turnpike Commission's Minority Business Enterprise Department. However, MBE/FBE participation in this RFP is **NOT** required and is voluntary).

4. All of its personnel assigned to work on the issuance of the Bonds who are not United States citizens have executed a valid I-9 form and have valid employment authorization documents.

5. It is not currently in violation of or under any investigation or review for a violation of any state or federal law or regulation that might have a material adverse impact on its ability to perform its duties and obligations under this Agreement.

6. It is in compliance with all applicable Federal, State and local laws, including but not limited to, the applicable provisions of the following laws:

a. The Federal (41 U.S.C. 701(a)) and Ohio Revised Code Section 153.03) Drug Free Workplace Acts. It has and will make good faith efforts to ensure that all of its employees will not have been or be under the influence of illegal drugs or alcohol or abuse prescription drugs in any way while working on State property.

b. State of Ohio ethics (Chapter 102 and Sections 2921.42 and 2921.43 of the Ohio Revised Code), campaign financing (Chapter 3517 of the Ohio Revised Code, including but not limited to Divisions (I) and (J) of Ohio Revised Code Section 3517.13), and lobbying (Sections 101.70 and 121.60 et seq. of the Revised Code) statutes.

c. Section 9.24 of the Ohio Revised Code. It is not subject to an "unresolved" finding for recovery under that section.

Responding Underwriters shall also submit with their Qualification Statements the completed and signed Certification Form that is attached hereto on page 16 as Attachment A.

ATTACHMENT A

CERTIFICATION TO
THE OHIO TURNPIKE COMMISSION

THE UNDERSIGNED, the duly authorized agent of ______________________________ (respondent's name, hereinafter "Respondent") with full power and authority to, make this certification, represents, warrants and certifies to The Ohio Turnpike Commission (hereinafter "Commission") that the following person(s) or agency has been employed (either in whole or part), retained or contacted to solicit or secure this Qualification Statement, any ensuing proposals or bond purchase agreement based upon an agreement or understanding that a commission, percentage, brokerage or contingent fee would be paid them. (If none, so indicate.)

THE UNDERSIGNED further discloses that the following former or present directors, officers or employees of the Commission are owners, partners, shareholders, directors, officers, employees or agent of Respondent. (If none, so indicate.)

NAME	POSITION WITH COMMISSION	POSITION WITH RESPONDENT

ATTEST:

____

____
(Date)

RESPONDENT:

____
Name of Proposing Firm

By: ______________________
(Type Name)

Title: ____________________