[***NOTE:******THIS DOCUMENT IS INTENDED TO PROVIDE GENERALIZED GUIDANCE ON THE TYPES OF INFORMATION AND CONSIDERATIONS RELEVANT FOR MUNICIPAL ADVISORS TO MEET THEIR OBLIGATIONS UNDER MSRB RULE G-42. THIS DOCUMENT DOES NOT REPRESENT A “BEST PRACTICE” AND MAY NOT BE APPROPRIATE, IN WHOLE OR IN PART, FOR ALL FIRMS. EACH FIRM SEEKING TO USE THIS DOCUMENT MUST MAKE AN INDEPENDENT EVALUATION OF WHETHER TO DO SO, AND THIS DOCUMENT SHOULD BE APPROPRIATELY TAILORED TO THE FIRM’S OWN WRITTEN SUPERVISORY PROCEDURES, PRACTICES AND CIRCUMSTANCES****.]*

**MUNICIPAL ADVISORY CLIENT WORKSHEET**

This worksheet is designed to assist the firm to meet regulatory obligations to obtain and retain information needed to effectively service its clients. Part A is to be completed and placed in the client file at the beginning of the engagement and updated as needed during the course of the engagement. Part B provides guidance on information requirements in connection with recommendations made and other key actions taken during the course of the engagement. **Refer to Instructions for Municipal Advisory Client worksheet (“INSTRUCTIONS”) for specific guidance in using this worksheet.**

**A. BASIC CLIENT INFORMATION**

***(Information in Part A to be collected at beginning of engagement and updated as needed during course of engagement)***

**1. Client name**: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

**2. Client type/sector: Municipal Entity** □ **Non-Municipal Entity** □

**Sector:** \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ **Status: For-Profit / 501(c)(3) / Other Non-Profit**

*(See INSTRUCTIONS for list of specific sectors for municipal entity) (circle applicable corporate status of non-municipal entity)*

**3. Matters within scope of engagement** *(check all that apply)*:

**□ Municipal Securities Issues □ Investments □ Derivatives**

\_\_ issuer \_\_ bond proceeds

\_\_ borrower of proceeds \_\_ municipal escrow investments

\_\_ other obligated person

**4. Engagement terminates**: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

**5. List name(s), title(s), phone and email of client personnel with authority to direct the firm’s activities**:

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

**6. List firm’s client relationship manager and key personnel responsible for this client relationship**:

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

**NOTES:** (a) **If the client provides special directions in connection with the firm’s day-to-day servicing of engagement, note below:**

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

*(See Part B, Item 2 for special client directions relating to specific activities during the course of this engagement)*

(b) **If there are any special legal or regulatory restrictions affecting day-to-day servicing of engagement, note below:**

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

*(See Part B, Item 4 for legal or regulatory matters relating to specific activities during the course of this engagement)*

**Date of Initial Completion:** \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ **Date of Latest Update, if applicable:** \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

**\* \* \* \* \***

**B. SERVICING THE CLIENT**

During the course of the engagement, as the firm is called upon to take actions, the firm will consider information it already has, and may need to collect additional information, to fulfill its responsibilities under MSRB Rule G-42 in connection with its recommendations (*i.e.*, information provided to the client that, considering its content, context and manner of presentation, reasonably would be viewed as a suggestion that the client take action or refrain from taking action regarding municipal financial products or the issuance of municipal securities) and other related advice and activities. **Information regarding the matters described in this Part B need not be considered, collected or produced at the beginning of the engagement but instead as it becomes relevant with respect to the firm’s recommendations and related actions.**

**1. Suitability**

SEC and MSRB rules do not prescribe that municipal advisors produce any specific records with regard to their recommendations. However, the firm is obligated to retain in its records any document it chooses to create that was material to its making of a recommendation to its client or to its review of a recommendation by another party, or that memorializes the basis for its recommendation or its determination as to suitability of another party’s recommendation. Whether the firm creates any such document is a judgment that each firm may make depending on the facts and circumstances of its engagement and the nature of the processes and procedures of the firm.

If a firm seeks to document its recommendation or its determination of suitability of another party’s recommendation, such documentation should reflect its consideration of any material information known about the client, including the following factors, as might be applicable:

1. **Financial situation and need** – The firm may consider all, some or none of the following, as applicable, alone or in conjunction with any other considerations that it determines to be relevant:
2. The client’s current financial situation, such as its ability to fund current operations, its ability to pay current outlays for, as well as debt service payments for, capital expenditures, and its ability to fund required reserves, and any draws from such reserves, including any trend with regard to the foregoing.
3. The client’s current financial need, such as any material capital, operational or other financial needs
4. Any potential sources of financial support to the client, or other potential draws on the client’s financial resources, not included in the matters considered above
5. Any potential changes in the client’s financial operations or capacity that may affect the ability of the client to make required debt service payments in future years

**(b) Objectives** – The firm should consider what objectives the client seeks in connection with the activities for which the firm has been engaged to provide municipal advisory services

**(c) Tax status** – The firm should consider some or all of the following, among other relevant considerations, as applicable:

1. In the case of a new issue offering, the ability to issue on a tax-advantaged basis, the potential benefits and burdens from qualifying for such tax-advantaged treatment, and the potential benefits and burdens from borrowing on a taxable basis
2. If the client is not a municipal entity, whether it is a not-for-profit organization or any other type of tax-preferred entity
3. The availability of any other federal or state tax-advantaged programs or vehicles (other than the issuance of tax-advantaged municipal securities) that could be used with respect to the matters within the scope of the engagement

**(d) Risk tolerance** – The firm should consider some or all of the following, among other relevant considerations, as applicable:

1. Any risk tolerance or risk appetite policy or statement of the client
2. The client’s own assessment of its risk tolerance, which may be on a relative scale (*e.g.*, on a scale) or may be in terms of specific types of financing products that the client may wish to avoid or to use
3. Whether the client’s portfolio includes any issues of municipal securities or other debt obligations that are complex (within the meaning of MSRB’s interpretative guidance relating to underwriters under Rule G-17)
4. The current balance in the client’s portfolio of such complex financings as compared to non-complex financings

**(e) Liquidity needs** – The firm should consider some or all of the following, among other relevant considerations, as applicable:

1. In the case of a new issue offering, the ability of the client to fund its financial needs without using funds pledged to repay the new issue
2. In the case of a new issue offering with potentially varying debt service requirements, the ability of the client to fund its financial needs in light of debt service payments from year to year that may rise and fall

**(f) Experience with municipal securities and municipal financial products** – The firm should consider some or all of the following, among other relevant considerations, as applicable:

1. The experience of client personnel responsible for financial matters or other material aspects of matters within the scope of engagement, either at the client or in prior positions, with the types of transactions to be entered into pursuant to the engagement, including the number, size, frequency and complexity of prior transactions and the role undertaken by such personnel
2. The experience of the client, as an entity, with the types of transactions to be entered into pursuant to the engagement, including the number, size, frequency and complexity of prior transactions

**(g) Long-term financial capacity** – The firm should consider, in conjunction with the consideration of the client’s financial situation and need as describe in factor (a) above, some or all of the following, among other relevant considerations, as applicable:

1. The client’s aggregate debt service requirements through the maturity date of any new issue or municipal financial product
2. Other long-term obligations of the client payable from the same source as the issue or product
3. Any financial forecasts of the client.

**(h) Municipal securities transaction or municipal financial product being recommended** – The firm should consider, to the extent material, the structure, timing, terms and other similar matters concerning the municipal securities transaction or municipal financial product being recommended to determine whether, as a whole, such municipal securities transaction or municipal financial product is suitable

**2. Other actions in servicing the client**

The firm is to use reasonable diligence during the course of the engagement to know the essential facts concerning the client as may be needed with respect to any actions that the firm is called upon to take, including pursuant to any special direction from the client, during the course of the engagement. Depending on the specific action, the firm may already have the information it needs, or it may need to make further inquiries of its client, to fulfill this responsibility.

**3. Authority of client personnel**

The firm is to use reasonable diligence during the course of the engagement to know the essential facts to understand the authority of each person acting on behalf of the client. Normally, such authority will be established pursuant to the engagement letter with the client, although depending on the specific action to be undertaken by client personnel, the firm may need to make further inquiries of its client to fulfill this responsibility.

**4. Compliance with laws and regulations**

The firm is to use reasonable diligence during the course of the engagement to know the essential facts to comply with applicable laws, regulations and rules in the course of its engagement. Normally, legal opinions customarily delivered in connection with the issuance of municipal securities or execution of municipal financial products will provide adequate basis for fulfilling this responsibility, although depending on the specific matter, the firm may need to make further inquiries of its client to fulfill this responsibility.

**5. Prohibited principal transactions**

In connection with a municipal advisory engagement with a municipal entity, the firm may not engage in any activity if it cannot manage or mitigate any conflict arising from such activity in a manner that will permit it to act in the municipal entity’s best interest. Without limiting the foregoing, MSRB Rule G-42(e) lists certain prohibitions applicable to the firm in connection with its municipal advisory engagements. The activities engaged in by the firm in connection with the issuances of municipal securities or municipal financial products within the scope of the engagement normally will provide ample information and opportunity to ensure that appropriate controls are applied to comply with the prohibitions included in Rule G-42(e)(i).

Because the prohibition on certain principal transactions included in Rule G-42(e)(ii) may arise from activities occurring some great distance apart in time and activities potentially undertaken by relatively remote separate units or affiliates of the firm’s municipal advisory personnel, firms should consider establishing specific controls regarding compliance with this prohibition. Such controls may include notice to and agreement by the client that the firm will not engage in any principal transaction with the client, and the client will not seek to engage in any such principal transaction, that could result in the violation of this prohibition. In addition, each firm should consider what internal communications are needed to allow other units or affiliates that might engage in such prohibited principal transactions to be fully aware of the restrictions that may exist on their activities.

**\* \* \* \* \***

**Instructions**

**for**

**Municipal Advisory Client Worksheet**

The Municipal Advisory Client Worksheet is designed to assist municipal advisor firms to meet regulatory obligations to obtain and retain information needed to effectively service its municipal advisory clients as required under MSRB Rule G-42. The worksheet is divided into two parts:

• **Part A – Know Your Client** (MSRB Rule G-42, Supplementary Material .10) **–** Essential facts concerning the client designed to ensure that the municipal advisor can effectively service its relationship, act in accordance with the client’s directions, understand the authority of personnel to take action on behalf of the client, and maintain compliance with applicable law, regulations and rules

• **Part B** – **Servicing the Client, including Suitability** (MSRB Rule G-42(d) and Supplementary Material .01 and .09; MSRB Rule G-8(h)(iv)(A); SEC Rule 15Ba1-8(a)(4) **–** Other information relevant in connection with recommendations or other advice provided to the client, including with respect to suitability determinations and for the purpose of ensuring that advice or other actions taken on behalf of the client are not based on materially inaccurate or incomplete information

**Line Item Instructions**

**Part A – Basic Client Information –** Part A of the worksheet should be completed at the beginning of the engagement and updated as needed during the course of engagement by municipal advisor personnel with substantial responsibility for the client relationship, and should be retained in accordance with the municipal advisor’s recordkeeping requirements.

***Item 1 – Client Name*** – Include the legal name of the client and, if it uses any other name in connection with any of its activities subject to the engagement, also include that name. If an entity has affiliates, be clear as to which legal entity is the client for purposes of the engagement.

***Item 2 – Client Type/Sector*** – Identify the client type as either a municipal entity or non-municipal entity. Note that a municipal entity acting solely as an obligated person, and not as an issuer, still must be identified as a municipal entity. This client type should be consistent with the applicability of the federal fiduciary duty under Exchange Act Section 15B(c)(1).

After identifying the client type, fill in the sector for a municipal entity client, from the list below, or circle the applicable corporate status for a non-municipal entity client.

**Municipal Entity Sectors**

Development Education

Electric Power Environmental Facilities

Health Care Housing

Public Facilities Transportation

Utilities General Government

Investment-Related Other

Identifying the client sector will assist the municipal advisor in understanding the types of activities undertaken by and the needs of the client, as well as to understand the nature of the products most likely to be consistent with such needs.

***Item 3 – Scope of Engagement* –** Indicate all types of products that are within the scope of the engagement (municipal securities issues, investments, derivatives). In the case of municipal securities issues, indicate all roles that the client may take within the scope of the engagement (issuer, borrower of bond proceeds, other non-borrower obligated person). In the case of investments, indicate whether the investments (including guaranteed investment contracts) are of bond proceeds, municipal escrow investments, or both. In the case of derivatives, any derivative in which a municipal entity is a counterparty (i.e., not just derivatives relating to an issue of municipal securities) is included, but only a derivative with a non-municipal entity as a counterparty that has been entered by that entity in its capacity as an obligated person is included.

***Item 4 – Engagement Terminates*** – If the engagement is for a period of time, enter the end date of the current term. If the engagement is for a specific transaction, enter the trigger for termination, such as “bond closing” or some other applicable termination.

***Item 5 – Client Personnel*** – Enter the name, title, phone number and e-mail address of each person who is authorized to direct the firm’s activities as municipal advisor under the engagement. . Normally, such authority will be established pursuant to the engagement letter with the client; however, any changes in such authorized personnel are to be recorded on the worksheet.

***Item 6 – Firm Personnel*** – Enter the name of the firm’s relationship manager with the client as well as personnel having significant responsibilities in carrying out the engagement. This will help to ensure that firm personnel who do not engage with the client on a regular basis are able to identify those persons who are responsible for the engagement.

***Notes to Part A – Note (a)*** – This item should be completed only if the client has provided a special direction or other instruction to undertake some aspect of the engagement in a manner that, without such direction or instruction being communicated to personnel undertaking the engagement, is reasonably likely not to be carried out as desired. If no such special direction has been provided, enter “N/A”

***Notes to Part A – Note (b)*** – This item should be completed only if a particular legal or regulatory restriction, other than as relates to a transaction that is the subject of the engagement and for which legal considerations will otherwise be duly considered in the course of the engagement, exists with respect to the client that, without such restriction being communicated to personnel undertaking the engagement, it would be reasonably likely that such restriction would be violated. If no such special legal or regulatory restriction is known to exist, enter “N/A”

**Part B – Servicing the Client –** Part B of the worksheet provides guidance on information requirements in connection with recommendations made and other key actions taken during the course of the engagement. Thus, during the course of the engagement, as the firm is called upon to take actions, the firm should consider information it already has, and may need to collect additional information, to fulfill its responsibilities in connection with its recommendations and other advice. Information regarding the matters described in Part B need not be considered, collected or produced at the beginning of the engagement but instead as it becomes relevant with respect to the firm’s recommendations and related actions. SEC and MSRB rules do not prescribe that municipal advisors produce any specific records with regard to their recommendations. However, the firm is obligated to retain in its records any document it chooses to create that was material to its making of a recommendation to its client or to its review of a recommendation by another party, or that memorializes the basis for its recommendation or its determination as to suitability of another party’s recommendation. Whether the firm creates any such document is a judgment that each firm may make depending on the facts and circumstances of its engagement and the nature of the processes and procedures of the firm.

***Item 1 –Suitability*** – If a firm seeks to document its recommendation or its determination of suitability of another party’s recommendation, such documentation should reflect its consideration of the types of material information described in Item 1 of Part B.

***Items 2-4***  – The essential facts described in Items 2-4 of Part B, to the extent relating to the day-to-day servicing of an engagement, may be reflected through updates to the corresponding items in Part A, while any such facts relating to a specific recommendation or other action may be reflected in any documentation produced in connection therewith.

***Item 5 –Prohibited Principal Transactions*** – Item 5 of Part B may be reflected in the firm’s written supervisory procedures, as appropriate for the particular firm’s own supervisory system, practices and circumstances.