



SIFMA Model Risk Disclosures Pursuant to MSRB Rule G-17

**Forward Delivery Bond Issues<sup>1</sup>**

[THE FOLLOWING MODEL DISCLOSURE RELATING TO FORWARD DELIVERY BONDS 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 FORWARD DELIVERY. 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 forward delivery of the [DESCRIBE THE BONDS] (the Forward Delivery 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 Forward Delivery 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 FORWARD DELIVERY BONDS: [If you decide that you would like to pursue the issuance of the Forward Delivery Bonds, we may provide you with additional information more specific to your particular Forward Delivery Bonds.]

IF A CONDUIT ISSUE, ADD THE FOLLOWING (MODIFY AS NECESSARY TO REFLECT THE TERMS OF THE TRANSACTION): [As the issuer of the Forward Delivery Bonds, you will be a party to the forward purchase agreement and certain other legal documents to be entered into in connection with the issuance of the Forward Delivery 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 Forward Delivery Bonds is also being sent to the obligor.] [IF NOT A CONDUIT ISSUE, DELETE REFERENCES BELOW TO "THE OBLIGOR".]

**What are Forward Delivery Bonds?**

In a typical issuance of fixed rate bonds, the bonds are issued and delivered within one to four weeks of the date of the bond purchase agreement (ordinarily the date that the bonds are priced). In a forward delivery bond transaction, the period between the date that the bonds are priced and the date that the bonds are issued and delivered is longer, ranging perhaps from several months to more than a year. The issuance of forward delivery bonds can be an appropriate strategy to refund outstanding tax-exempt bonds that are not eligible for an advance refunding (either because those bonds have already been advance refunded or do not

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<sup>1</sup> 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 forward delivery bond issue generally will be treated as a complex municipal securities financing.

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 or maturity date of the outstanding bonds). Issuance of Forward Delivery Bonds will allow you to lock in a rate of interest that may (or may not) be available if you wait to price and issue refunding bonds at a later date. The Forward Delivery Bonds will be priced in the current market for delivery on a later date, typically within the 90-day window prior to the redemption or maturity date of the outstanding bonds to be refunded.

#### Forward Purchase Agreement

At the time of the pricing of the Forward Delivery Bonds, you, as issuer, will enter into a forward bond purchase agreement (BPA) with us, as underwriter. The Forward Delivery Bonds will be priced for delivery on a later date that is specified in the forward BPA. The forward BPA ordinarily contains a number of conditions that must be satisfied on the delivery date of the Forward Delivery Bonds, similar to the conditions included in a typical bond purchase agreement relating to a normal delivery of bonds. However, under the forward BPA, those conditions also must be met on the date of delivery of the Forward Delivery Bonds after the passage of a longer period of time. Those conditions will include, among others, delivery of an opinion of bond counsel addressing the tax status of the Forward Delivery Bonds as of the date of their delivery. [ADD OTHER SIGNIFICANT CONDITIONS EXPECTED TO BE INCLUDED IN THE FORWARD PURCHASE AGREEMENT, SUCH AS ADDITIONAL OPINIONS, AUDITOR'S LETTERS, RATINGS REQUIREMENTS AND ISSUER/OBLIGOR REPRESENTATIONS]

[DESCRIBE OTHER MATERIAL CHARACTERISTICS OF THE TRANSACTION, INCLUDING RIGHTS AND OBLIGATIONS OF ULTIMATE INVESTORS, IF THE INVESTORS ARE IDENTIFIED AT THE TIME OF THE FORWARD PURCHASE AGREEMENT, AND WHETHER THE UNDERWRITER'S OBLIGATION TO TAKE DELIVERY OF THE BONDS IS CONDITIONED UPON PERFORMANCE BY THE INVESTORS.]

INCLUDE EITHER OR BOTH OF THE FOLLOWING SENTENCES, IF APPLICABLE: [The forward BPA will include a liquidated damages provision that will entitle you to receive a predetermined amount as liquidated damages in the event that we don't perform our obligations as set forth in the forward BPA, subject to any conditions to our performance that are included in the forward BPA.] [Although our obligations will not be subject to performance by the investors purchasing the Forward Delivery Bonds, the forward BPA may require that investors deliver an investor acknowledgement letter confirming that the investors understand the terms of, and risks associated with, the delivery of the Forward Delivery Bonds.]

#### Pricing of the Forward Delivery Bonds

The pricing of the Forward Delivery Bonds typically will include a premium above then-current market interest rates to reflect the additional interest rate risk borne by the investors as a result of the delayed delivery of the Forward Delivery Bonds. That premium typically can range between [10] and [75] basis points, depending on the length of the forward delivery period and the maturity date of the Forward Delivery Bonds.

#### Financial Risk Considerations

Certain risks may arise in connection with the issuance of the Forward Delivery Bonds, including some or all of the following (generally, the obligor, rather than you, will bear these risks in connection with a forward delivery of conduit revenue bonds):

*Risk that You will be Unable to Satisfy Conditions for Delivery of the Forward Delivery Bonds*

The issuance of the Forward Delivery Bonds will require satisfaction of various conditions on their date of delivery, as set forth in the forward BPA. There is a risk that you [or the obligor] may be unable to satisfy those conditions on the date of delivery if certain events or actions occur or do not occur (as the case may be), including, among others, any one or more of the following [ADD ADDITIONAL MATERIAL EVENTS OR ACTIONS; MODIFY OR DELETE THOSE BELOW THAT ARE NOT APPLICABLE]:

- An intervening change in law may prevent bond counsel from rendering the required tax opinion on the delivery date.
- An intervening change in law may prevent you [or the obligor] from performing or any other counsel from delivering a required opinion on the delivery date.
- If material litigation has been filed or an event of default occurs under the underlying documents relating to the Forward Delivery Bonds (or other bonds), you [or the obligor] may not be able to satisfy the conditions of the forward BPA and we [or the investors] may have the right to terminate the obligation to purchase the Forward Delivery Bonds.
- If a TEFRA hearing and elected official approval is required, you may be unable to issue the Forward Delivery Bonds if those do not occur on a timely basis.
- You [or the obligor] may be unable to meet any ratings requirements applicable to the Forward Delivery Bonds on the delivery date.
- A material adverse change in your [or the obligor's] condition may prevent you [or the obligor] from meeting the requirements of the forward BPA to deliver current disclosure information.

*Risk that We Will be Unable to Perform*

Under the forward BPA, we will agree to purchase the Forward Delivery Bonds at a later date. Although we don't expect this to occur, there is a risk that, for any number of reasons, such as our bankruptcy or regulatory constraints, we will be unable to perform our obligations on the delivery date for the Forward Delivery Bonds. [In the event that we fail to perform, you may be entitled to a payment of liquidated damages as set forth in the forward BPA.]

*Risk that the Universe of Potential Investors May be Limited*

The universe of potential investors for the Forward Delivery Bonds may be limited as a result of the additional risks associated with forward delivery of securities. In addition, given the greater risk that we bear due to the delayed nature of our obligation to purchase the Forward Delivery Bonds, we may require additional credit approvals in order to accept orders from certain investors. In either event, the pricing of the Forward Delivery Bonds, and the amount of the forward delivery premium, may be adversely affected.

*Alternatives to the Forward Delivery Bonds May be Better*

The outstanding bonds to be refunded by the Forward Delivery 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]]. 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 issuance of the Forward Delivery Bonds.