

January 25, 2025

City of Lawrence, Indiana
9001 East 59th Street
Lawrence, Indiana 46216

Ladies and Gentlemen:

On behalf of Robert W. Baird & Co. Incorporated (“we” or “Baird”), we wish to thank you for the opportunity to serve as managing underwriter or placement agent for City of Lawrence, Indiana, including related issuing entities (“you” or the “Issuer”), for a term to end December 31, 2025, subject to the provisions of Section 4 herein, on any proposed offerings (the “Offerings”) of securities (the “Securities”) related to the Issuer’s capital improvement program or other projects identified during the term of this engagement letter in amounts to be determined, which will be identified in a letter agreement between Baird and the Issuer in the format attached as Exhibit A. Such letter agreement will reflect the anticipated principal amounts and descriptions of such Offering(s) and confirm Baird’s fees and other compensation for underwriting or serving as placement agent for such Offering(s). Offerings may include various designations, security features or transaction formats or be issued in one or multiple series, including issuance of Bond Anticipation Notes, as applicable. The Offerings will also include the following issuances or issuances related to the following identified projects:

- Approximately \$3,000,000 General Obligation Bonds
- Approximately \$30,000,000 Waterworks Revenue Bonds
- Approximately \$60,000,000 Sewage Works Revenue Bonds

This letter will confirm the terms of our engagement; however, it is anticipated that, for each Offering, this letter will be replaced and superseded by a bond purchase agreement or placement agreement or term sheet to be entered into by the parties (the “Agreement”) if and when each of the Offerings is priced following successful completion of the offering or placement process. The Agreement will set forth the terms and conditions on which Baird will purchase or place the Securities in each of the Offerings.

1. Services to be Provided by Baird. Baird is hereby engaged to serve as managing underwriter or placement agent for each Offering, and in such capacity Baird agrees to provide the following services for each Offering:

- Review and evaluate the proposed terms of the offering or placement of the Securities
- If underwriting, develop a marketing plan for the offering, including identification of potential purchasers of the Securities
- Assist in the preparation of the preliminary official statement and final official statement or the private placement memorandum and other offering documents
- Contact potential purchasers of the Securities and provide them with copies of the offering materials and related information
- Respond to inquiries from potential purchasers and, if requested, coordinate their due diligence calls and meetings
- If the Securities are to be rated, assist in the preparation of information and materials to be provided to securities rating agency or agencies and in the development of strategies for meetings with the rating agency or agencies to obtain a rating for the Securities
- If the Securities are to carry bond insurance, assist in the preparation of information and materials to be provided to bond insurance companies and in the development of strategies for meetings/calls with the bond insurance companies
- If underwriting, inform the Issuer of the marketing and offering process

- Negotiate the pricing, including the interest rate, and other terms of the Securities
- Obtain CUSIP number(s) for the Securities and arrange for their DTC book-entry eligibility
- If underwriting, submit documents and other information about the offering to the MSRB's EMMA website
- Plan and arrange for the closing and settlement of the issuance and the delivery of the Securities
- Such other usual and customary underwriting services as may be requested by the Issuer

In addition, at the Issuer's request, Baird may provide incidental municipal advisory services, including advice as to the structure, timing, terms and other matters concerning the issuances of the Securities. Please note that Baird would be providing such advisory services in its capacity as underwriter or placement agent and not as a municipal advisor to the Issuer.

If Baird is acting as placement agent for the proposed issuance and the Issuer is obligated under a current continuing disclosure agreement, the Issuer will submit information about the transaction through EMMA's continuing disclosure service, if material, and provide details including, but not limited to, the amount of debt being issued and its impact on the debt position, the purpose of the debt and use of proceeds, source of repayment, payment dates, interest rate, maturity and amortization of the debt, covenants, prepayment terms, events of default and remedies, acceleration events, other material terms, evidence of compliance with additional debt test, ratings, CUSIP number, transfer and redistribution rights and financial reporting requirements. If the Issuer is not obligated under a current continuing disclosure agreement, Baird recommends that the Issuer submit information about the transaction through EMMA's continuing disclosure service located in the continuing disclosure category of "Financial/Operating Data – Investment/Debt/Financial Policy."

2. Fees and Expenses. If Baird is serving as underwriter for an Offering, Baird's proposed underwriting fee/spread will not exceed 1.00% of the principal or par amount of the Securities issued and will be reflected in the Agreement. The underwriting fee/spread will represent the difference between the price that Baird pays for the Securities and the public offering price stated on the cover of the final official statement. If Baird is acting as a placement agent for an Offering, Baird's placement agent fee will not exceed 1.00% of the principal or par amount of the Securities issued and will be reflected in the Agreement.

The Issuer shall be responsible for paying for all costs of issuance for each Offering, including without limitation, official statement printing and mailing/distribution charges; bond counsel, disclosure counsel and underwriter's counsel fees; municipal advisory and other consultant fees; ratings agency fees and expenses and travel expenses directly related thereto; auditor and other expert fees; trustee, registrar and paying agent fees; and all other expenses incident to the performance of the Issuer's obligations under the proposed Offerings. However, Baird will be responsible for paying any fees to the MSRB in connection with the issuance of the Offerings as well as costs related to CUSIP, DTC, and IPREO (electronic book-running/sales order system).

If Baird's efforts to undertake underwriting of the Securities exceeds the scope initially estimated, the Issuer agrees to engage in best efforts negotiation with Baird for fair adjustment of Baird's underwriting or placement agent fee/spread. An Offering involving a higher level of credit risk may require a higher underwriting fee/spread or placement agent fee. Baird will communicate the amount of such compensation at the time the Offering is identified.

3. Conflicts of Interest and Disclosures Pursuant to MSRB Rules. Baird is registered with the Municipal Securities Rulemaking Board ("MSRB") and the SEC. The MSRB website is www.msrb.org. Two investor brochures, Information for Municipal Securities Investors and Information for Municipal Advisory Clients, describe the protections that may be provided by the MSRB's rules. The brochures are available on the MSRB website. The MSRB website also contains information about how to file a complaint with an appropriate regulatory authority.

Baird makes the following conflict of interest and other disclosures as required by MSRB Rule G-17.

Disclosures Concerning the Underwriter's or Placement Agent's Role:

- o MSRB Rule G-17 requires an underwriter or placement agent to deal fairly at all times with both issuers and investors.

- o An underwriter's primary role is to purchase the Securities with a view to distribution in an arm's-length commercial transaction with the Issuer. A placement agent's primary role is to place or facilitate or arrange for the placement of the Securities by the Issuer with one or more purchasers in an arm's length transaction. An underwriter or placement agent has financial and other interests that differ from those of the Issuer.
 - o Unlike a municipal advisor, an underwriter or placement agent does not have a fiduciary duty to the Issuer under the federal securities laws and is, therefore, not required by federal law to act in the best interests of the Issuer without regard to its own financial or other interests.
 - o The Issuer may choose to engage the services of a municipal advisor with a fiduciary obligation to represent the Issuer's interest in this transaction.
 - o An underwriter has a duty to purchase the Securities from the Issuer at a fair and reasonable price, and, if all of the conditions to its obligations for the placement of the Securities have been satisfied, a placement agent has a duty to facilitate or arrange for the placement of the Securities at a fair and reasonable price to the Issuer, but in each case an underwriter or placement agent must balance that duty with its duty to sell or facilitate or arrange for the sale of the Securities to investors at prices that are fair and reasonable.
 - o A placement agent is not required to purchase the Securities or to find one or more buyers of the Securities, but rather to use its reasonable best efforts to facilitate or arrange for the sale of the Securities to one or more purchasers, each of which is a "qualified institutional buyer" or an "accredited investor" as defined in the Securities Act of 1933.
 - o An underwriter or placement agent will review the official statement, private placement memorandum or other offering documents for the Securities in accordance with, and as a part of, its responsibilities to investors under the federal securities laws, as applied to the facts and circumstances of this transaction.
- Disclosures Concerning the Underwriter's or Placement Agent's Compensation:

The underwriter or placement agent will be compensated by an underwriting fee or discount or a placement fee that will be set forth in the Agreement to be negotiated and entered into in connection with each of the Offerings. Payment or receipt of the underwriting fee or discount or placement fee 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 Securities. While this form of compensation is customary in the municipal securities market, it presents a conflict of interest since the underwriter or placement agent 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.

- Baird-Specific Conflicts of Interest Disclosures:

Baird is a full-service securities firm and as such Baird and its affiliates may from time to time provide advisory, brokerage, consulting and other services and products to municipalities, other institutions, and individuals including the Issuer, certain Issuer officials or employees, and potential purchasers of the Securities for which Baird may receive customary compensation; however, such services are not related to the Offerings. Baird has previously served as underwriter, placement agent or municipal advisor on other bond offerings and financings for the Issuer and expects to serve in such capacities in the future. Baird may also be engaged from time to time by the Issuer to manage investments for the Issuer (including the proceeds from the Offerings) through a separate contract that sets forth the fees to be paid to Baird. Baird may compensate its associates for any referrals they have made that resulted in the Issuer's selection of Baird to serve as underwriter or placement agent on the Offerings. Baird manages various mutual funds, and from time to time those funds may own bonds and other securities issued by the Issuer (including the Securities). Additionally, clients of Baird may from time to time purchase, hold and sell bonds and other securities issued by the Issuer (including the Securities).

In the ordinary course of fixed income trading business, Baird may purchase, sell, or hold a broad array of investments and may actively trade securities and other financial instruments, including the Securities and other

municipal bonds, for its own account and for the accounts of customers, with respect to which Baird may receive a mark-up or mark-down, commission or other remuneration. Such investment and trading activities may involve or relate to the Securities or other assets, securities and/or instruments of the Issuer and/or persons and entities with relationships with the Issuer. Spouses and other family members of Baird associates may be employed by the Issuer.

Baird is hereby authorized, as applicable, to purchase U.S. Government securities for the Issuer for deposit into an escrow account for the purpose of paying principal and interest on advance refunding bonds issued in connection with this engagement letter, for which Baird will not receive a mark-up or other form of compensation.

Baird has not identified any other actual or potential material conflicts of interest.

- Disclosures of Material Financial Characteristics and Material Financial Risks.
 - Accompanying this letter is a disclosure document describing the material financial characteristics and material financial risks of the Securities as required by MSRB Rule G-17.

4. Term and Termination. The term of this engagement shall extend from the date of this letter through December 31, 2025 (the "Expiration Date") unless extended as determined by the Issuer and agreed upon by Baird. For the avoidance of doubt, the terms of this letter shall survive the expiration of this letter in connection with any Offering identified but not closed prior to the Expiration Date and the terms shall continue to apply until such Offering is closed. This engagement can be renewed prior to expiration upon the mutual agreement of the Issuer and Baird. Notwithstanding the foregoing, either party may terminate Baird's engagement at any time without liability of penalty upon at least 30 days' prior written notice to the other party.

5. Limitation of Liability. The Issuer agrees that neither Baird nor its employees, officers, agents or affiliates shall have any liability to the Issuer for the services provided hereunder except to the extent it is judicially determined that Baird engaged in gross negligence or willful misconduct, or breached its duties and obligations as an underwriter under MSRB rules or materially violated other applicable securities laws.

6. E-Verify. Under Ind. Code § 22-5-1.7-11, by entering into an agreement with the Issuer, Baird is required to enroll in and verify the work eligibility status of all of its newly hired employees through the E-Verify program. Baird is not required to verify the work eligibility status of all of its newly hired employees through the E-Verify program if the E-Verify program no longer exists. By executing this agreement, Baird affirms that it does not knowingly employ an unauthorized alien. Baird further affirms that, prior to entering into this agreement with the Issuer, it will enroll in the E-Verify program, and agrees to verify the work eligibility status of all its newly hired employees through the E-Verify program.

7. Non-Discrimination. Baird agrees that it, and its subcontractors, will not discriminate against any employee or applicant for employment to be employed in the performance of this agreement, with respect to the employee's hire, tenure, terms, conditions or privileges of employment, or any matter directly or indirectly related to employment, because of the employee's race, religion, color, sex, disability, national origin, or ancestry. Breach of this covenant may be regarded as a material breach of the agreement.

8. Miscellaneous. This letter shall be governed and construed in accordance with the laws of the State of Indiana. This letter contains the entire agreement between the parties relating to the rights granted herein and obligations assumed herein and supersedes all prior agreements between the parties related to the Offerings. This letter may not be amended or modified except by means of a written instrument executed by both parties hereto. This letter may not be assigned by either party without the prior written consent of the other party. The Issuer acknowledges that Baird, upon receiving written consent from the Issuer, may, at its option and expense and after announcement of each Offering, place announcements and advertisements or otherwise publicize a description of the Offerings and Baird's role in it on Baird's website and/or other marketing material and in such financial and other newspapers and journals as it may choose, stating that Baird has acted as underwriter or placement agent for the Offerings. The Issuer also agrees that Baird may use the Issuer's name and logo or official seal for these purposes. For the avoidance of doubt, the Issuer agrees that Baird may contact the Issuer's various professionals, including municipal advisor(s) and bond attorney(s) following the execution of this letter to inform the municipal advisor that Baird has been engaged to serve as the underwriter or placement agent for the Offerings.

In addition, the Issuer agrees that all opinions of counsel written in connection with the Offerings, including but not limited to those opinions from bond counsel and issuer counsel, will include Baird as an addressee or alternatively will be accompanied by letters from such counsel entitling Baird to rely on such opinions.


If there is any aspect of this letter that requires further clarification, please do not hesitate to contact us. In addition, please consult your own financial and/or municipal, legal, accounting, tax and other advisors as you deem appropriate. We understand 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 proposed Offerings. If our understanding is not correct, please let us know.

Please evidence your receipt and agreement to the foregoing by signing and returning this letter.

Again, we thank you for the opportunity to assist you with your proposed Offerings and the confidence you have placed in us.

Very truly yours,

ROBERT W. BAIRD & CO. INCORPORATED

By:  _____
Managing Director

Accepted this ____ day of _____, 20__

CITY OF LAWRENCE, INDIANA

By: _____

Title: _____

EXHIBIT A
ENGAGEMENT LETTER ADDENDUM

Date

City of Lawrence, Indiana
9001 East 59th Street
Lawrence, Indiana 46216

Re: Engagement to Provide Underwriting or Placement Agent Services

Dear [Name of Issuer Official]:

On _____, 202_, Robert W. Baird & Co. Incorporated (“we” or “Baird”) and City of Lawrence, Indiana (“you” or the “Issuer”) executed an engagement letter (“Original Engagement Letter”) pursuant to which Baird would serve as the Issuer’s underwriter or placement agent on various to-be-identified Offering(s) during the term identified in the Original Engagement Letter. This letter serves to amend the Original Engagement Letter to add the following identified Offering(s) and confirm your desire to have Baird serve as underwriter or placement agent on such Offering(s):

- Approximately [\$AMOUNT* BOND/PROJECT TITLE]
- Approximately [\$AMOUNT* BOND/PROJECT TITLE]

The terms of the Original Engagement Letter, including without limitation defined terms and the parties’ rights and obligations shall apply to this addendum and the Offering(s). [PICK ONE: Baird has not identified any additional potential or actual material conflicts that require disclosure other than those we have previously provided you in connection with the Original Engagement Letter OR Baird has identified the following additional potential or actual material conflicts in addition to the conflicts we have previously provided:

- **[Conflicts of interest that may arise in the future]**

We understand 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 above-referenced Offering(s). If the foregoing is consistent with your understanding, please send me an email at lboehm@rwbaird.com to acknowledge your receipt of this letter and your agreement with its terms.

Very truly yours,

ROBERT W. BAIRD & CO. INCORPORATED

By: _____
Landon Boehm, Managing Director

CITY OF LAWRENCE, INDIANA

By: _____
Title: _____

Disclosures of Material Financial Characteristics and Financial Risks of Proposed Offering of Fixed Rate Bonds

Robert W. Baird & Co. Incorporated (“Baird”) has been engaged as underwriter or placement agent for the proposed offering by you (or the “Issuer”) of fixed rate bonds, notes, certificates of participation or other debt securities (“Fixed Rate Bonds”), to be sold on a negotiated basis. The following is a general description of the financial characteristics and security structures of Fixed Rate Bonds, as well as a general description of certain financial risks that you should consider before deciding whether to issue Fixed Rate Bonds.

This document is being provided to an official of the Issuer who has the authority to bind the Issuer by contract with Baird, who does not have a conflict of interest with respect to the offering.

If the Fixed Rate Bonds proposed to be issued are “conduit revenue 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, but the material financial risks described below will be borne by the borrower or obligor, as set forth in those legal documents.

Financial Characteristics

Maturity and Interest. Fixed Rate Bonds are interest-bearing debt securities issued by state and local governments, political subdivisions and agencies or authorities, such as the Issuer. Maturity dates for Fixed Rate Bonds will be 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. Maturity dates, including the final maturity date, are subject to negotiation and will be reflected in the official statement. At each maturity, the scheduled principal or par amount of the Fixed Rate Bonds will have to be repaid.

Fixed Rate Bonds will pay fixed rates of interest typically semi-annually on scheduled payment dates, although some Fixed Rate Bonds may accrue interest to be paid at maturity. Such bonds are often referred to as capital appreciation or zero-coupon bonds. The interest rates to be paid on Fixed Rate Bonds may differ for each series or maturity date. The specific interest rates will be determined based on market conditions and investor demand and reflected in the official statement for the Fixed Rate Bonds. Fixed Rate Bonds with longer maturity dates will generally have interest rates that are greater than securities with shorter maturity dates.

Redemption. Fixed Rate Bonds may be subject to optional redemption, which allows the Issuer, at its option, to redeem some or all of the Fixed Rate 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 may be subject to optional redemption only after the passage of a specified period of time from the date of issuance, and upon payment of the redemption price set forth in the official statement for the Fixed Rate Bonds, which typically is equal to the par amount of the Fixed Rate Bonds being redeemed (plus accrued interest) but may include a redemption premium. The Issuer will be required to send out a notice of optional redemption to the holders of Fixed Rate Bonds, usually a certain period of time prior to the redemption date. Fixed Rate Bonds with term maturity dates also may be

subject to mandatory sinking fund redemption, which requires the Issuer to redeem specified principal amounts of the Fixed Rate Bonds annually in advance of the term maturity date. The mandatory sinking fund redemption price is 100% of the principal amount of the Fixed Rate Bonds to be redeemed. Fixed Rate Bonds may also be subject to extraordinary or mandatory redemption upon the occurrence of certain events, authorizing or requiring you to redeem the Fixed Income Bonds at their par amount (plus accrued interest).

Credit Enhancements. Fixed Rate Bonds may feature credit enhancements, such as an insurance policy provided by a municipal bond insurance company that guarantees the payment of principal of and interest on the bonds when due in the event of default. Other credit enhancements could include a letter of credit provided by a financial institution, or financial support from a state agency.

Tax Status. If Fixed Rate Bonds are intended to be tax-exempt, counsel will provide an opinion that interest on the Fixed Rate Bonds will be excluded from gross income for federal income tax purposes. Certain Fixed Rate Bonds may also be exempt from state personal income tax.

Some Fixed Rate Bonds (or a portion of those being issued) may be taxable, meaning that interest on the Fixed Rate Bonds will be included in gross income for federal income tax purposes.

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. The security for Fixed Rate Bonds will vary, depending on whether they are general obligation bonds, revenue bonds, conduit bonds or other types.

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 that are generated from a particular enterprise or service you offer, such as water, electricity, sewer, health care, housing, transportation, toll roads and bridges, parking, parks and recreation fees, and stadiums and entertainment facilities. 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, license or user fees, 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. Some revenue bonds may be backed by your full faith and credit or moral obligation. A moral obligation is a non-binding covenant by you to make a budget recommendation to your legislative body to appropriate moneys needed to make up any revenue shortfall in order to meet debt service obligations on the revenue bonds, but the legislative body is not legally obligated to make such appropriation.

Certain revenue bonds may be structured as certificates of participation, which are instruments evidencing a pro rata share in a specified pledged revenue stream, usually lease payments that are typically subject to annual appropriation. With certificates of participation, the lessor or party receiving payments assigns those payments to a trustee that distributes them to the certificate holders. Certificates of participation do not constitute general obligation indebtedness of the issuer or municipality and are not backed by a municipality's full faith and credit or taxing power. Certificates of participation are payable solely from specific revenue sources.

Tax Increment or Tax Allocation Bonds

"Tax increment" or "tax allocation" bonds are a form of revenue bonds that are payable from the incremental increase in taxes realized from any appreciation in property values resulting from capital improvements benefitting the properties located in a particular location such as a tax incremental district. They are commonly used to redevelop, add infrastructure or otherwise improve a blighted, neglected or under-utilized area to encourage development in that area. Tax increment bonds may also be payable from increased sales taxes generated in a designated district. The proceeds of an issuance of tax increment or tax allocation bonds are typically applied to pay the costs of infrastructure and other capital improvements in the designated district. The incremental taxes or other revenues may not be sufficient to meet debt service obligations on the tax increment or tax allocation bonds. Some tax increment or tax allocation bonds may also be backed by an issuer's full faith and credit or moral obligation.

Conduit 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 "borrower" or "obligor"). Industrial revenue bonds are a form of conduit revenue bonds. Conduit revenue bonds commonly are issued for not-for-profit hospitals, health care facilities, educational institutions, single and multi-family housing, airports, industrial or economic development projects, corporations, and student loan programs, among other borrowers or obligors. Principal and interest on conduit revenue bonds normally are paid exclusively from revenues pledged by the borrower or obligor. Unless otherwise specified under the terms of the bonds, you are not required to make payments of principal or interest if the borrower or obligor defaults.

Charter School Bonds

Fixed Rate Bonds issued for the benefit of charter schools are a form of conduit revenue bonds. They are issued by a government entity acting as a conduit for the benefit of a charter school. The charter school is the borrower or obligor for the bonds. Principal and interest on charter school bonds normally are paid exclusively from revenues pledged by the charter school. Unless otherwise specified under the terms of the bonds, you are not required to make payments of principal or interest if the charter school defaults.

Financial and Other Covenants

Issuers of Fixed Rate Bonds (and/or obligors) may be required to agree to certain financial and other

covenants (such as debt service coverage ratios) that are designed to protect bond holders. Covenants are a form of additional security. The failure to continue to meet covenants may trigger an event of default or other adverse consequences to you and/or the obligor giving bond holders certain rights and remedies.

The description above regarding “Security” is only a brief summary of certain possible security provisions for the Fixed Rate 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 borrower or obligor, rather than you, will bear these risks for conduit revenue bonds):

Issuer Default Risk

You (or the obligor) may be in default if the funds pledged to secure Fixed Rate Bonds are not sufficient to pay debt service on the bonds when due. The consequences of a default may be serious for you (and/or the obligor) and, depending on applicable state law and the terms of the authorizing documents, the holders of the bonds may be able to exercise a range of available remedies against you (or the obligor). For example, if Fixed Rate 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 Fixed Rate Bonds are revenue bonds, you (or the obligor) 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 (or the obligor’s) credit ratings and may effectively limit your (or the obligor’s) ability to publicly offer bonds or other securities at market interest rate levels. Further, if you (or the obligor) are unable to provide sufficient funds to remedy the default, subject to applicable state law and the terms of the authorizing documents, you (or the obligor) 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 (or the obligor) are unable to comply with covenants or other provisions agreed to in connection with the issuance of the Fixed Rate 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 (or the obligor’s) ability to redeem Fixed Rate Bonds prior to maturity may be limited, depending on the terms of any optional redemption provisions. In the event that interest rates decline, you (or the obligor) may be unable to take advantage of the lower interest rates to reduce debt service. In addition, if Fixed Rate Bonds are subject to extraordinary or mandatory redemption, you (or the obligor) may be required to redeem the bonds at times that are disadvantageous.

Refinancing Risk

If your (or the obligor’s) financing plan contemplates refinancing some or all of the Fixed Rate Bonds at maturity (for example, if there are term maturities or if a shorter final maturity is chosen than might otherwise be permitted under the applicable federal tax rules), market conditions or changes in law may limit or prevent you (or the obligor) 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 (or the obligor's) ability to refund the Fixed Rate Bonds to take advantage of lower interest rates.

Reinvestment Risk

You (or the obligor) may have proceeds of the Fixed Rate Bonds to invest prior to the time that you (or the obligor) are able to spend those proceeds for the authorized purpose. Depending on market conditions, you (or the obligor) may not be able to invest those proceeds at or near the rate of interest that you (or the obligor) are paying on the bonds, which is referred to as "negative arbitrage".

Tax Compliance Risk (applicable if the Fixed Rate Bonds are tax-exempt bonds)

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), and, if applicable, state tax laws. You (and the obligor) must take certain steps and make certain representations prior to the issuance of tax-exempt bonds. You (and the obligor) also must covenant to take certain additional actions after issuance of the tax-exempt bonds. A breach of the representations or a failure to comply with certain tax-related covenants may cause the interest on the Fixed Rate 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 (or the obligor) pay on the bonds or the mandatory redemption of the bonds. The IRS also may audit you (or the obligor) or the Fixed Rate Bonds or your (or the obligor's) 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 Fixed Rate Bonds are declared taxable, or if you (or the obligor) are subject to audit, the market price of the Fixed Rate Bonds and/or your (or the obligor's) other bonds may be adversely affected. Further, your (or the obligor's) 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 Fixed Rate Bonds.

Continuing Disclosure Risk.

In connection with the issuance of Fixed Rate Bonds, you (and/or the obligor) may be subject to continuing disclosures which require dissemination of annual financial and operating information and notices of material events. Compliance with these continuing disclosure requirements is important and facilitates an orderly secondary market. Failure to comply with continuing disclosure requirements may affect the liquidity and marketability of the Fixed Rate Bonds, as well as your (and/or the obligor's) other outstanding securities. Because instances of material non-compliance with previous continuing disclosure requirements must be disclosed in an official statement, failure to comply with continuing disclosure requirements may also make it more difficult or expensive for you (or the obligor) to market and sell future bonds.