

Regulatory Notice¹

Municipal Capital Markets Group, Inc. (MCM) is a securities broker-dealer regulated by the Municipal Securities Rulemaking Board (MSRB). The Financial Industry Regulatory Authority (FINRA) then oversees MCM for compliance with MSRB rules and regulations. Among the MSRB rules is Rule G-17, which, in its entirety, states:

“In the conduct of its municipal securities or municipal advisory activities, each broker, dealer, municipal securities dealer, and municipal advisor shall deal fairly with all persons and shall not engage in any deceptive, dishonest, or unfair practice.”

During MCM’s engagement or at any other time, if the firm or its staff has not dealt fairly with you or has engaged in any deceptive dishonest or unfair practices, please report it to MCM’s president, Fred Cornwall at (972) 663-6555, or email to fcornwall@municapital.com

For a better understanding of Rule G-17, the MSRB provides underwriters with 31 pages of “Interpretations”. MCM would like to provide you with the following summary of these 31 pages of Interpretations:

When **Cambria Community Services District** the Issuer engages MCM to serve as underwriter and not as a financial advisor or municipal advisor, in connection with the issuance of certificates these facts must be disclosed to you. Although MCM has not been engaged to serve as your financial advisor, as part of its services as underwriter, MCM may assist with the bond origination process, provide advice concerning the markets, structure, timing, terms and other similar matters concerning the issuance of certificates. Any such advice has been, or will be, provided by MCM as underwriter and not as your financial advisor. In addition to MCM’s role of assisting you through the bond origination process, its task, as underwriter, is to purchase the certificates for resale to investors in an arm’s-length commercial transaction between you and MCM. As an underwriter, MCM has financial and other interests that differ from yours as the *(Issuer or Borrower)*.

If certificates are issued for the benefit of the *(Issuer or Borrower)*, you will be a party to a bond purchase agreement and certain other legal documents relating to the issuance of the certificates. Any material financial risks resulting these documents will be borne by the *(Issuer or Borrower)*, as set forth in those legal documents.

Pursuant to Rule G-17, you are advised that:

- (i) Rule G-17 requires an underwriter to deal fairly at all times with both municipal issuers and investors,

¹ Interpretive Notice Concerning the Application of MSRB Rule G-17 to Underwriters of Municipal Securities (effective August 2, 2012).

- (ii) as underwriter, MCM's role is to purchase the certificates with a view to distribution in an arm's-length commercial transaction with the Issuer. As such, MCM has financial and other interests that differ from those of the Issuer,
- (iii) unlike a municipal advisor, MCM does 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 its own financial or other interests,
- (iv) MCM has a duty to purchase the certificates from the Issuer at a fair and reasonable price, but must balance that duty with our duty to sell the certificates to investors at prices that are fair and reasonable; and
- (v) as underwriter, during the origination process, MCM will review the offering memorandum² for the certificates in accordance with, and as part of, its responsibilities to investors under the federal securities laws, as applied to the facts and circumstances in this transaction.

MCM will be compensated by a spread between the purchase price and the selling price of the certificates that will be set forth in the bond purchase agreement entered into in connection with the issuance of the certificates. Payment or receipt of the underwriting compensation will be contingent on the closing of the transaction relating to the certificates and the amount of compensation may be based, in whole or in part, on a percentage of the principal amount of the certificates that may be issued. While this form of compensation is customary in the municipal securities market, it presents a conflict of interest since an underwriter may have an incentive to recommend a transaction that is unnecessary or to recommend that the size of a transaction be larger than necessary.

MCM has not identified any potential or actual material conflicts that require disclosure. MCM and its affiliates are full service financial institutions engaged in various activities, which may include sales and trading, investment banking, advisory, investment management, principal investment, hedging, brokerage and other financial and non-financial activities and services. MCM may have provided, and may in the future provide, a variety of these services to the (*Borrower or Issuer*) and to persons and entities with relationships with the (*Issuer or Borrower*), for which they may have received or will receive customary fees and expenses.

In the ordinary course of their various business activities, MCM and its officers, directors and employees may purchase, sell or hold a broad array of investments and may actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of the (*Issuer or Borrower*) (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the Issuer. MCM may also communicate independent investment

²Under the federal securities laws, an issuer of securities or obligated party (the borrower) has the primary responsibility for disclosure to investors. The review of the offering memorandum by the underwriter is solely for purposes of satisfying the underwriters' obligations under the federal securities laws and such review should not be construed by the Issuer or Borrower as a guarantee of the accuracy or completeness of the information in the offering memorandum.

recommendations or trading ideas in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities, and instruments

MCM makes no representation herein as to the complexity of a specific financing for purposes of Rule G-17.

If you or any other (*Issuer or Borrower*) representatives have any questions or concerns about these disclosures, please make those questions or concerns known immediately to MCM. In addition, the (*Issuer or Borrower*) should consult with their own financial, municipal, legal, accounting, tax, and other advisors, as applicable, to the extent it deems appropriate.

It is our understanding that you have the authority to bind the (*Issuer and Borrower*) and that you are not a party to any conflict of interest relating to the certificates. If our understanding is incorrect, please notify the undersigned immediately.

The MSRB requires that MCM seek your acknowledgement that you have received this regulatory notice. Accordingly, please send MCM an email that effect, or sign and return the enclosed copy of this notice to MCM at the address set forth above within five (5) business days of the date of this notice. Depending on the structure of the transaction that the (*Issuer or Borrower*) decides to pursue, or if additional actual or perceived material conflicts are identified, we may be required to send you additional disclosures. At that time, we also will seek your acknowledgement of receipt of any such additional disclosures.

This regulatory notice is **not** a contract and neither binds nor obligates the (*Issuer or Borrower*) to 1) sell its certificates, or 2) pay fees nor obligates MCM to purchase certificates.

Municipal Capital Markets Group, Inc.
8400 E. Prentice Ave., Suite 500, Denver, CO 80111
Email: tzarlengo@municapital.com

Acknowledgement:

Cambria Community Services District

By: _____

Name:

Title:

Date: _____

In addition to having educational material about the municipal securities market, the MSRB website (msrb.org) has educational materials that describe the protections that may be provided by the MSRB rules and how to file a complaint against MCMG or an MCMG representative with the FINRA Investor Complaint Center.