

Minutes of the Regular Meeting of the Gallup City Council, City of Gallup, New Mexico held in the Council Chambers at Gallup City Hall, 110 West Aztec Avenue at 6:00 p.m. on Tuesday, May 10, 2022.

The meeting was called to order by Mayor Bonaguidi.

Upon roll call, the following were present:

Mayor: Louie Bonaguidi

**Councilors: Linda Garcia
Michael Schaaf
Sarah Piano
Fran Palochak**

**Also present: Maryann Ustick, City Manager
Curtis Hayes, City Attorney**

Presented to the Mayor and Councilors was the following Presentation Information Item:

1. Presentation by Advanced Air – Levi Stockton, President

Mr. Stockton presented information regarding Advanced Air's business history and experience, in addition to available air connections, proposed routes, equipment specifications, safety operations and a pilot program agreement with Southwest Airlines. He also provided rates to Phoenix and schedule including, one flight per day, seven days a week.

Brief discussion followed regarding daily departure time and security checks.

Ms. Ustick said staff will present the contract to the Mayor and Councilors at the May 24, 2022 Regular Meeting and will determine the schedule in the meantime.

Mr. Hayes certified for the record the only matter discussed during the Closed Session, which took place prior to the meeting at 4:30 p.m., was the purchase, acquisition or disposal of real property, pursuant to Section 10-15-1(H)(8) NMSA 1978. (as revised)

Presented to the Mayor and Councilors were the following Consent Agenda Items:

- 1. Approval of Minutes from the Special and Regular Meetings on April 26, 2022**
- 2. Approval of Resolution R2022-12 for the US Department of the Interior (DOI) Bureau of Reclamation (USBR) WaterSMART Drought Response Program; Drought Resiliency Project Grant R22AS00020 Application Submission and Upon Award, Implementation of Gallup Ground Water Well – Professional Services & Design**

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- 3. Budget Adjustment for Services to the Navajo Gallup Water Supply Project**
- 4. Transfer Between Projects to Finish Sunshine SCADA**
- 5. Budget Adjustment for El Morro Theatre Operations**
- 6. Lodger's Tax Grant Recommendations Final FY22**
- 7. Lodger's Tax Grant Recommendations Part 1 FY23**
- 8. Levitt Amp Concert Series Funding Match**

Councilor Piano recommended removal of Item 2 from the Consent Agenda to discuss separately.

Councilor Schaaf made the motion to approve Consent Agenda Items 1 and 3 through 8. Seconded by Councilor Palochak. Roll call: Councilors Schaaf, Palochak, Piano, Garcia and Mayor Bonaguidi all voted yes.

- 2. Approval of Resolution R2022-12 for the US Department of the Interior (DOI) Bureau of Reclamation (USBR) WaterSMART Drought Response Program; Drought Resiliency Project Grant R22AS00020 Application Submission and Upon Award, Implementation of Gallup Ground Water Well – Professional Services & Design – Tim Bodell, Water and Sanitation Director**

Mr. Bodell explained approval of the Resolution is for submission of the grant, which will be brought back Council for approval of the contract at a later date. He also highlighted the collateral value of State funded projects resulting in a credit towards the Navajo Gallup Water Project.

Discussion followed regarding funding for the required match previously appropriated by the Department of Finance Authority and use of Aqua Funds.

Councilor Palochak made the motion to approve Resolution No. R2022-12, as presented. Seconded by Councilor Schaaf. Roll call: Councilors Palochak, Schaaf, Garcia, Piano and Mayor Bonaguidi all voted yes.

Presented to the Mayor and Councilors were the following Discussion/Action Topics:

- 1. Resolution No. R2022-16; National Economic Development Week – Bruce Armstrong, GGEDC Economic Development Manager**

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Mr. Armstrong presented the proposed resolution, recognizing May 9th-14th, 2022, National Economic Development week, as a reminder of the importance in community celebration of the organized efforts by the GGEDC and support for the expansion of career opportunities and improving quality of life.

Discussion followed regarding additional activities and events including articles, webinars and presentations.

Councilor Schaaf made the motion to approve Resolution No. R2022-16. Seconded by Councilor Piano. Roll call: Councilors Schaaf, Piano, Garcia, Palochak and Mayor Bonaguidi all voted yes.

- 2. Request for Street Closures for the Gallup Lions Club Rodeo Parade to be held on Saturday, June 11, 2022 – John Sakasitz, Gallup Lions Club**

Mr. Sakasitz presented the proposed event permit and road closures for the 72nd Annual Gallup Lions Club Rodeo, as well as scheduled events including Battle of the Bands, to be located in the upper stage area of Courthouse Square, informational booths and barbecue to be located in the lower parking lot of Courthouse Square. He explained street closures comprised of Aztec Avenue, east of Washington Federal to Third Street.

Discussion followed regarding concerns with limited access to parking, Gallup Lions Club's willingness to make accommodations and promote downtown businesses during the event, the permitted use of the parking lot according to the City of Gallup's Event Permit application and use of the parking lot area only while Aztec Avenue remain opened with the exception of the parade.

Councilor Garcia made the motion to approve street closures for the duration of the parade only, on Saturday, June 11, 2022. Seconded by Councilor Schaaf. Roll call Councilors Garcia, Schaaf, Piano, Palochak and Mayor Bonaguidi all voted yes.

- 3. Resolution R2022-15; Approving FY 2023 Preliminary Budget – Patty Holland, Chief Financial Officer**

Based on a previous capital hearing discussion held on May 12, 2021 and preliminary budget discussion on May 19, 2021, Ms. Holland provided information regarding plans to pass the official preliminary budget for FY23 for submission to the Department of Finance and Administration by June 1, 2022. She presented a PowerPoint presentation highlighting the total city budget, general fund, specific fund revenues including utility funds, minimum wage, health care and wage increases, key changes from the City Council Work Session and FY22-23 CIP request amounts.

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A lengthy discussion followed regarding discussions with the union as it pertains to the Municipal Court employee's wages and the City's 5% Cost of Living Adjustment (COLA), the contract amount with Southwest Indian Foundation (SWIF) and request for all detailed changes and inclusions within the contract, the estimated water rate revisions, the potential to amend the preliminary budget, staff's discussions regarding the postponement of the new electric facility construction, the scheduled wastewater increases and the annual budget request for debt service cost.

Councilor Palochak made the motion to approve Resolution No. R2022-15, as presented. Seconded by Councilor Schaaf. Roll call: Councilors Palochak, Schaaf, Garcia, Piano, and Mayor Bonaguidi all voted yes.

4. Approve Ordinance No. S2022-2; Authorizing the Execution and Delivery of Loan Agreement and Intercept Agreement with NMFA and Budget Adjustment – Patty Holland, CFO and Erik Harrigan, RBC Capital Markets, LLC

Mr. Harrigan provided a presentation depicting an overview and market update of the Environmental Surcharge and Loan Financing including the maturity schedule ranging from June 1, 2023 to June 1, 2042, the average annual debt service and interest rates. He explained the ordinance would authorize the issuance of bonds through the New Mexico DFA and upon approval, rates would be locked in for the Joint Water Sewer System and payments would be made through the environmental surcharge fund. Mr. Harrigan also provided a time schedule and market studies. A copy of the presentation is attached hereto and made a part of these official minutes.

Discussion followed regarding the total interest, the advantages and disadvantages of waiting to build the effluent line versus beginning construction, clarification regarding the permanence of the new line, the poor condition of the current line and the benefits the line will provide outside of the golf course.

Kurt Spolar of DePauli Engineering, provided information regarding *toilet-to-tap* and stressed the importance of water conservation.

Councilor Schaaf made the motion to approve Ordinance No. S2022-2, as presented. Seconded by Councilor Palochak. Roll call: Councilors Schaaf, Palochak, Garcia, Piano and Mayor Bonaguidi all voted yes.

5. Approval of Agreement and Budget Adjustment of the First Responders- Comprehensive Addiction and Recovery Act Grant (FR-CARA) – Jesus "Chuy" Morales, Fire Chief

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Chief Morales presented the grant in partnership with the Behavioral Health Department in the amount of \$32,000 to hire a social/peer support worker and an EMT to train and provide resources to first responders and family members to administer Narcan Nasal Spray for emergency reversal of known or suspected opioid overdose and to help establish processes, protocols, mechanisms for referral to appropriate treatment and recovery support services.

Discussion followed regarding the need for these types of resources, the intended license requirements of the social worker, the extension of the grant terms, the lifecycle of the grant and details regarding the program's implementation.

Councilor Palochak made the motion to approve the agreement and budget adjustment of the First Responders Comprehensive Addiction and Recovery Act Grant in the amount of \$32,500. Seconded by Councilor Garcia. Roll call: Councilors Palochak, Garcia, Piano, Schaaf and Mayor Bonaguidi all voted yes.

6. 3rd Amendment to the CDEC/ Gallup Power Supply Agreement – John Wheeler, Electric Department Director

Ms. Ustick requested to table the item until the next regularly scheduled meeting on May 24, 2022.

Councilor Piano made the motion to table the item. Seconded by Councilor Garcia. Roll call: Councilors Piano, Garcia, Schaaf, Palochak and Mayor Bonaguidi all voted yes.

7. Approval of Agreement and Budget Transfer for Airport Marketing – Jennifer Lazarz, Tourism and Marketing Manager

Ms. Lazarz said the New Mexico Department of Aviation has offered a 1:1 matching grant in the amount of \$50,000, each year for two years, for marketing airport services digitally and through social media. She said Advanced Air will also receive \$25,000 for marketing, providing a total of \$125,000 a year for marketing and requested approval of the agreement and budget adjustment of \$100,000 from lodger's tax.

Brief discussion followed regarding the targeted areas for advertising.

Councilor Palochak made the motion to approve the agreement and budget transfer for airport marketing, as presented. Seconded by Councilor Garcia. Roll call: Councilors Palochak, Garcia, Schaaf, Piano and Mayor Bonaguidi all voted yes.

Presented to the Mayor and Councilors was the following Information and Discussion Item:

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1. Presentation on Drought Restrictions – Jon Pairett, Fire Marshal

Fire Marshal Pairett presented a PowerPoint presentation explaining drought conditions and fireworks including current severe to extreme drought conditions, drought prediction tendencies through July 2022, total number of fire responses and likelihood of wildland fire potential through July 2022. Fire Marshal Pairett also provided information regarding firework restrictions through a proclamation, which will be presented to the Mayor and Councilors at the next City Council meeting on May 24, 2022.

The Mayor and Councilors recognized and congratulated Fire Marshal Pairett's recent graduation with a Master's Degree in Organizational Leadership with an emphasis in Fire and EMS Executive Leadership.

Discussion followed regarding restrictions on specific fireworks and locations; according to State Law, the potential to buy illegal fireworks outside the City, the intention to educate citizens while patrolling, inspection of firework dealers and firework permit sales.

Comments by Public on Non-Agenda Items

None

Comments by Mayor and City Councilors

Mayor Bonaguidi mentioned the potential to close the Veteran's Clinic and encouraged everyone to write a letter to the editor and elected officials against closing the facility and his plans to bring a proclamation to Council.

Councilor Piano expressed appreciation to all who attended the meeting and announced new staff at the Gallup Independent, which she will provide contact information for.

Councilor Garcia announced National Police Week starting May 11 – 17, 2022 and a ceremony honoring fallen officers on May 17, 2022 at the Larry Brian Mitchell Recreation Center following a run from 9:30 am to 10:30 am. Chief Boyd said the ceremony has not taken place since 2019 and was glad the event was back.

Councilor Schaaf thanked everyone who attended, in addition to all City staff and wished Councilor Palochak a happy birthday.

Councilor Palochak also commented on the possible closure of the Veteran's Clinic as well as three others in New Mexico, including Espanola, Las Vegas and Raton. She said a meeting will be held on Friday, May 13, 2022 at the Veterans Helping Veterans

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Center and she urged the community to attend and express the need to improve the facility and not close it. She also expressed excitement for Advanced Air's presence at the airport and invited everyone to attend the Open House.

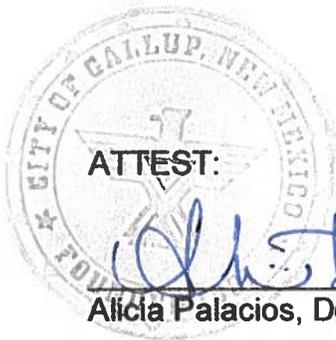
Comments by City Manager and City Attorney

Ms. Ustick provided an update regarding the Coal Ave Commons Construction Project and discussions with the Mitigation Manager, Sydney Norris, who is meeting with downtown business owners and facilitating an informational campaign to promote businesses downtown. She also announced a request to restrict the City parking lot at 1st Street and Aztec Avenue to customers of downtown businesses for the duration of construction.

There being no further business, Councilor Schaaf made the motion to adjourn the meeting. Seconded by Councilor Palochak. Roll call: Councilors Schaaf, Palochak, Garcia, Piano and Mayor Bonaguidi all voted yes.



Louie Bonaguidi, Mayor



ATTEST:



Alicia Palacios, Deputy City Clerk

City of Gallup, NM

Environmental Surcharge Loan Financing Overview and Market Update

May 10, 2022

STRICTLY PRIVATE AND CONFIDENTIAL



Capital
Markets

Environmental Surcharge Loan Estimated Retirement Schedule

Sources:		Date	Total Debt Service				Student Fee Revenue Coverage	
Bond Proceeds:			Principal	Coupon	Interest	Total Debt Service	Revenue	Coverage
Par Amount	\$5,485,000	06/01/2023	\$205,000	2.61%	\$195,123	\$400,123	\$1,645,437	4.11x
	\$5,485,000	06/01/2024	200,000	2.88%	198,848	398,848	1,645,437	4.13x
		06/01/2025	210,000	2.99%	193,088	403,088	1,645,437	4.08x
		06/01/2026	215,000	3.03%	186,809	401,809	1,645,437	4.10x
		06/01/2027	220,000	3.12%	180,295	400,295	1,645,437	4.11x
		06/01/2028	230,000	3.18%	173,431	403,431	1,645,437	4.08x
		06/01/2029	235,000	3.26%	166,117	401,117	1,645,437	4.10x
		06/01/2030	240,000	3.32%	158,456	398,456	1,645,437	4.13x
		06/01/2031	250,000	3.38%	150,488	400,488	1,645,437	4.11x
		06/01/2032	260,000	3.44%	142,038	402,038	1,645,437	4.09x
		06/01/2033	270,000	3.63%	133,094	403,094	1,645,437	4.08x
		06/01/2034	280,000	3.79%	123,284	403,284	1,645,437	4.08x
		06/01/2035	290,000	3.92%	112,684	402,684	1,645,437	4.09x
		06/01/2036	300,000	4.02%	101,324	401,324	1,645,437	4.10x
		06/01/2037	310,000	4.11%	89,258	399,258	1,645,437	4.12x
		06/01/2038	325,000	4.19%	76,508	401,508	1,645,437	4.10x
		06/01/2039	340,000	4.27%	62,878	402,878	1,645,437	4.08x
		06/01/2040	350,000	4.32%	48,373	398,373	1,645,437	4.13x
		06/01/2041	370,000	4.38%	33,239	403,239	1,645,437	4.08x
		06/01/2042	385,000	4.43%	17,052	402,052	1,645,437	4.09x
			\$5,485,000		\$2,542,385	\$8,027,385		

Uses:	
Fund Deposits	
Project Fund	\$5,000,000
Debt Service Reserve Fund	403,431
Cost of Issuance	80,000
Deposit to Debt Service Fund	1,569
	\$5,485,000

Time Schedule

May 10th – Council meeting to consider Bond Ordinance

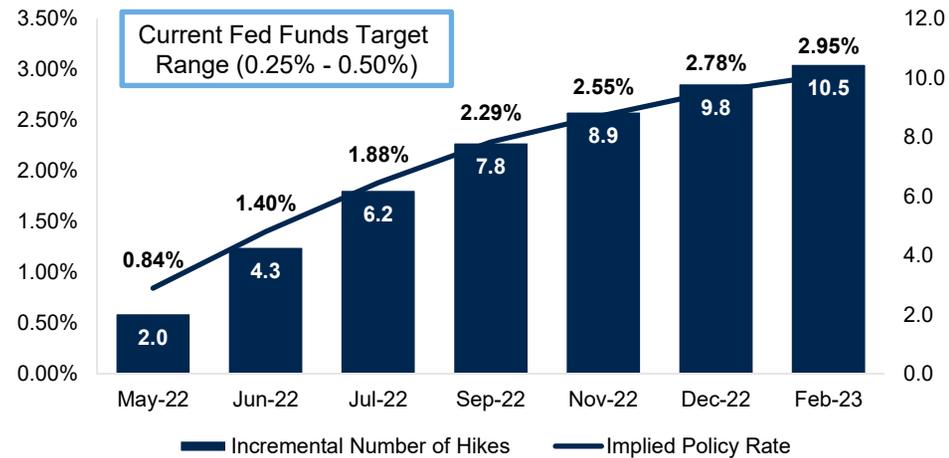
May 26th – NMFA Board meeting to approve Loan Application

June 2nd – Pricing (rates locked)

June 17th – Closing (funds available to begin expenditures on project)

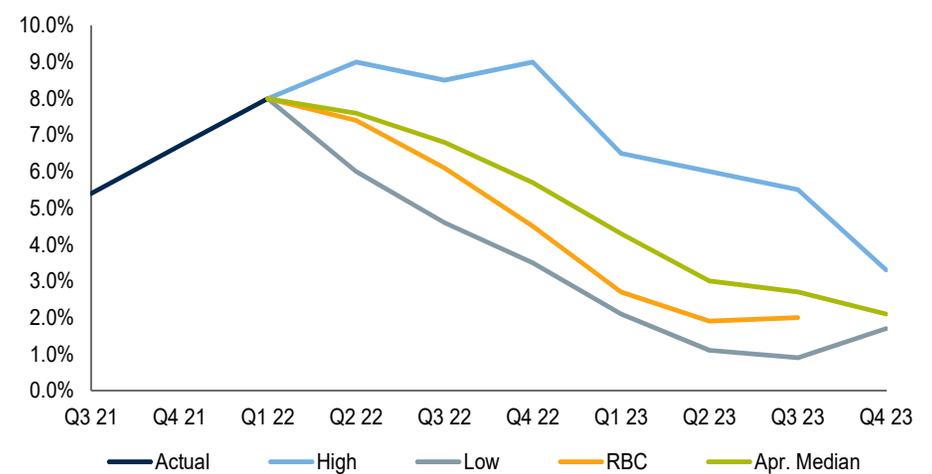
Economic Overview Reflects Increased Volatility – Invasion of Ukraine and Monetary Policy Focus

Futures Market – Fed Funds Rate Hike Probability



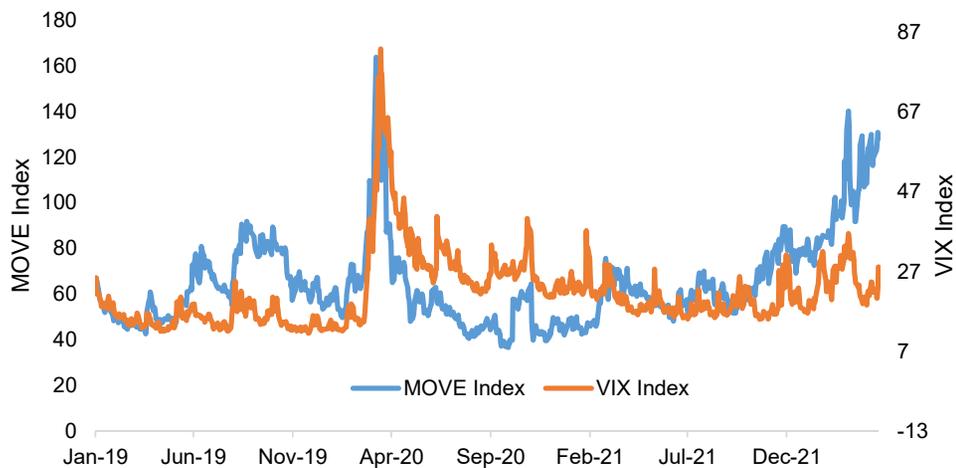
Source: Bloomberg, as of market close April 22, 2022

Inflation (Headline CPI – YOY%)



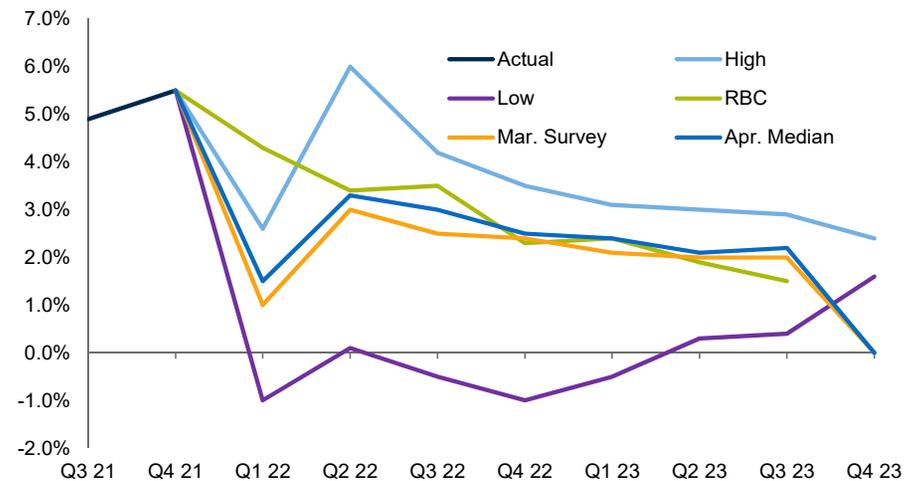
Source: Bloomberg, latest data for week ending April 22, 2022

Treasury and Equity Volatility has Increased Over the Last Several Months



Source: RBC Economics

GDP (YOY%)



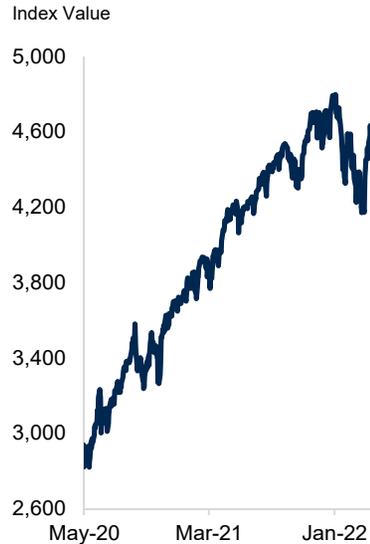
Source: Bloomberg, latest data for week ending April 22, 2022

Recent Performance of Major Asset Classes

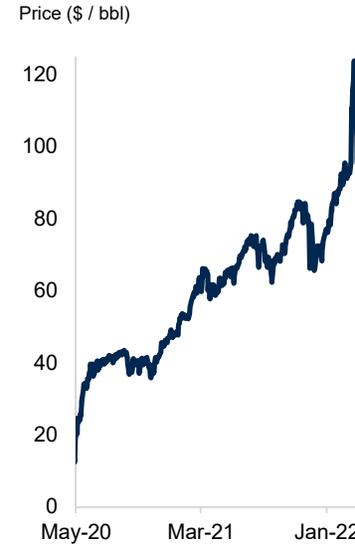
Commentary

- US shares posted steep declines last week, with the DJIA, S&P, and Nasdaq falling 1.9%, 2.8%, and 3.8%, respectively
- COVID lockdowns in China and commodity supply disruptions from the Ukraine war are exacerbating inflationary pressures
- Fed Chair Powell signaled a 50bp rate hike is likely next week
 - Mester said she supports 50bp “in May, and a few more”
 - Powell reiterated that the Fed could hike rates above neutral “if necessary,” fanning fears that economic growth could falter
 - Bullard suggested a 75bp hike may be warranted in the future, but other Fed officials downplayed that approach
- Fed funds futures are pricing in 238bp of hikes for the rest of 2022, suggesting more than three hikes each of 50bp and 25bp
- GDP data are expected to show annualized growth of 1.1% for the first quarter, down from 6.9% in the fourth quarter of 2021
- Other highlights include durable goods, home sales, Richmond/Dallas/KC Fed, jobless claims, and personal income/spending
- US IG/corporate issuance topped \$55bn last week, driven by banks
 - This week’s supply is expected to total \$25bn

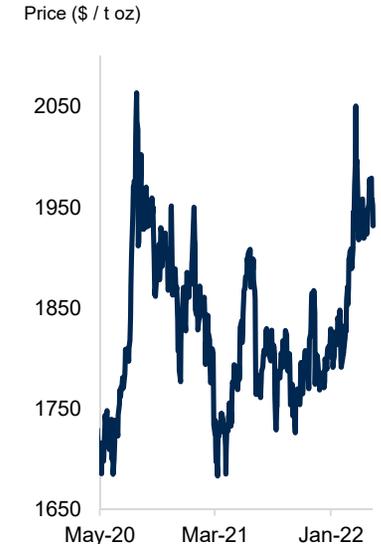
S&P 500 Index



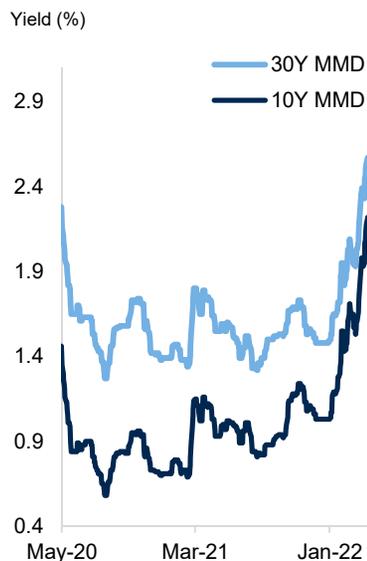
Oil (WTI)



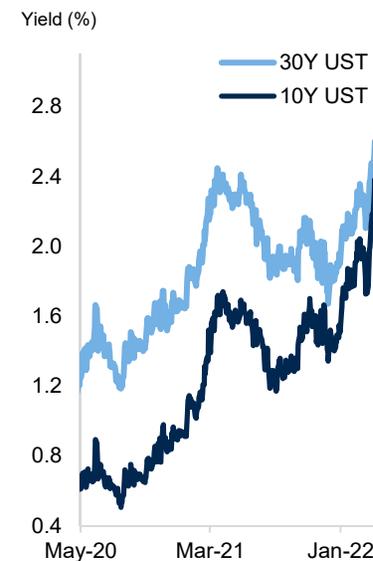
Gold



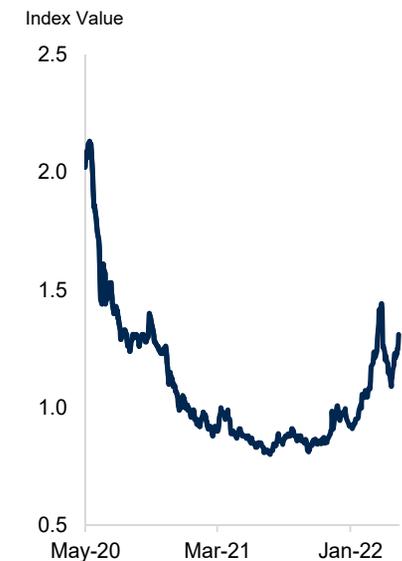
MMD Yields



U.S. Treasury Yields



IG Corporate Bond Spreads



Source: Bloomberg, RBC Capital Markets as of April 22, 2022. For more sources, see disclaimer slide.

Overview of Key US Market Themes

Municipal Markets Commentary

- Hawkish comments by numerous Federal Reserve officials, including Fed Chair Powell, pushed rates in the fixed income markets noticeably higher last week
- The short end of the yield curve was particularly hard hit with the Treasury curve flattening materially as a result
 - The spread between 2yr and 10yr Treasury yields fell to 23 basis points on Friday from 37 basis points a week earlier
 - By the close of the week, US Treasuries were 14 basis points higher in the five year range, seven basis points higher in the ten year range, and three basis points higher in the thirty year range
- While municipals generally followed the lead of Treasuries last week, they underperformed despite a light new issue calendar
 - Continued large mutual fund outflows have been pressuring municipals for weeks and have pushed 30yr municipal/Treasury yield ratios past 100%
 - The Municipal Market Data AAA yield closed 19 basis points higher week/week in the five year range and 22 basis points higher in the ten and thirty year ranges
- Municipal supply totaled \$5.3bn last week and is expected to top \$12bn this week, marking the heaviest calendar of 2022
- New issues have been pressured by volatility in the Treasury market, sizable fund outflows, and secondary selling pressure
 - Transactions continue to price with concessions in order to appeal to an investor base with limited cash
- Secondary market bid-wanted volumes topped \$8.4bn last week, averaging \$1.7bn on a daily basis
- Municipal bond funds reported net outflows of \$3.548bn last week, marking the 10th straight week of outflows
 - Outflows have been reported in 13 of the last 14 weeks, with cumulative outflows totaling \$26bn during that period

Short-Term Market Commentary

- Rates in the short-term municipal market were mixed last week
- Daily rates increased moderately while weekly rates were flat
 - The general market high grade daily average rose ten basis points to close the week at 0.38%, compared to the 0.28% closing rate set on April 14, 2022
 - Weekly rates held steady last week
 - The SIFMA index reset at a rate of 0.46% on April 20, 2022, equal to the rate set on April 13, 2022
- Tax-exempt money market funds posted their first week of outflows in six weeks last week
 - These funds reported \$1.276 billion in net outflows in the week ended April 20, 2022 compared to the \$1.715 billion in net inflows reported in the week ended April 13, 2022 according to the Lipper US Fund Flows service

SIFMA

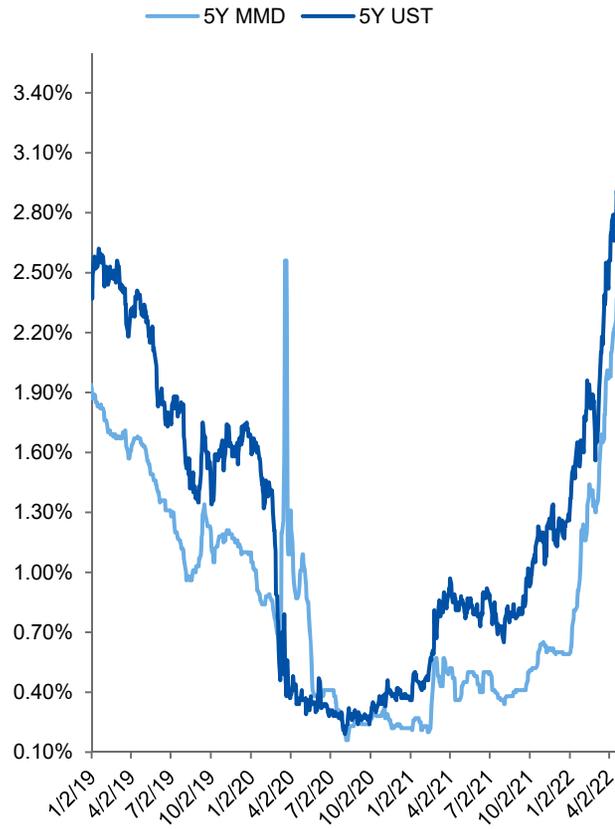


Source: RBC Capital Markets, Thomson Reuters and Bloomberg. For more sources, see disclaimer slide.

Interest Rate Movements

Relative Performance of Municipal Yields Versus Treasury Yields

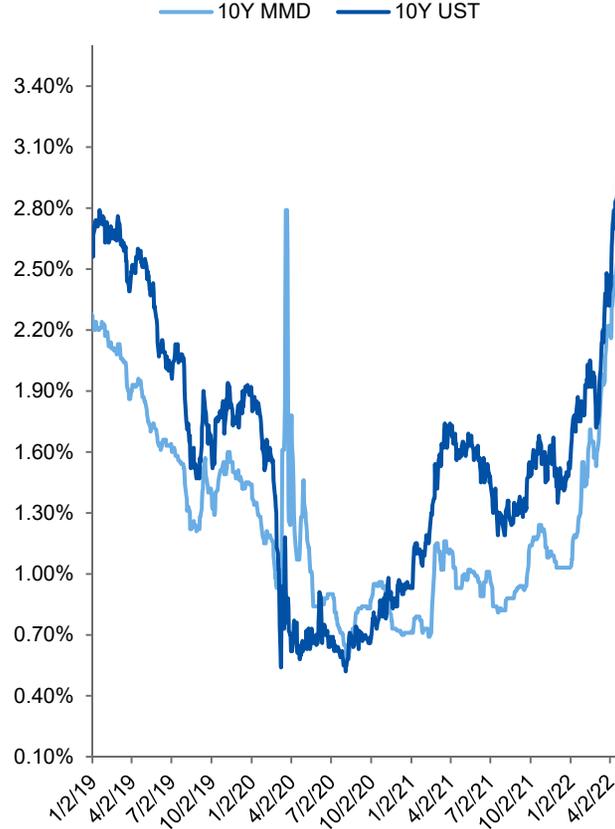
5 Year MMD⁽¹⁾ and 5 Year UST



Change in 5 Year MMD and UST

	Current Values	2.41 Δ MMD (bps)	Current Values	2.94 Δ UST (bps)
3 Months	0.91	150	1.54	140
6 Months	0.6	181	1.22	172
1 Year	0.36	205	0.81	213
2 Years	0.94	147	0.37	257

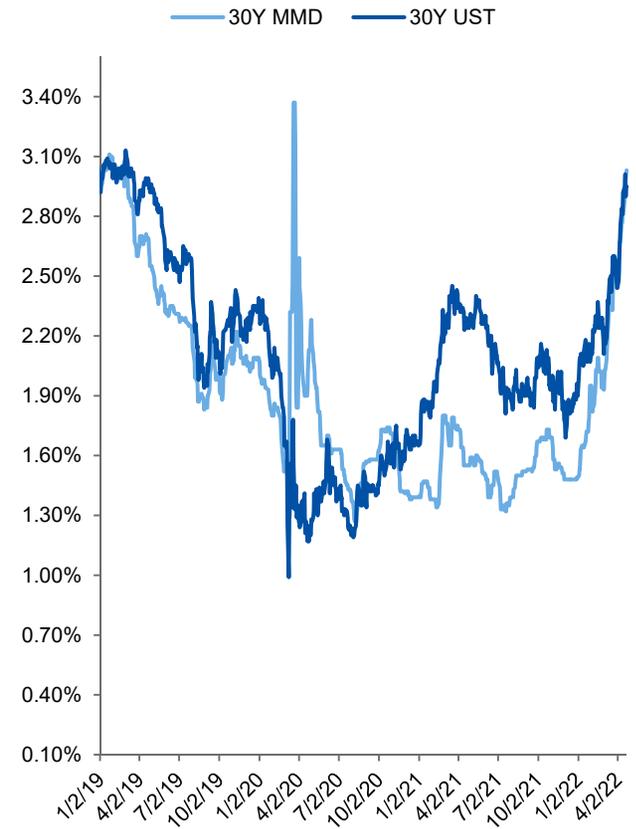
10 Year MMD and 10 Year UST



Change in 10 Year MMD and UST

	Current Values	2.68 Δ MMD (bps)	Current Values	2.9 Δ UST (bps)
3 Months	1.28	140	1.75	115
6 Months	1.24	144	1.66	124
1 Year	0.93	175	1.57	133
2 Years	1.18	150	0.63	227

30 Year MMD and 30 Year UST



Change in 30 Year MMD and UST

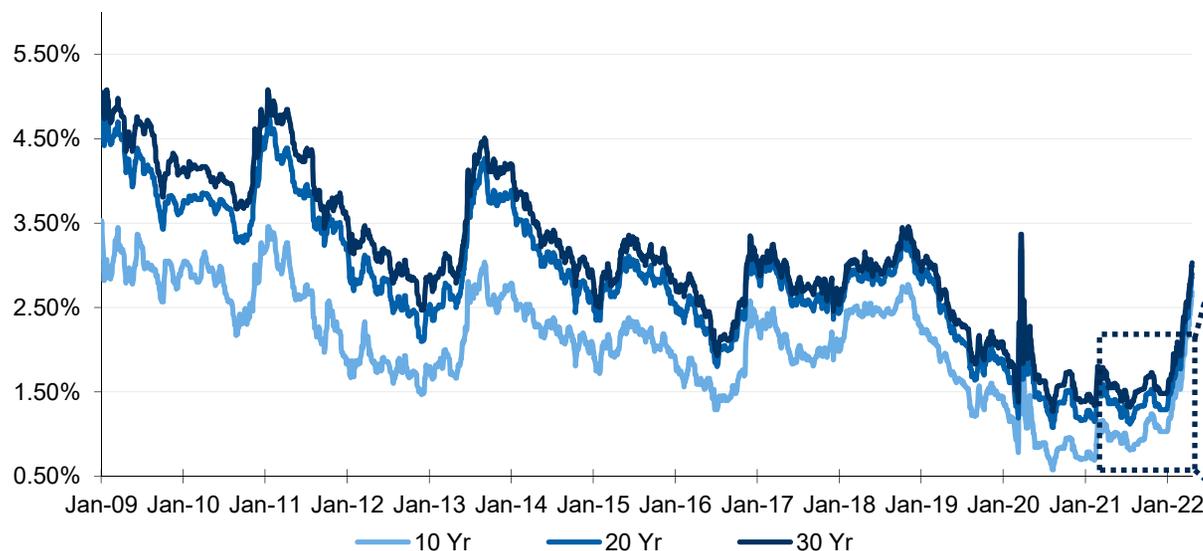
	Current Values	3.03 Δ MMD (bps)	Current Values	2.95 Δ UST (bps)
3 Months	1.72	131	2.07	88
6 Months	1.73	130	2.08	87
1 Year	1.55	148	2.24	71
2 Years	2.03	100	1.22	173

(1) MMD stands for Municipal Market Data; which is the daily index off of which all municipal bonds are priced.
Source: Thomson Reuters

Current Municipal Market Conditions: “AAA” MMD

After closing at 2.81% the previous week, 30-year “AAA” MMD increased 22 bps on the week

“AAA” MMD January 1, 2009 to Present



Shift in “AAA” MMD Since April 2021



January 1, 2009 to Present

	10 Year	20 Year	30 Year
Maximum	3.53%	4.89%	5.08%
Minimum	0.58%	1.08%	1.27%
Current	2.68%	2.90%	3.03%

Shift in 30-year “AAA” MMD

	2014	2015	2016	2017	2018	2019	2020
	-1.34%	-0.01%	0.27%	-0.51%	0.47%	-0.93%	-0.68%

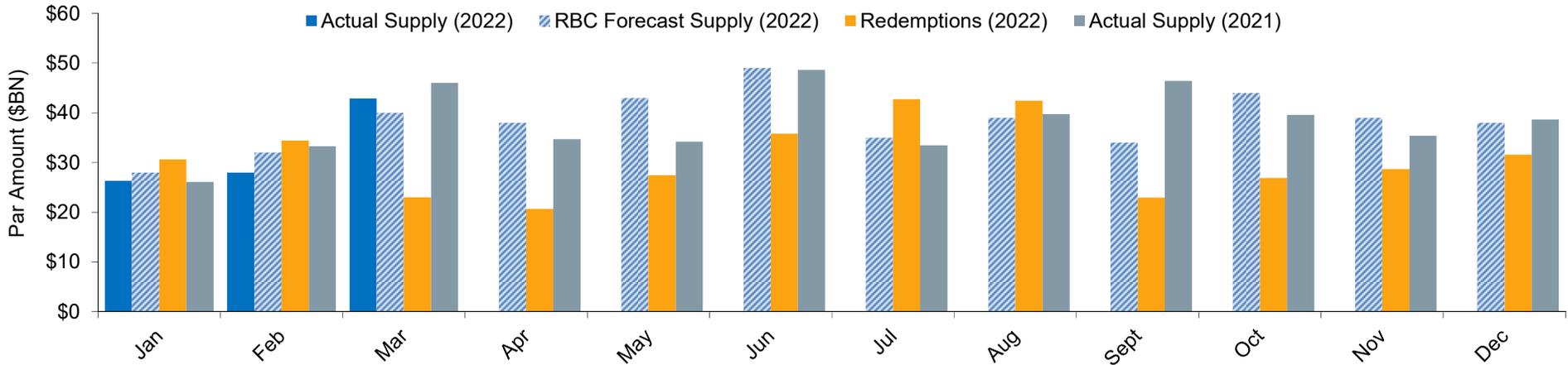
April 1, 2021 to Present

	10 Year	20 Year	30 Year
Maximum	2.68%	2.90%	3.03%
Minimum	0.81%	1.12%	1.32%
Average	1.22%	1.53%	1.71%

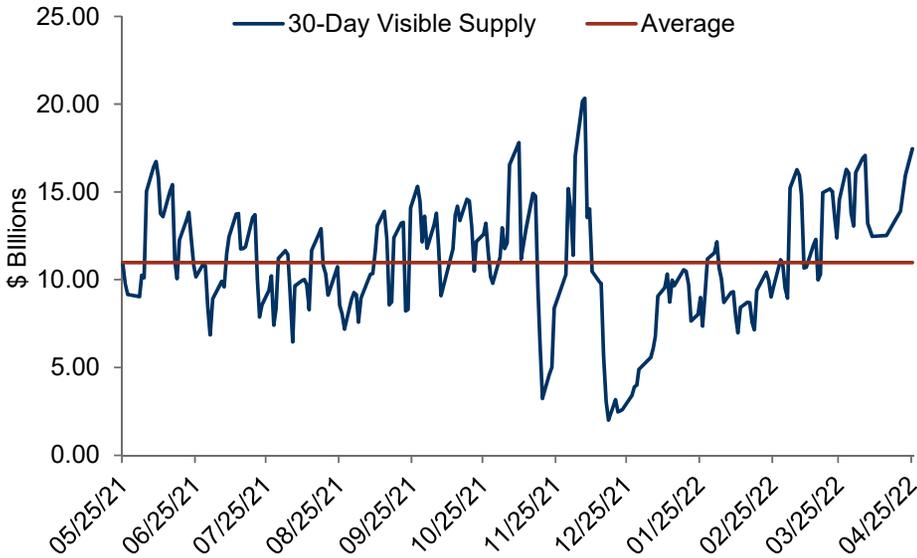
Source: TM3, Thomson Reuters
10, 20, and 30 year “AAA” MMD shown to represent different average lives of municipal transactions
Rates as of April 22, 2022

Overview of Municipal Supply

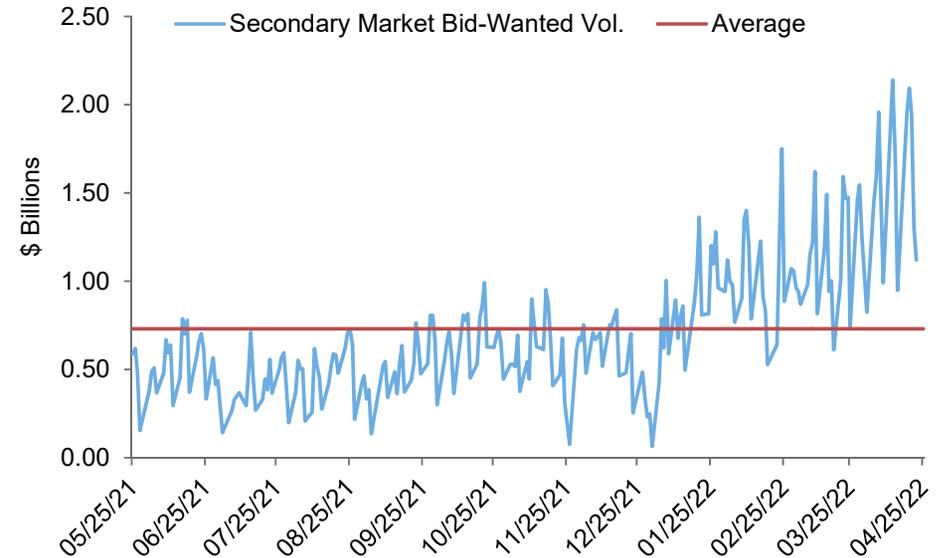
Monthly Projected Supply and Redemptions



30-Day Visible Supply



Secondary Market Bid-Wanted Volume



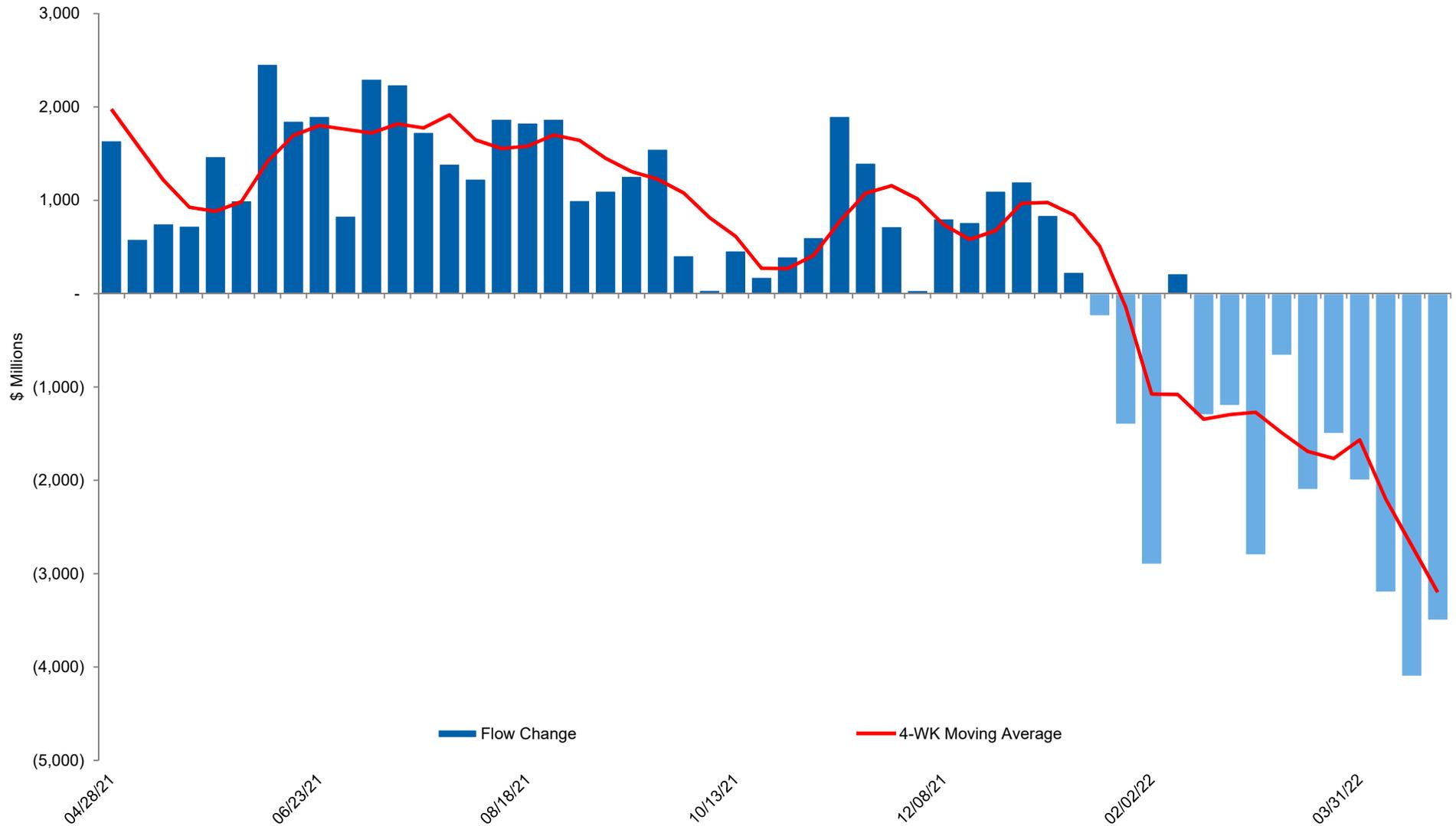
Summary Statistics (Billions)					
Max	Min	Avg.	Curr.		
\$20.33	\$2.01	\$10.98	\$17.45		

Summary Statistics (Billions)					
Max	Min	Avg.	Curr.		
\$2.14	\$0.06	\$0.73	\$1.12		

Source: Bloomberg

Municipal Bond Fund Flows

- For the week ended April 20, 2022, Lipper reported weekly municipal bond fund outflows of \$3.5 billion compared to the previous week's \$4.1 billion of outflows.



Source: Lipper

Disclaimer

Sources include: https://www.rbccm.com/assets/rbccm/docs/uploads/2017/RBCCM_Muni_Markets_Weekly_Newsletter.pdf, <http://www.rbc.com/economics/>, RBC Capital Markets.

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