TOWN OF COLLIERVILLE

T E N N E S S E E

Debt Management Policy

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Introduction

The purpose of this debt policy is to establish a set of parameters by which debt obligations will be undertaken by the Town of Collierville, TN. This policy reinforces the commitment of the Town and its officials to manage the financial affairs of the Town so as to minimize risks, avoid conflicts of interest and ensure transparency while still meeting the capital needs of the Town. A debt management policy signals to the public and the rating agencies that the Town is using a disciplined and defined approach to financing capital needs and fulfills the requirements of the State of Tennessee regarding the adoption of a debt management policy.

Debt management policies are written guidelines and restrictions that affect the amount and type of debt issued by a state or local government, the issuance process, and the management of a debt portfolio. A debt management policy improves the quality of decisions, provides justification for the structure of debt issuance, identifies policy goals, and demonstrates a commitment to long-term financial planning, including a multi-year capital plan.

Debt levels and their related annual costs are important long-term obligations that must be managed within available resources. An effective debt management policy provides guidelines for a government to manage its debt program in line with those resources.

Since the guidelines contained in the Town of Collierville's Debt Management Policy (the "Policy") will require regular updating in order to maintain relevance and to respond to the changes inherent in the capital markets, the Town plans to revisit the Policy from time to time.

Definition of Debt: All obligations of the Town to repay, with or without interest, in installments and/or at a later date, some amount of money utilized for the purchase, construction, or operation of Town resources. This includes but is not limited to notes, bond issues, capital leases, and loans of any type (whether from an outside source such as a bank or from another internal fund).

Town of Collierville

Debt Management Policy

I. Policy Statement

In managing its debt, it is the Town's policy to:

- Achieve the lowest cost of capital
- Ensure high credit quality
- Assure access to the capital credit markets
- Preserve financial flexibility
- Manage interest rate risk exposure

II. Goals & Objectives

Debt policies and procedures are tools that ensure that financial resources are adequate to meet the Town's long-term planning objectives. In addition, the Policy helps to ensure that financings undertaken by the Town satisfy certain clear objective standards which allow the Town to protect its financial resources in order to meet its long-term capital needs. The adoption of clear and comprehensive financial policies enhances the internal financial management of the Town.

The Policy formally establishes parameters for issuing debt and managing a debt portfolio which considers the Town's specific capital improvement needs; ability to repay financial obligations; the existing legal, economic, and financial and debt market conditions. Specifically, the policies outlined in this document are intended to assist in the following:

- To guide the Town and its managers in policy and debt issuance decisions
- To maintain appropriate capital assets for present and future needs
- To promote sound financial management
- To protect and enhance the Town's credit rating
- To ensure the legal use of Town's debt issuance authority
- To promote cooperation and coordination with other stakeholders in the financing and delivery of services
- To evaluate debt issuance options

III. Issuance Process

The Town charter, which was approved by resolution on June 25, 2001, as amended, and Title 9, Chapter 21 of the Tennessee Code Annotated authorizes the Town to issue general obligation bonds subject to the adoption of a bond resolution by the Board of Mayor and Aldermen (the "Board"). Other sections of the Tennessee Code Annotated and the Federal Tax Code may govern the issuance or structure of the Town's bonds.

Approval of Debt: Bond anticipation notes, capital outlay notes, grant anticipation notes, and tax and revenue anticipation notes will be submitted to the State of Tennessee Comptroller's Office and the Board prior to issuance or entering into the obligation. A plan for refunding debt issues will also be submitted to the Comptroller's Office prior to issuance. Capital or equipment leases may be entered into by the Board; however, details on the lease agreement will be forwarded to the Comptroller's Office on the specified form within 45 days.

These provisions serve as a basis for the Town's affordability guidelines described later in this policy.

IV. Transparency

The Town shall comply with legal requirements for notice and for public meetings related to debt issuance. All notices shall be posted in the customary and required posting locations, including as required local newspapers, bulletin boards, and websites. All costs (including principal, interest, issuance, continuing, and one-time) shall be clearly presented and disclosed to the citizens, the Board, and other stakeholders in a timely manner. The terms and life of each debt issue shall be clearly presented and disclosed to the citizens/members, the Board, and other stakeholders in a timely manner. A debt service schedule outlining the rate of retirement for the principal amount shall be clearly presented and disclosed to the citizens/members, the Board, and other stakeholders in a timely manner.

V. Credit Quality and Credit Enhancement

The Town's debt management activities will be conducted to receive the highest credit ratings possible, consistent with the Town's financing objectives. The Director of Finance will be responsible for maintaining relationships and communicating with the rating agencies that assign ratings to the Town's debt. The Director of Finance will provide the rating agencies with periodic updates of the general financial condition of the Town. Full disclosure of operations and open lines of communication shall be maintained with the rating agencies. The Town, together with its Financial Advisor, shall prepare presentations to the rating agencies to assist credit analysts in making an informed decision. The Director of Finance shall be responsible for determining whether or not a rating shall be requested on a particular financing, and which of the major rating agencies will be asked to provide such rating.

The Town will make an annual credit presentation to the Board, explaining the Town's current rating, rating agency views on the Town's performance and current items which may positively or adversely affect the Town's credit rating.

The Town will consider the use of credit enhancements on a case-by-case basis, evaluating the economic benefit versus cost for each case. Only when clearly demonstrable savings can be shown shall an enhancement be considered. The Town will consider each of the following enhancements as alternatives by evaluating the cost and benefit of such enhancements:

1. **Bond Insurance**

   The Town may purchase bond insurance when such purchase is deemed prudent and advantageous for negotiated sales. The predominant determination shall be based on such insurance being less costly than the present value of the difference in the interest on insured bonds versus uninsured bonds. For competitive sales, the purchaser of the bonds will determine whether bond insurance will be used.

   The Town will solicit quotes for bond insurance from interested providers, or in the case of a competitive sale, allow bidders to request bond insurance. In a negotiated sale, the Town will select a provider whose bid is most cost effective and whose terms and conditions governing the guarantee are satisfactory to the Town. The winning bidder in a competitive sale will determine the provider of bond insurance and shall incur the expense of such bond insurance.

2. **Letters of Credit**

   The Town may enter into a letter-of-credit (LOC) agreement when such an agreement is deemed prudent and advantageous. The Town will prepare and distribute a request for qualifications to qualified banks or other qualified financial institutions which includes terms and conditions that are acceptable to the Town.

VI. Debt Affordability

The ratios and standards identified below are primarily intended to limit the use of debt financing in order to facilitate long-term access to capital while ensuring that financial leveraging decisions do not negatively impact the Town's annual operations. In addition to debt financing for its own capital needs, the Town may from time to time, with Board approval, issue debt to finance capital projects for its Municipal School District (the "School System"). Any long-term debt issued for the benefit of the School System will be structured in accordance with the Town's policy as more fully described below including with regard to type, duration and interest mode. While overall affordability is a critical component of debt ratios, the Town will calculate separate ratios for debt issued on behalf of the School System. This independent calculation provides clarity and transparency to the Board, the Town's citizens, investors, and rating agencies with regard to debt issued on behalf of each entity.

Ratio	Town	School System
General Fund Balance Requirement / Operating Expenditures	25%	N/A
Average Life of Total Debt	≤ 10 Years	30-year Level DS
Percentage of Principal Paid within 10 Yrs	≥ 60%	30-year Level DS
Net Direct Debt / Full Value [1]	≤0.75%	<3.00%
Net Direct Debt / Operating Revenues [1]	<0.67%	<3.00%

(1) The following ratios were added to ensure the Town's debt policy is in alignment with the debt component of Moody's Investors Service's local government scorecard released January 15, 2014.

VII. Bond Structure

The Town shall establish all terms and conditions relating to the issuance of bonds and will invest all bond proceeds pursuant to the terms of the Town's Investment. Unless otherwise authorized by the Town, the following shall serve as bond requirements:

1. **Term**
   All capital improvements financed through the issuance of debt will be financed for a period not to exceed the useful life of the improvements, but in no event will the term exceed thirty (30) years.

2. **Capitalized Interest**
   From time to time certain financings may require the use of capitalized interest from the issuance date until the Town has beneficial use and/or occupancy of the financed project. Interest shall not be funded (capitalized) beyond three (3) years or a shorter period if further restricted by statute. Interest earnings may, at the Town's discretion, be applied to extend the term of capitalized interest but in no event beyond the term statutorily authorized or three years, whichever is shorter.

3. **Debt Service Structure**
   Debt issuance shall be planned to achieve relatively level debt service or level principal amortization for an individual bond issue, while still matching debt service to the useful life of facilities. The Town shall avoid the use of bullet or balloon maturities except in those instances where these maturities serve to make existing overall debt service level or match a specific income stream.

4. **Call Provisions**
   In general, the Town's securities will include a call feature, which is no later than ten (10) years from the date of delivery of the bonds. The Town will avoid the sale of long-term non-callable bonds absent careful evaluation by the Town with respect to the value of the call option.

5. **Original Issuance Discount/Premium**
   Bonds with original issuance discount/premium will be permitted.

6. **Deep Discount Bonds**
   Deep discount bonds may provide a lower cost of borrowing in certain markets. The Town will carefully consider their value and effect on any future refinancing as a result of the lower-than-market coupon.

7. **Structured Products**
   The determination of the Town to consider the use of structured products as a hedge against interest rate risk or a method to lower its cost of borrowing will be made by the Director of Finance. At such time as the Director of Finance deems it appropriate, the Town will comply with state guidelines and will be able to quantify and understand the potential risks or to achieve fixed and/or variable rate exposure targets. The Town will not use structured products for speculative purposes.

VIII. Types of Debt

When the Town determines that the use of debt is appropriate, the following criteria will be utilized to evaluate the type of debt to be issued.

Structure

1. **General Obligation Bonds**
   The Town may issue general obligation bonds supported by the full faith and credit of the Town. General obligation bonds shall be used to finance capital projects that do not have independent creditworthiness and significant ongoing revenue streams. The Town may also use its general obligation pledge to support other bond issues, if such support improves the economics of the other bond issue and is used in accordance with these guidelines.

2. **Revenue Bonds**
   The Town may issue revenue bonds, where repayment of the bonds will be made through revenues generated from other sources. Revenue bonds will typically be issued for capital projects which can be supported from project or enterprise-related revenues.

3. **Capital Leases**
   The Town may use capital leases to finance short-term projects.

Duration

1. **Long-Term Debt**
   The Town may issue long-term debt where it is deemed that capital improvements should not be financed from current revenues or short-term borrowings. Long-term borrowing will not be used to finance current operations or normal maintenance. Long-term debt will be structured such that financial obligations do not exceed the expected useful life or the average useful lives of the project or projects to be financed.

   a) *Serial and Term Bonds* may be issued in either fixed or variable rate modes to finance capital infrastructure projects with an expected life of five years or greater.

b) *Capital Outlay Notes* may be issued to finance capital infrastructure projects with an expected life of three to seven years.

2. Short-Term Debt

Short-term borrowing may be utilized for the temporary funding of operational cash flow deficits or anticipated revenues (defined as an assured source with the anticipated amount based on conservative estimates) subject to the following policies:

a) *Bond Anticipation Notes (BANs)*, including commercial paper notes issued as BANs, may be issued instead of capitalizing interest to reduce the debt service during the construction period of a project or facility. The BANs shall not mature more than 6 years from the date of issuance. BANs shall mature within 6 months after substantial completion of the financed facility.

b) *Revenue Anticipation Notes (RANs) and Tax Anticipation Notes (TANs)* shall be issued only to meet cash flow needs consistent with a finding by bond counsel that the sizing of the issue fully conforms to Federal IRS and state requirements and limitations.

c) *Lines of Credit* shall be considered as an alternative to other short-term borrowing options. The *lines* of credit shall be structured to limit concerns as to the Internal Revenue Code.

d) *Intrafund Loans* shall only be used to fund operational deficiencies among accounts or for capital projects to be paid from current fiscal year revenues. Such intrafund loans shall in no event extend beyond twelve (12) months and shall only be issued in compliance with state regulations and limitations.

e) *Interfund Loans* shall only be used to fund operational deficiencies or for capital projects to be paid from current fiscal year revenues. Such interfund loans may extend beyond twelve (12) months and shall only be issued in compliance with state regulations and limitations.

f) *Other Short-Term Debt*, including commercial paper notes, may be used when it provides an interest rate advantage or as interim financing until market conditions are more favorable. The Town will determine and utilize the least costly method for short-term borrowing. The Town may issue short-term debt when there is a defined repayment source or amortization of principal.

Interest

1. Variable Rate Debt

To maintain a predictable debt service burden, the Town may give preference to debt that carries a fixed interest rate. The Town, however, may consider variable rate debt. The percentage of net variable rate debt outstanding (excluding debt which has been converted to synthetic fixed rate debt and debt matched to assets) shall not exceed 30% of the Town's total outstanding debt and will take into consideration the amount and investment strategy of the Town's operating cash.

2. The following circumstances may result in the consideration of issuing variable rate debt:

a) Asset-Liability Matching

b) Construction Funding

c) High Interest Rates. Interest rates are above historic averages.

d) *Variable Revenue Stream.* The revenue stream for repayment is variable, and is anticipated to move in the same direction as market-generated variable interest rates, or the dedication of revenues allows capacity for variability.

e) *Adequate Safeguards Against Risk.* Financing structure and budgetary safeguards are in place to prevent adverse impacts from interest rate shifts; such structures could include, but are not limited to, interest rate caps and short-term cash investments in the Town's General Fund.

f) *Financial Advisor Analysis.* An analysis from the Town's Financial Advisor evaluating and quantifying the risks and returns involved in the variable rate financing and recommending variable rate as the lowest cost option.

g) *As a Component to Synthetic Fixed Rate Debt.* Variable rate bonds may be used in conjunction with a financial strategy, which results in synthetic fixed rate debt. Prior to using synthetic fixed rate debt, the Town shall certify that the interest rate cost is at least 10 basis points lower than traditional fixed rate debt.

Fixed Rate Debt
The remaining debt issued by the Town will be fixed rate debt.

IX. Use of Synthetic Debt

The Director of Finance will determine whether the use of synthetic debt is appropriate and will comply with the state statutes regulating the use of synthetic debt.

Swaps are appropriate to use when they achieve a specific objective consistent with overall financial policy. Swaps may be used, for example, to lock-in a current market fixed rate or create additional variable rate exposure. Swaps may be used to produce interest rate savings, alter the pattern of debt service payments, or for asset/liability matching purposes. Swaps may be used to cap, limit or hedge variable rate payments.

Options granting the right to commence or cancel an underlying swap may be used to the extent the swap itself is otherwise consistent with these guidelines; however, the Town must determine if the use of any such option is appropriate and warranted given the potential benefit, risks, and objectives of the Town.

The Town does not currently use swaps or options. If and prior to their use, the Town will develop specific guidelines for the use and administration of these products.

X. Refinancing Outstanding Debt

The Director of the Town's Finance Department with assistance from the Town's Financial Advisor shall have the responsibility to analyze outstanding bond issues for refunding opportunities. The Town will consider the following issues when analyzing possible refunding opportunities:

1. **Debt Service Savings**
   Absent other compelling considerations such as the opportunity to eliminate onerous or restrictive covenants contained in existing debt documents, the Town establishes a minimum present value savings threshold of 3.5% of the refunded bond principal amount. The present value savings will be net of all costs related to the refinancing. If present value savings is less than 3.5%, the Town may consider the option value captured as a percent of total savings. If the option value exceeds 70% and present value savings is less than 3.5%, the Town may opt to complete a refunding. The decision to take savings on an upfront or deferred basis must be explicitly approved by the Town.

2. **Restructuring**
The Town will refund debt when it is in the best financial interest of the Town to do so. Such refunding will be limited to restructuring to meet unanticipated revenue expectations, achieve cost savings, mitigate irregular debt service payments, release reserve funds or remove unduly restrictive bond covenants.

3. **Term of Refunding Issues**
The Town will refund bonds within the term of the originally issued debt. However, the Town may consider maturity extension, when necessary to achieve a desired outcome, provided that such extension is legally permissible. The Town may also consider shortening the term of the originally issued debt to realize greater savings. The remaining useful life of the financed facility and the concept of inter-generational equity should guide this decision.

4. **Escrow Structuring**
The Town shall utilize the least costly securities available in structuring refunding escrows. In the case of open market securities, a certificate will be provided by a third party agent, who is not a broker-dealer stating that the securities were procured through an arms-length, competitive bid process, that such securities were more cost effective than State and Local Government Obligations (SLGS), and that the price paid for the securities was reasonable within Federal guidelines. Under no circumstances shall an underwriter, agent or financial advisor sell escrow securities to the Town from its own account.

5. **Arbitrage**
The Town shall take all necessary steps to optimize escrows and to avoid negative arbitrage in its refunding. Any resulting positive arbitrage will be rebated as necessary according to Federal guidelines.

XI. Methods of Issuance

The Town, in accordance with state and local statutes, will determine the method of issuance on a case-by-case basis.

1. **Competitive Sale**
In a competitive sale, the Town's bonds shall be awarded to the bidder providing the lowest true interest cost as long as the bid adheres to the requirements set forth in the official notice of sale.

2. **Negotiated Sale**
While the Town prefers the use of a competitive process, the Town recognizes that some securities are best sold through negotiation. In its consideration of a negotiated sale, the Town shall assess the following circumstances:
   a. A structure which may require a strong pre-marketing effort such as a complex transaction or a "story" bond
   b. Size of the issue which may limit the number of potential bidders
   c. Market volatility is such that the Town would be better served by flexibility in timing a sale
   d. Whether the Bonds are issued as variable rate demand obligations
   e. Whether an idea or financing structure is a proprietary product of a single firm

3. **Private Placement**
From time to time the Town may elect to privately place its debt. Such placement shall only be considered if this method is demonstrated to result in a cost savings to the Town relative to other methods of debt issuance.

XII. Professional Services

The Town shall require all professionals engaged in the process of issuing debt to clearly disclose all compensation and consideration received related to services provided in the debt issuance process by both the Town and the lender or conduit issuer, if any. This includes "soft" costs or compensations in lieu of direct payments

1. **Underwriter:**

   If there is an underwriter, the Town shall require the Underwriter to clearly identify itself in writing (*e.g.*, in a response to a request for proposals or in promotional materials provided to an issuer) as an underwriter and not as a financial advisor from the earliest stages of its relationship with the Town with respect to that issue. The Underwriter must clarify its primary role as purchaser of securities in an arm's-length commercial transaction and that it has financial and other interests that differ from those of the Town. The Underwriter in a publicly offered, negotiated sale shall be required to provide pricing information both as to interest rates and to takedown per maturity to the Board (or its designated official) in advance of the pricing of the debt. The Underwriter in a publicly offered, negotiated sale shall be required to provide pricing information both as to interest rates and to takedown per maturity to the Board (or its designated official) in advance of the pricing of the debt.

   a. Underwriter Selection (Negotiated Transaction)

      Senior Manager Selection:

      The Town shall select the senior manager for a proposed negotiated sale. The selection criteria shall include but not be limited to the following:

      - The firm's ability and experience in managing complex transactions
      - Prior knowledge and experience with the Town
      - The firm's willingness to risk capital and demonstration of such risk
      - Quality and experience of personnel assigned to the Town's engagement
      - Financing plan presented
      - Underwriting fees

      Co-Manager Selection:

      Co-managers will be selected on the same basis as the senior manager. In addition to their qualifications, co-managers appointed to specific transactions will be a function of transaction size and the necessity to ensure maximum distribution of the Town's bonds.

   b. Underwriter's Counsel

      In any negotiated sale of Town debt in which legal counsel is required to represent the underwriter, the appointment will be made by the Senior Manager with input from the Town.

   c. Underwriter's Discount

      The Director of Finance will evaluate the proposed underwriter's discount against comparable issues in the market. If there are multiple underwriters in the transaction, the Director of Finance will determine the allocation of fees, if any, with respect to the management fee. The determination will be based upon participation in the structuring phase of the transaction.

      All fees and allocation of the management fee will be determined prior to the sale date; a cap on management fee, expenses and underwriter's counsel will be established and communicated to all parties by the Director of Finance. The senior manager shall submit an itemized list of expenses charged to members of the underwriting group. Any additional expenses must be substantiated.

d. Evaluation of Underwriter Performance

The Town will evaluate each bond sale after completion to assess the following: costs of issuance including underwriters' compensation, pricing of the bonds in terms of the overall interest cost and on a maturity-by-maturity basis, and the distribution of bonds and sales credits. Following each sale, the Director of Finance shall provide a report to the Board of Mayor and Aldermen on the results of the sale.

e. Designation Policies

To encourage the pre-marketing efforts of each member of the underwriting team, orders for the Town's bonds will be net designated, unless otherwise expressly stated. The Town shall require the senior manager to:

- Equitably allocate bonds to other managers and the selling group
- Comply with Municipal Securities Rulemaking Board (MSRB) regulations governing the priority of orders and allocations
- Within 10 working days after the sale date, submit to the Director of Finance a detail of orders, allocations and other relevant information pertaining to the Town's sale

2. Consultants

a. Financial Advisor

The Town shall enter into a written agreement with each person or firm serving as financial advisor in debt management and transactions. The Town shall select a financial advisor (or advisors) to assist in its debt issuance and debt administration processes. Selection of the Town's financial advisor(s) shall be based on, but not limited to, the following criteria:

- Overall quality of the firm's proposal as an indicator of its probability for success.
- Relevant Financial Advisor experience with municipal government issuers and the public sector.
- Indication that the firm has a broadly based background and is therefore capable of balancing the Town's overall needs for continuity and innovation in capital planning and debt financing.
- Experience and demonstrated success as indicated by its listing of current major clients.
- The firm's professional reputation for integrity and compliance with state and federal law.
- Independence from municipal bond underwriting, trading, or other clients, activities, or events which could result in a conflict of interest.
- Professional qualifications and experience of principal employees who will work for the Town.
- Commitment to fair and equitable employment practices.
- Significant consideration will be given to the proposed fee structure and estimated costs, but price will not be the sole determining factor.
- Whether in a competitive or negotiated sale, the financial advisor shall not be permitted to bid on, privately place or underwrite an issue for which they are or have been providing advisory services.

b. Financial Advisory Services

Financial advisory services provided to the Town shall include, but shall not be limited to the following:

- Advise the Town on financial matters relating to proposed capital financing projects.

- Analyze the current debt profile and recommend appropriate changes to ensure correct mix of fixed rate debt, variable rate debt and structured products to accomplish the Town's immediate and long-term fiscal objectives.
- Working with the Town staff and their legal advisors, prepare Preliminary Official Statement, Official Statement, Notice of Bond Sale and other related documents.
- Advise and assist in presentations to rating agencies.
- Assist the Town in obtaining competitive bids from bond underwriters, trustees, paying agents/registrars, printers and escrow verification agents, as necessary.
- In the event the Town undertakes negotiated underwritings, the Financial Advisor shall represent the Town's interests in all aspects of the negotiated transaction, including underwriter selection, revenue and transaction structuring, credit enhancement and pricing scales.
- Arrange for electronic disclosure and bidding services.
- Monitor the performance of bond proceed investments. Prepare and present information and financial trends as they relate to bond proceed investments.
- Develop five and ten year debt strategies that incorporate the Town's capital financing plans and revenue constraints. Discuss funding alternatives and cost benefits of proposed strategies. Determine the Town's debt or bonding capacity and the revenue impact of capital projects.
- Assist the Town in identifying and obtaining new sources of funding for capital needs such as new revenues, asset sales, state and/or federal grants or incentive programs.
- Assess use of swaps and other structured products, and propose strategies, which minimize the Town's access to capital markets.
- Develop a formal written debt policy, which incorporates the Town's financial and operational objectives.
- Conduct necessary analysis and feasibility studies relating to financing of Town projects, including cash flows, sources and uses, and sensitivity analysis of variables in a financing, such as interest rate, maturities, and rate of principal redemption.
- Propose innovative financing techniques, which may assist the Town in minimizing costs, simplifying debt financing or achieving the Town's objectives.
- Provide consultation and research on tax issues faced by the Town relative to the financing of public infrastructure.
- Advise the Town in complying with and preparing continuing disclosure information pursuant to Security and Exchange Commission rules.
- Cooperate and confer with the Town's Bond Counsel and other advisors retained by the Town.
- Review all financing documents and advise the Town's Director of Finance accordingly.
- Undertake such additional actions as will lead to the prompt and successful delivery of the proceeds and the production and availability of bonds.
- Make recommendations on legislation, as requested, which may significantly affect the bond's cost of financing.

c. Bond Counsel
Town debt will include a written opinion by legal counsel affirming that the Town is authorized to issue the proposed debt, that the Town has met all legal requirements necessary

for issuance, and a determination of the proposed debt's federal income tax status. The approving opinion and other documents relating to the issuance of debt will be prepared by counsel with extensive experience in public finance and tax issues. The counsel will be selected by the Town.

The Town shall enter into an engagement letter agreement with each lawyer or law firm representing the Town in a debt transaction. (No engagement letter is required for any lawyer who is an employee of the Town or lawyer or law firm which is under a general appointment or contract to serve as counsel to the Town. The Town does not need an engagement letter with counsel not representing the Town, such as underwriters' counsel.)

XIII. Conflicts

Professionals involved in a debt transaction hired or compensated by the Town shall be required to disclose to the Town existing client and business relationships between and among the professionals to a transaction (including but not limited to financial advisor, swap advisor, bond counsel, swap counsel, trustee, paying agent, liquidity or credit enhancement provider, underwriter, counterparty, and remarketing agent), as well as conduit issuers, sponsoring organizations and program administrators. This disclosure shall include that information reasonably sufficient to allow the Town to appreciate the significance of the relationships.

Professionals who become involved in the debt transaction as a result of a bid submitted in a widely and publicly advertised competitive sale conducted using an industry standard, electronic bidding platform are not subject to this disclosure. No disclosure is required that would violate any rule or regulation of professional conduct.

The Town requires that its consultants and advisors provide objective advice and analysis, maintain the confidentiality of Town financial plans, and be free from any conflicts of interest.

XIV. Disclosure

The Town will provide annual financial and economic information to the Electronic Municipal Market Access system (EMMA) the website which is the official source for municipal disclosures and market data designated by the SEC and the State Information Depository (SID). The Town will also notify the EMMA and SID of any of the following material events:

- Principal and interest payment delinquencies
- Nonpayment-related defaults
- Unscheduled draws on bond-related reserves
- Unscheduled draws on credit enhancements
- Substitution of credit or liquidity providers or the failure of performance on the part of a liquidity provider
- Adverse tax opinions or events affecting the tax-exempt status of any bonds
- Modifications to rights of bond holders
- Bond calls
- Defeasances
- Matters affecting collateral
- Rating changes

The Town will also maintain a system of record keeping and reporting which complies with the arbitrage rebate compliance requirements of the federal tax code.

XV. Debt Policy Review

The debt policy guidelines outlined herein are only intended to provide general direction regarding the future use and execution of debt, interest rate swaps and options. The Town maintains the right to modify these guidelines and may make exceptions to any of them at any time to the extent that the execution of such debt, swap or option achieves Town goals.

This policy will be reviewed no less frequently than annually. At that time the Director of Finance will consider any recommendations for any amendments, deletions, additions, improvements or clarification.