

May 17, 2016

Mr. Bryan Gruesbeck
Town Manager
Town of Pittsboro
635 East Street
Pittsboro, NC 27312

Dear Bryan:

On behalf of my colleagues at Davenport & Company LLC (“Davenport”), we appreciate the opportunity to provide financial advisory services to the Town of Pittsboro, North Carolina (the “Town”). In accordance with Rule G-23 of the Municipal Securities Rulemaking Board, Davenport is required to have a written agreement with the Town disclosing the financial advisory services it will provide and the basis of its compensation.

The following outlines Davenport’s proposed engagement with the Town and the basis for compensation.

SCOPE OF SERVICES:

Davenport will provide Financial Advisory services to the Town on a task-by-task basis as requested by the Town. We have listed below a number of major deliverables and services pertaining to the Financial Advisory work we will provide when requested by the Town. Our engagement might include from time to time any or all of the services outlined below or similar services that might be requested by the Town.

Capital Improvement Planning: Assist Town Staff in the development, review, and implementation of a multi-year capital improvement funding strategy for tax supported or self-supported projects. Assist the Town Staff in the development of a funding strategy for the proposed projects. Provide a series of financial analyses that illustrate a number of funding scenarios for the identified projects. Measure the fiscal impact of individual projects and all projects collectively.

Debt Capacity Analysis: Provide the Town with a range and upper limits of the level of debt which the Town could prudently undertake over a specific time period and still meet specific financial benchmarks for both the general and utility funds.

Pro Forma Analysis: Evaluate the cash flow implications on the Town’s general and utility funds for proposed debt service. Run various sensitivity analysis to determine potential tax or rate impacts under changing interest rate, growth and demand environments.

Monitoring of Refunding Opportunities: Maintain a current view of the Town’s outstanding debt. Monitor existing debt on a regular basis and keep Town Staff informed of potential refunding opportunities.

Transaction Advisory Support: Assist Town Staff with specific elements of debt issuance for General Obligation Bonds, Utility Revenue Bonds, Certificates of Participation, Limited Obligation Bonds or other such types of bonds. Bond issuance may be through the public markets, through a direct bank placement or through other methods of sale. Services may include, if requested, preparation of financing schedule, coordination and discussion with the Local Government Commission, development of ratings agency presentations, scheduling and coordination of rating agency calls or meetings, recommendations with respect to sale method, timing, structure and call provisions of bonds, development of underwriter RFP and underwriter negotiations (if necessary), coordinate and assist in preparation and review of disclosure statements other financing documents, preparation of pricing information, pricing oversight during negotiated bond sale, verification of bids during competitive sale, coordination with relevant parties during bond pricing to finalize structure, preparation of closing memo and review of closing documents.

Coordination of Rating Agency Discussions and Presentations: Coordinate the rating process including conference calls, meeting/trip logistics, preparation of presentation materials, analysis and follow-up with rating analysts and assist Town Staff with any rating surveillance process.

Investment of Bond Proceeds: Assist with the development of investment alternatives and implementation of investment of new money proceeds. Review alternatives and assist when necessary in the bidding process for escrow funds.

Development of Financial Policy Guidelines: Assist Town Staff in the development or review of Financial Policy Guidelines including Capital Improvement Budget Policies, Debt Policies, Economic Development Policies, and Reserve and Investment Policies.

Alternative Financing Assessment and Review: Assist Town Staff in the assessment of alternative financing vehicles or financing strategies for specific projects or initiatives (e.g. tax increment financing, tax credits, public/private partnerships, etc).

Financial Proposals and Financial Products: Assist Town Staff in analyzing financial proposals and financial products that are submitted to the Town.

Financial Analysis of Economic Development Initiatives: Assist Town Staff in assessing the financial impact of economic development initiatives. Provide the Town with perspective and advice regarding the economic costs and benefits associated with a project or proposal. Assist in project negotiations as desired and appropriate.

Special Projects/Meetings: Assist Town Staff with any project or activity or provide such other financial advisory services not specifically described above. Attend any Town Board, working group or other meeting as needed.

COMPENSATION

Davenport will provide services requested by the Town based on one of the following compensation methods: (i) a schedule of hourly rates, (ii) a flat fee, or (iii) some other mutually agreed upon method. Davenport’s hourly charges are as follows:

<u>Professional</u>	<u>Hourly Rate</u>
Senior Vice President	\$300
First Vice President	\$275
Vice President	\$250
Associate Vice President	\$225
Analyst/Associate	\$200

Customary direct out-of-pocket expenses (meals, lodging and mileage) will be billed at cost. Additionally, there will be a 4% charge for indirect costs (phone, computer, printing, binding, etc.,) that are not allocable to specific client engagements. Davenport’s schedule of hourly rates will be subject to an annual adjustment of up to 2%.

The Financial Advisory Fees and the reimbursement of expenses will be paid upon the successful completion of the services as determined by the Town, or at such other time as mutually agreed upon.

Initial compensation for work to be performed as requested by the Town shall not exceed \$15,000 plus expenses as described above. Any further compensation for services provided beyond the initial not to exceed amount shall be mutually agreed upon by the Town and Davenport.

ENGAGEMENT DURATION:

This engagement shall become effective as of the date executed by the Town as set forth on the signature page and will remain in effect until terminated by either party upon the giving of at least thirty (30) days prior written notice to the other part of its intention to terminate, specifying in such notice the effective date of such termination.

TERMINATION:

This agreement may be terminated by either party upon the giving of thirty (30) days prior notice in writing, specifying in such notice the effective date of such termination. If either party terminates this agreement, it is understood and agreed that the only amounts due to Davenport will be for services provided and reimbursement for direct out-of-pocket expenses incurred through the date of termination.

MISCELLANEOUS:

This agreement shall be governed by and construed in accordance with the laws of the State of North Carolina applicable to agreements made and to be fully performed therein. Please acknowledge acceptance of these terms by signing in the space provided below and returning two originals of this agreement to me.

Sincerely yours,



Ted Cole
Senior Vice President

Agreed and Accepted:
Town of Pittsboro, North Carolina

By _____

Title _____

Date _____