HISTORIC FRANKLIN TENNESSEE 1799

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City of Franklin

Meeting Agenda

Budget & Finance Committee

Thursday, September 10, 2015 | **4:00 PM** | **Board Room**

Approval of Minutes

1. 15-0819 Approval of Minutes from August 13, 2015

2. 15-0741 Consideration of Resolution 2015-76, a Resolution to Adopt a Debt Management Policy

Sponsors: Eric Stuckey and Russ Truell

Attachments: Debt Policy updated 11.26.13
Updated 2013 US Local Government Medians Demonstrate Stability of Sector...
Franklin Finance Commitete Meeting Moodys and SP scorecard 9 10 15.pdf

3. 15-0795 Consideration of Resolution 2015-75, a Resolution for Reimbursement of Expenses for the Water Treatment Plant Improvements from Bond Proceeds (09/10/15 Budget & Finance 4-0)

Sponsors: Eric Stuckey and Russ Truell

Attachments: Resolution 2015-75 Reimbursement Water Plant

4. 15-0800 Consideration of Contract 2015-0306, an Amendment to Schedule of Property No 2 and Acquisition Fund and Account Control Agreement with Bank of America (09/10/15 Budget & Finance 4-0)

5. 15-0801 Consideration of Contract 2015-0305, Amendment Number 2 to Schedule of Property Number 1 and Acquisition Fund and Account Control Agreement with Bank of America. (09/10/15 Budget & Finance 4-0)

Attachments: Contract 2015-0305 Bank of America

6. 15-0817 Consideration of Contract 2015-0144, a Credit Card Processing Agreement with Pinnacle Bank (09/10/15 Budget & Finance 4-0)

Sponsors: Eric Stuckey, Russ Truell and Lisa Clayton

Attachments: 2015-0144 Pinnacle Credit Card Agreement
2015-0144 Pinnacle Credit Card Addendum

7. 15-0780 Presentation - Sanitation and Environmental Services

Attachments: FY 2015 SES - Financial Review - 083115

8. [15-0811] PUBLIC HEARING: Consideration of Ordinance 2015-48, an Ordinance to Amend Fiscal Year 2015-2016 Budget; SECOND and FINAL READING (09/10/15 Budget & Finance 4-0, 1st Reading 09/22/15 8-0)

Sponsors: Eric Stuckey and Michael Walters Young

Attachments:
- Ordinace 2015-48 Budget ordinance
- 15-0811 2016 Budget Amendment #2 Memo - September 10.pdf
- 15-0811 Impact of 2015-48 - FY 2016 Budget Amendment #2.pdf
- 2016 Budget Amendment #2 Memo - September 10
- Impact of 2015-48 - FY 2016 Budget Amendment #2

9. 15-0810 Final Report of Fiscal Year 2014-2015 Financial Results

Sponsors: Eric Stuckey and Mike Lowe

Attachments:
- Quarterly Report June 2015

10. 15-0740 Monthly Reports for September

Attachments:
- sales tax report - June 2015
- sales tax chart - June 2015
- 2014 Property Tax Report at June 2015
- Monthly Bldg Permits July 2015
- Conference Center report - June 2015
- Investment Report July 2015
- Construction Activities Report - July 2015
- Fuel Hedging Report - July 2015
- Transit Report - July 2015

Other Business

Adjournment

ANYONE REQUESTING ACCOMMODATIONS DUE TO DISABILITIES SHOULD CONTACT A.D.A. COORDINATOR, AT 791-3277 AT LEAST 10 DAYS PRIOR TO THE MEETING, IF POSSIBLE.

CITY OF FRANKLIN

T E N N E S S E E

Debt Management Policy

Prepared by
Public Financial Management
Submitted April 13, 2009
Adopted by Finance Committee, May 21, 2009
Adopted by Board of Mayor & Aldermen, June 23, 2009
Amended November 26, 2013

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Introduction

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. Adherence to a debt management policy signals to rating agencies and the capital markets that a government is well managed and should meet its obligations in a timely manner.

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 Policy require regular updating in order to maintain relevance and to respond to the changes inherent in the capital markets, the City plans to revisit the Policy from time to time.

City of Franklin
Debt Management Policy

I. Policy Statement

In managing its debt, it is the City'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 City's long-term planning objectives. In addition, the Debt Management Policy ("Policy") helps to ensure that financings undertaken by the City satisfy certain clear objective standards which allow the City 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 City.

The Policy formally establishes parameters for issuing debt and managing a debt portfolio which considers the City'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 City 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 the City's credit rating
- To ensure the legal use of City'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 City charter, which was approved by private Act of the Tennessee Legislature as Chapter 126 in 1967, as amended, authorizes the City to issue general obligation bonds subject to the adoption of a bond resolution by the Board of Mayor and Aldermen. Other sections of the Tennessee Code Annotated and the Federal Tax Code may govern the issuance or structure of the City's bonds.

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

IV. Credit Quality and Credit Enhancement

The City's debt management activities will be conducted to receive the highest credit ratings possible, consistent with the City's financing objectives. The Chief Financial Officer will be responsible for maintaining relationships and communicating with the rating agencies that assign ratings to the City's debt. The Chief Financial Officer will provide the rating agencies with periodic updates of the general financial condition of the City. Full disclosure of operations and open lines of communication shall be maintained with the rating agencies. The City, together with the Financial Advisor, shall prepare presentations to the rating agencies to assist credit analysts in making an informed decision. The Chief Financial Officer 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 City will make an annual credit presentation to the Board of Mayor and Aldermen, explaining the City's current rating, rating agency views on the City's performance and current items which may positively or adversely affect the City's General Obligation credit rating.

The City 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 City will consider each of the following enhancements as alternatives by evaluating the cost and benefit of such enhancements:

1. **Bond Insurance**
   The City 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 City 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 City will select a provider whose bid is most cost effective and whose terms and conditions governing the guarantee are satisfactory to the City. The winning bidder in a competitive sale will determine the provider of bond insurance.

2. **Letters of Credit**
   The City may enter into a letter-of-credit (LOC) agreement when such an agreement is deemed prudent and advantageous. The City 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 City.

V. Debt Affordability

The ratios and standards identified below are intended to provide guidelines which permit and facilitate long-term access to capital while ensuring that financial leveraging decisions do not negatively impact the City's annual operations. The City shall consider the ability to repay debt as it relates to the total budget resources, the wealth and income of the community and the property tax base:

Debt Affordability Ratios — Benchmarks

(I.) Total Budget Resources: 1.Debt Service as a Percent of Operating Expenditures – *Measures debt liability relative to total budget resources*	**Total GO Debt < 12%** **Less Self-Supporting Debt <8%**
Supporting Data	S&P (04/08) cites <8% as low, 8%-15% as moderate Moody's, 2008 AAA Cities, Population 50k-100k Median @ 8.97%
Brentwood @	11.40%
Germantown @	8.00%
Franklin - Total GO Debt @	**9.78%**
Franklin - Less Self-Supporting @	**4.77%**
Chattanooga @ [AA/AA+]	9.14%
Clarksville @ [Aa3]	17.05%
Murfreesboro @ [A1]	17.31%
Alpharetta, GA @	21.00%
Dublin, OH @	11.37%
Naperville, IL @	6.69%

(II.) Wealth and Income of Community: 2. Direct Debt Per Capita – *Measures net debt to population*	**< $2,000**	
Supporting Data	S&P (4/08) cites < $1,000 as very low, $1,000-$2,000 as low and $2,000-$3,000 as moderate	
Brentwood @	$	669.70
Germantown @	$	535.30
Franklin - Total GO Debt @	**$**	**1,442.88**
Franklin - Less Self-Supporting @	**$**	**799.01**
Chattanooga @ [AA/AA+]	$	566.84
Clarksville @ [Aa3]	$	383.30
Murfreesboro @ [A1]	$	1,865.21
Alpharetta, GA @	$	941.43
Dublin, OH @	$	999.90
Naperville, IL @	$	587.40

2b. Per Capita Debt/Per Capita Income – *Measures each person's estimated ability to back their portion of debt based on personal income per capita*	**< 3.00%**
Supporting Data	
Brentwood @	1.22%
Germantown @	0.87%
Franklin - Total GO Debt @	**2.78%**
Franklin - Less Self-Supporting @	**1.54%**
Chattanooga @ [AA/AA+]	1.74%
Clarksville @ [Aa3]	0.96%
Murfreesboro @ [A1]	5.95%
Alpharetta, GA @	2.02%
Dublin, OH @	2.43%
Naperville, IL @	1.48%

(III) Property Tax Base: 3. Direct Debt as a % of Market Value – the government's jurisdiction *Overall Net Debt divided by the fiscal year or most recent Total Full Value – Measures the overall debt to all taxable property within the government's jurisdiction*	**0.4% - 0.8%**
Supporting Data	Moody's, 2008 AAA Cities, Population 50k-100k Median @ 0.5%
Brentwood @	0.3%
Germantown @	0.4%
Franklin - Total GO Debt @	**1.0%**
Franklin - Less Self-Supporting @	**0.6%**
Chattanooga @ [AA/AA+]	0.7%
Clarksville @ [Aa3]	0.8%
Murfreesboro @ [A1]	2.5%
Alpharetta, GA @	0.4%
Dublin, OH @	0.7%
Naperville, IL @	0.4%

3b. Debt Burden (Overall Net Debt as a % of Market Value) – *Measures the overall debt burden to the taxable market value of the tax base*	**3% - 6%**
Supporting Data	S&P (04/08) cites < 3% as low, 3%-6% as moderate Moody's 2008 AAA Cities, Population 50k-100k, Median @ 1.77%
Brentwood @	2.05%
Germantown @	3.32%
Franklin - Total GO Debt @	**3.47%**
Chattanooga @ [AA/AA+]	1.80%
Clarksville @ [Aa3]	4.56%
Murfreesboro @ [A1]	4.51%
Alpharetta, GA @	0.68%
Dublin, OH @	0.76%
Naperville, IL @	2.27%

VI. Bond Structure

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

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, and in consideration of the ability of the City to absorb the additional debt service expense within the debt affordability guidelines, 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 City has beneficial use and/or occupancy of the financed project. Interest may be financial (capitalized) through a period permitted by federal law and State statute if it is determined that doing so is beneficial to the financing by the Chief Financial Officer.

3. **Debt Service Structure**
   General Obligation debt issuance shall be planned to achieve relatively net level debt service or level principal amortization considering the City's outstanding debt obligations, while matching debt service to the useful life of facilities. The City shall avoid the use of bullet or balloon maturities, absent sinking fund requirements, except in those instances where these maturities serve to make existing overall debt service level or to match a specific income stream.

   Debt which is supported by project revenues and is intended to be self-supporting will be structured to achieve level proportional coverage to expected available revenues.

4. **Call Provisions**
   In general, the City's securities will include a call feature no later than ten (10) years from the date of delivery of the bonds. The City will avoid the sale of long-term non-callable bonds absent careful evaluation by the City's Chief Financial Officer 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 capital markets. The City's Chief Financial Officer 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 City 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 Chief Financial Officer. The City 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 City will not use structured products for speculative purposes.

VII. Types of Debt

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

Security Structure

1. **General Obligation Bonds**
   The City may issue general obligation bonds supported by the full faith and credit of the City. General Obligation bonds shall be used to finance capital projects that do not have independent creditworthiness and significant ongoing revenue streams. The City may also use its General Obligation pledge to support other revenue-supported bond issues, if such support improves the economics of the other bond issue and is used in accordance with these guidelines. The City may also issue General Obligation bonds to obtain funding for certain unfunded pension liabilities, subject to TCA 9-21-105(4) and 9-21-127.

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

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

Duration

1. **Long-Term Debt (maturing after 3 years)**
   The City 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 self-supporting and structured such that financial obligations do not exceed the expected useful life of the project(s).

   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 three 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 (maturing within three years)**
   Short-term borrowing may be utilized for the construction period of a long-term project or 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 2 years from the date of issuance. BANs can be rolled in accordance with federal law and State statute. 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. A *line* 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) *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 to issue debt in a fixed rate mode. The City will determine and utilize the least costly method for short-term borrowing. The City may issue short-term debt when there is a defined repayment source or amortization of principal.

Interest Rate Modes

Fixed Rate Debt

To maintain a predictable debt service burden, the City may give preference to debt that carries a fixed interest rate.

Variable Rate Debt

The percentage of net variable rate debt outstanding (excluding (1) debt which has been converted to synthetic fixed rate debt and (2) an amount of debt considered to be naturally hedged to short-term assets in the Unreserved Fund Balance) shall not exceed 20% of the City's total outstanding debt and will take into consideration the amount and investment strategy of the City's operating cash.

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

a) Asset-Liability Matching

b) Construction Period 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 City's General Fund.

f) Financial Advisor Analysis. An analysis from the City'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 City shall certify that present value savings of at least 3% results from issuing synthetic fixed rate debt relative to traditional fixed rate debt.

VIII. Use of Synthetic Debt

The Chief Financial Officer 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 Chief Financial Officer must determine if the use of any such option is appropriate and warranted given the potential benefit, risks, and objectives of the City.

IX. Refinancing Outstanding Debt

The Chief Financial Officer with assistance from the City's Financial Advisor shall have the responsibility to analyze outstanding bond issues for refunding opportunities. The Chief Financial Officer 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 Chief Financial Officer establishes a minimum present value savings threshold of 3.0% of the advanced 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 3.0%, the Chief Financial Officer 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 3.0%, the Chief Financial Officer may opt to complete a refunding. If the present value savings per maturity is at least 3.0% but less than 70% of the option value, the Chief Financial Officer may opt to complete a refunding. The decision to take savings on an upfront or deferred basis must be explicitly approved by the Board of Mayor and Alderman. Current refunding opportunities will be considered by the Chief Financial Officer if the refunding generates positive present value savings.

2. **Restructuring for economic purposes**
   The City will refund debt when it is in the best financial interest of the City 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 City will refund bonds within the term of the originally issued debt. However, the Chief Financial Officer may consider maturity extension, when necessary to achieve a desired outcome, provided that such extension is legally permissible. The Chief Financial Officer 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 City 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 City from its own account.

5. **Arbitrage**
The City shall take all necessary steps to optimize escrows and to avoid negative arbitrage in its refunding subject to the City's investment policies. Any positive arbitrage will be rebated as necessary according to Federal guidelines.

X. Methods of Issuance

The City or its designee will determine the method of issuance on a case-by-case basis.

1. **Competitive Sale**
In a competitive sale, the City'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 City prefers the use of a competitive process, the City recognizes that some securities are best sold through negotiation. In its consideration of a negotiated sale, the City shall assess the following circumstances:

    a. State prohibitions against negotiated sales,

    b. A structure which may require a strong pre-marketing effort such as a complex transaction or a "story" bond,

    c. Size of the issue which may limit the number of potential bidders,

    d. Market volatility is such that the City would be better served by flexibility in timing a sale,

    e. Whether the Bonds are issued as variable rate demand obligations,

    f. Whether an idea or financing structure is a proprietary product of a single firm.

3. **Private Placement**
From time to time the City 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 City relative to other methods of debt issuance.

XI. Underwriter Selection (Negotiated Transaction)

Senior Manager Selection
The Board of Mayor and Alderman or its designee shall select the senior manager for a proposed negotiated sale. If there is no financial advisor, 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 of Mayor and Alderman or its designated official in advance of the pricing of the debt.

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 City
- The firm's willingness to risk capital and demonstration of such risk
- Quality and experience of personnel assigned to the City's engagement
- Financing ideas 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 City's bonds.

Selling Groups
The City may use selling groups in certain transactions. To the extent that selling groups are used, the Chief Financial Officer at his or her discretion may make appointments to selling groups as the transaction dictates.

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

Underwriter's Discount
The Chief Financial Officer will evaluate the proposed underwriter's discount against comparable issues in the market. If there are multiple underwriters in the transaction, the Chief Financial Officer will determine the allocation of fees with respect to the management fee, if any. 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 Chief Financial Officer. The senior manager shall submit an itemized list of expenses charged to members of the underwriting group. Any additional expenses must be substantiated.

Evaluation of Underwriter Performance
The Chief Financial Officer with assistance of an independent Financial Advisor 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 Chief Financial Officer shall provide a report to the Board of Mayor and Aldermen on the results of the sale.

Syndicate Policies
For each negotiated transaction, the Chief Financial Officer will prepare syndicate policies that will describe the designation policies governing the upcoming sale. The Chief Financial Officer shall ensure receipt of each member's acknowledgement of the syndicate policies for the upcoming sale prior to the sale date.

Designation Policies
To encourage the pre-marketing efforts of each member of the underwriting team, orders for the City's bonds will be net designated, unless otherwise expressly stated. The City 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 Chief Financial Officer a detail of orders, allocations and other relevant information pertaining to the City's sale

XII. Consultants

Financial Advisor
The City shall select a financial advisor (or advisors) to assist in its debt issuance and debt administration processes. The City will enter into a written agreement with each person and/or firm serving as financial advisor in debt management and transactions.

In a competitive sale, the financial advisor (*either*):

- shall not be permitted to bid on an issue for which they are or have been providing advisory services; **or**
- may bid on an issue for which they are providing advisory services only if (i) the governing body or designated official grants in writing specific authority on a transaction by transaction basis, (ii) such sale is properly carried out through a widely and publicly advertised sale, during normal bond sale hours, and through an industry standard, electronic bidding platform not requiring verification by the financial advisor, and (iii) the financial advisor fee is separately disclosed and billed from the underwriting fee.

In a publicly offered, negotiated sale, the financial advisor (*either*):

- shall not be permitted to resign as financial advisor in order to underwrite an issue for which they are or have been providing advisory services; **or**

- may resign as financial advisor in advance of negotiations in order to underwrite an issue for which they are or have been providing advisory services.

Selection of the City'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 City'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 City.
- 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.

Financial Advisory Services

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

- Advise the City 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 City's immediate and long-term fiscal objectives.
- Working with the City 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 City in obtaining competitive bids from bond underwriters, trustees, paying agents/registrars, printers and escrow verification agents, as necessary.
- In the event the City undertakes negotiated underwritings, the Financial Advisor shall represent the City'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.
- Develop five and ten year debt strategies that incorporate the City's capital financing plans and revenue constraints. Discuss funding alternatives and cost benefits of proposed

strategies. Determine the City's debt or bonding capacity and the revenue impact of capital projects.

- Assist the City 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, to meet the City's financing objectives.
- Develop a formal written debt policy, which incorporates the City's financial and operational objectives.
- Conduct necessary analysis and feasibility studies relating to financing of City 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 City in minimizing costs, simplifying debt financing or achieving the City's objectives.
- Provide consultation and research on tax issues faced by the City relative to the financing of public infrastructure.
- Advise the City in complying with and preparing continuing disclosure information pursuant to Security and Exchange Commission rules.
- Cooperate and confer with the City's Bond Counsel and other advisors retained by the City.
- Review all financing documents and advise the City's Chief Financial Officer 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.

Conflict of Interest

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

Professionals involved in a debt transaction hired or compensated by the City shall be required to disclose to the City 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, 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 City 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.

Bond Counsel

City debt will include a written opinion by legal counsel affirming that the City is authorized to issue the proposed debt, that the City 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 City and will enter into an engagement letter agreement with each lawyer and/or law firm representing the City in a debt transaction.

Disclosure by Financing Team Members
All financing team members will be required to provide full and complete disclosure, relative to agreements with other financing team members and outside parties. The disclosure of transactional fees paid to the financing team member (including interest, issuance, continuing, and one-time) shall be disclosed to the City Administrator and the Chief Financial Officer prior to the completion of a transaction. The City Administrator and the Chief Financial Officer shall disclose this information to citizens and the Board of Mayor and Alderman in a timely manner. The extent of disclosure may vary depending on the nature of the transaction. However, in general terms, no agreements shall be permitted which could compromise the firm's ability to provide independent advice which is solely in the City's best interests or which could reasonably be perceived as a conflict of interest.

XIII. Disclosure

The City will provide annual financial and economic information to all Nationally Recognized Municipal Information Repositories (NRMSIRs) designated by the SEC and the State Information Depository (SID). The City will also notify the NRMSIRs 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 City will also maintain a system of record keeping and reporting which complies with the arbitrage rebate compliance requirements of the federal tax code.

XIV. 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 City 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 City goals.

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

MOODY'S
INVESTORS SERVICE

SECTOR IN-DEPTH
13 AUGUST 2015

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US Local Governments - Updated 2013 Medians

Updated 2013 US Local Government Medians Demonstrate Stability of Sector

The medians continue to support our stable sector outlook as the trends reflect slow growth in tax bases, marginal increases to fund balance and liquidity, and a steady rise in debt and pension liabilities. This report provides updated medians for 2013, incorporating a more complete set of rated local governments and greater sample size than the report published on August 21, 2014.[1] Going forward, this report will be published annually during the first quarter of the calendar year. We will publish the 2014 local government medians report in the first quarter 2016, which will better conform to the timing of financial disclosure trends for US local governments.

The updated 2013 US local government medians highlight:

» **Slow growth in full value (FV) provides a baseline for sector stability.** 2013 FV reflects the stabilization of property values across all subsectors with small increases to the cities' and counties' medians of 1% and 3%, respectively, and a small decrease in the school districts' median with only a 1% decline from 2012.

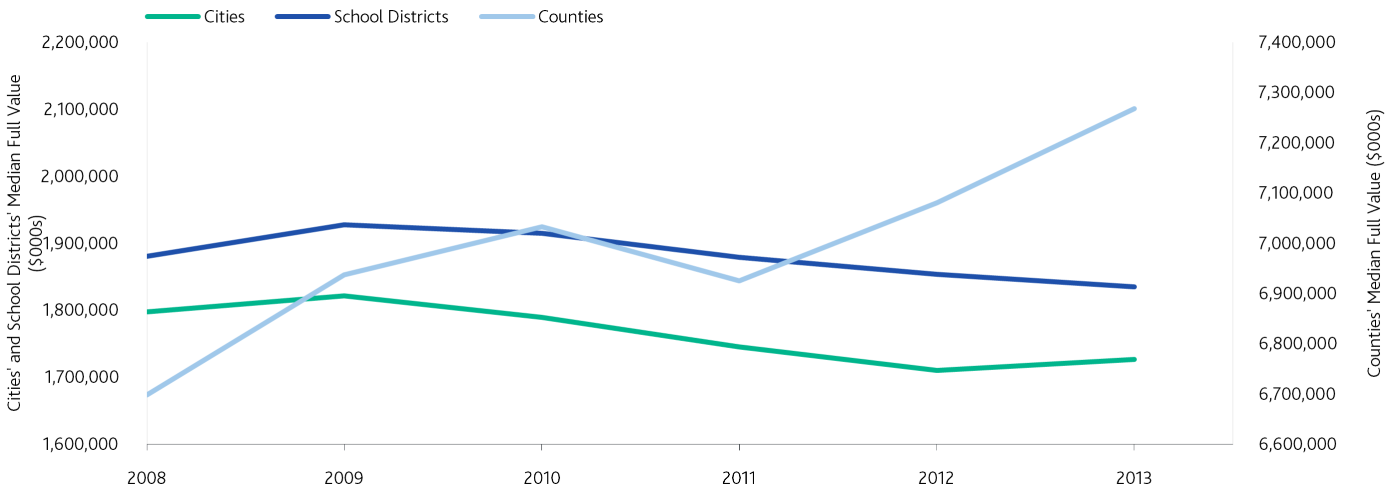
» **Fund balance and cash balance experience marginal increases compared to prior years.** Fund balance continues to show a trend of small increases after the recession, although recent year medians indicate the trend may be leveling off through 2014, from an average 7% increase in 2011 to only 1% in 2013. Cash balances continue to show stability across all sub-sectors with a trend that correlates with fund balance levels.

» **Net direct debt as a percent of FV continues to gradually rise.** We attribute this to the relatively flat to declining FV trends, as well as local governments continuing to invest in deferred infrastructure needs and take advantage of favorable interest rates. Net direct debt over operating revenues medians reflect a more stable trend.

» **Pension liabilities increased from 2012 to 2013 but are not a severe drag on overall credit quality for the majority of local governments.** Exposure to growing contribution requirements and heightened unfunded liabilities continues to broadly challenge local governments. Lower discount rates associated with fiscal 2013 local government pension reporting helped drive increases in Moody's Adjusted Net Pension Liabilities (ANPLs).

Exhibit 1

Full Value Will Remain Stable with a Trend of Limited Growth

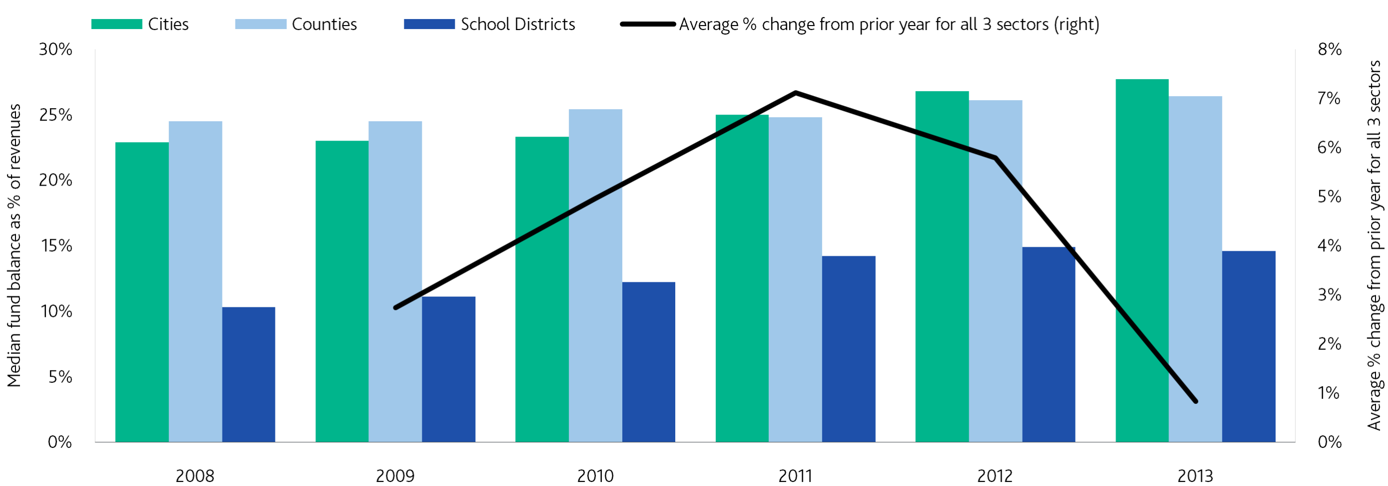


Source: Moody's Investors Service

Slow growth in FV provides a baseline for sector stability. 2013 FV reflects the stabilization of property values across all subsectors with small increases to the cities' and counties' medians of 1% and 3%, respectively, and a small decrease in the school districts' median with only a 1% decline from 2012. We believe the small percent changes for each subsector represent generally stable valuation.

Exhibit 2

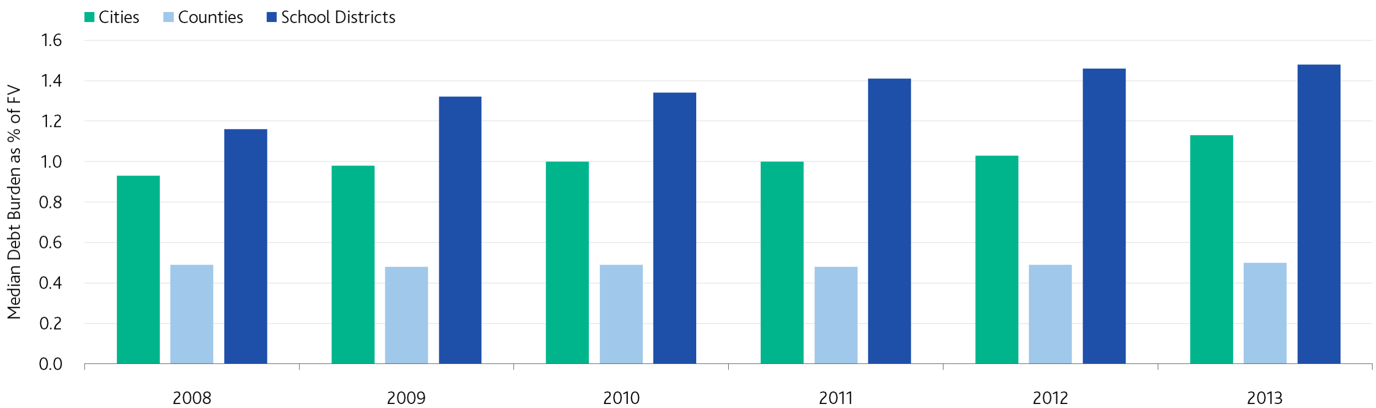
Fund Balance as a % of Revenues Remains Stable But Shows Signs of Leveling Off



Source: Moody's Investors Service

Fund balance and cash balance experienced marginal increases compared to previous years. Fund balance continues to show a trend of small increases after the recession, although recent year medians indicate the trend may be leveling off through 2014, from an average 7% increase in 2011 to only 1% in 2013. Cash balances continue to show stability across all subsectors with a trend that correlates with fund balance levels.

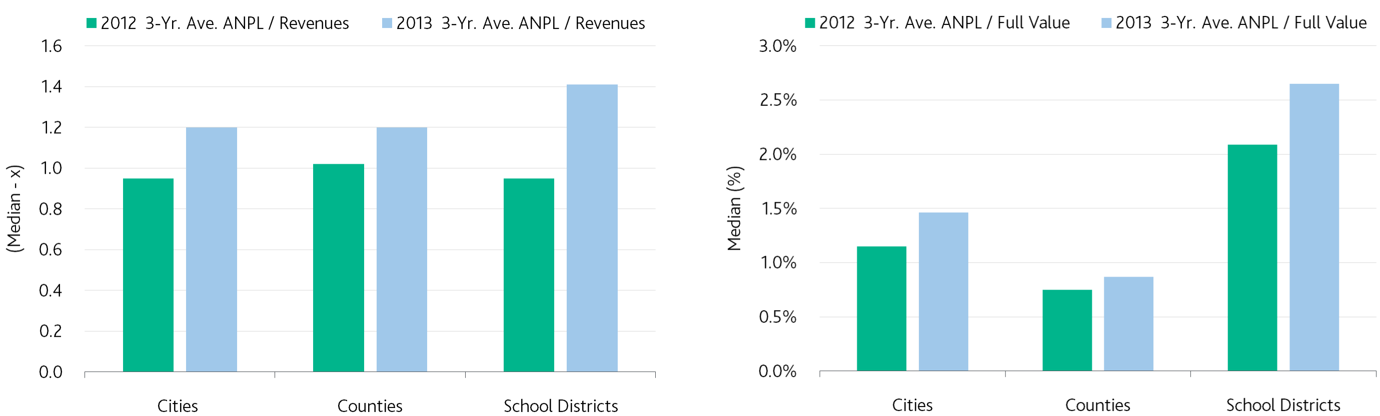
Exhibit 3
Local Government Debt Burdens as a % of FV Continue Slow Growth



Source: Moody's Investors Service

Net direct debt as a percent of FV continues to gradually rise. We attribute this to the relatively flat to declining FV trends, as well as local governments continuing to invest in deferred infrastructure needs and take advantage of favorable interest rates. Although, medians for another debt metric, net direct debt over operating revenues, reflect a more stable trend with little change from prior years.

Exhibit 4
Pension Ratios Continue To Indicate Liabilities are not a Severe Drag for Most Local Governments



Source: Moody's Investors Service

Exposure to growing contribution requirements and heightened unfunded liabilities continues to broadly challenge local governments, but pensions are not a severe drag on overall credit quality for the majority of local governments. Similar to the trends exhibited by the 50 largest local governments , pension liability medians relative to local government revenues and to full value increased from 2012 to 2013. Lower discount rates associated with fiscal 2013 local government pension reporting helped drive increases in Moody's Adjusted Net Pension Liabilities (ANPLs). School district medians are higher relative to cities and counties. This reflects the large unfunded liabilities of many statewide multi-employer cost-sharing plans for teachers, as well as the fact that school district expenditure profiles are more heavily weighted toward personnel costs.

Exhibit 5

Six-year History of Scorecard Medians for Cities

Cities	2008	2009	2010	2011	2012	2013
Full Value ($000s)	$ 1,797,526	$ 1,821,556	$ 1,788,999	$ 1,745,293	$ 1,709,599	$ 1,726,519
Full Value Per Capita ($)	$ 95,209	$ 97,740	$ 94,658	$ 91,223	$ 89,094	$ 89,077
MFI as % of US median (2012 ACS)	114.3%	114.3%	114.3%	114.3%	115.2%	115.2%
Fund Balance as % of Revenues	22.9%	23.0%	23.3%	25.0%	26.8%	27.7%
5-Year Dollar Change in Fund Balance as % of Revenues	-	-	-	4.4%	4.5%	5.7%
Institutional Framework	-	-	-	-	-	Aa
Cash Balance as % of Revenues	25.6%	24.9%	24.8%	26.7%	28.3%	30.1%
5-Year Dollar Change in Cash Balance as % of Revenues	-	-	-	4.4%	4.4%	6.1%
Operating History: 5-Year Average of Operating Revenues / Operating Expenditures (x)	-	-	1.00	1.00	1.00	1.00
Net Direct Debt / Full Value (%)	0.93%	0.98%	1.00%	1.00%	1.03%	1.13%
Net Direct Debt / Operating Revenues (x)	0.93	0.98	0.99	0.92	0.91	0.93
3-Year Average of Moody's Adjusted Net Pension Liability / Full Value (%)	-	-	-	-	1.15%	1.46%
3-Year Average of Moody's Adjusted Net Pension Liability / Operating Revenues (x)	-	-	-	-	0.95	1.20

Source: Moody's Investors Service

Exhibit 6

Six-year History of Scorecard Medians for Counties

Counties	2008	2009	2010	2011	2012	2013
Full Value ($000s)	$ 6,697,577	$ 6,937,348	$ 7,032,255	$ 6,924,568	$ 7,080,206	$ 7,268,036
Full Value Per Capita ($)	$ 75,521	$ 79,418	$ 79,536	$ 78,659	$ 77,766	$ 78,242
MFI as % of US median (2012 ACS)	93.7%	93.7%	93.7%	93.7%	94.2%	94.2%
Fund Balance as % of Revenues	24.5%	24.5%	25.4%	24.8%	26.1%	26.4%
5-Year Dollar Change in Fund Balance as % of Revenues	-	-	-	4.0%	3.4%	4.0%
Cash Balance as % of Revenues	26.5%	25.5%	26.9%	28.4%	29.3%	30.5%
5-Year Dollar Change in Cash Balance as % of Revenues	-	-	-	6.4%	4.7%	5.5%
Institutional Framework	-	-	-	-	-	Aa
Operating History: 5-Year Average of Operating Revenues / Operating Expenditures (x)	-	-	1.01	1.00	1.00	1.00
Net Direct Debt / Full Value (%)	0.49%	0.48%	0.49%	0.48%	0.49%	0.50%
Net Direct Debt / Operating Revenues (x)	0.62	0.64	0.66	0.65	0.64	0.64
3-Year Average of Moody's Adjusted Net Pension Liability / Full Value (%)	-	-	-	-	0.75%	0.87%
3-Year Average of Moody's Adjusted Net Pension Liability / Operating Revenues (x)	-	-	-	-	1.02	1.20

Source: Moody's Investors Service

Exhibit 7

Six-year History of Scorecard Medians for School Districts

School Districts	2008	2009	2010	2011	2012	2013
Full Value ($000s)	$ 1,880,305	$ 1,927,693	$ 1,914,444	$ 1,878,587	$ 1,853,345	$ 1,834,723
Full Value Per Capita ($)	$ 82,328	$ 84,379	$ 83,130	$ 80,734	$ 78,679	$ 78,230
MFI as % of US median (2012 ACS)	104.6%	104.6%	104.6%	104.6%	103.1%	103.1%
Fund Balance as % of Revenues	10.3%	11.1%	12.2%	14.2%	14.9%	14.6%
5-Year Dollar Change in Fund Balance as % of Revenues	-	-	-	5.5%	4.8%	4.4%
Cash Balance as % of Revenues	15.3%	15.6%	15.3%	16.8%	17.9%	19.1%
5-Year Dollar Change in Cash Balance as % of Revenues	-	-	-	3.4%	4.3%	4.4%
Institutional Framework	-	-	-	-	-	A
Operating History: 5-Year Average of Operating Revenues / Operating Expenditures (x)	-	-	1.01	1.01	1.01	1.00
Net Direct Debt / Full Value (%)	1.16%	1.32%	1.34%	1.41%	1.46%	1.48%
Net Direct Debt / Operating Revenues (x)	0.69	0.72	0.74	0.74	0.74	0.73
3-Year Average of Moody's Adjusted Net Pension Liability / Full Value (%)	-	-	-	-	2.09%	2.65%
3-Year Average of Moody's Adjusted Net Pension Liability / Operating Revenues (x)	-	-	-	-	0.95	1.41

Source: Moody's Investors Service

Basis for Medians

The medians report conforms to our US Local Government General Obligation Debt rating methodology published in January 2014. As such, the medians presented here are based on the key metrics outlined in the methodology and the associated scorecard. The appendix of this report provides additional metrics broken out by sector, rating category, and population.

We use data from a variety of sources to calculate the medians, many of which have differing reporting schedules. Whenever possible, we calculated these medians using available data for fiscal year 2013. However, there are some exceptions. Population data is based on the 2010 Census and Median Family Income is derived from the 2012 American Community Survey.

Medians for some rating levels are based on relatively small sample sizes. These medians, therefore, may be subject to potentially substantial year-over-year variation.

Our ratings reflect our forward looking opinion derived from forecasts of financial performance and qualitative factors, as opposed to strictly historical quantitative data used for the medians. Our expectation of future performance combined with the relative importance of certain metrics on individual local government ratings account for the range of values that can be found within each rating category.

Median data for prior years published in this report may not match last year's publication due to data refinement and changes in the sample sets used, as well as rating changes, initial ratings, and rating withdrawals.

Appendix: Key Metrics for US Local Governments by Sector, Rating Category and Population

2013 Publicly Rated US Local Government Medians - Cities

Exhibit 8

US Local Government Medians - US Cities (All)

Selected Indicators	2013
Median Moody's GO/Issuer Rating	Aa3
Total General Fund Revenues ($000s)	$ 18,281
General Fund Balance as % of Revenues	33.73%
Available General Fund Balance as % of Revenues	30.00%
Direct Net Debt as % of Full Value	1.13%
Overall Debt Burden (Overall Net Debt as % of Full Value)	2.57%
Total Full Value ($000s)	$ 1,726,519
Population 2010 Census	17,225
Full Value Per Capita	$ 89,077
Ten Largest Taxpayers as % of AV	8.98%
MFI as a % of US (2012 ACS)	115.2%

Exhibit 9

Medians by Rating - US Cities (All)

Selected Indicators	Aaa	Aa	A	Baa	Ba
Total General Fund Revenues ($000s)	$ 52,689	$ 22,981	$ 7,281	$ 12,050	$ 18,784
General Fund Balance as % of Revenues	39.49%	34.88%	31.79%	16.38%	6.04%
Available General Fund Balance as % of Revenues	36.64%	31.19%	27.43%	10.78%	7.17%
Direct Net Debt as % of Full Value	0.73%	1.02%	1.60%	2.66%	3.19%
Overall Debt Burden (Overall Net Debt as % of Full Value)	2.20%	2.45%	3.14%	4.51%	4.43%
Total Full Value ($000s)	$ 6,600,029	$ 2,250,372	$ 615,620	$ 974,894	$ 635,908
Population 2010 Census	37,510	21,302	8,496	13,620	29,200
Full Value Per Capita	$ 187,414	$ 101,363	$ 62,720	$ 52,710	$ 43,758
Ten Largest Taxpayers as % of AV	7.08%	8.45%	11.44%	13.24%	7.53%

Exhibit 10

Medians by Rating - US Cities (Population > 500,000)

Selected Indicators	Aaa	Aa	A	Baa	Ba
Total General Fund Revenues ($000s)	$ 776,660	$ 902,048	N/A	N/A	N/A
General Fund Balance as % of Revenues	27.50%	15.24%	N/A	N/A	N/A
Available General Fund Balance as % of Revenues	18.90%	13.67%	N/A	N/A	N/A
Direct Net Debt as % of Full Value	1.52%	2.09%	N/A	N/A	N/A
Overall Debt Burden (Overall Net Debt as % of Full Value)	3.65%	4.19%	N/A	N/A	N/A
Total Full Value ($000s)	$ 78,296,618	$ 81,420,519	N/A	N/A	N/A
Population 2010 Census	674,509	782,496	N/A	N/A	N/A
Full Value Per Capita	$ 114,603	$ 72,135	N/A	N/A	N/A
Ten Largest Taxpayers as % of AV	6.52%	5.19%	N/A	N/A	N/A

Exhibit 11

Medians by Rating - US Cities (100,000 < Population < 500,000)

Selected Indicators	Aaa	Aa	A	Baa	Ba
Total General Fund Revenues ($000s)	$ 176,096	$ 131,939	$ 243,608	N/A	N/A
General Fund Balance as % of Revenues	28.02%	26.73%	8.11%	N/A	N/A
Available General Fund Balance as % of Revenues	30.52%	24.41%	7.69%	N/A	N/A
Direct Net Debt as % of Full Value	1.19%	1.35%	3.24%	N/A	N/A
Overall Debt Burden (Overall Net Debt as % of Full Value)	2.58%	3.39%	4.42%	N/A	N/A
Total Full Value ($000s)	$ 21,853,251	$ 12,657,523	$ 9,235,043	N/A	N/A
Population 2010 Census	203,264	161,719	164,603	N/A	N/A
Full Value Per Capita	$ 112,967	$ 76,388	$ 58,650	N/A	N/A
Ten Largest Taxpayers as % of AV	6.60%	6.35%	9.25%	N/A	N/A

Exhibit 12

Medians by Rating - US Cities (50,000 < Population < 100,000)

Selected Indicators	Aaa	Aa	A	Baa	Ba
Total General Fund Revenues ($000s)	$ 57,976	$ 56,433	$ 61,391	$ 81,340	N/A
General Fund Balance as % of Revenues	38.53%	32.66%	15.19%	5.33%	N/A
Available General Fund Balance as % of Revenues	36.09%	29.88%	11.53%	5.33%	N/A
Direct Net Debt as % of Full Value	0.69%	1.13%	1.41%	2.66%	N/A
Overall Debt Burden (Overall Net Debt as % of Full Value)	2.20%	3.04%	3.14%	4.11%	N/A
Total Full Value ($000s)	$ 9,976,009	$ 5,691,266	$ 3,550,529	$ 3,549,595	N/A
Population 2010 Census	64,206	67,895	60,874	64,793	N/A
Full Value Per Capita	$ 138,422	$ 82,268	$ 61,203	$ 48,488	N/A
Ten Largest Taxpayers as % of AV	7.43%	7.80%	7.26%	6.93%	N/A

Exhibit 13

Medians by Rating - US Cities (Population < 50,000)

Selected Indicators	Aaa	Aa	A	Baa	Ba
Total General Fund Revenues ($000s)	$ 34,435	$ 17,256	$ 6,030	$ 7,096	$ 11,643
General Fund Balance as % of Revenues	42.69%	37.79%	33.69%	18.41%	5.76%
Available General Fund Balance as % of Revenues	41.44%	33.72%	29.04%	13.36%	5.35%
Direct Net Debt as % of Full Value	0.63%	0.98%	1.56%	2.83%	3.71%
Overall Debt Burden (Overall Net Debt as % of Full Value)	1.88%	2.25%	3.02%	4.52%	5.69%
Total Full Value ($000s)	$ 5,129,633	$ 1,755,327	$ 543,347	$ 660,494	$ 480,007
Population 2010 Census	22,284	16,614	7,973	10,557	8,082
Full Value Per Capita	$ 227,212	$ 109,101	$ 63,181	$ 52,891	$ 36,452
Ten Largest Taxpayers as % of AV	7.41%	9.15%	12.95%	14.72%	N/A

2013 Publicly Rated US Local Government Medians - Counties

Exhibit 14

US Local Government Medians - US Counties (All)

Selected Indicators	2013
Median Moody's GO/Issuer Rating	Aa2
Total General Fund Revenues ($000s)	$ 40,213
General Fund Balance as % of Revenues	34.45%
Available General Fund Balance as % of Revenues	31.48%
Direct Net Debt as % of Full Value	0.50%
Overall Debt Burden (Overall Net Debt as % of Full Value)	1.63%
Total Full Value ($000s)	$ 7,268,036
Population 2010 Census	82,916
Full Value Per Capita	$ 78,242
Ten Largest Taxpayers as % of AV	6.47%
MFI as a % of US (2012 ACS)	94.2%

Exhibit 15

Medians by Rating - US Counties (All)

Selected Indicators	Aaa	Aa	A	Baa
Total General Fund Revenues ($000s)	$ 261,908	$ 45,535	$ 12,053	$ 27,884
General Fund Balance as % of Revenues	37.16%	35.80%	30.43%	0.90%
Available General Fund Balance as % of Revenues	33.11%	32.85%	28.15%	0.32%
Direct Net Debt as % of Full Value	0.57%	0.45%	0.63%	0.91%
Overall Debt Burden (Overall Net Debt as % of Full Value)	2.36%	1.64%	1.40%	1.60%
Total Full Value ($000s)	$ 59,195,315	$ 8,536,519	$ 2,061,473	$ 5,016,922
Population 2010 Census	508,640	98,850	32,213	71,054
Full Value Per Capita	$ 105,283	$ 80,970	$ 60,386	$ 55,499
Ten Largest Taxpayers as % of AV	4.09%	6.48%	9.73%	5.73%

Exhibit 16

Medians by Rating - US Counties (Population > 1 Million)

Selected Indicators	Aaa	Aa	A	Baa
Total General Fund Revenues ($000s)	$ 635,502	$ 1,969,981	$ 2,237,121	N/A
General Fund Balance as % of Revenues	23.67%	18.49%	8.15%	N/A
Available General Fund Balance as % of Revenues	20.47%	15.59%	7.76%	N/A
Direct Net Debt as % of Full Value	0.53%	0.53%	0.84%	N/A
Overall Debt Burden (Overall Net Debt as % of Full Value)	2.87%	3.69%	4.14%	N/A
Total Full Value ($000s)	$ 145,556,498	$ 231,580,010	$ 206,487,100	N/A
Population 2010 Census	1,517,454	1,866,456	1,764,280	N/A
Full Value Per Capita	$ 91,910	$ 121,411	$ 88,344	N/A
Ten Largest Taxpayers as % of AV	3.91%	3.42%	3.27%	N/A

Exhibit 17

Medians by Rating - US Counties (250,000 < Population < 1 Million)

Selected Indicators	Aaa	Aa	A	Baa
Total General Fund Revenues ($000s)	$ 233,182	$ 144,254	N/A	N/A
General Fund Balance as % of Revenues	39.33%	26.90%	N/A	N/A
Available General Fund Balance as % of Revenues	35.77%	24.49%	N/A	N/A
Direct Net Debt as % of Full Value	0.53%	0.43%	N/A	N/A
Overall Debt Burden (Overall Net Debt as % of Full Value)	2.33%	2.50%	N/A	N/A
Total Full Value ($000s)	$ 60,515,482	$ 32,800,833	N/A	N/A
Population 2010 Census	525,827	384,504	N/A	N/A
Full Value Per Capita	$ 111,211	$ 81,458	N/A	N/A
Ten Largest Taxpayers as % of AV	4.41%	5.37%	N/A	N/A

Exhibit 18

Medians by Rating - US Counties (100,000 < Population < 250,000)

Selected Indicators	Aaa	Aa	A	Baa
Total General Fund Revenues ($000s)	$ 70,926	$ 56,105	$ 57,033	N/A
General Fund Balance as % of Revenues	53.26%	32.93%	15.58%	N/A
Available General Fund Balance as % of Revenues	48.46%	29.86%	14.32%	N/A
Direct Net Debt as % of Full Value	0.80%	0.46%	0.53%	N/A
Overall Debt Burden (Overall Net Debt as % of Full Value)	2.19%	1.82%	2.21%	N/A
Total Full Value ($000s)	$ 18,826,283	$ 11,652,044	$ 8,913,946	N/A
Population 2010 Census	182,075	153,990	150,264	N/A
Full Value Per Capita	$ 106,854	$ 73,820	$ 47,163	N/A
Ten Largest Taxpayers as % of AV	4.09%	6.60%	7.84%	N/A

Exhibit 19

Medians by Rating - US Counties (Population < 100,000)

Selected Indicators	Aaa	Aa	A	Baa
Total General Fund Revenues ($000s)	N/A	$ 21,471	$ 10,632	$ 13,027
General Fund Balance as % of Revenues	N/A	40.62%	33.29%	1.21%
Available General Fund Balance as % of Revenues	N/A	38.08%	30.93%	1.10%
Direct Net Debt as % of Full Value	N/A	0.45%	0.64%	0.79%
Overall Debt Burden (Overall Net Debt as % of Full Value)	N/A	1.26%	1.18%	1.13%
Total Full Value ($000s)	N/A	$ 4,292,505	$ 1,861,957	$ 1,121,898
Population 2010 Census	N/A	49,572	28,134	19,286
Full Value Per Capita	N/A	$ 83,603	$ 60,686	$ 51,612
Ten Largest Taxpayers as % of AV	N/A	7.61%	10.90%	-

2013 Publicly Rated US Local Government Medians - School Districts

Exhibit 20

US Local Government Medians - US School Districts (All)

Selected Indicators	2013
Median Moody's GO/Issuer Rating	Aa3
Total General Fund Revenues ($000s)	$ 33,568
General Fund Balance as % of Revenues	19.41%
Available General Fund Balance as % of Revenues	15.72%
Direct Net Debt as % of Full Value	1.48%
Overall Debt Burden (Overall Net Debt as % of Full Value)	2.43%
Total Full Value ($000s)	$ 1,834,723
Population 2010 Census	20,809
Full Value Per Capita	$ 78,230
Ten Largest Taxpayers as % of AV	8.52%
MFI as a % of US (2012 ACS)	103.1%

Exhibit 21

Medians by Rating - US School Districts (All)

Selected Indicators	Aaa	Aa	A	Baa	Ba
Total General Fund Revenues ($000s)	$ 90,578	$ 54,483	$ 19,292	$ 16,600	$ 28,570
General Fund Balance as % of Revenues	28.23%	20.84%	18.44%	4.71%	-3.90%
Available General Fund Balance as % of Revenues	26.08%	17.02%	14.69%	3.72%	-4.26%
Direct Net Debt as % of Full Value	0.72%	1.25%	1.88%	2.72%	4.94%
Overall Debt Burden (Overall Net Debt as % of Full Value)	2.10%	2.31%	2.59%	3.43%	6.93%
Total Full Value ($000s)	$ 8,218,291	$ 3,590,749	$ 829,757	$ 716,121	$ 543,327
Population 2010 Census	39,897	33,160	12,237	11,783	18,490
Full Value Per Capita	$ 170,221	$ 92,528	$ 64,235	$ 62,654	$ 47,045
Ten Largest Taxpayers as % of AV	5.00%	7.33%	10.51%	13.59%	13.13%

Exhibit 22

Medians by Rating - US School Districts (Population > 200,000)

Selected Indicators	Aaa	Aa	A	Baa	Ba
Total General Fund Revenues ($000s)	$ 417,931	$ 353,118	$ 369,179	N/A	N/A
General Fund Balance as % of Revenues	34.71%	17.30%	5.44%	N/A	N/A
Available General Fund Balance as % of Revenues	33.22%	16.25%	3.99%	N/A	N/A
Direct Net Debt as % of Full Value	1.83%	1.24%	1.32%	N/A	N/A
Overall Debt Burden (Overall Net Debt as % of Full Value)	4.07%	3.11%	3.36%	N/A	N/A
Total Full Value ($000s)	$ 27,894,919	$ 26,292,982	$ 22,666,362	N/A	N/A
Population 2010 Census	300,201	274,618	352,411	N/A	N/A
Full Value Per Capita	$ 93,190	$ 81,039	$ 64,617	N/A	N/A
Ten Largest Taxpayers as % of AV	4.97%	5.57%	7.00%	N/A	N/A

Exhibit 23

Medians by Rating - US School Districts (100,000 < Population < 200,000)

Selected Indicators	Aaa	Aa	A	Baa	Ba
Total General Fund Revenues ($000s)	$ 185,848	$ 179,728	$ 151,298	N/A	N/A
General Fund Balance as % of Revenues	13.37%	18.71%	12.12%	N/A	N/A
Available General Fund Balance as % of Revenues	11.08%	16.75%	9.33%	N/A	N/A
Direct Net Debt as % of Full Value	1.46%	1.27%	1.34%	N/A	N/A
Overall Debt Burden (Overall Net Debt as % of Full Value)	2.40%	2.61%	2.58%	N/A	N/A
Total Full Value ($000s)	$ 20,647,520	$ 10,869,703	$ 9,606,252	N/A	N/A
Population 2010 Census	119,012	133,296	127,413	N/A	N/A
Full Value Per Capita	$ 140,077	$ 79,485	$ 67,458	N/A	N/A
Ten Largest Taxpayers as % of AV	10.21%	6.51%	7.79%	N/A	N/A

Exhibit 24

Medians by Rating - US School Districts (50,000 < Population < 100,000)

Selected Indicators	Aaa	Aa	A	Baa	Ba
Total General Fund Revenues ($000s)	$ 112,955	$ 93,882	$ 80,390	$ 135,428	N/A
General Fund Balance as % of Revenues	33.67%	19.61%	12.43%	2.17%	N/A
Available General Fund Balance as % of Revenues	31.55%	16.54%	10.17%	1.09%	N/A
Direct Net Debt as % of Full Value	0.64%	1.35%	1.79%	4.26%	N/A
Overall Debt Burden (Overall Net Debt as % of Full Value)	3.41%	2.32%	2.96%	5.42%	N/A
Total Full Value ($000s)	$ 10,555,554	$ 6,121,684	$ 3,675,355	$ 4,271,202	N/A
Population 2010 Census	65,398	69,268	64,317	74,104	N/A
Full Value Per Capita	$ 170,903	$ 84,848	$ 59,225	$ 57,965	N/A
Ten Largest Taxpayers as % of AV	5.39%	8.14%	8.79%	N/A	N/A

Exhibit 25

Medians by Rating - US School Districts (10,000 < Population < 50,000)

Selected Indicators	Aaa	Aa	A	Baa	Ba
Total General Fund Revenues ($000s)	$ 71,428	$ 41,069	$ 27,515	$ 28,246	$ 35,795
General Fund Balance as % of Revenues	25.69%	21.41%	15.93%	2.40%	-5.42%
Available General Fund Balance as % of Revenues	25.10%	17.31%	12.82%	1.77%	-6.85%
Direct Net Debt as % of Full Value	0.63%	1.31%	2.26%	2.90%	N/A
Overall Debt Burden (Overall Net Debt as % of Full Value)	1.85%	2.30%	3.06%	3.45%	N/A
Total Full Value ($000s)	$ 5,672,881	$ 2,397,584	$ 1,169,357	$ 958,447	N/A
Population 2010 Census	26,119	24,169	18,607	17,548	25,811
Full Value Per Capita	$ 188,325	$ 95,784	$ 59,356	$ 56,054	N/A
Ten Largest Taxpayers as % of AV	4.31%	7.96%	10.68%	11.14%	N/A

Exhibit 26

Medians by Rating - US School Districts (Population < 10,000)

Selected Indicators	Aaa	Aa	A	Baa	Ba
Total General Fund Revenues ($000s)	N/A	$ 14,710	$ 9,581	$ 6,514	$ 6,848
General Fund Balance as % of Revenues	N/A	26.63%	24.98%	10.35%	-6.33%
Available General Fund Balance as % of Revenues	N/A	18.42%	19.33%	10.56%	-6.46%
Direct Net Debt as % of Full Value	N/A	0.86%	1.79%	1.68%	3.27%
Overall Debt Burden (Overall Net Debt as % of Full Value)	N/A	1.86%	2.18%	2.69%	3.61%
Total Full Value ($000s)	N/A	$ 1,174,904	$ 412,637	$ 276,246	$ 272,742
Population 2010 Census	N/A	7,224	5,908	4,486	6,412
Full Value Per Capita	N/A	$ 175,978	$ 71,217	$ 66,243	$ 55,494
Ten Largest Taxpayers as % of AV	N/A	5.96%	12.25%	23.36%	29.83%

Moody's Related Research

Outlooks:

2015 Outlook - US Local Governments: Slow Recovery of Property Tax Revenues Paints Broadly Stable Picture, December 2014 (1000839)

2014 Outlook - US Local Governments, December 2013 (160299)

Rating Methodology:

US Local Government General Obligation Debt, January 2014 (162757)

To access any of these reports, click on the entry above. Note that these references are current as of the date of publication of this report and that more recent reports may be available. All research may not be available to all clients.

Endnotes

1 This report uses data derived from 3,127 cities, 971 counties and 3,613 school districts compared to last year's medians report, which used 3,030 cities, 918 counties and 3,455 school districts.

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MOODY'S
INVESTORS SERVICE




Moody's & Standard and Poor's Revised Methodology for Local Government General Obligation Debt

Prepared for City of Franklin, TN

Debt Management Policy Considerations

September 10, 2015

The PFM Group
Public Financial Management, Inc.
PFM Asset Management LLC
PFM Advisors

Introduction – Current Debt Affordability Benchmarks

The City has a detailed Debt Management Policy that was adopted by the Board of Mayor and Alderman in June 2009. Below outlines the current Debt Affordability within the City's policy:

- Total Budget Resources *(similar to SP Debt & Contingent Liability Score)*
  - Debt Service as a Percent of Operating Expenditures:
    - Total GO Debt: < 12%
    - Less Self-Supporting Debt: < 8%

- Wealth & Income of Community *(similar to Moody's and S&P Economy Score)*
  - Direct Debt Per Capita: < $2,000
  - Per Capita Debt/Per Capita Income: < 3.00%

- Property Tax Base *(similar to Moody's Debt & Contingent Liability Score)*
  - Direct Debt as a percentage of Market Value: 0.4% - 0.8%
  - Debt Burden (Overall Net Debt as a percentage of Market Value): 3% - 6%

Moody's Revised Methodology, January 16, 2014

Moody's: Scorecard & Qualitative Considerations

- Scorecard contains numerous metrics which capture, according to Moody's, the most critical aspects of an entity's credit profile.

- In addition to the scorecard, Moody's has incorporated numerous "below-the-line" adjustments to be considered within each overarching rating category.

Scorecard Factor and Weights		
Broad Rating Factor	Rating Subfactor	Subfactor Weighting
Economy/Tax Base	Tax Base Size (full value)	10%
Economy/Tax Base	Full Value Per Capita	10%
Economy/Tax Base	Wealth (median family income)	10%
Finances	Fund Balance (% of revenues)	10%
Finances	Fund Balance Trend (5-year change)	5%
Finances	Cash Balance (% of revenues)	10%
Finances	Cash Balance Trend (5-year change)	5%
Management	Institutional Framework	10%
Management	Operating History	10%
Debt/Pensions	Debt to Full Value	5%
Debt/Pensions	Debt to Revenue	5%
Debt/Pensions	Moody's ANPL (3-year average) to Full Value	5%
Debt/Pensions	Moody's ANPL (3-year average) to Revenue	5%

- These additional circumstantial factors that may override the scorecard indication are primarily qualitative factors.

- Furthermore, Moody's has identified an extensive list of other considerations that can impact the metric-based scorecard rating where applicable.

- Moody's has clearly stated that the final rating may differ from the scorecard indicated rating based on additional qualitative factors.

Scorecard Category	Weight
Economy/Tax Base	30%
Finances	30%
Management	20%
Debt/Pensions	20%

Moody's: Economy/Tax Base Score

- The ability to generate revenue is substantially driven by its surrounding economy, and the local wealth from which an entity's taxing power can draw from.
- The breadth and depth of property, sales, and income tax sources are all driven by the economic profile of an issuer.
- The type of economy may also be considered in this evaluation, as differences arise in the taxing power within industrial, retail, and service centers.

Subfactor	Weights
Tax Base Size (full value)	10%
Full Value Per Capita	10%
Wealth (median family income)	10%

Below the Line Adjustments:

- **Institutional presence (positive)** – Institutions that strengthen the tax base, but are not captured in the full value per capita, such as universities or military bases.
- **Regional economic center (positive)** – Revenues being generated from non-permanent residents, which is not captured in the previously stated metrics.
- **Economic concentration (negative)** – Economies that lack economic diversity are subject to greater revenue volatility.
- **Outsized unemployment or poverty levels (negative)** – High unemployment or poverty levels, represents difficulty in raising revenues, maintaining revenue sources, and the potential of increased demand for services.

Moody's: Finances Score

Scorecard Category	Weight
Economy/Tax Base	30%
Finances	30%
Management	20%
Debt/Pensions	20%

- An issuer's financial position is indicative of their ability to adapt to unexpected circumstances, meet existing obligations, and is a measure of overall flexibility. Metrics are associated with liquidity and financial trends
- Finances Score also includes an evaluation of management, measuring the accuracy of budgetary projections, use of historical trends and realistic economic indicators in these projections, and the frequency of updates.

Subfactor	Weights
Fund Balance (% of revenues)	10%
Fund Balance Trend (5-year change)	5%
Cash Balance (% of revenues)	10%
Cash Balance Trend (5-year change)	5%

Below the Line Adjustments:

- **Outsized enterprise of contingent liability risk (negative)** – Outsized exposure to another entity's debt or financial standing which may present a liability not reflected in the other metrics.
- **Unusually volatile revenue structure (negative)** – If volatile, unpredictable, or economically sensitive revenue sources make up more than half of operating funds revenue, or if any single revenue source has changed by more than 10% in any one year over the past five, Moody's may notch this score downward.

Moody's: Management Score

Scorecard Category	Weight
Economy/Tax Base	30%
Finances	30%
Management	20%
Debt/Pensions	20%

- The legal framework that an issuer operates under dictates the ability it has to access its revenue base, create budgetary stability, and maintain flexibility in meeting ongoing obligations.
- State level laws determine what revenue sources are available to an issuer, and what services they are required to provide.
- The institutional framework score represents the most qualitative section of the scorecard.
- All issuers within the same state and sector receive the same score in this category. This scoring will be updated annually, and is available from Moody's.

Subfactor	Weights
Institutional Framework	10%
Operating History	10%

Below the Line Adjustments:

- **State oversight or support (positive or negative)** – State oversight structures can vary the ease with which a government can issue debt, raise taxes, or restructure labor contracts and will have an impact on the state's institutional framework score.
- **Unusually strong or weak budget management and planning (positive or negative)** – Moody's will adjust for circumstances when management has exhibited an unusually strong ability, or significant lack thereof, to achieve and plan toward balanced operations

Scorecard Category	Weight
Economy/Tax Base	30%
Finances	30%
Management	20%
Debt/Pensions	20%

Moody's: Debt/Pensions Score

- High levels of leverage can lead to difficulties in meeting existing obligations and leave little room for additional borrowing.
- Debt burden is determined by reviewing these obligations relative to tax base and operating revenue.
- Pension liabilities are viewed within a similar context, *but using Moody's recently instituted adjusted net pension liability calculation*.

Subfactor	Weights
Debt to Full Value	5%
Debt to Revenue	5%
Moody's ANPL (3-year average) to Full Value	5%
Moody's ANPL (3-year average) to Revenue	5%

Below the Line Adjustments:

- **Unusually strong or weak security features (positive or negative)** – Particularly strong (i.e. lock box setup where revenues never flow to an issuer's own accounts) or particularly weak (i.e. pension obligations treated superior to debt) security provisions will be taken into consideration.
- **Unusual risk posed by debt structure (negative)** – High short-term debt with minimal liquidity, significant variable rate debt or swap exposure, and debt concentrated in bullet maturities.
- **History of missed debt service payments (negative)** – Missed debt payments and past defaults, including lease revenue bonds, will be factored into the score based on the timeframe for a cure to the default, changes instituted as a result, and the reason for the original missed payment.

Moody's: Final Scorecard Calculation

- The final scores for each metric are assigned a numerical value, and averaged according to their individual weighting.
- The final value produces an indicated rating based on the schedule provided below.

Rating Category	Aaa	Aa	A	Baa	Ba	B & Below
Numerical Score	1	2	3	4	5	6

Indicated Rating	Overall Weighted Score
Aaa	0.5 to 1.5
Aa1	1.5 to 1.83
Aa2	1.83 to 2.17
Aa3	2.17 to 2.5
A1	2.50 to 2.83
A2	2.83 to 3.17
A3	3.17 to 3.5
Baa1	3.50 to 3.83

Indicated Rating	Overall Weighted Score
Baa2	3.83 to 4.17
Baa3	4.17 to 4.50
Ba1	4.50 to 4.83
Ba2	4.83 to 5.17
Ba3	5.17 to 5.50
B1	5.50 to 5.83
B2	5.83 to 6.17
B3	6.17 to 6.50

Standard & Poor's Revised Methodology, September 24, 2013

S&P: Scorecard

- S&P scores seven different areas on a scale of 1 to 5 (1 = strongest; 5 = weakest), which will formulate a weighted average resulting in the indicative rating.

Category	Weight
Institutional Framework	10%
Economy	30%
Management	20%
Liquidity	10%
Budgetary Performance	10%
Budgetary Flexibility	10%
Debt & Contingent Liabilities	10%

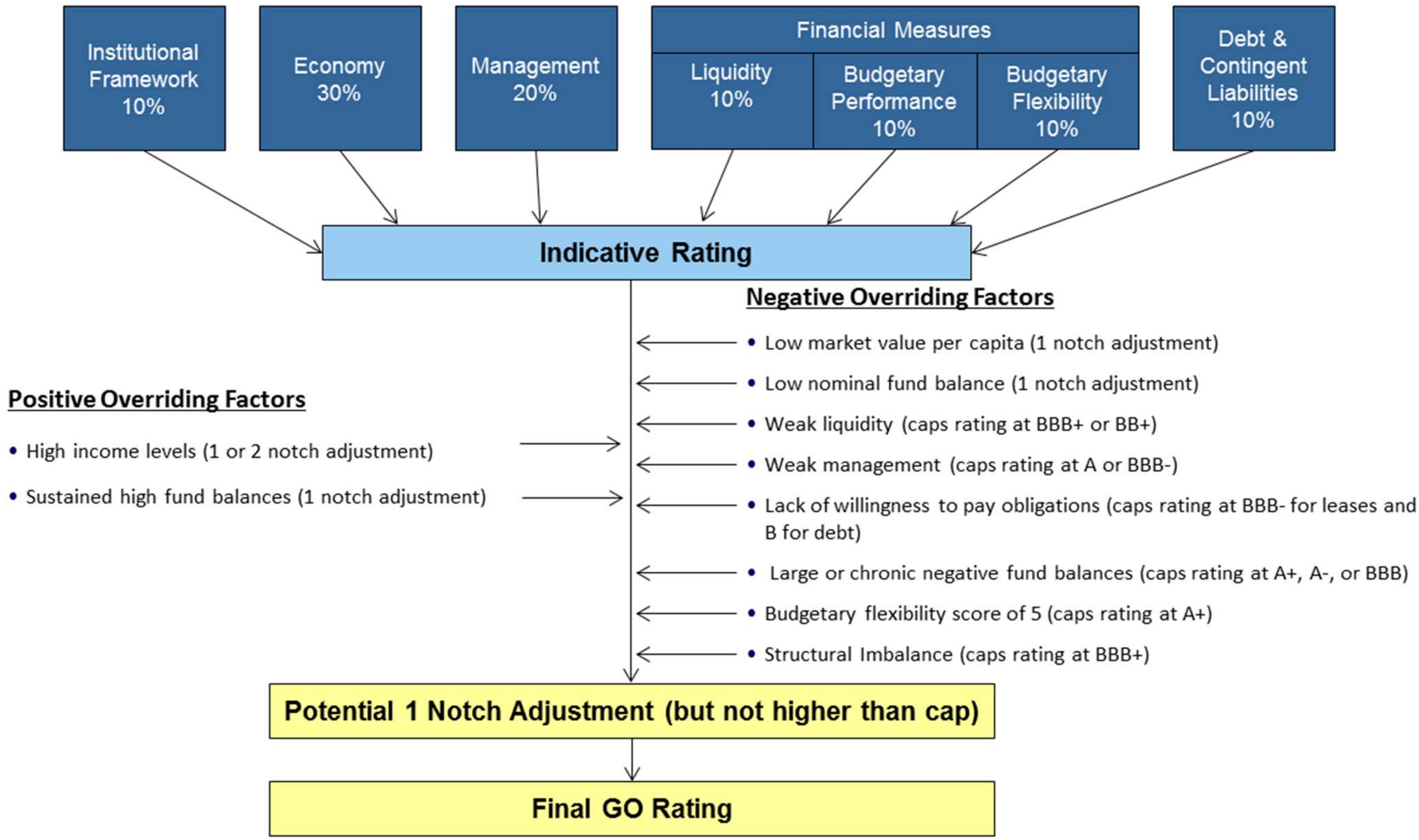
- Each individual category contains numerous qualitative factors that can impact the score positively or negatively.

S&P: Overriding Factors

- The resulting indicative rating across all categories may be revised upward or downward, or capped, based on several overriding factors.

Overriding Factor	Category	Indicative Rating Adjustment
Projected per capita EBI > 225% of U.S. projected per capita EBI	Rating adjustments for certain economic measures	One Notch Increase
Projected per capita EBI > 300% of U.S. projected per capita EBI	Rating adjustments for certain economic measures	Two Notch Increase
Market value per capita < $30,000	Rating adjustments for certain economic measures	One Notch Decrease
Available Fund Balance > 75% of general fund expenditures for the most recently reported year, the current year and next year and is expected to continue	Sustained large positive fund balances	One Notch Increase
Available Fund Balance < $500,000	Low nominal fund balances	One Notch Decrease
Liquidity score of 4	Liquidity	Rating capped at BBB+
Liquidity score of 5	Liquidity	Rating capped at BB+
Management score of 4	Management	Rating capped at A One Notch Decrease
Management score of 5	Management	Rating capped at BBB- Two Notch Decrease
Management score of 5 due to a lack of willingness to support unconditional debt obligations	Management	Debt Not in Deault Capped at B
Available fund balance < -10% of general fund expenditures for the most recently reported year or budget flexibility score of 5	Large or chronic negative fund balances	Rating Capped at A+
Available fund balance < -5% of general fund expenditures for the two most recently reported years	Large or chronic negative fund balances	Rating Capped at A-
Available fund balance < -5% of general fund expenditures for thethree most recently reported years	Large or chronic negative fund balances	Rating Capped at BBB
Local government exhibited characteristics of structural imbalance expected to continue without a credible plan to restore balance	Structural Imbalance	Rating Capped at BBB+

S&P: Analytical Framework



Source: S&P's U.S. Local Governments General Obligations Ratings: Methodology and Assumptions, September, 2013.

S&P: Institutional Framework (10%)

- The institutional framework score analyzes the legal and practical environment in which a municipality operates.
- This score is the same for municipalities of the same type within a state, and S&P has produced a full listing of these scores for each state.
- The final score for this category is an average of four individually assessed areas:
  - **Predictability** – The extent to which a local government can forecast revenues and expenditures. Unexpected or recurring changes to these expectations, such as from voter actions, can impact this score.
  - **Revenue and Expenditure Balance** – The ability of a government to raise revenues, and control the services it provides.
  - **Transparency and Accountability** – The likelihood that adherence to comparable and relevant financial statements will be enforced.
  - **System Support** – The extent to which municipalities will receive state support under extreme circumstances.

S&P: Economic Score & Qualitative Factors (30%)

- Assesses both the health of the asset base relied upon to provide both current and future locally derived revenues as well as the likelihood of additional service demands resulting from economic deterioration.

	Total Market Value per Capita				
Projected per capita EBI as % of US	>$195,000	$195,000-$100,000	$100,000-80,000	$80,000-$55,000	<$55,000
>150	1	1.5	2	2.5	3
110-150	1.5	2	2.5	3	3.5
85-110	2	2.5	3	3.5	4
70-85	2.5	3	3.5	4	4.5
<70	3	3.5	4	4.5	5

- Qualitative factors with a **positive** impact on the category score:
  - Participation in a larger broad and diversified economy
  - A stabilizing institutional influence with a longstanding role as a major employer, such as higher education, health care, military, or large and stable corporate presence
- Qualitative factors with a **negative** impact on the category score:
  - Negative budget impact from demographic profile
  - High unemployment rate (>10%)
  - Employment concentration where certain individual sectors represent more than 30% of the nonfarm work base
  - Tax base concentration where the top 10 taxpayers represent more than 35% of the tax base

S&P: Management Score & Qualitative Factors (20%)

- The financial management assessment analyzes the impact of management conditions on the likelihood of repayment.
- The ability to react quickly and effectively to economic and fiscal demands is a key credit consideration for S&P.

Score	Characteristics
1	FMA score of “Strong” and none of the factors in scores 4 or 5 are present
2	FMA score of “Good” and none of the factors in scores 4 or 5 are present
3	FMA score of “Standard” and none of the factors in scores 4 or 5 are present
4	FMA score of “Vulnerable” or any of the following are present: • There is a financial reporting statement that has a material negative impact • Any of the conditions in score 5 existed in the past 3 years • The structural imbalance override condition exists or has existed within the past 3 years • Very high debt, pension, or OPEB burden
5	Regardless of FMA score, any of the following is present: • A Management team that lacks relevant skills resulting in a weak capacity for planning, monitoring, and management • An auditor has delivered a going concern opinion • The government has shown an unwillingness to support a debt or capital lease obligation • The government is actively considering bankruptcy in the near term

- Qualitative factors with a **positive** impact on the category score:
  - Consistent ability to maintain balanced operations
  - Government service levels are limited
- Qualitative factors with a **negative** impact on the category score:
  - Frequent management turnover inhibiting a current understanding of the government’s financial position and its ability to adjust, or political gridlock, or instability that brings the same results
  - Consistent inability to execute approved structural reforms for two consecutive years

S&P: Budgetary Flexibility Score & Qualitative Factors (10%)

- Measures the degree to which the government can create additional financial flexibility in times of stress.
- The ability of a government to raise additional revenue or reduce expenditures, outside of the measures captured by the institutional framework score, are covered by this factor.

	Available fund balance as a % of expenditures				
%	>15	8 - 15	4 - 8	1- 4	<1
Score	1	2	3	4	5

- Qualitative factors with a **positive** impact on the category score:
  - If projections for the current year and the following year suggest a better initial score
  - Ability to avoid financial imbalances with demonstrated capacity and willingness to cut operations spending (more than 2%), resulting from a flexible cost structure, flexible legislation, and/or widespread political support
  - Existing state tax caps do not apply to or significantly impact the government
  - Demonstrated ability and willingness to raise taxes when needed
  - Timing of fiscal year and tax billing dates result in high cash with abnormally low fund balance levels
  - Maintenance of an available fund balance exceeding 30% of general fund expenditures for the most recently reported year, the current year, and next year
- Qualitative factors with a **negative** impact on the category score:
  - If projections for the current year and the following year suggest a worse initial score
  - High levels of questionable receivables or amounts due from other funds with deficit balances
  - Limited capacity to cut expenditures due to infrastructure of operational needs or political resistance
  - Limited capacity to raise revenues due to consistent ongoing political resistance which can include self-imposed restrictions through charter or local initiative processes
  - Where cash accounting is used, the criteria use cash balances instead of fund balances

S&P: Budgetary Performance Score & Qualitative Factors (10%)

- The budgetary performance score measures the current fiscal balance of the government.
- The initial score reviews current balances, both from a general fund and total governmental funds perspective, with adjustments made for net transfers or capital expenditure smoothing.

	Total governmental funds net result (%)				
General Fund net result (%)	>-1	-1 to -5	-5 to -10	-10 to -15	<-15
Limited (>5)	1	2	3	3	4
Balanced (-1 to 5)	2	3	3	4	5
Pressured (<-1)	3	4	4	5	5

- Qualitative factors with a **positive** impact on the category score:
  - Expected structural improvement: if projections for the current year and following year suggest a better initial score
- Qualitative factors with a **negative** impact on the category score:
  - Expected structural deterioration: If projections for the current year and following year suggest a worse initial score
  - Deferred payments on a cash basis: cases where good ratios hide significant under-spending due to deferred payments
  - Significant historic volatility in performance because of very cyclical revenues or exposure to event-related risks, and the sources of volatility remain

S&P: Liquidity Score & Qualitative Factors (10%)

- The initial score measures the availability of cash and cash equivalents to service both debt and other expenditures.
- Cash balances determine the ability to engage in inter-fund borrowing.

	Total Governmental Cash as % of Total Governmental Funds Debt Service				
Total Cash as a % of Total Governmental Funds Expenditures	>120	120-100	100-80	80-40	<40
>15	1	2	3	4	5
8 - 15	2	2	3	4	5
4 - 8	3	3	3	4	5
1- 4	4	4	4	4	5
<1	5	5	5	5	5

- Qualitative factors with a **positive** impact on the category score:
  - Projections for the current year (and following year) suggest a better initial score
  - Access to external liquidity is viewed by S&P to be a credit positive
  - Very robust and stable internal cash flow general capacity compared with peers in this category
- Qualitative factors with a **negative** impact on the category score:
  - If projections for the current year (and following year) suggest a worse initial score
  - Access to external liquidity is viewed by S&P to be uncertain or limited
  - High refinancing risk over the next two years
  - Aggressive use of investments
  - Exposure to non-remote contingent liability risk that could come due within one year

S&P: Debt & Contingent Liability Score & Qualitative Factors (10%)

- Debt service, relative to expenditure levels, determines the burden debt places on the government.
- Debt service, relative to revenues, determines the ability and ease of a government to meet these obligations.
- S&P calculates net direct debt as of the date of the rating analysis, including any potential issuances they are currently rating.

	Net Direct Debt as % of Total Governmental Funds Revenue				
Total Governmental Funds DS as % of Total Governmental Funds Expenditures	<30	30-60	60-120	120-180	>180
<8	1	2	3	4	5
8 - 15	2	3	4	4	5
15 - 25	3	4	5	5	5
25 - 35	4	4	5	5	5
>35	4	5	5	5	5

- Qualitative factors with a **positive** impact on the category score:
  - Overall next debt as a percentage of market value below 3%
  - Overall rapid annual debt amortization, with more than 65% coming due in 10 years
- Qualitative factors with a **negative** impact on the category score:
  - Significant medium-term debt plans produce a high initial score when included
  - Exposure to interest-rate risk or instrument provisions that could increase annual payment requirements by at least 20%
  - Overall net debt as a percentage of market value exceeding 10%
  - Unaddressed exposure to large unfunded pension or OPEB obligations leading to accelerating payment obligations over the medium term that represent significant budget pressure*
  - Speculative contingent liabilities or those otherwise likely to be funded on an ongoing basis by the government representing more than 10% of total governmental revenue

* On September 2, 2015 S&P Released a report: Incorporating GASB 67 And 68: Evaluating Pension/OPEB Obligations Under Standard & Poor's U.S. Local Government GO Criteria. While we expect their criteria will likely be unchanged, we will monitor any changes from S&P.

Plan of Action with SP/Moody's Criteria

- Consider the framework/scorecard information available from the City's rating agencies to revise and improve the City's Debt Management Policy.
- Process would include the following:
  - Complete quantitative analysis on the City's existing credit to determine the scores of S&P and Moody's.
  - Complete stress test on how additional debt could impact the City's scores.
  - Suggest revisions and updates to the City's Debt Management Policy to incorporate the rating agencies metrics and the results of the previous tasks.

RESOLUTION 2015-75

TO BE ENTITLED: "A RESOLUTION DECLARING THE INTENT OF THE CITY OF FRANKLIN TO REIMBURSE ITSELF FOR CERTAIN EXPENDITURES RELATING TO PUBLIC WORKS PROJECTS WITH THE PROCEEDS OF BONDS OR OTHER DEBT OBLIGATIONS TO BE ISSUED BY THE CITY OF FRANKLIN, TENNESSEE IN AN APPROXIMATE AMOUNT OF $10,000,000."

WHEREAS, it is the intention of the Board of Mayor and Aldermen (the "Governing Body") of the City of Franklin, Tennessee (the "Municipality") to provide funds for the (i) construction of improvements to the existing water treatment plant; (ii) acquisition of equipment and materials for site development and the design, construction, renovation, repair and equipping of the water plant; (iii) professional construction administration and engineering services providing oversight of the improvement project; and (iv) payment of legal, fiscal, administrative, architectural and engineering costs incident thereto (the "Project"); and

WHEREAS, it is the intention of the Governing Body to pay all or a portion of the costs of the Project by the sale of general obligation or revenue bonds (the "Bonds") or other debt obligations of the Municipality; and

WHEREAS, it is anticipated that it will be necessary to make expenditures in payment of costs of the Projects prior to the issuance of the Bonds or other debt obligations of the Municipality; and

WHEREAS, the Governing Body wishes to state its intentions with respect to reimbursements for said expenditures in accordance with the requirements of final regulations applicable thereto promulgated by the United States Department of the Treasury.

NOW, THEREFORE, BE IT RESOLVED by the Board of Mayor and Aldermen of the City of Franklin, Tennessee, as follows:

Section 1. It is reasonably expected that the Municipality will reimburse itself for certain expenditures in an amount not to exceed $10,000,000 made by the Municipality in connection with the Projects. The Municipality intends to reimburse all such expenditures through issuance of the Bonds or other debt obligations of the Municipality. The expenditures made prior to the issuance of the Bonds or other debt obligations of the Municipality are expected to be paid from the Municipality's Water management Operating Fund and reimbursement shall be made to said fund. Debt service on the Bonds or other debt obligations issued for the purposes herein is expected to be paid from revenues of the system or unlimited ad valorem taxes to be levied on all taxable property within the corporate limits of the Municipality.

Section 2. The approximate principal amount of the Bonds, or other debt obligations of the Municipality, are expected to be issued to finance the Projects is $10,000,000.

Section 3. This resolution shall be placed in the minutes of the Governing Body and shall be made available for inspection by the general public at the office of the City Recorder.

Section 4. It is the Municipality's reasonable expectation that it will reimburse the original expenditures for the Project, or a portion thereof, from the proceeds of the Bonds or other debt obligations of the Municipality.

Section 5. This resolution constitutes a declaration of official intent under Treas. Reg. §1.150-2.

Section 6. All resolutions or parts of resolutions in conflict herewith are hereby repealed, and this resolution shall be in immediate effect from and after its adoption.

Adopted and approved this 22 day of September, 2015.

CITY OF FRANKLIN, TENNESSEE

____
Mayor

ATTEST:

____
Eric Stuckey
City Administrator/Recorder

12910912.1

COF CONTRACT 2015-0305

Bank of America

Amendment Number 2 to Schedule of Property No. 1 and Acquisition Fund and Account Control Agreement

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This Amendment, made this 7th day of July, 2015, to Schedule of Property No. 1 and Acquisition Fund and Account Control Agreement both dated as of September 20, 2013 between Banc of America Public Capital Corp ("Lessor"), City of Franklin, TN ("Lessee") and Deutsche Bank National Trust Company ("Acquisition Fund Custodian")

WITNESSETH:

WHEREAS, Lessor and Lessee are parties to a Master Equipment Lease/Purchase Agreement dated as of September 20, 2013 and Schedule of Property No. 1 dated as of September 20, 2013 (the "Lease"); and Lessor, Lessee and Acquisition Fund Custodian have entered into an Acquisition Fund and Account Control Agreement dated as of September 20, 2013 (the Acquisition Fund Agreement, and together with the Lease, the "Agreements"); all defined terms therein not otherwise defined herein are used with the meanings defined therein; and

WHEREAS, Lessor and Lessee desire, and Acquisition Fund Custodian agrees, to amend certain provisions of the Agreements;

NOW, THEREFORE, in consideration of the premises and the mutual obligations hereinafter contained, and for other good and valuable consideration, the receipt whereof is hereby acknowledged, the parties hereto agree as follows:

1. Section 6 of Schedule of Property No. 1 entitled Lease Proceeds, is amended as follows:

   The reference to "twelve (12) months is hereby deleted and and replaced with twenty-five (25) months".

2. Section 7 of Schedule of Property No. 1 entitled Acquisition Period is hereby deleted in its entirety and replaced with the following:

   "The Acquisition Period applicable to this Schedule shall end on October 31, 2015, which is twenty-five (25) months following the date hereof."

3. In the second paragraph of the Acquisition Fund and Account Control Agreement is hereby amended as follows:

   The reference to "April 30, 2015" is hereby deleted and replaced with "October 31, 2015".

3. Except as amended hereby, the Agreements shall remain in full force and effect and is in all respects hereby ratified and affirmed. Capitalized terms not otherwise defined herein shall have the meanings ascribed them in the Agreements.

IN WITNESS WHEREOF, the parties hereunto have caused this instrument to be executed by their duly authorized officers as of the day and year first above written.

Banc of America Public Capital Corp (Lessor)

By: ______________________

Printed Name: ______________________

Title: ______________________

City of Franklin, TN (Lessee)

By: ______________________

Printed Name: ______________________

Title: ______________________

Deutsche Bank National Trust Company
(Acquisition Fund Custodian)

By: ______________________

Printed Name: ______________________

Title: ______________________

COF Contract No. 2015-0144

Pinnacle℠

MERCHANT APPLICATION AND AGREEMENT

PARTIES AND SERVICES

INTERNAL USE ONLY					
MERCHANT #			MCC		REFERRAL SOURCE/ASSOCIATION NAME
AGENT #		CORP #		CHAIN #	
SALES REPRESENTATIVE	PHONE		SALES ID		REFERRAL NUMBER

ESTIMATED DATE OF FIRST CREDIT CARD ACCEPTANCE: _____ *CARD ACCEPTANCE REQUESTED*: ☐**CREDIT ONLY** ☐ **DEBIT ONLY** ☐**CREDIT and DEBIT**

MERCHANT INFORMATION*

BUSINESS LEGAL NAME			IS YOUR BUSINESS SEASONAL? ☐ YES ☐ NO	
MAILING/BILLING ADDRESS		CITY	STATE	ZIP
TELEPHONE NUMBER	DBA FAX #** LEGAL FAX #**	TAX ID #	TOTAL # OF LOCATIONS	
MERCHANT "DOING BUSINESS AS" NAME		BUSINESS START DATE (MONTH/YEAR)	HOW LONG AT THIS LOCATION?	
LOCATION ADDRESS (No P.O. Box)		CITY	STATE	ZIP
TELEPHONE NUMBER	PRIMARY MERCHANT CONTACT	E-MAIL ADDRESS**		

TYPE OF OWNERSHIP: ☐ SOLE OWNERSHIP ☐ PARTNERSHIP ☐ JOINT VENTURE ☐ LLC ☐ PUBLIC CORP ☐ PRIVATE CORP ☐ GOVT. CORP ☐ NON-PROFIT ☐ OTHER

TYPE OF BUSINESS: ☐ RETAIL ☐ WHOLESALE ☐ RESTAURANT ☐ LODGING ☐ MAIL ORDER ☐ TELEPHONE ORDER ☐ CONVENIENCE STORE
☐ CONVENIENCE STORE WITH GAS ☐ INTERNET ☐ BUSINESS TO BUSINESS ☐ HOME-BASED ☐ OTHER

LIST ALL WEBSITE ADDRESSES:

DESCRIBE THE MERCHANDISE SOLD OR SERVICE PROVIDED

CHECK METHOD OF ADVERTISING AND INCLUDE ANY MATERIALS: ☐ YELLOW PAGES AD ☐ CATALOG ☐ DIRECT MAIL — LETTER/BROCHURE ☐ TV/RADIO
☐ TELEPHONE/TELEMARKETING ☐ NEWSPAPER/MAGAZINE ADVERTISEMENT ☐ REFERRAL ☐ INTERNET/E-MAIL

MAIL/FAX CHARGEBACK/RETRIEVALS TO: ☐OUTLET ☐CORPORATE ☐ RECON SOLUTIONS
DELIVER STATEMENTS TO: ☐ OUTLET ☐ CORPORATE DELIVER BY: ☐ MAIL ☐ E-MAIL** ______________________________ ☐ OUTLET ☐CHAIN

AMERICAN EXPRESS MERCHANT #	DISCOVER MERCHANT #

EQUIPMENT TYPE: ☐ RENT ☐ PURCHASE ☐ LEASE ☐ REPROGRAM ☐ SOFTWARE CODING ONLY: ___________

SALES DEPOSIT & REFUND POLICY

% ANNUAL CREDIT CARD SALES GENERATED BY: [MAIL/ PHONE %] [INTERNET %] [CARD SWIPE %] [HAND-KEYED ITEMS FACE-TO-FACE %] TOTAL = 100%
PERCENTAGE OF CUSTOMER ORDERS DELIVERED IN: [0 DAYS %] [1-7 DAYS %] [8-14 DAYS %] [15-30 DAYS %] [MORE THAN 30 DAYS %] TOTAL = 100%
NUMBER OF DAYS TO PREPARE SHIPMENTS FOR DELIVERY TO CUSTOMER FROM DATE OF ORDER: _________
ARE CUSTOMERS REQUIRED TO PROVIDE A DEPOSIT? ☐ YES ☐ NO IF A DEPOSIT IS REQUIRED, WHAT PERCENT OF THE TOTAL SALE IS REQUIRED? %
MC/VISA SALES ARE DEPOSITED (CHECK ONE): ☐ AT DATE OF ORDER ☐ AT DATE OF DELIVERY ☐ OTHER
DO YOU HAVE A REFUND POLICY FOR YOUR MASTERCARD/VISA SALES? ☐ YES ☐ NO
CHECK THE APPLICABLE REFUND POLICY: ☐ EXCHANGE ☐ STORE CREDIT ☐ MC/VISA CREDIT ☐ OTHER
IF MC/VISA CREDIT, WITHIN HOW MANY DAYS DO YOU DEPOSIT CREDIT TRANSACTIONS? ☐ 0-3 DAYS ☐ 4-7 DAYS ☐ 8-14 DAYS
WHAT % OF PRODUCT/SERVICE DOES CUSTOMER RECEIVE AT TIME OF PURCHASE: %

OWNERS/OFFICERS*

(List the two owners with the largest share of ownership. Information on the individual(s) signing the application is needed below.)

1. NAME		TITLE		PERCENT OF OWNERSHIP %	
RESIDENCE ADDRESS		CITY	STATE	ZIP	
HOME TELEPHONE	SOCIAL SECURITY #	DATE OF BIRTH	DRIVER'S LICENSE #		STATE
2. NAME		TITLE		PERCENT OF OWNERSHIP %	
RESIDENCE ADDRESS		CITY	STATE	ZIP	
HOME TELEPHONE	SOCIAL SECURITY #	DATE OF BIRTH	DRIVER'S LICENSE #		STATE
COMPANY PRESIDENT		COMPANY CFO			

CREDIT INFORMATION

ANNUAL VISA/MASTERCARD VOLUME	AVERAGE CREDIT CARD TICKET	TOTAL SALES

* Federal regulations require that we collect information to verify customer identity and that we retain this information in our records.

**By providing us your fax number and e-mail address, you agree that we may fax and/or email information to you from time to time regarding our products and services, and third party products and services which may be of interest to you.

MAIL OR TELEPHONE ORDER SALES

(Complete if your sales are generated by mail, telephone or Internet orders, or if your product is not delivered at the point of sale.)

NAME OF FULFILLMENT HOUSE (IF ANY)	DELIVERY TIME FRAME	IF USING A FULFILLMENT HOUSE, WHO OWNS THE MAJORITY OF THE INVENTORY? ☐ MERCHANT ☐ FULFILLMENT HOUSE	
FULFILLMENT HOUSE — STREET ADDRESS	CITY	STATE	ZIP

BANK REFERENCES (attach separate sheet with trade references if applicable)

BANK NAME (Please attach preprinted voided check.)	TRANSIT ROUTING # (ABA #)	ACCOUNT NUMBER	
ADDRESS	CITY	STATE	ZIP

IF THE MERCHANT HAS PREVIOUSLY ACCEPTED CREDIT CARDS, THE LAST 3 MONTHS' MERCHANT STATEMENTS MUST BE PROVIDED

CURRENT CREDIT CARD PROCESSING BANK, IF APPLICABLE BANK OR PROCESSOR NAME:			REASON FOR LEAVING CURRENT PROCESSOR (IF APPLICABLE)	
CITY	STATE	ZIP	CONTACT	PHONE

HAVE ANY OF THE PRINCIPALS EVER FILED FOR BANKRUPTCY? ☐ YES ☐ NO

IF YES, NAME: CHAPTER FILED: DATE:

HAVE ANY OF THE PRINCIPALS EVER MANAGED OR OWNED ANOTHER BUSINESS THAT ACCEPTED CREDIT CARDS? ☐ YES ☐ NO

IF YES, PROVIDE BUSINESS NAME: CITY/STATE:

THIS MERCHANT APPLICATION AND AGREEMENT (this "Agreement") is entered into by and between Pinnacle Bank ("Bank") and the Merchant identified in this Agreement. Under the terms of this Agreement, Bank will be the sole provider to Merchant of the services necessary to authorize, process and settle all of Merchant's credit and debit card transactions set forth in Schedule A to this Agreement. If a third party referred you to us for the services provided under this Agreement, such third party may be party to the Agreement, but has no rights with respect to Merchant except as provided in such third party's agreement with us.

FOR MERCHANT AND INDIVIDUAL GUARANTORS – As the person signing below on behalf of the business designated on the above Application ("Merchant"), I certify that I am an owner, partner or officer of the Merchant and have been duly authorized to sign this Merchant Application and Agreement on behalf of the Merchant. Merchant and each guarantor signing below ("Guarantor") hereby acknowledge that they have each received and read (1) Terms and Conditions for Merchant Agreement, (2) Schedule A (Pricing) and (3) the Operating Guides - Retail and Mail Order/Telephone Order/Internet Transactions. Merchant agrees to be bound by the terms and conditions contained in those documents, and each Guarantor hereby agrees to be bound as a Guarantor of the Merchant's obligations under this agreement, according to the Personal Guaranty contained in the Terms and Conditions for Merchant Agreement. Merchant hereby authorizes Bank to credit and debit Merchant's designated bank account(s) in accordance with this Agreement. Merchant represents and warrants that all information on this Application, and the related information submitted in conjunction with the Application, is true, complete and not misleading. The Application now belongs to Bank. Merchant understands that the application fee is non-refundable. Merchant, each Owner/Officer and each Guarantor hereby authorizes and agrees that Bank, or its designee, may investigate and verify the credit and financial information of Merchant, each Owner/Officer and any individual Guarantor and may obtain consumer and commercial credit reports on the Guarantors, Owners/Officers and Merchant from time to time. If the Application is approved, subsequent consumer and business credit reports may be required or used in connection with the maintenance, updating, renewal or extension of the Agreement. The Merchant, Owners/Officers and each Guarantor agrees that all business references, including banks, may release any and all credit and financial information to Bank. ANY UNILATERAL ALTERATION, STRIKEOVER OR MODIFICATION TO THE PREPRINTED TEXT OR LINE ENTRIES OF THIS MERCHANT APPLICATION AND LEGAL AGREEMENT SHALL BE OF NO EFFECT WHATSOEVER, AND AT BANK'S SOLE DISCRETION, MAY RENDER THIS MERCHANT APPLICATION INVALID.

MERCHANT:

BUSINESS LEGAL NAME ____________________

By: ____________________
Individual Signature (#1 from application)

Title: ____________________ Date ______

Print Individual Name: ____________________

By: ____________________
Individual Signature (#2 from application)

Title: ____________________ Date: ______

Print Individual Name: ____________________

GUARANTORS:

____
Individual Signature

Print Guarantor Name: ____________________ Date: ______

____
Individual Signature

Print Guarantor Name: ____________________ Date: ______

For Bank to request an American Express Number on behalf of the merchant through the AMEX ESA Program: By signing below, I represent that the information I have provided on the Application is complete and accurate and I authorize American Express Travel Related Services Company, Inc. ("American Express") to verify the information on this Application and to receive and exchange information about me, including, requesting reports from consumer reporting agencies. If I ask American Express whether or not a consumer report was requested, American Express will tell me, and if American Express received a report, American Express will give me the name and address of the agency that furnished it. I understand that upon American Express' approval of the business entity indicated above to accept the American Express Card, the Terms and Conditions for American Express Card Acceptance ("Terms and Conditions") will be sent to such business entity along with a Welcome Letter. By accepting the American Express Card for the purchase of goods and/or services, you agree to be bound by the Terms and Conditions.

Signature: ____________________ Date: ______ AMEX Volume: ______ Rate/Monthly Fee: ______

Accepted by Pinnacle Bank (For Internal Use Only)

Signature ____________________

Title: ____________________

Date: ____________________

TERMS AND CONDITIONS FOR MERCHANT AGREEMENT

1. Merchant's Acceptance of Payment Instruments.

1.1 Exclusivity. You will tender to us Transaction Data generated from all your Transactions via electronic data transmission according to our formats and procedures. You will not use the services of any bank, corporation, entity, or person other than Bank for authorization or processing of Transaction Data throughout the term of this Agreement.

1.2 Certain Payment Acceptance Policies. Each Payment Transaction and Conveyed Transaction must be evidenced by a single Transaction Data record completed with (i) the transaction date; (ii) a brief description of the goods or services sold, returned, or canceled; (iii) the price of the goods or services, including applicable taxes, or amount of any credit or adjustment; (iv) the Customer name; (v) your name in a manner recognizable to Customers;(vi) your address; (vii) a customer service telephone number; (viii) any applicable terms and conditions; (ix) the exact date any free trials end; and (x)any other information that the applicable Payment Brand may require. You shall not impose any surcharge or finance charge on a Payment Transaction or Conveyed Transaction or otherwise require the Customer to pay any fees payable by you under this Agreement if prohibited by the applicable Payment Brand. You shall not engage in any practice that unfavorably discriminates against or provides unequal treatment of the use of any Payment Brand over any other Payment Brand. You shall not set a dollar amount above or below which you refuse to honor otherwise valid Payment Instruments in violation of Payment Brand Rules. With respect to any Payment Transaction or Conveyed Transaction for which the Payment Instrument being used is not physically presented, such as in any on-line, mail, telephone, or pre-authorized transaction, you must (i) have notified us on your application or otherwise in writing of your intention to conduct such transactions and secured our agreement to accept them; and (ii) have reasonable procedures in place to ensure that each Transaction is made to a purchaser who actually is the Customer. Notwithstanding the foregoing, you acknowledge that under certain Payment Brand Rules, you cannot rebut a Chargeback where the Customer disputes making the purchase without an electronic record (for example, "swiping" or "tapping" a Payment Instrument) or physical imprint of the Payment Instrument.

1.3 Operating Guide; Payment Brand Rules. You agree to comply with the operating guide attached to this Agreement, as amended from time to time ("Operating Guide"), all Payment Brand Rules, and such other procedures as we may from time to time prescribe for the creation or transmission of Transaction Data. We may modify and supplement the Operating Guide in order to comply with requirements imposed by the Payment Brand Rules. You acknowledge that you have received a copy of the Operating Guide at or prior to your execution of this Agreement. To the extent that the Operating Guide is inconsistent with the Payment Brand Rules, the Payment Brand Rules shall prevail.

1.4 Requirements for Certain Transactions. As to all Payment Transactions and Conveyed Transactions you tender to us for processing, you represent and warrant that:

1) The Payment Transaction represents payment or refund of payment for the bona fide sale or lease of the goods, services, or both, that you have provided in the ordinary course of your business, and the Payment Transaction is not submitted on behalf of a third party.

2) The Payment Transaction represents an obligation of the Customer for the amount of the Payment Transaction.

3) The Payment Transaction does not involve any element of credit for payment of a previously dishonored Payment Instrument or for any other purpose except payment for a current transaction, and, except in the case of approved installment or pre-payment plans, the goods have been shipped or services actually rendered to the Customer.

4) The Payment Transaction is free from any alteration not authorized by the Customer.

5) The amount charged to the Customer that is represented in the Payment Transaction is not subject to any dispute, setoff, or counterclaim.

6) Neither you nor your employee has advanced any cash to the Customer (except as authorized by the Payment Brand Rules) or to yourself or to any of your representatives, agents, or employees in connection with the Payment Transaction, nor have you accepted payment for effecting credits to a Customer.

7) The goods or services related to each Payment Transaction are your sole property and you are free to sell them.

8) You have made no representations or agreements for the issuance of refunds except as it states in your return/cancellation policy, which has been previously submitted to us in writing as provided in Section 3.

9) Any credit transaction submitted to us represents a refund or adjustment to a Payment Transaction previously submitted to Bank.

10) You have no knowledge or notice of information that would lead you to believe that the enforceability or collectability of the subject Payment Transaction is in any manner impaired. The Payment Transaction is in compliance with all applicable laws, ordinances, and regulations. You have originated the Payment Transaction in compliance with this Agreement and the applicable Payment Brand Rules.

11) For a Payment Transaction where the Customer pays in installments or on a deferred payment plan, a Transaction Data record has been prepared separately for each installment transaction or deferred payment on the date(s) the Customer agreed to be charged. All installments and deferred payments, whether or not they have been submitted to us for processing, shall be deemed to be a part of the original Payment Transaction.

12) You have not submitted any Payment Transaction that you know or should have known to be either fraudulent or not authorized by the Customer or otherwise in violation of any provision of this Agreement or Payment Brand Rules.

2. Authorizations.

2.1 Obtaining Authorizations. You are required to obtain authorization/approval codes for all Payment Transactions by contacting the center designated by Bank. You acknowledge that the authorization/approval code of a Payment Transaction indicates only (i) that the Payment Instrument contains a valid account number; and (ii) that sufficient balance is available for the Payment Transaction at the time the authorization is given, but it does not constitute a representation from us, a Payment Brand or a card issuing bank that a particular Payment Transaction is in fact a valid or undisputed transaction entered into by the actual Customer.

2.2 Lack of Authorization. We reserve the right to refuse to process any Transaction Data presented by you (i) if you do not record a proper authorization/approval code, (ii) if we determine that the Transaction Data is or will become uncollectible from the Customer to which the transaction would otherwise be charged, or (iii) if we determine that the Transaction Data was prepared in violation of any provision of this Agreement or the Payment Brand Rules.

3. Refunds and Adjustments.

3.1 Disclosure of Refund Policy. You are required to maintain a fair policy with regard to the return/cancellation of merchandise or services and adjustment of Transactions. You are required to disclose your return/cancellation policy to us on your application. Your return/cancellation policy must be disclosed to your customers.

3.2 Changes to Policy. Any change in your return/cancellation policy must be submitted in writing to us not less than 14 days prior to the effective date of such change. We reserve the right to refuse to process any Transaction Data made subject to a revised return/cancellation policy of which we have not been notified in advance.

3.3 Procedure for Refunds/Adjustments. If you allow a price adjustment, return of merchandise, or cancellation of services in connection with a Payment Transaction, you will prepare and deliver to us Transaction Data reflecting such refund or adjustment within 3 days of receiving the Customer's request for such refund/adjustment. The amount of the refund/adjustment cannot exceed the amount shown as the total on the original Transaction Data except by the exact amount required to reimburse the Customer for postage that the Customer paid to return merchandise. You are not allowed to accept cash or any other payment or consideration from a Customer in return for preparing a refund to be deposited to the Customer's account; nor may you give cash refunds to a Customer in connection with a Payment Transaction, unless required by law.

4. Settlement.

4.1. Submission of Transaction Data. You must transmit your Transaction Data to us no later than the business day immediately following the day that such Transaction Data is originated. Failure to do so can result in higher interchange fees and other costs and increased Chargebacks. For debit card transactions that are credits to a Customer's account, you agree to transmit such Transactions to us within 24 hours of receiving the authorization for such credit. Unless otherwise indicated on Schedule A, you will be solely responsible for all communication expenses required to facilitate the transmission of all Transaction Data to us.

4.2 Merchant's Settlement Account. In order to receive funds from Bank, you must maintain an account at a bank that is a member of the Automated Clearing House ("ACH") system or the Federal Reserve wire system ("Settlement Account"). During the term of the Agreement, and thereafter until we notify you that all monies due from you under this Agreement have been paid in full, you agree not to close your Settlement Account without giving us at least 5 days' prior written notice and substituting another Settlement Account. You are solely liable for all fees, costs, and expenses associated with your Settlement Account and for all overdrafts. You authorize Bank to initiate electronic credit and debit entries and adjustments to your Settlement Account at any time without regard to the source of any monies in the Settlement Account. This authority will remain in full force and effect until we notify you that all monies due from you under this Agreement have been paid in full. We will not be liable for any of your losses or expenses whatsoever resulting from delays in receipt of funds or errors in Settlement Account entries caused by third parties, including, without limitation, delays or errors by either the Payment Brands or your bank.

4.3 Conveyed Transactions. To the extent that you submit any Conveyed Transaction for processing by Bank and you do not have a valid agreement in effect with the applicable Payment Brand, you hereby authorize us, at our option, to submit such transaction to the applicable Payment Brand, and to share with the Payment Brand such information from your Merchant Application as may be required by the Payment Brand in order to approve your acceptance of its Payment Instrument as a method(s) of payment. Subject to such approval you agree to the applicable Payment Brand's standard terms and conditions with respect to your acceptance of its method(s) of payment. Upon your transmission of such Conveyed Transaction to us, we will forward the Conveyed Transaction to the appropriate Payment Brand. Payment of the proceeds due you will be governed by whatever agreement you have with that Payment Brand, and we do not bear any responsibility for their performance. If your agreement with a Payment Brand requires such Payment Brand's consent for us to perform the services contemplated by our Agreement, you are responsible for obtaining that consent.

4.4 Transfer of Settlement Funds. For all Payment Transactions, we will process your Transaction Data to facilitate the funds transfer between the various Payment Brands and you for Payment Transactions. Promptly after we receive credit for such Transaction Data, we will provide provisional credit to your Settlement Account for the proceeds. The proceeds payable to you shall be equal to the amounts received by us in connection with your Transaction Data minus the sum of the following: (i) all fees imposed by us or any third parties passed through to you, charges, and discounts set forth in Schedule A; (ii) all adjustments and Chargebacks; (iii) all equipment charges (if any); (iv) all Customer refunds, returns, and adjustments; (v) all Reserve Account amounts; and (vi) any fees, charges, fines, assessments, penalties, or other liabilities that may be imposed on us or the Member, from time to time, by the Payment Brands and all related costs and expenses incurred by us. You agree that all amounts set forth above, and any other amounts are due and payable by you at the time the related services are rendered to you; that all Reserve Account amounts are due and payable by you upon establishment; and that the related Chargebacks, Customer refunds, and adjustments, fees, charges, fines, assessments, penalties, and all other liabilities are due and payable by you when we receive notice thereof from the Payment Brands or otherwise pursuant to Section 4. In the event we do not deduct such amounts from the proceeds payable to you, you agree to pay all such amounts to us. Alternatively, at our option, we may debit the Settlement Account for such amounts. Without limiting the foregoing or our rights under Section 7.2 or Section 10, if a Payment Brand notifies us or the Member that it intends to impose any fine or penalty as a result of excessive Chargebacks or your acts or omissions (including, without limitation, your failure to fully comply with any Payment Brand Rules), we may suspend the processing of your Payment Transactions.

4.5 Negative Amounts. To the extent the proceeds from Payment Transactions do not represent sufficient credits or the Settlement Account does not have a sufficient balance to pay amounts due or reasonably anticipated to become due under this Agreement, we may pursue one or more of the following options: (i) demand and receive immediate payment for such amounts; (ii) debit your Settlement Account for the amount of the negative balance; (iii)withhold your settlement payments until all amounts are paid; (iv) delay presentation of your refunds until you make a payment to us of a sufficient amount to cover the negative balance; (v) collect any amount due or which may become due to us from any of your bank accounts without notice to you; and (vi) pursue any other remedies we may have at law or in equity. Furthermore, if the amount represented by your Transaction Data in any day is negative due to refunds/credits being submitted by you in excess of your proceeds from Transaction Data, you shall provide us with sufficient funds prior to the submission of the Transaction Data so as to prevent the occurrence of a negative balance.

4.6 Delinquency/Merchant Fraud. At any time and from time to time we may temporarily suspend or delay payments to you and/or designate an amount of funds that we must maintain in order to protect us against the risk of, among other things, existing, potential, or anticipated Chargebacks and to satisfy your other obligations under this Agreement (such funds being hereinafter referred to as the "Reserve Account"), which may be funded in the same manner as provided for negative balances in Section 4.5. The Reserve Account will contain sufficient funds to cover any unbilled processing costs plus our estimated exposure based on reasonable criteria for Chargebacks, returns, unshipped merchandise, and/or unfulfilled services and all additional liabilities anticipated under this Agreement. We may (but are not required to) apply funds in the Reserve Account toward, and set off any funds that would otherwise be payable to you, the satisfaction of any amounts which are or become due from you pursuant to this Agreement. The Reserve Account will be held and controlled by Bank, will not bear interest, and you will have no legal right or interest in the funds in the Reserve Account; provided, however, that upon satisfaction of all of your obligations under this Agreement, we will pay to you any funds then remaining in the Reserve Account. Any funds in the Reserve Account may be commingled with other funds, and need not be maintained in a separate account. Effective upon our establishment of a Reserve Account, you irrevocably grant to us a security interest in any interest you may now have or later acquire in any and all funds, together with the proceeds thereof, that may at any time be in our possession and would otherwise be payable to you pursuant to the terms of this Agreement. You agree to execute and deliver to us such instruments and documents (including, without limitation, security agreements and releases) that we may reasonably request (i) to perfect and confirm the security interest and right of setoff set forth in this Agreement; and (ii) in connection with any return of Reserve Account funds.

<u>5. Accounting.</u> We will supply a detailed statement reflecting the activity for your merchant account(s) by on-line access (or otherwise if we agree).We will not be responsible for any error that you do not bring to our attention within 90 days from the date of such statement.

<u>6. Retrieval Requests.</u>

6.1 Records. You agree to store original documentation or legible copies of each Transaction for at least 18 months from the date of such Transaction. You may not charge a fee to your Customers for the creation or storage of such copies. We may, at our discretion, require you to deliver copies of Transaction Data to us rather than storing it.

6.2 Response to Retrieval Requests. We will send you any Retrieval Request that we cannot satisfy with the information we have on file concerning any Payment Transaction. In response, you must provide us in writing by certified or overnight mail or by confirmed fax (or by other means as agreed to by Bank) the resolution of your investigation of such Retrieval Request and include legible copies of any documentation required by the Retrieval Request within 7 business days after we send it to you (or such shorter time as the Payment Brand Rules may require). You acknowledge that your failure to fulfill a Retrieval Request in accordance with Payment Brand Rules may result in an irreversible Chargeback.

<u>7. Chargebacks.</u>

7.1 Chargeback Reasons. You may receive a Chargeback from a Customer or a Payment Brand for a number of reasons under the Payment Brand Rules. The following are some of the most common reasons for Chargebacks, and in no way is this intended to be an exhaustive list of possible Chargeback reasons:

1) Your failure to issue a refund to a Customer upon the return or non-delivery of goods or services.
2) A required authorization/approval code was not obtained.
3) The Transaction Data was prepared incorrectly or fraudulently.
4) We did not receive your response to a Retrieval Request within 7 business days or any shorter time period required by the Payment Brand Rules.
5) The Customer disputes the Transaction or the signature on the Transaction Data, or claims that the Transaction is subject to a set-off, defense, or counterclaim.
6) The Customer refuses to make payment for a Transaction because, in the Customer's good faith opinion, a claim or complaint has not been resolved, or has been resolved by you in an unsatisfactory manner.
7) The credit or debit card comprising the Payment Instrument was not actually presented at the time of the Payment Transaction or you failed to obtain an electronic record or physical imprint of such Payment Instrument, and the Customer denies making the purchase. The Merchant acknowledges that, under these circumstances, the fact that an authorization/approval code was obtained does not mean that a particular Transaction is a valid or undisputed transaction entered into by the actual Customer.

7.2 Excessive Chargebacks. If you are receiving an excessive amount of Chargebacks, as determined by the Payment Brands from time to time, in addition to our other remedies under this Agreement we may take the following actions: (i) review your internal procedures relating to acceptance of Payment Instruments and notify you of new procedures you could adopt in order to avoid future Chargebacks; (ii) notify you of a new rate we will charge you to process your Chargebacks; (iii) collect from you (pursuant to Section 4.6) an amount reasonably determined by us to be sufficient to cover anticipated Chargebacks and all related fees, expenses, and fines; or (iv) terminate the Agreement with written notice of termination. You also agree to pay any and all Payment Brand fees and fines assessed against you or against Bank or Member relating to your violation of this Agreement, the Operating Guide, or the Payment Brand Rules with respect to your acceptance of Payment Instruments, your Transaction Data or with respect to excessive Charge -backs under this Section.

7.3 Claims of Customers. You have full liability if any Transaction Data for which we have given the Settlement Account provisional credit is the subject of a Chargeback. Subsequently, you may resubmit applicable Transaction Data for a second presentment, but only in accordance with Payment Brand Rules. To the extent that we have paid or may be called upon to pay a Chargeback, refund or adjustment for or on the account of a Customer and you do not reimburse us as provided in this Agreement, then for the purpose of our obtaining reimbursement of such sums paid or anticipated to be paid, we have all of the rights and remedies of such Customer under applicable federal, state, or local laws and you authorize us to assert any and all such claims in our own name for and on behalf of any such Customer individually or all such Customers as a class.

<u>8. Display of Payment Brand Marks.</u> Merchant is prohibited from using the Payment Brand Marks, as defined below, other than as expressly authorized by us in writing or by the Payment Brands. Payment Brand Marks mean the brands, emblems, trademarks and/or logos that identify a Payment Brand. Additionally, Merchant shall not use the Payment Brand Marks other than to display decals, signage, advertising and other forms depicting the Payment Brand Marks that are provided to Merchant (i) by the Payment Brands; (ii) by us pursuant to this Agreement; or (iii) as otherwise approved in writing by us. Merchant may use the Payment Brand Marks only to promote the services covered by the Marks by using them on decals, indoor and outdoor signs, advertising materials and marketing materials; provided that all such uses by Merchant must be in writing and approved by us and consistent with Payment Brand Rules. Merchant shall not use the Payment Brand Marks in such a way that customers could believe that the products or services offered by Merchant are sponsored or guaranteed by the owners of the Marks. Merchant recognizes that it has no ownership rights in the Payment Brand Marks. Merchant shall not assign to any third party the rights to use the Payment Brand Marks. Merchant's sublicense to use the Payment Brand Marks hereunder terminates simultaneously with the termination of the Agreement.

9. Fees.

9.1 Schedule A. You agree to pay us for the services as set forth in Schedule A in accordance with this Agreement. Unless otherwise expressly stated in Schedule A, such pricing is based on all Transactions qualifying under the Payment Brand Rules for the lowest Payment Brand interchange rates. For Transactions that do not qualify for the best rate, Payment Brands may provide for a "downgrade," and we will apply a higher rate than the qualifying rate shown on Schedule A. Fees payable under this Agreement that contain a fraction of a cent will be rounded up to the next full cent.

9.2 Price Changes. We may modify the pricing on Schedule A with 30 days' prior written notice. In addition, we may change our fees, charges, and discounts resulting from (i) changes in Payment Brand fees (such as interchange, assessments, and other charges); (ii) changes in pricing by any third party provider of a product or service used by you; or (iii) fees which are added by a Payment Brand. Such new prices will be applicable to you as of the effective date established by the Payment Brand or third party provider.

10. Termination.

10.1 Term. The initial term of this Agreement shall commence upon our acceptance hereof (as evidenced by our acceptance of your first Transaction for processing hereunder, and shall continue until either (i) terminated by you by giving at least 30 days' prior written notice to us or (ii) terminated by us by giving notice to you (such termination by us to be effective as of a date set forth in such notice, or, if no such date is set forth, to be effective as of the date such notice is received by you). We reserve the right to place you or any person owning or controlling your business in the MATCH file (Member Alert to Control High-Risk Merchants) maintained by Visa and MasterCard in the event this Agreement is terminated for cause.

10.2 Account Activity After Termination. Termination does not affect either party's respective rights and obligations under this Agreement as to Transaction Data submitted before termination. If you submit Transaction Data to us after the date of termination, we may, at our sole discretion and without waiving any of our rights or remedies under this Agreement, process such Transaction Data in accordance with all of the terms of this Agreement. Upon notice of any termination of this Agreement, we may estimate the aggregate dollar amount of Chargebacks and other obligations, liabilities, and expenses that we reasonably anticipate subsequent to termination, and you agree to immediately deposit such amount in your Settlement Account or as otherwise directed by us, or we may withhold such amount from your settlement funds, in order to establish a Reserve Account pursuant to and governed by the terms and conditions of this Agreement.

11. Indemnity. You agree to indemnify Bank, Member, the Payment Brands, and their respective affiliates, officers, directors, employees, agents, and sponsoring banks from any losses, liabilities, and damages of any and every kind (including, without limitation, our costs, expenses and reasonable attorneys' fees) arising out of any claim, complaint, or Chargeback (i) made or claimed by a Customer with respect to any Transaction or Transaction Data submitted by you, (ii) caused by your noncompliance with this Agreement, the Operating Guide, or the Payment Brand Rules, including any breach of a representation or warranty made by you, (iii) resulting from any voluntary or involuntary bankruptcy or insolvency proceeding by or against you, or(iv) related to your placement or the placement of any person owning or controlling your business in the MATCH files maintained by Visa and MasterCard. The indemnification provided for in this Section does not apply to any claim or complaint to the extent it is caused by Bank' own negligence or willful misconduct. The indemnity provided under this Section 11 shall survive the termination of this Agreement.

12. No Disclosure of Customer Information. You will exercise reasonable care to prevent disclosure or use of Payment Instrument Information, other than (i) to your agents and contractors for the purpose of assisting you in completing a Payment Transaction, (ii) to the applicable Payment Brand, or (iii) as specifically required by law. You are allowed by the Payment Brand Rules to store only certain Payment Instrument Information (the "Permitted Information") currently limited to the customer's name, Payment Instrument account number and expiration date) and are prohibited from storing additional Payment Instrument Information, including, without limitation, any security code data such as CVV2, CVC2, and PIN data, and any magnetic stripe track data. You will store all media containing Permitted Information in an unreadable format wherever it is stored and in an area limited to selected personnel on a "need to know" basis only and prior to either party discarding any material containing Payment Instrument Information, the party will destroy it in a manner rendering the account numbers unreadable. If at any time you determine that Payment Instrument Information has been compromised you will notify Bank immediately and assist in providing notification to such parties as may be required by law, by Payment Brand Rules, or as we otherwise reasonably deem necessary. Merchant information may be shared by us with our affiliates and with the Payment Brands subject to the provisions of this Agreement and Payment Brand Rules. You agree to comply with all data security standards, guidelines and requirements that may be published from time to time by any Payment Brand, including, without limitation, the Payment Card Industry Data Security Standards (collectively, the "Security Guidelines"). You further agree provide us upon our request with such tests, scans and assessments of your compliance with Security Guidelines as required by the Payment Brands. You must notify us of your use of any Service Provider and, to the extent required by each Payment Brand all Service Providers must be (i) compliant with all Security Guidelines applicable to Service Providers, and (ii) registered with and/or recognized by such Payment Brand(s) as being so compliant. You agree to exercise reasonable due diligence to ensure that all of your Service Providers, and any other agents, business partners, contractors, or subcontractors with access to Payment Instrument Information, maintain compliance with the Security Guidelines. To the extent required by each Payment Brand, all payment applications, or software involved in the processing, storing, receiving or transmittal of Payment Instrument Information, shall be (i) compliant with all Security Guidelines applicable to such payment applications or software, and (ii) registered with and/or recognized by such Payment Brand(s) as being so compliant. You understand that your failure to comply with the Payment Brand Rules, including the Security Guidelines, or the compromise of any Payment Instrument Information, may result in assessments, fines, and/or penalties by the Payment Brands, and you agree to indemnify and reimburse us immediately for any such assessment, fine, or penalty imposed on us or the Member and any related loss, cost or expense incurred by us or the Member. If any Payment Brand requires a forensic examination of you or any of your Service Providers, agents, business partners, contractors, or subcontractors due to a data security compromise event or suspected event, you agree to cooperate with such forensic examination(including, without limitation, the engagement of an examiner acceptable to the relevant Payment Brand) and agree to pay for all costs and expenses related to such forensic examination, including all of our attorneys' fees and other costs relating to such forensic examination.

13. Information About Merchant's Business.

13.1 Additional Financial Information. Each of Merchant and the undersigned Guarantors (if any) agrees to furnish to us upon 5 days' notice such financial statements and information concerning such Guarantors and Merchant and each of Guarantor's and Merchant's parents, subsidiaries, and affiliated entities as we may request.

13.2 Other Information. With prior notice and during your normal business hours, our duly authorized representatives may visit your business premises and may examine your books and records that pertain to your Transaction Data or your compliance with this Agreement. You agree to provide us at least 30 days' prior written notice of your intent to change your product line or services, or your trade name, or the manner in which you accept Payment Instruments. If we determine such a change is material to our relationship with you, we may refuse to process Transaction Data made subsequent to the change. You agree to provide us with prompt written notice if you are the subject of any voluntary or involuntary bankruptcy or insolvency petition or proceeding. You will also provide us with prompt written notice of (i) any adverse change in your financial condition, (ii) any planed or anticipated liquidation or substantial change the basic nature of your business, (iii) any transfer or sale of any substantial part (25% or more in value) of your total assets, or (iv) if you or your parent is not a corporation whose shares are listed on a national securities exchange or on the over-the-counter market, any change in the control or ownership of you or your parent. You will also notify us of any judgment, writ, warrant of attachment, execution or levy against any substantial part (25% or more in value) of your total assets not later than three days after you obtain knowledge of any such judgment, writ, warrant of attachment, execution or levy.

14. Disclaimer; Limitation of Damages. Subject to Section 5, we will, at our own expense, correct any Transaction Data to the extent that such errors have been caused by us or by malfunctions of our processing systems. Under no circumstances will Bank's financial responsibility for our failure of performance under this Agreement exceed the total fees paid to us under this Agreement (net of Payment Brand fees, third party fees, interchange, assessments, and fines) for the six months prior to the time the liability arose. EXCEPT AS OTHERWISE PROVIDED FOR IN THIS AGREEMENT, IN NOEVENT WILL ANY PARTY, ITS RESPECTIVE DIRECTORS, OFFICERS, EMPLOYEES, OR AFFILIATES, BE LIABLE FOR SPECIAL, INCIDENTAL, CONSEQUENTIAL,OR PUNITIVE DAMAGES OR ANY LOSS, THEFT, DISAPPEARANCE, OR DAMAGE TO DATA TRANSMITTED ELECTRONICALLY IN CONNECTION WITH THISAGREEMENT. THIS AGREEMENT IS A SERVICE AGREEMENT, AND EXCEPT AS EXPRESSLY PROVIDED IN THIS AGREEMENT, Bank ANDMEMBER DISCLAIM ALL OTHER REPRESENTATIONS OR WARRANTIES, EXPRESS OR IMPLIED, MADE TO MERCHANT OR ANY OTHERPERSON, INCLUDING, WITHOUT LIMITATION, ANY WARRANTIES REGARDING QUALITY, SUITABILITY, MERCHANTABILITY, FITNESSFOR A PARTICULAR PURPOSE, OR OTHERWISE (REGARDLESS OF ANY COURSE OF DEALING, CUSTOM, OR USAGE OF TRADE) OF ANYSERVICES PROVIDED UNDER THIS AGREEMENT OR ANY GOODS PROVIDED INCIDENTAL TO SUCH SERVICES.

15. Miscellaneous.

15.1. Taxes. Unless you are otherwise exempt, you agree to pay any taxes imposed on the services, equipment, intellectual property, supplies, and other goods purchased or tangible property provided under this Agreement, and you authorize us to increase the amount we collect from you to reflect any and all assessments or increases in the sale, use, occupational, property, lease, or other taxes imposed on such sale or lease of services, tangible property, or intellectual property, equipment, supplies, and other goods purchased.

15.2 Application and Credit Check. You represent and warrant that statements made on your Application for this Agreement are true as of the date of your execution of this Agreement. Your signature on this Agreement authorizes us to perform any credit check deemed necessary with respect to Merchant and its directors, officers, affiliates, principals, and guarantors (if applicable).

15.3 Section Headings. The section headings of this Agreement are for convenience only and do not define, limit, or describe the scope or intent of this Agreement.

15.4 Assignment. We may assign this Agreement to an entity qualified under Payment Brand Rules to perform our obligations under this Agreement. You cannot assign or transfer your rights or delegate your responsibilities under this Agreement without our prior written consent. Failure to obtain our consent may result in a termination of this Agreement.

15.5 Parties. This Agreement binds you and us and our respective heirs, representatives, successors (including those by merger and acquisition), and permitted assigns. You represent and warrant that your execution of and performance under this Agreement (i) in no way breaches, contravenes, violates, or in any manner conflicts with any of your other legal obligations, including, without limitation, your corporate charter or similar document or any agreement between you and any third party or affiliated entity; (ii) has been duly authorized by all necessary action and does not require any consent or other action by or in respect of any third party; and (iii) that the person signing this Agreement on your behalf is duly authorized to do so. In providing services to you, we will not be acting in the capacity of your agent, partner, or joint venturer, and we are acting as an independent contractor. Each party agrees that any other party may publicly disclose, through press releases or otherwise, the existence of the business relationship that is the subject of this Agreement. Any such disclosure may identify the parties by name but shall not, without the prior written consent of the non-disclosing party, include any of the terms of this Agreement.

15.6 Severability. Should any provision of this Agreement be determined to be invalid or unenforceable under any law, rule, or regulation, including any Payment Brand Rule, such determination will not affect the validity or enforceability of any other provision of this Agreement.

15.7 Waivers. No term or condition of this Agreement may be waived except pursuant to a written waiver executed by the party against whom such waiver is sought to be enforced.

15.8 Entire Agreement. The Payment Brand Rules, Operating Guide, Application, and all schedules, and attachments to this Agreement are made a part of this Agreement for all purposes. This Agreement represents the entire understanding between Merchant and Bank with respect to the matters contained herein and supersedes any prior agreements between the parties. This Agreement shall prevail over the terms of any agreement governing the Settlement Account.

15.9 Notices. Except as otherwise provided in this Agreement, all notices must be given in writing and either hand delivered, faxed, or mailed first class, postage prepaid or sent via overnight courier (and will be deemed to be given when so delivered or mailed), to the addresses set forth below or to such other address as either party may from time to time specify to the other party in writing.

15. 10 Governing Law; Waiver of Jury Trial; Arbitration. This Agreement will be governed by and construed in accordance with the laws of the State of Tennessee without reference to conflict of law provisions. Any action, proceeding, arbitration or mediation relating to or arising from this Agreement must be brought, held, or otherwise occur in Nashville, Tennessee. PLEASE READ THIS PROVISION CAREFULLY. IT PROVIDES THAT ANYDISPUTE MAY BE RESOLVED BY BINDING ARBITRATION. ARBITRATION REPLACES THE RIGHT TO GO TO COURT, INCLUDING THERIGHT TO A JURY AND THE RIGHT TO PARTICIPATE IN A CLASS ACTION OR SIMILAR PROCEEDING. Any claim, dispute, or controversy ("Claim") by either you or Bank against the other, or against the officers, directors, employees, agents, parents, subsidiaries, affiliates, beneficiaries, agents, successors, or assigns of the other, arising from or relating in any way to this Agreement or to our relationship, including Claims regarding the applicability of this arbitration clause or the validity of the entire Agreement, shall be resolved exclusively and finally by binding arbitration administered by the National Arbitration Forum, under its Code of Procedure in effect at the time the Claim is filed, except as otherwise provided below. All Claims are subject to arbitration, no matter what theory they are based on. This includes Claims based on contract, tort (including intentional tort), fraud, agency, your or our negligence, statutory or regulatory provisions, or any other source of law. Claims and remedies sought as part of a class action, private attorney general, or other representative action are subject to arbitration on an individual (non-class, non-representative) basis only, and the arbitrator may award relief only on an individual (non-class, non-representative) basis. You and Bank will agree on another arbitration forum if the National Arbitration Forum ceases operations. The arbitration will be conducted before a single arbitrator and will be limited solely to the Claim between you and us. The arbitration, or any portion of it, will not be consolidated with any other arbitration and will not be conducted on a class-wide or class action basis. The prohibition against class action contained in this Section shall be non-severable from the remainder of this Section. If either party prevails in the arbitration of any Claim against the other, the non-prevailing party will reimburse the prevailing party for any fees it paid to the National Arbitration Forum in connection with the arbitration, as well as for any reasonable attorneys' fees incurred by the prevailing party in connection with such arbitration. Any decision rendered in such arbitration proceedings will be final and binding on the parties, and judgment may be entered in a court of competent jurisdiction. Rules and forms of the National Arbitration Forum may be obtained and Claims may be filed at any National Arbitration Forum office, www.arb-forum.com, or P.O. Box 50191, Minneapolis, Minnesota 55405, telephone 1-800-474-2371. Any arbitration hearing at which you appear will take place at a location within Nashville, Tennessee. This arbitration agreement is made pursuant to a transaction involving interstate commerce, and shall be governed by the Federal Arbitration Act, 9 U.S.C.§§ 1-16. This arbitration agreement applies to all Claims now in existence or that may arise in the future. Nothing in this Agreement shall be construed to prevent any party's use of (or advancement of any Claims, defenses, or offsets in) bankruptcy or repossession, replevin, judicial foreclosure or any other prejudgment or provisional remedy relating to any collateral, security, or other property interests for contractual debts now or hereafter owned by either party to the other. IN THE ABSENCE OF THIS ARBITRATION AGREEMENT, YOU AND WE MAY OTHERWISE HAVE HAD A RIGHT OR OPPORTUNITY TO LITIGATE CLAIMS THROUGH A COURT BEFORE A JUDGE OR A JURY AND/OR TO PARTICIPATE OR BE REPRESENTED IN LITIGATION FILED IN COURT BY OTHERS (INCLUDING CLASS ACTIONS), BUT EXCEPT AS OTHERWISE PROVIDED ABOVE, THOSERIGHTS, INCLUDING ANY RIGHT TO A JURY TRIAL, ARE WAIVED AND ALL CLAIMS MUST NOW BE RESOLVED THROUGH ARBITRATION.

15.11 Force Majeure. Neither party will be liable for delays in processing or other nonperformance caused by such events as fires, telecommunications or utility or power failures, equipment failures, labor strife, riots, war, terrorist attack, nonperformance of our vendors or suppliers, acts of God, or other causes over which the respective party has no reasonable control, except that nothing in this Section 15.11 will affect or excuse your liabilities and obligations for Chargebacks, refunds, or unfulfilled products and services.

15.12 Amendment. This Agreement may be amended at any time by Bank upon notice to you. Your continued submission of Transactions to us following such notice will be deemed to be your acceptance of such amendment.

16. Survival. The provisions of Sections 4.2, 4.4, 4.5, 4.6, 6.1, 7, 10.2, 11, 12, 14, 15, and 17 shall survive the termination of this Agreement.

17. Definitions.

"Application" is your statement of your financial condition, the characteristics of your business or organization that you have submitted to us on the cover pages of this Agreement, and related information you have submitted to us, including credit and financial information, to induce us to enter into this Agreement with you and that has induced us to process your Transactions under the terms and conditions of this Agreement.

"Chargeback" is a reversal of a Transaction you previously presented to Bank pursuant to Payment Brand Rules.

"Conveyed Transaction" is any Payment Transaction conveyed to a Payment Brand for settlement by such Payment Brand directly to Merchant.

"Customer" is the person or entity to whom a Payment Instrument is issued or who is otherwise entitled to use a Payment Instrument.

"Customer Information" is personal information related to a Customer or a Customer's Payment Instrument that is obtained by a Merchant as part of a Transaction. Such information may include, but not be limited to, Customer's name, address, phone number, date of birth, Payment Instrument account number and expiration date, PIN data, and CVV2 or CVC2 data, and any data read, scanned, or otherwise obtained from the Payment Instrument, whether printed thereon, or magnetically, electronically or otherwise stored thereon.

"Effective Date" means the date this Agreement takes effect pursuant to Section 10.1.

"Bank," "we," "our," and "us" is Pinnacle Bank, having its principal office at 211 Commerce Street #300, Nashville, Tennessee 37201.

"Merchant,""you," and "your" is the Merchant identified in the Application on the cover page of the Agreement.

"Member" is the entity providing sponsorship to Bank as required by all applicable Payment Brand.

"Payment Brand" is any payment method provider whose payment method is accepted by Bank for processing, including, but not limited to, Visa, U.S.A., Inc., MasterCard International, Inc., Discover Financial Services, LLC and other credit and debit card providers, debit network providers, gift cards, and other stored value and loyalty program providers.

"Payment Brand Rules" are the bylaws, rules, and regulations, as they exist from time to time, of the Payment Brands.

"Payment Application" is a third party application used by Merchant that is involved in the authorization or settlement of Transaction Data.

"Payment Instrument" is an account, or evidence of an account, authorized and established between a Customer and a Payment Brand, or representatives or members of a Payment Brand that you accept from Customers. Payment Instruments include, but are not limited to, credit and debit cards, stored value cards, loyalty cards, electronic gift cards, authorized account or access numbers, paper certificates, credit accounts and the like.
"Payment Instrument Information" is personal information related to a Customer or the Customer's Payment Instrument, that is obtained by Merchant from the Customer's Payment Instrument, or from the Customer in connection with his or her use of a Payment Instrument (for example a security code, a PIN number, or the customer's Zip code when provided as part of an address verification system). Without limiting the foregoing, such information may include a Customer's name, Payment Instrument account number and expiration date, date of birth, PIN data, security code data such as CVV2, CVC2,and any data read, scanned, or otherwise obtained from the Payment Instrument, whether printed thereon, or magnetically, electronically or otherwise stored thereon.
"Payment Transaction" is a transaction conducted between a Customer and Merchant utilizing a Payment Instrument in which consideration is exchanged between the Customer and Merchant.
"Permitted Customer Information" is Customer Information which is permitted to be stored in an unreadable format pursuant to the Payment Brand Rules. Currently, permitted information, as of the date of this Agreement, is limited to the Customer's name, the Payment Instrument's account number, and the Payment Instrument's expiration date, if any. "
Retrieval Request" is a request for information by a Customer or Payment Brand relating to a claim or complaint concerning a Transaction.
"Security Standards" means any rule, regulation, standard or guideline published, provided, or amended from time to time, by the Payment Brands or the Payment Card Industry Security Standards Council, including but not limited to the Payment Card Industry Data Security Standards, Visa's Cardholder Information Security Program, Discover's Information Security & Compliance Program, American Express's Data Security Operating Policy, MasterCard's Site Data Protection Program, Visa's Payment Application Best Practices, , the Payment Card Industry's Payment Application Data Security Standard, MasterCard's POS Terminal Security program, the Payment Application Data Security Standard, and the Payment Card Industry PIN Entry Device Standard.
"Service Provider" is any party that processes, stores or transmits Customer Information on your behalf, including, but not limited to your agents, business partners, contractors and subcontractors.
"Stored Value Transaction" is a Payment Transaction utilizing a Payment Instrument issued by or on the behalf of a Merchant in which a Customer receives value from the Merchant in exchange for consideration from the Customer.
"Transaction" is a Stored Value Transaction and/or a Payment Transaction.
"Transaction Data" is the written or electronic record of a Transaction.

PERSONAL GUARANTY

To induce Bank to enter into the foregoing Agreement (as the same may hereafter be renewed, modified, extended, or amended, the "Agreement"),and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the guarantors named on the cover page of the Agreement (each a "Guarantor" and collectively, the "Guarantors") jointly and severally, irrevocably, and unconditionally guarantee to Pinnacle Bank ("Bank") and its successors and assigns the due and punctual payment of the "Indebtedness" (hereinafter defined). As used herein, the term "Indebtedness" means all indebtedness, obligations, and liabilities of the merchant identified on the cover page of the Agreement ("Merchant") to Bank at any time created or arising, including, without limitation, to all indebtedness, obligations, and liabilities of Merchant arising under the Agreement.
This Personal Guaranty is a guaranty of payment and not a guaranty of collection. Each Guarantor agrees that he or she is liable for the Indebtedness as primary obligor. Bank may proceed against one or more Guarantors whether or not Bank proceeds against Merchant, any other obligors, or any collateral securing the Indebtedness. This Personal Guaranty may not be revoked by any Guarantor and shall continue to be effective with respect to any Indebtedness arising or created after any attempted revocation.
Each Guarantor acknowledges that he or she will benefit from the services and financial accommodation provided by Bank to Merchant's business. Each Guarantor is familiar with, and has independently reviewed books and records regarding, the financial condition of Merchant and is familiar with the value of any and all collateral intended to be created as security for the payment of the Indebtedness. However, no Guarantor is relying on such financial condition or collateral, including, without limitation, the Merchant's Reserve Account (as defined in Section 4.6 of the Agreement) if any, as an inducement to enter into this Personal Guaranty.
The obligations of each Guarantor hereunder shall be enforceable irrespective of the validity, legality, or enforceability of Merchant's obligations(including without limitation, the expiration of any applicable limitations period) and shall not in any way be affected by or conditional upon (i) any action taken under the Agreement or the exercise of any right or power thereby conferred; (ii) the bankruptcy or similar proceedings involving or affecting Merchant; (iii) any assignment, modification, alteration, or amendment of, or addition to, the Agreement whether with or without such Guarantor's knowledge or consent; (iv) any renewal, extension, increase, modification, alteration or rearrangement of all or any part of the Indebtedness; (v) any adjustment, indulgence, forbearance, or compromise that might be granted by Bank to Merchant or any Guarantor; or (vi) any other action, inaction, or circumstance whatsoever (with or without notice to or knowledge of or consent by such Guarantor) that may in any manner vary the risks of such Guarantor or might otherwise constitute a legal or equitable defense or discharge of any surety or guarantor. The Guarantor hereby waives all defenses based on occurrences of the types described in clauses (i) through (vi) above.
Guarantors authorize Bank, from time to time, without notice or demand and without affecting their liability hereunder, to (i) renew, compromise, extend, accelerate, or otherwise change the time for payment of, or otherwise change the terms of, the Indebtedness or the Agreement; (ii) take and hold security for the payment of the Indebtedness or this Personal Guaranty, and exchange, enforce, waive, and release any such security, or take additional security; (iii) apply such security or the proceeds thereof in such order or manner as Bank, in its discretion, may determine; (iv) release, in whole or in part, Merchant or any Guarantor from liability for the payment of the Guaranteed Debt; (v) substitute any one or more of the Guarantors or acquire additional guarantors; and (vi) to obtain and review such information (including without limitation, the reports of any consumer credit bureau) as Bank may deem necessary to confirm Guarantors' creditworthiness.
Guarantors hereby waive notice of (i) the incurrence by Merchant of any Indebtedness; (ii) acceptance of this Personal Guaranty Agreement; (iii)any renewal, modification, extension, or amendment of the Agreement or of any other instrument or document pertaining to all or any part of the Indebtedness; (iv) the occurrence of any breach or default under the Agreement; (v) Bank' transfer or disposition of the Indebtedness, or any part thereof;(vi) sale or foreclosure (or posting or advertising for sale or foreclosure) of any collateral for the Indebtedness; (vii) protest, proof of non-payment, or default by Merchant; and (viii) any other action at any time taken or omitted by Bank. Guarantors hereby waive all presentment demands for performance or payment, protests, notices of protest, nonperformance, dishonor, default and non-payment, and all other notices or formalities.
This Personal Guaranty shall be binding on, and inure to the benefit of, the parties hereto and their respective heirs, administrators, legal representatives, successors, and assigns. Guarantors may not, without the prior written consent of Bank, assign any of their rights, powers, duties, or obligations hereunder. Guarantors jointly and severally agree to pay reasonable attorneys' fees and all other costs and expenses which may be incurred by Bank in the enforcement of this Personal Guaranty. Bank' rights hereunder shall be cumulative of any and all other rights that Bank may have against Guarantors.

MERCHANT OPERATING GUIDE
GENERAL RULES APPLICABLE TO ALL TRANSACTIONS

1. ACCEPTANCE OF CERTAIN PAYMENT INSTRUMENTS

In offering Visa and MasterCard payment options to your Customers, you may elect any one of the following options: (i) accept all types of Visa and MasterCard Payment Instruments – including consumer credit and debit/check cards, and commercial credit and debit/check cards; (ii) accept only Visa and MasterCard credit cards and commercial cards (if you choose this option you must accept all consumer credit cards (but not consumer debit/check cards) and all commercial card products, including business debit/check cards; or (iii) accept only Visa and MasterCard consumer debit/check cards (if you choose this option you must accept all consumer debit/check card products (but not business debit/check cards) and will not accept any kind of credit cards). The acceptance options above apply only to U.S. domestic Visa and MasterCard Payment Transactions and, as such, they do not apply to Visa or MasterCard Payment Instruments issued by non-U.S. banks. In other words, if your Customer presents a Visa or MasterCard Payment Instrument issued from a European or Asian bank, for example, you must accept that card just as you would any other card (provided you receive a valid authorization and confirm the identity of the Customer, etc.), regardless of the acceptance option choice you have made and even if you have elected not to accept that type of Payment Instrument from U.S. issuers. If you choose to limit the types of Visa and MasterCard Payment Instruments you accept, the following rules apply to you: (i) you must display appropriate signage to indicate acceptance of the limited acceptance category you have selected (that is, accept only debit/check card products or only credit and commercial products; (ii) if you elect limited acceptance, any Transaction Data submitted into interchange outside of the selected product category will be assessed the standard interchange fee applicable to that card product and may also have additional fees/surcharges assessed; and (iii) additional Visa and MasterCard Rules that may be applicable to you may be viewed on their respective websites.

2. AUTHORIZATION/APPROVAL CODES

All Payment Transactions and Conveyed Transactions require authorization/approval codes. You must request and receive an authorization/approval code for the total amount of the Transaction. An authorization/approval code indicates (i) the availability of credit on the Payment

Instrument at the time of inquiry, and (ii) that the Payment Instrument account number is valid. It is not a promise or a guarantee that you will receive payment for that transaction. It does not warrant that the person presenting the Payment Instrument has the authority to do so.

3. REFUNDS/CREDITS

You must disclose your return/refund policy to your Customers. You must complete a credit for the total amount of the refund and identify the merchandise being returned and any shipping and handling charges being returned. You must imprint or record the credit voucher with the same Payment Instrument used to make the original purchase. For retail Payment Transactions and Conveyed Transactions, the credit voucher must be dated and signed by the Customer and the appropriate copy provided to the Customer. Cash refunds should never be issued for Payment Transactions or Conveyed Transactions, unless required by law. If you fail to follow these procedures, you may be unable to rebut a Chargeback from the Customer for failure to issue a refund (even if you actually gave the refund by cash or check). Paperwork is not necessary for an even exchange. For an uneven exchange, complete a credit for the total amount of the merchandise being returned and complete a new Transaction receipt for any new merchandise purchased. You cannot process a credit or refund without having completed a previous purchase Transaction with the same Customer.

4. PROCESSING OF TRANSACTION DATA

You must submit Transaction Data (including credit vouchers) to us on or before the next business day after the date of the Transaction. Late submission of Transaction Data may result in higher Payment Brand fees and interchange rates, Chargebacks and other negative consequences. You must not submit Payment Transactions or Conveyed Transactions for payment until the goods are delivered, shipped, or the services are performed (except as otherwise provided in the Merchant Agreement, and only if you have notified us that you are doing so on your application or otherwise in writing). If the Customer disputes being charged for merchandise or services before receiving them, the result will be a Chargeback to you. We may from time to time contact Customers to verify that they have received goods or services for which Transactions have been submitted. You cannot present for processing any Transaction Data that was not originated as a result of an act directly between the Customer and you. You cannot present for processing any Transaction Data you know or should have known to be (i) fraudulent or (ii) not authorized by the Customer. You will be responsible for the actions of your employees while acting in your employ. The collection and payment of all federal, state and local taxes is your responsibility. Taxes collected must be included in the total transaction amount and not collected separately by another form of payment. You must submit one Transaction Data record for all goods and services sold in the same transaction. All available information about the sale, including any handling and shipping charges, must be accurately recorded. You must provide to the Customer a true and completed record of the Transaction.

5. CHARGEBACKS

Chargebacks of Payment Transactions and Conveyed Transactions may occur under a variety of circumstances, as dictated by the Payment Brand Rules, which are subject to modification from time to time. Consequently, the following is only a partial list of circumstances that might give rise to Chargebacks:(i) a Customer account number is incorrect or otherwise invalid; (ii) an authorization/approval code was not received or other required authorization was not obtained; (iii) an authorization/approval code was obtained for the wrong amount or wrong date; (iv) the Customer never received the merchandise/service requested; (v) a Customer's refund/credit was processed as a sale; (vi) the Transaction Data is for the wrong amount; (vii) a Customer was never credited for returned merchandise or a canceled order; (viii) the Payment Instrument was expired, counterfeit, altered, or invalid at time of sale; (ix) a Payment Transaction or Conveyed Transaction was deposited more than once; (x) the Customer did not authorize or consent to the Transaction; (xi) the signature on the Transaction receipt does not match the signature on the Payment Instrument (if required); (xii) the Payment Instrument was not imprinted or its magnetic strip was not electronically recorded (for example, "swiping" or "tapping" a Payment Instrument) through a terminal; (xiii) the Customer asserts any disputes, claim, counterclaim, defense or offset against you; (xiv) the Transaction Data or any material information thereon is illegible, incomplete, inaccurate or unsigned, or is not delivered to us within the required time limits; (xv) the Transaction Data is fraudulent or does not represent a bona fide transaction in the ordinary course of your business, or is subject to any claim of illegality, negligence, dishonesty or offset; and (xvi) you have failed to provide copies of Transaction Data requested by us (retrieval request) within the prescribed time period.

6. DISPUTING CHARGEBACKS

If you have reason to dispute or respond to a Chargeback, then you must do so by the date provided by us on our report to you. We are not required to investigate, reverse or make any adjustment to any Chargeback when thirty (30) calendar days have elapsed from the date of the Chargeback. All responses to Chargebacks must be in writing, and must contain the following information: (i) date of debit/credit advice; (ii) company case number; (iii) total amount of Chargeback; (iv) date and dollar amount for which the Transaction Data was originally submitted (v) if known, the date and authorization approval code; and (vi) any supporting documentation to substantiate your claim. You should include a dated cover letter detailing reasons for requesting a review of the Chargeback. You should retain a copy of the correspondence and all documentation for your files. You should also retain proof that we received your response.

7. DATA SECURITY AND PRIVACY

You agree to post and maintain on all your Web sites both your consumer data privacy policy (which must comply with all Payment Brand Rules, regulations and guidelines) and your method of transaction security. You may not retain or store CVV2/CVC2 data or PIN data subsequent to the authorization. You must comply with all Security Standards published by the Payment Brands and the PCISSC including, but not limited to, Visa's Customer Information Security Program ("CISP), MasterCard's Security Data Program (MSDP) and the Payment Card Industry Data Security Standard (PCIDSS).Pursuant to the Security Standards, you must, among other things: (i) install and maintain a working network firewall to protect data accessible via the Internet; (ii) keep security patches up-to-date; (iii) encrypt stored data and data sent over open networks; (iv) use and update anti-virus software; (v)restrict access to data by employees who are on a "need-to-know" basis;(vi) assign a unique ID to each person with computer access to data; (vii) not use vendor-supplied defaults for system passwords and other security parameters; (viii) track access to data by unique ID; (ix) regularly test security systems and processes; (x) maintain a policy that addresses information security for employees and contractors; (xi) restrict physical access to Customer information; (xii) when outsourcing administration of information assets, networks, or data you must retain legal control of proprietary information and use limited "need-to-know" access to such assets, networks or data; and (xiii) reference the protection of Customer information and compliance with the Security Standards in contracts with other service providers. You must notify Bank of any third party vendor with access to Customer information, and you are responsible for ensuring that all third party vendors are compliant with the Security Standards, to the extent applicable. The Security Standards may require that you engage an approved third party vendor to conduct quarterly perimeter scans and/or an on-site security review of your systems in order to be compliant. Visa and MasterCard's individual requirements for such scans or security reviews can be accessed through the Visa and MasterCard websites at www.Visa.com and www.MasterCard.com. The Payment Brand rules provide that Customer information and Transaction Data is owned by the Payment Brand and the Customer. Bank also asserts some ownership rights in the Transaction Data to the extent it belongs to the Payment Brand system. You are responsible for securing Customer information. You will not use any Payment Instrument or Customer information other than for the sole purpose of completing the transaction authorized by the Customer for which the information was provided to you, or as specifically allowed by the Payment Brand Rules, or required by law. Bank or any Payment Brand may inspect Merchant's premises and computers, and the premises and computers of any company the Merchant has contracted with, for the purposes of verifying that Customer information is securely stored and processed, and is not used for any purpose other than processing the transactions to which it relates.

8. CERTAIN MERCHANT PROHIBITIONS

You may not (i) accept Customer payments for previous Visa or Visa Electron charges; (ii) require a Customer to complete a postcard or similar device that includes the Customer's account number, Payment Instrument expiration date, signature, or any other account data in plain view when mailed; (iii)add any tax to a Transaction unless applicable law expressly requires that you be permitted to impose a tax; (iv) request or use a Payment Instrument account number for any purpose other than as payment for its goods or services, except to support Visa's Health Care Eligibility Service or Prepaid Load Network; (v) disburse funds in the form of travelers cheques, if the sole purpose is to allow the Customer to make a cash purchase of goods or services from you; (vi) accept Visa or Visa Electron for the purchase of scrip; or (vii) accept Visa Electron for a manual cash disbursement. You understand and acknowledge that all Visa BIN information provided by us to you is proprietary and confidential information belonging to Visa. You must not disclose Visa BIN Information to any third party without prior written permission from Visa. You understand and acknowledge that Visa may impose conditions on, or permanently prohibit you from participating in the Visa program for any reasons it deems appropriate, including, but not limited to (i) fraudulent activity;(ii) submitting Transaction Data that does not result from an act between you and the Customer (laundering); (iii) entering into this Agreement under a new name with the intent to circumvent provisions of the Rules; (iv) activity that causes us to repeatedly violate the Rules; any other activity that may result in undue economic hardship or damage to the goodwill of the Visa system.

SPECIALIZED RULES FOR RETAIL TRANSACTIONS

1. PRESENTATION OF PAYMENT INSTRUMENTS

You or your employee must examine each Payment Instrument presented to determine that the Payment Instrument presented is valid and has not expired. You must exercise reasonable diligence to determine that the authorized signature on any Payment Instrument) presented corresponds to the Customer's signature on the Transaction Data. You must not honor expired, invalid, altered, counterfeit, or revoked Payment Instruments nor any Payment Instrument presented by any person other than the proper Customer as evidenced by the authorized signature on the Payment Instrument. A Customer may authorize another person to use his or her Payment Instrument for purchases, provided the user's signature appears on the back of the Payment Instrument. The signature on the back must match the one on the Transaction Data. If the Payment Instrument is not signed, in addition to requesting an authorization, you may review positive identification as allowed by local and state law, such as a passport or driver's license, to confirm that the user is the Customer, record the information and require the Customer to sign the signature panel of the Payment Instrument prior to completing the Transaction. You should not complete a Transaction if the Customer does not present his or her Payment Instrument or if you cannot obtain an electronic swipe record or physical imprint of the Payment Instrument (this includes mail, telephone and internet orders). By the submission of any Transaction Data to us, you will be deemed to warrant the identity of the purchaser as the authorized holder of the Payment Instrument, and if the Customer later denies making the purchase, you will not be able to rebut the Chargeback.

2. COMPLETION OF TRANSACTIONS

You must use a suitable imprinter to legibly imprint Payment Instruments on Transaction Data or, capture the information from the Payment Instrument by electronic data capture. A photocopy of the Payment Instrument is not an acceptable substitute for an imprint. If the account number is manually keyed into the terminal, you must imprint the Payment Instrument. Your name, location, city and state must match the Merchant plate on the imprinter. You must notify us of any changes to the information on the Merchant plate. In addition to having the Customer sign the Transaction receipt, the Transaction date and dollar amounts and other information must be clearly written or printed on the Transaction receipt or captured by an electronic device. A brief description of the goods sold or service rendered must be provided on the Transaction receipt. Authorization/approval code numbers must be clearly recorded in the appropriate place on the Transaction receipt. Never circle or underline any information on the Transaction receipt. Every Transaction Receipt and credit voucher must be imprinted (or printed from electronic draft capture equipment) with the Customer's truncated account number and Merchant name. You will give the Customer a true and completed copy of the Transaction Receipt or appropriate facsimile. If the Customer's copy of the Transaction receipt or credit voucher is printed from electronic draft capture equipment/terminal, it must comply with all applicable Payment Brand Rules and laws. You cannot require Customers to provide any personal information as a condition for honoring Payment Instruments unless otherwise required by the Payment Brand Rules or law. Personal information includes, but is not limited to, a home or business telephone number, a home or business address, a social security number, or a photocopy of a driver's license. You cannot retain or store full magnetic-stripe data, CVV2, CVC2 codes or PIN data after the authorization of a Payment Transaction or Conveyed Transaction, except as required to complete the transmission of such Transaction Data to us.

3. FORGERIES/COUNTERFEIT PAYMENT INSTRUMENTS

You should examine all notices received from us or from a Payment Brand to help you determine whether a Payment Instrument presented is counterfeit. You should attempt to retain the Payment Instrument while making an authorization request and then match any signature on the Payment Instrument with the one on the Transaction receipt. You should compare the account number on the Payment Instrument to the account number printed on the receipt or displayed on the terminal. You should examine each Payment Instrument to see if it looks genuine. You should use reasonable, peaceful efforts to recover any Payment Instrument if you have reasonable grounds to believe such Payment Instrument is counterfeit, fraudulent or stolen. You will be solely responsible for your actions in recovering/retaining Payment Instruments.

4. TRAVEL AND ENTERTAINMENT SERVICES

At your option and as specified in the applicable sections of the Payment Brand Rules, Merchants may participate in one or more specialized travel &entertainment services offered by any of the Payment Brands. Merchants offering travel and entertainment services must institute and comply with the procedures set forth in the Payment Brand Rules.

SPECIALIZED RULES FOR MAIL ORDER, TELEPHONE ORDER, AND INTERNET TRANSACTIONS

1. COMPLETION OF SALE

You are responsible for determining that the purchaser is the person whose name appears as the Customer. If an account number is transposed into an invalid or inaccurate account number, the sale will result in a Chargeback. You must be authorized by us to accept Payment Instruments for mail, telephone, internet and pre-authorized orders, and you must have noted such on your application to us. All information that would normally be imprinted from a Payment Instrument must be clearly written in the appropriate areas on the order or Transaction receipt. "Mail Order" or "Phone Order" should be written on the signature line of the Transaction receipt.

2. RECURRING TRANSACTIONS

For recurring transactions, you must obtain a written request from the Customer for the goods and services to be charged to the Customer's account, specifying the frequency of the recurring charge and the duration of time during which such charges may be made. You will not complete any recurring transaction after receiving: (i) a cancellation notice from the Customer (ii) notice from Bank or any Payment Brand that the Payment Instrument is not to be honored; or (iii) an authorization/approval code that the Payment Instrument is not to be honored. You must include in your Transaction Data the electronic indicator that the transaction is a recurring transaction.

SPECIALIZED RULES FOR STORED VALUE TRANSACTIONS

1. PAYMENT INSTRUMENTS & PACKAGING

You may be obligated to purchase Stored Value Payment Transaction Payment Instruments ("Gift Cards) from us or pay us a data transfer fee in lieu thereof. Please check the pricing schedule of your Merchant Agreement to see if these requirements apply to you. If you are obligated to purchase Gift Cards from us or if you elect to do so, we will arrange for the Gift Card production and may, at our option, invoice you therefore, in lieu of electronically debiting your account. Any such invoice will be payable upon receipt. Gift Cards, Packaging and Point-of-purchase marketing materials are available and priced on a per bundle basis, based on current rates. All production and delivery timeframes and costs provided by us are estimates only and we do not guarantee any specific date of delivery or price for Gift Cards produced by third parties. You are responsible for all production costs and delivery charges for Gift Cards. The form and content of all Gift Cards will be subject to our approval.

2. COMPLIANCE AND WARRANTIES

You are solely responsible for complying with all applicable laws relating to your Gift Card program and you agree to indemnify and hold us harmless from any loss, damage or claim relating to or arising out of any failure to comply with applicable laws in connection therewith. You are solely responsible for monitoring the legal developments applicable to the operation of your Gift Card program and ensuring that your Gift Card program complies fully with such requirements as in effect from time to time. Merchant acknowledges that Bank cannot reasonably be expected to monitor and interpret the laws applicable to its merchants, and has no responsibility to monitor or interpret laws applicable to Merchant's business.

3. FRAUD

You hereby agree (i) that you are responsible for ensuring that all Gift Cards require activation at the point of sale; (ii) to provide notification in writing to Bank of any fraud losses by type by fifteen days following the end of each calendar quarter; (iii) that you will be solely responsible for any and all value adding and fraud losses and expenses relating to or arising from your Gift Card; (iv) to discourage transportation of groups of sequentially numbered Gift Cards; and (v) to deactivate or otherwise remove all value from Gift Cards that have been compromised. You will be responsible for any fraudulent trans -actions involving your Gift Cards, including, without limitation, the unauthorized activation of Gift Cards, reloading of existing Gift Cards (whether pursuant to a manual telephone order or otherwise) with additional value, or the unauthorized replication of Gift Cards or Gift Card data for fraudulent transactions. Bank provides a number of tools and options to help Merchant reduce Merchant's risk of exposure for fraudulent transactions. We urge you to make use of any and all of such tools as we may offer in order to help reduce the risk of such transactions. In particular, we recommend that you utilize only those vendors that have been certified by Bank as having appropriate security measures in place to reduce the risk of counterfeit Gift Cards and the loss of sensitive Gift Card information that might result in unauthorized transactions, and, we recommend that you promptly and frequently reconcile the transaction reports we provide to you against your own internal transaction records, and to report any unauthorized transactions to your account representative at Bank. Because manual Gift Card transactions (i.e. those involving the activation or reloading of Payment Instruments over the telephone in cases where your terminals may be unavailable) pose a higher risk of potential fraud, we urge you to pay special attention to these transactions and reconcile them on an even more frequent basis. In the event that you do not reconcile your transaction reports and promptly report any suspicious activity to us, Bank may not be able to assist you in canceling fraudulently activated or reloaded Gift Cards, or in otherwise identifying the source of any fraud.

SPECIALIZED RULES FOR DISCOVER FULL SERVICE PROCESSING

PREFACE

Bank (sometimes referred to as "we" or "us") and Discover Financial Services LLC ("Discover® Network") have initiated a program (the "Program") to allow Bank to provide merchant processing services for Discover® Network Card transactions. These Terms and Conditions (including the Supplemental Discover® Network Merchant Processing Operating Procedures contained herein (sometimes referred to as the "Operating Regulations") (collectively, the "Discover® Network Program Guide")), together with the Discover® Network Merchant Processing Application and Agreement delivered herewith (the "Program Application"; and together with the Discover® Network Program Guide, the "Discover® Network Program Agreement" or the "Agreement"), comprise an agreement between Bank and you governing your acceptance of Discover® Network Cards, and Bank's provision of merchant services to you in connection with Discover® Network transactions. By accepting Discover® Network Cards, you agree to be bound by this Discover® Network Program Agreement. Capitalized terms used but not otherwise defined in this Discover® Network Program Agreement have the meanings given them in the agreement among Bank, you and the Bank identified therein contained in the Merchant Application And Agreement, the Operating Procedures and the Schedules thereto, and the documents incorporated therein, each as amended from time to time, which collectively constitute the agreement among such parties concerning Credit Card transaction processing and related matters (the "MAA"). Bank will provide Services to you in connection with your acceptance of Discover® Network Cards as provided in this Discover® Network Program Agreement.

TERMS AND CONDITIONS FOR CARD ACCEPTANCE

1. Incorporation of MAA. The terms and conditions of the MAA, as amended from time to time, are incorporated into this Discover® Network Program Agreement by reference and are hereby made a part of this Discover® Network Program Agreement. Except and to the extent provided below in this Discover® Network Program Agreement, the terms and conditions of the MAA (which we may amend from time to time as provided in the MAA) shall govern your acceptance of Discover® Network Cards, and Bank's provision of Services to you in connection with Discover® Network Card transactions. This Discover® Network Program Agreement applies solely to your acceptance of Discover® Network Cards, and shall not amend the terms of the MAA in any respect except as specifically set forth herein with respect to Discover® Network Cards, and not with respect to any other Credit Cards.

2. Acceptance of Discover® Network Cards. Except as provided in this Discover® Network Program Agreement, the terms and conditions governing your acceptance of Discover® Network Cards are as specified in the MAA. You agree to accept Discover® Network Cards at all of your establishments in payment for purchases of goods and services from all Discover® Network Cardholders who want to use Discover® Network Cards at your establishment. You agree to follow the procedures in this Agreement and in the Operating Regulations concerning your acceptance of Discover® Network Cards and the preparation and submission of Sales Drafts.

3. Submission of Sales Drafts. Except as provided in this Discover® Network Program Agreement, the terms and conditions governing your submission of Sales Drafts and Credit Drafts using the Discover® Network Card are as specified in the MAA. You agree to transmit Sales Drafts to us each business day in the format directed by us and by the transmission deadline. Additional requirements for Discover® Network Card Sales by mail, telephone and Internet are described in the Operating Regulations and MAA.

4. Telephone, Mail Order and Internet Discover® Network Card Sales. Except as provided in this Discover® Network Program Agreement, the terms and conditions governing your processing of telephone, mail order and Internet Discover® Network Card sales using the Discover® Network Card are as specified in the MAA. You agree to obtain our prior approval before accepting any Discover® Network Cards Sales over the Internet. You agree to comply with our data security and encryption requirements in the Operating Regulations and MAA, including our procedures for Discover® Network Card transactions over the Internet and Discover® Network Card transactions on your web site.

5. Settlement of Transactions. Except as provided in this Discover® Network Program Agreement, the terms and conditions governing Settlement for your transactions using Discover® Network Card are as specified in the MAA. As used in this Agreement, the term "Settlement" means the procedure by which we will reimburse you for the amount of each valid Discover® Network Card sale for which you submit Sales Drafts to us that represent a purchase from your establishment with a Discover® Network Card, minus an amount equal to the sum of any Chargebacks, any credits to Discover® Network Cardholders that you submit to us, and the fees due to us and plus or minus adjustments that we make to reconcile or correct errors in your Sales Drafts. The timing for your Settlement payments is described in the Operating Regulations and MAA, unless otherwise indicated by us in writing. We may, at our discretion, change the timing of your Settlement payment upon five (5) calendar days' advance written notice if required by Discover® Network. Your terminals or point-of-sale devices must be programmed with the Merchant Account Number that we assigned to you if you are to receive Settlement for Discover® Network Card sales. You are responsible for the programming of your terminals to accept Discover® Network Card sales. If a third party programs your terminals, you are responsible for such third party's acts and omissions in connection therewith, including, without limitation, any payment of your Settlement amounts to the incorrect party. Promptly following the completion of programming services, you agree to confirm receipt in your Settlement Account Settlement amounts for Discover® Network Card sales accepted by you. If you do not receive Settlement amounts for Discover® Network Card sales in accordance with the Agreement and Operating Regulations, you must contact us immediately or risk non-payment for such Discover® Network Card sales. You must comply with each of the terms and conditions in this Agreement.

6. Transaction Fee and Other Fees.

A. Your service fees are indicated in the Service Fee Schedule of your Program Application (the "Service Fee Schedule") or otherwise provided to you in writing by us. Those fees are based upon, among other things, assumptions associated with your designated Combined Card Sales Estimated Monthly Volume, Highest Ticket, and Typical Ticket/Sales Amount as set forth in this Discover® Network Program Agreement and your method of doing business. In addition, if you exceed these amounts, we may hold your funds and/or interrupt or terminate Services. Any request for an increase to these amounts is contingent upon our prior written approval. If the Estimated Monthly Volume, Highest Ticket/Sales Amount or Typical Ticket/Sales Amount are not as expected or if you significantly alter your method of doing business, we may without prior notice adjust your fees, or change any other amount we charge you for accepting Discover® Network Cards. In addition, we may from time to time increase our fees or charge you additional fees for any other reason by delivering to you written notice of such increased or additional fees thirty (30) days prior to the effective date of any such increase or addition of fees. Your continued use of our Services after the effective date of any increase shall be deemed acceptance of the increased fees for Services, throughout the term of this Agreement. Charges for which you have not obtained Authorization or that are not submitted electronically are subject to supplemental fees.

B. You must notify us in writing of any error or omission in respect of your Service fees or other fees or payments for Charges or Credits within forty-five days of the date of the statement containing such error or omission. If you do not do so, the statement will be conclusively settled as complete and correct in respect of such amounts, provided that, if we determine at any time that we have paid you in error, we may effect a Chargeback to recover such erroneous payment.

7. Downgrades. Except as provided in this Discover® Network Program Agreement, the terms and conditions governing the fees payable by you to us for the provision of Services related to your acceptance of Discover® Network Card are as specified in the MAA. The following terms and conditions govern the fees payable by you to us for the provision of Services related to your acceptance of Discover® Network Card:

A. You shall be charged fees for the Services, which shall be calculated and payable pursuant to this Discover® Network Program Agreement and any additional pricing supplements. You agree to pay any fines imposed on us by Discover® Network resulting from Chargebacks and any other fees or fines imposed by Discover® Network with respect to your acts or omissions.

B. You acknowledge that we will process your Discover® Network Card transactions at the Qualified Discount Rate only when your transactions meet certain criteria set by Discover® Network and us. When your Card transactions fail to meet those qualification criteria, we will process your transactions at the higher Non-Qualified Discount Rate (or, in certain circumstances, at an intermediate Mid-Qualified Discount Rate) indicated in the Program Application.

C. The fees for Services may be adjusted to reflect increases or decreases by Discover® Network in fee levels, assessments and other Discover® Network fees or to pass through increases charged by third parties for online communications and similar items. All such adjustments shall be your responsibility to pay and shall become effective upon the date any such change is implemented by Discover® Network or third party.

8. Retention of Records. You agree to keep an original copy of all Sales Drafts, mail/telephone order forms, documentation required in the Operating Regulations and other related document(s), e.g. shipping invoices, for no less than three hundred and sixty five (365) days from the Discover® Network Card transaction date, or one hundred and eighty (180) days from the date of submission of Sales Drafts, whichever is later. You also agree to keep microfilm or other copies of Sales Drafts for no less than three (3) years from the date of the Discover® Network Card transaction. You agree to provide us with a copy of any Sales Drafts, mail/telephone order forms and the documentation required in the Operating Regulations within ten (10) calendar days of our request.

9. Term and Termination.

A. Termination. We may terminate this Agreement at any time and for any reason by giving you thirty (30) days prior written notice. We may terminate immediately and without such notice if you have materially breached this Agreement or due to an Event of Default as outlined in the MAA, or if the Discover® Network Card sales conducted by you, the goods or services sold by you or your business practices violate any U.S., federal, state or local laws, statute or regulation. Furthermore, you acknowledge that the Discover® Network Operating Rules give Discover® Network certain rights to require termination or modification of this Agreement with respect to transactions involving Discover® Network Cards and the Discover® Network Card system and to investigate you.

B. Effect of Termination; Survival. You agree to accept Discover® Network Cards and follow the terms of this Agreement until termination is effective. The terms in this Agreement governing the acceptance of Discover® Network Cards, transmissions and processing of Sales Drafts and mail/telephone order forms and Settlement will continue to apply even after termination of this Agreement, until all Discover® Network Card transactions made prior to such termination are settled or resolved. Upon termination of this Agreement, you agree to immediately send us all Sales Drafts, mail/telephone order forms and documentation required, but not previously submitted to us for any Discover® Network Card sales made up to the date to termination. We are not liable to you for any direct or consequential damages that you may suffer as a result of our termination in accordance with this Agreement. Termination of your acceptance of Discover® Network Cards or termination of this Agreement will not prejudice any claim either party may have under this Agreement that arises prior to the effective date of such termination, and notwithstanding any such termination, this Section 9 will survive as an independent obligation.

C. Indemnification and Limitation of Liability.

(i) You agree to indemnify and hold us harmless from and against all losses, liabilities, damages and expenses resulting from any breach of any warranty, covenant or agreement or any misrepresentation by you under this Agreement, or arising out of any gross negligence or willful misconduct of you or your employees, in connection with your performance under this Agreement or otherwise arising from your provision of goods and services to Discover® Network Cardholders.

(ii) THIS DISCOVER® NETWORK AGREEMENT IS A SERVICE AGREEMENT AND WE DISCLAIM ALL REPRESENTATIONS OR WARRANTIES, EXPRESS OR IMPLIED, MADE TO YOU OR ANY OTHER PERSON, INCLUDING WITHOUT LIMITATION, ANY WARRANTIES REGARDING QUALITY, SUITABILITY, MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE OR OTHERWISE OF ANY SERVICES OR ANY GOODS PROVIDED INCIDENTAL TO THE SERVICES PROVIDED UNDER THIS AGREEMENT.

(iii) NOTWITHSTANDING ANYTHING IN THIS AGREEMENT TO THE CONTRARY, IN NO EVENT SHALL ANY PARTY, THEIR RESPECTIVE AFFILIATES OR ANY OF THEIR RESPECTIVE DIRECTORS, OFFICERS, EMPLOYEES, AGENTS OR SUBCONTRACTORS, BE LIABLE UNDER ANY THEORY OF TORT, CONTRACT, STRICT LIABILITY OR OTHER LEGAL THEORY FOR LOST PROFITS, LOST REVENUES, LOST BUSINESS OPPORTUNITIES, EXEMPLARY, PUNITIVE, SPECIAL, INCIDENTAL, INDIRECT OR CONSEQUENTIAL DAMAGES, EACH OF WHICH IS HEREBY EXCLUDED BY AGREEMENT OF THE PARTIES, REGARDLESS OF WHETHER SUCH DAMAGES WERE FORESEEABLE OR WHETHER ANY PARTY OR ANY ENTITY HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES.

(iv) NOTWITHSTANDING ANYTHING IN THIS AGREEMENT TO THE CONTRARY, THE CUMULATIVE LIABILITY OF PROCESSOR FOR ALL LOSSES, CLAIMS, SUITS, CONTROVERSIES, BREACHES, OR DAMAGES FOR ANY CAUSE WHATSOEVER (INCLUDING, BUT NOT LIMITED TO, THOSE ARISING OUT OF OR RELATED TO THIS AGREEMENT) AND REGARDLESS OF THE FORM OF ACTION OR LEGAL THEORY SHALL NOT EXCEED, (I) $50,000; OR (II) THE AMOUNT OF FEES RECEIVED BY PROCESSOR PURSUANT TO THIS AGREEMENT FOR SERVICES PERFORMED IN THE IMMEDIATELY PRECEDING 12 MONTHS, WHICHEVER IS LESS.

10. Factoring. You agree that you will not factor any Discover® Network Card sales. See Operating Regulations for complete details regarding what constitutes factoring and the liability you incur if you factor any Discover® Network Card sales.

11. Other Obligations.

A. Confidentiality. You must keep confidential and not disclose to any third party the terms of this Agreement and any information that you receive from us that is not publicly available. Without limiting the foregoing, you must not use, store or disclose any such information or any Discover® Network Cardholder or Discover® Network Card transaction information other than as necessary to complete a Discover® Network Card transaction, including any retention or storage of lists of Discover® Network Card numbers or Discover® Network Card transaction information and any use of or access to Discover® Network Cardholders' personal information for marketing and/or other purposes.

B. Non-Discrimination. You must not adopt any practice that discriminates against or provides for unequal treatment of any person who elects to pay using a Discover® Network Card versus any other credit, charge, debit, stored value or other payment Discover® Network Card accepted by you, except with respect to your proprietary Discover® Network Cards (e.g., private label and loyalty cards) and gift cards.

C. Contact with Discover® Network Cardholders. You may not contact any Discover® Network Cardholder with respect to any matter arising under this Agreement, including any disputes, except as required under the Operating Regulations for acceptance of Discover® Network Card transactions.

D. Minimum/Maximum Dollar Limits and Other Limits. You must not require that any Discover® Network Cardholder make a minimum purchase in order to use a Discover® Network Card, nor may you limit the maximum amount that a Discover® Network Cardholder may spend when using a Discover® Network Card, except when the Issuer has not provided a positive Authorization response for a Discover® Network Card transaction.

E. Entire Agreement. This Discover® Network Program Agreement is the entire agreement between you and us and supersedes any previous agreements, understandings, or courses of dealing regarding the subject matter hereof. The terms and conditions of the MAA remain in effect except as provided in this Discover® Network Program Agreement solely with respect to our processing of Discover® Network Card transactions.

F. Contacts. Any provision contained in the MAA which directs you to contact Discover® Network for customer service or for any other inquiry or purpose is modified hereby to provide that you are to contact Bank for customer service or in relation to such inquiry or purpose.

G. References to Discover® Network Procedures. Any provision contained in the MAA which refers to Cards other than Visa or MasterCard shall be construed so as not to apply to Discover® Network Cards, and any provision which refers you specifically to procedures or terms and conditions of Discover® Network (but not references to Association Rules) will be disregarded.

H. Settlement Obligations. We will settle Discover® Network Card transactions in substantially the same manner that we settle Card transactions for other Card types. All settlements for Discover® Network Card transactions will be net of Credits/refunds, adjustments, applicable discount fees when due, Chargebacks and any other amounts then due from you.

SUPPLEMENTAL DISCOVER MERCHANT PROCESSING OPERATING PROCEDURES

In addition to the provisions of Section 1-11 of this Discover® Network Program Guide, the following Supplemental Discover® Network Merchant Processing Operating Procedures ("Operating Regulations") describe certain procedures and methods for submitting Discover® Network Card transactions for payment, obtaining authorizations, responding to Disputes, and other aspects of our services relating to Discover® Network Cards. Unless prohibited by law, you are required to comply with these Operating Regulations and the Program Guide (as described above) as part of your Discover® Network Program Agreement, and you are also responsible for following any additional or conflicting requirements imposed by your state or local jurisdiction.

Capitalized terms used in these Operating Regulations but not defined herein have the meanings given to them in the Discover® Network Program Agreement (including definitions incorporated by reference from the Program Guide).

****NOTE: You must refer to both the Operating Procedures contained in the Program Guide and this document whenever you are determining relevant Discover® Network policies or procedures.****

- **The methods, procedures and requirements described in these Operating Regulations will apply to all aspects of your acceptance of, and our services relating to, Discover® Network Cards.**
- **If, and to the extent, these Operating Regulations do not directly conflict with the language contained in the Program Guide, both the Program Guide and the Operating Regulations will apply to your acceptance of, and our services relating to, Discover® Network Cards.**

12. Sublicense to Use Program Marks.

12.1 Sublicense. You are granted a limited sublicense to use the Program Marks, solely in connection with your acceptance of Discover® Network Cards, and subject to this Agreement. "Program Marks" means the brands, emblems, trademarks and/or logos that identify Discover® Network Cards. Additionally, you shall not use the Program Marks other than to display decals, signage, advertising and other forms depicting the Program Marks that are provided to you by us or otherwise approved in advance in writing by us.

12.2 Display of Program Marks. You must prominently display, at each of your locations, in catalogs and websites, signage or logos showing the Program Marks in such manner and with such frequency as accorded any other third-party credit, charge, debit, stored value or other payment Discover® Network Card accepted by you.

12.2 Restriction on Use of Program Marks. You are prohibited from using the Program Marks other than as expressly authorized in writing by us. You may use the Program Marks only to promote the services covered by the Program Marks by using them on decals, indoor and outdoor signs, advertising materials and marketing materials; provided that all such uses by you must be approved in advance by us in writing. You shall not use the Program Marks in such a way that customers could believe that the products or services offered by you are sponsored or guaranteed by the owners of the Program Marks. You recognize that you have no ownership rights in the Program Marks. You shall not assign to any third party any of the rights to use the Program Marks.

12.3 Termination of Sublicense. Your sublicense to use the Program Marks shall terminate upon the earlier of (i) the termination of this Agreement, (ii) delivery of notice by us or by Discover® Network to you of the termination of the sublicense, or (iii) termination of the license of the Program Marks by Discover® Network to us. You must immediately discontinue use or display of the Program Marks, upon termination of the License.

13. Requirements Applicable to All Authorization Requests.

Each Authorization request you submit to us must fully comply with the applicable provisions of this Agreement. Submission of an Authorization Request that does not fully comply with the applicable provisions of this Agreement may result in assessment of additional fees to you, a declined Authorization response or a Chargeback to you of the Discover® Network Card Sale.

13.1 Discover® Network Cardholder Verification and Discover® Network Card Retrieval. Occasionally in response to an Authorization request, we may direct you to obtain certain information from the Discover® Network Card presenter to verify the Discover® Network Card presenter's identity. Also, in response to an Authorization request, we may direct you to take and retain a Discover® Network Card from the Discover® Network Card presenter. If we direct you to retain a Discover® Network Card, you must call our Authorization Center and follow the instructions we provide. Do not use any force or effort if the Discover® Network Card presenter refuses to give up the Discover® Network Card, and do not take any action that will alarm or embarrass the Discover® Network Card presenter. You will bear all responsibility for claims, liabilities, costs and expenses as a result of any failure by you, your employees, vendors or agents, that attempt to retain a Discover® Network Card without the Issuer's direct request or that fail to use reasonable, lawful means in retaining or attempting to retain a Discover® Network Card.

13.2 Request for Cancellation of Authorization. If a Discover® Network Card Sale is cancelled or the amount of the Discover® Network Card Sale changes following your receipt of Authorization for the Discover® Network Card Sale, you must call us and request a cancellation of the Authorization. An Authorization may be cancelled at any time within eight (8) days of your receipt of the Authorization but must be cancelled before Sales Drafts relating to the Discover® Network Card Sale has been submitted to us. Once Sales Drafts relating to the Discover® Network Card Sale have been submitted to Discover® Network, the Authorization cannot be changed. You must provide the following information to us, in this order:

1. The Discover® Network Card Account Number (16 digits);
2. The expiration date on the Discover® Network Card being presented (4 digits, mmyy);
3. A brief reason the Authorization is being cancelled;
4. The Card Number;
5. The original amount of the Authorization;
6. The new amount of the total transaction;
7. The original Authorization Code for the Authorization being cancelled.

14. Discover® Network Card Identification Data (CID). You must obtain the three-digit CID in all Discover® Network Card Not Present Card Sales. The CID must be included in all Authorization requests you send to us for an Authorization response with respect to Discover® Network Card Not Present Card Sales. Failure to include the CID in an Authorization request for a Discover® Network Card Not Present Card Sale may result in a Chargeback to you. You are strictly prohibited from retaining, archiving or otherwise storing the CID in any form or format for any reason, including the recording of the CID on Transaction Receipts or Sales Drafts.

15. Merchant Creation of Sales Drafts, Transaction Receipts and Sales Drafts. You must prepare a Sales Draft for each Discover® Network Card transaction and provide a Transaction Receipt or a copy of the Sales Draft to the Discover® Network Cardholder at the time of completion of the Discover® Network Card transaction, in each case in accordance with these Operating Regulations. Prior to completing the Sales Draft, you must verify the Discover® Network Card has not expired and has been signed by the Discover® Network Cardholder as described in this Agreement and Operating Regulations.

You shall ensure that the Sales Draft for each Discover® Network Card transaction, whether electronically generated or manually printed on paper, is legible and contains all of the following information prior to transmission to us:

1. Date of Discover® Network Card transaction
2. Total amount of Discover® Network Card transaction, including tax
3. Discover® Network Card account number (imprinted for Sales Drafts if Discover® Network Card is not read electronically)
4. Expiration date of the Discover® Network Card
5. Authorization Code, when applicable
6. Merchant's "doing-business-as" name and physical address (city / town and country)
7. Valid Discover® Network Cardholder signature (for Discover® Network Card Sales)
8. If manually imprinted, ensure the Discover Network scripted "D" is clearly legible on the imprint.

15.1 Signature on Discover® Network Card. You must verify that there is a signature on the signature panel on the back of the Discover® Network Card and verify that the name on the back of the Discover® Network Card is reasonably similar to the name embossed on the front of the Discover® Network Card.

15.2 Unsigned Discover® Network Cards. If a Discover® Network Card presented to you is not signed, you must request two pieces of identification, one of which is a government-issued picture identification. When you have confirmed that the person presenting the Discover® Network Card is the Discover® Network Cardholder, you must require the Discover® Network Cardholder to sign the back of the Discover® Network Card. If you are unable to positively identify the Discover® Network Card presenter as the Discover® Network Cardholder, or if you have reason to suspect fraud, you should contact us.

15.3 Verification of Discover® Network Card Expiration Date. For each Discover® Network Card Sale, you must check or obtain the expiration date on the Discover® Network Card and confirm that the Discover® Network Card is not expired prior to completing the Discover® Network Card Sale. The Discover® Network Card is valid through the last day of the month embossed on the Discover® Network Card. If the Discover® Network Card has expired, you must not accept it for a Discover® Network Card Sale. If you are suspicious that the Discover® Network Card presenter is not an authorized user of the Discover® Network Card, you should call us at the telephone number we provide to you.

16. Your Submission of Sales Drafts to Us. You shall collect all Sales Drafts and transmit the Sales Drafts to us. We are NOT required to reimburse you for Discover® Network Card Sales if we do not receive Sales Drafts within fifty (50) days of the transaction date. For Discover® Network Card Sales and Credits, the transaction date is the date that you conduct the Discover® Network Card Sale or issue the Credit to the Discover® Network Cardholder. Except for Discover® Network Cardholder deposits for purchases, you may not send us Sales Drafts for goods or services ordered by a Discover® Network Cardholder until the goods or services have been delivered or furnished to the Discover® Network Cardholder. Sales Drafts submitted to us for Settlement more than sixty (60) days after the transaction date may be rejected or, if accepted and processed, are subject to Chargeback to you.

16.1 Preparation and Transmission of Sales Drafts. You must ensure you include all merchandise and/or services purchased at one time and at one cash register on one Sales Draft, or in a single transmission of Sales Drafts, and you must transmit the Sales Drafts relating to merchandise and/or services purchased at one time and at a single cash register in a single electronic transmission of Sales Drafts unless otherwise approved by us in writing. Notwithstanding the foregoing, you may use separate Sales Drafts or use multiple transmissions to submit Sales Drafts to us.

16.2 Sales Draft Requirements. If your Merchant Agreement allows you to submit paper Sales Drafts to us, you must fully complete each Sales Draft as described above. After imprinting the Discover® Network Card, you should ensure your business name, address and corresponding Discover® Network Merchant Number are legibly printed on the Sales Draft. In addition, you should fill in the information described below as applicable, and ensure that all printed and written information is clearly readable on all copies.

16.3 Credits for Returns. In disputes involving returns, we will honor your return policy as long as it complies with all federal, state and local laws and is clearly posted or otherwise made known to the Discover® Network Cardholder at the time of the Discover® Network Card Sale. We may request a copy of your return policy from you at any time. If a Discover® Network Cardholder returns goods or services purchased with a Discover® Network Card in accordance with your return policy, you must give a Credit to the Discover® Network Card Account by completing a Credit Draft. If a Discover® Network Cardholder receives merchandise or services that are defective or not as agreed upon at the time of the Discover® Network Card Sale, you must give the Discover® Network Cardholder a Credit, if requested by the Discover® Network Cardholder. If you do not give a Discover® Network Cardholder a requested Credit in the above circumstances, the Discover® Network Card Sale may be subject to Chargeback to you. For each refund, you shall electronically submit the Sales Drafts for the Credit to us within ten (10) calendar days after you have issued the Credit to the Discover® Network Cardholder or we may process a Chargeback to you for the original Discover® Network Card Sale. You must give written evidence of the Credit to the Discover® Network Cardholder.

16.4 Credit Transaction Receipt and Credit Drafts Requirements. You must ensure that all Transaction Receipts and Sales Drafts created as a result of a Credit, whether generated by electronic means or completed manually on paper, include the following information:

1. Discover® Network Card Account Number (imprinted, if possible)
2. Discover® Network Cardholder's name
3. Discover® Network Card expiration date
4. Merchant's name, location (city/town and country) and Discover® Network Merchant Number
5. Quantity and brief description of merchandise or service returned/refunded
6. Date of the Credit issuance
7. Total amount of the Credit, including taxes, and the name of the currency used
8. Signature of an authorized representative of the Merchant

17. Discover® Network Card Not Present Sales.

17.1 Mail and Telephone Order Discover® Network Card Sales. You may accept Discover® Network Cards for telephone or mail order sales if you comply with the following procedures and the requirements in the Agreement. You must obtain an Authorization decision for each mail or telephone order Discover® Network Card Sale as described in Section 13 and this Section 17.1. You must document the Discover® Network Card Sale and send Sales Drafts to us as described below.

(i) Obtaining Authorization. For each mail or telephone order Discover® Network Card sale, you must transmit the CID with the authorization request. If you accept a Discover® Network Card Sale without receiving a prior authorization approval and without transmitting the CID in the authorization request, the Discover® Network Card sale may be subject to Chargeback to you as described in the MAA

(ii) Address Verification Services (AVS). For each Discover® Network Card Not Present Discover® Network Card Sale, you must verify the name and billing address of the Discover® Network Cardholder conducting the Discover® Network Card Sale using the electronic Address Verification procedures described herein, which are available through the Address Verification Service we provide to you.

(iii) Electronic Address Verification Service. Address Verification must be obtained from us by 11:59 p.m. Eastern Time on the same day that you send the Authorization Request regarding the Discover® Network Card Sale to us, regardless of whether the Authorization Request is approved or declined. To obtain Address Verification for a Discover® Network Card Sale, you must comply with the following procedures:

a. Use an electronic terminal to request Address Verification; or

b. If you do not have an electronic terminal or are unable to obtain Address Verification using your electronic terminal, you should call us, and you must provide the following information:

1. Card Number;
2. Numeric portion of the Discover® Network Cardholder's billing address (5 digits); and
3. ZIP code of the Discover® Network Cardholder's billing address (5 or 9 digits).

We make our Address Verification Service available to you in order to reduce the risk of Disputes alleging fraud associated with Discover® Network Card Not Present Card Sales. Completing an Address Verification is not a guarantee against possible Disputes, only a tool by which to reduce the risk or occurrence of fraudulent activity in Discover® Network Card Not Present Card Sales. We will not provide you with any information about a Discover® Network Cardholder or Discover® Network Card Account in response to a request for Address Verification, but will only verify the Discover® Network Cardholder information provided to us.

(iv) Documentation of Discover® Network Card Sales. In addition to complying with the requirements for preparation of Sales Draft in Section 16, you must obtain the following information from the Discover® Network Cardholder for each mail or telephone order Discover® Network Card sale: Discover® Network Cardholder name, Discover® Network Card Account Number, Discover® Network Card expiration date, billing address and shipping address, if different than the billing address. You must retain such information along with the shipping date for the document retention period in the Agreement. You shall provide the shipping date to the Discover® Network Cardholder at the time of each telephone order Discover® Network Card sale and upon request for each mail order Discover® Network Card Sale.

(v) Transmission of Sales Drafts. For each mail or telephone order Discover® Network Card Sale, you must transmit Sales Drafts to us each business day in our form and format. All Sales Drafts shall be transmitted to us using an electronic means of transmission. You must not transmit Sales Drafts to us for merchandise or services ordered by a Discover® Network Cardholder until the merchandise or services have been shipped, delivered or furnished to the Discover® Network Cardholder; except that you may accept a Discover® Network Card for a deposit on a purchase of merchandise or services and you may transmit the Sales Drafts relating to such deposit prior to the time of shipment or delivery of the merchandise or services purchased in such Discover® Network Card sale.

(vi) Delivery Requirements. At the time of delivery of merchandise or services ordered in a mail or telephone order Discover® Network Card Sale, you must provide the Discover® Network Cardholder with an invoice or other similar documentation that includes the information obtained from the Discover® Network Cardholder in Section 16. You also must obtain the Discover® Network Cardholder's signature as proof of delivery if delivery is made to the Discover® Network Cardholder. If the Discover® Network Cardholder requests delivery to a third party, you must obtain the signature of a party designated by the Discover® Network Cardholder as proof of delivery. You must retain this proof of delivery for the document retention period as set forth in the Agreement. If a Discover® Network Cardholder takes delivery of merchandise ordered by mail or telephone at your retail location, you must obtain an imprint of the Discover® Network Card and the Discover® Network Cardholder's signature on the Sales Drafts.

17.2 Card Sales over the Internet. You must obtain our prior approval before accepting any Discover® Network Card transactions over the Internet and you must comply with the requirements in the Agreement and these Operating Regulations for each Discover® Network Card Sale accepted over the Internet. Any Discover® Network Card Sale that does not comply with the Agreement and these Operating Regulations is subject to Chargeback. For each Discover® Network Card sale over the Internet, you must comply with the requirements of this section.

(i) Protocol for Internet Discover® Network Card Transactions. Each Internet Discover® Network Card transaction accepted by you and submitted to us shall comply with our standards, including, without limitation, our standards governing the formatting, transmission and encryption of data, referred to as our "designated protocol". You shall accept only those Internet Discover® Network Card transactions that are encrypted in accordance with our designated protocol. As of the date of these Operating Regulations, our designated protocol for the encryption of data is Secure Socket Layer (SSL). We may, at our discretion, withhold Settlement until security standards can be verified. However, our designated protocol, including any specifications with respect to data encryption, may change at any time upon 30 days advance written notice. **You may not accept Discover® Network Card Account Numbers through Electronic Mail over the Internet**.

(ii) Browser Support for Protocol. You shall not accept any Internet Discover® Network Card transactions unless the transaction is sent by means of a browser which supports our designated protocol. However, if you desire to accept a Discover® Network Card transaction from a Discover® Network Cardholder whose browser does not support our designated protocol, you may accept such a Discover® Network Card transaction by means other than the Internet, such as mail, telephone or facsimile.

(iii) Authorization and Submission Requirements. You shall not accept any Internet Discover® Network Card transactions except in compliance with the Agreement and these Operating Regulations. Additionally, you shall comply with the following requirements for each Internet Discover® Network Card transaction:

1. You must obtain an authorization decision for the Discover® Network Card Sale as described in Section 16 using an electronic means of transmission that is approved by us.
2. You must submit the CID to us. If you do not submit the CID to us, the Discover® Network Card Sale may be subject to Chargeback as described in Section 17.1 and this Section.
3. You must obtain address verification for the Discover® Network Card Sale from us using the procedures described in Section 17.1 and this Section.
4. You must submit Sales Drafts using an electronic means of transmission and you must comply with other requirements in Section 16. You may not submit Sales Drafts to us using non-electronic means.
5. You must not submit Sales Drafts to us until the merchandise or services ordered are delivered to the Discover® Network Cardholder.

(iv) Chargeback for Noncompliance. Any Discover® Network Card transaction over the Internet that fails to comply with the Agreement or these Operating Regulations is subject to immediate Chargeback. We may collect any amounts owed by you with respect to Chargebacks on the Internet Discover® Network Card transactions from the proceeds of Settlement amounts otherwise payable for any Card transactions. We may, at our discretion, terminate the Agreement immediately if you fail to comply with these terms.

18. Special Circumstances. Except as provided in this Discover® Network Program Agreement, the terms and conditions governing your processing of special industry sales using the Discover® Network Card are as specified in the MAA. If you accept Discover® Network Card sales for recurring billing or installment sales transactions with Discover® Network Cardholders please refer to the Operating Regulations and MAA for detailed requirements for these transactions, including the format for authorization requests. If you are a merchant in the lodging industry, please refer to us for procedures for guaranteed reservations, advance deposits and priority checkouts.

18.1 Card Acceptance during Store Closings or Liquidation. You must comply with the following requirements during the liquidation and/or closure of any of your outlets, locations and/or entire business:

1. Post signs visible to customers stating "All Sales Are Final";
2. Stamp receipts or print Sales Drafts with notice that "All Sales Are Final"; and
3. Contact us to advise of the closure of locations and/or liquidation of your establishment.

18.2 Policies for Merchants in the Lodging Industry.

(i) Overview. Provided below are our requirements for Merchants in the lodging industry, who take reservations and require Discover® Network Cardholders to pay advance deposits. If you do not comply with the procedures in Section 18.2(ii) for guaranteed reservations and Section 18.2(iii) for advance deposits, any Discover® Network Card sales accepted by you for guaranteed reservations and advanced deposits are subject to Chargeback. Please note that for all Discover® Network Card transactions that are not swiped through your terminal or POS device you must follow the procedures described in Section 17.

(ii) Requirements for Guaranteed Reservations. You may accept Discover® Network Cardholders' reservations for accommodations and guarantee rooms for late arrival after the normal 6:00 p.m. (local time) check-in deadline if you follow the procedures in this Section. If the check-in deadline passes without a cancellation of the reservation by the Discover® Network Cardholder, you may bill the Discover® Network Cardholder for one night's lodging (plus applicable taxes); if you have complied with all of your obligations in this Section.

(a) Notice to Discover® Network Cardholder of Rights and Obligations. At the time of reservation, you must verify that the Discover®

Network Cardholder plans to guarantee their reservation. If a guarantee is requested, you must advise the Discover® Network Cardholder of the rights and obligations set forth below and you must comply with these requirements. You must inform the Discover® Network Cardholder of the room rate and reservation confirmation number and you should advise the Discover® Network Cardholder to retain this information.

1. Accommodations of the type requested by the Discover® Network Cardholder will be held by you until checkout time on the day following the scheduled arrival date.
2. If the Discover® Network Cardholder seeks to cancel the reservation, the Discover® Network Cardholder must do so before 6:00 p.m. (local time) on the scheduled arrival date. Resorts may move the 6:00 p.m. (local time) deadline back no more than three hours to 3:00 p.m. (local time), if the Discover® Network Cardholder has been informed of the date and time the cancellation privileges expire.
3. At the time of the reservation, you shall provide the Discover® Network Cardholder with a telephone number to call for cancellations and instructions to retain a record of it.
4. If the reservation is not cancelled within the allowed time frame and the Discover® Network Cardholder does not use the accommodation and you do not rent the room to another guest, you may bill the Discover® Network Cardholder for a no-show charge equal to one night's lodging (plus applicable taxes).

(b) Record of Guaranteed Reservations. You must preserve a record of the following information for each guaranteed reservation:

1. Discover® Network Cardholder's name as it is embossed on the Discover® Network Card;
2. Card account number and Discover® Network Card expiration date;
3. Anticipated arrival date and length of stay;
4. The cancellation policy in its entirety, inclusive of the date and time the cancellation privileges expire; and
5. Any other pertinent details related to the reserved accommodations.

(c) Written Confirmation of Guaranteed Reservations. You must provide Discover® Network Cardholders with written confirmation of each guaranteed reservation. The confirmation must contain:

1. Discover® Network Cardholder's name as it is embossed on the Discover® Network Card;
2. Card Account number and Discover® Network Card expiration date;
3. Reservation confirmation number;
4. Anticipated arrival date and length of stay;
5. The cancellation policy in its entirety, inclusive of the date and time the cancellation privileges with expire; and
6. Any other pertinent details related to the reserved accommodations.

(d) Cancellation of Guaranteed Reservations. If a Discover® Network Cardholder seeks to cancel a reservation in accordance with your cancellation policy and specified time frames, you must provide the Discover® Network Cardholder with a cancellation number and instructions to retain a record of it. You shall forward written confirmation of the cancellation of each guaranteed reservation within three Business Days of Discover® Network Cardholder's request for written confirmation. This cancellation confirmation must contain:

1. Discover® Network Cardholder's reference that charges were placed on the Discover® Network Card, if applicable;
2. Discover® Network Cardholder's name as it is embossed on the Discover® Network Card;
3. Card Account number and Discover® Network Card expiration date;
4. Reservation cancellation number; and
5. Any other pertinent information related to the reserved accommodations.

(e) Sales Drafts for "No-Show" Charges. If the Discover® Network Cardholder does not cancel a reservation in accordance with your cancellation policy and specified time frames and the Discover® Network Cardholder does not use the accommodations and you do not rent the room to another guest, you may charge the Discover® Network Cardholder for a "No-show" charge by preparing and transmitting Sales Drafts with the following information:

1. Discover® Network Cardholder's name as it is embossed on the Discover® Network Card;
2. Card Account number and Discover® Network Card expiration date;
3. Hotel name and location (imprinted);
4. Room rate (quoted when reservation was made including applicable taxes);
5. Transaction date;
6. Authorization approval code;
7. Employees initials; and
8. The words "No-Show" printed on the Discover® Network Cardholder's signature line

(iii) Advance Deposit. You may require Discover® Network Cardholders to pay a deposit at the time of a reservation, if you comply with the requirements in this Section. The amount of the deposit cannot exceed the cost of seven nights lodging (plus applicable tax) and the deposit must be applied to the entire bill. When you require an advance deposit, you must provide Discover® Network Cardholders with the information required below. **Note:** Discover® Network Cardholders may NOT be charged a "No-show" penalty in addition to a forfeited advance deposit.

(a) Obligations with Advance Deposits. If you make advance deposits for reservations, you must comply with the following requirements:

1. Hold reserved accommodations until checkout time following the last day covered by an advance deposit.
2. A specified reservation cancellation time frame including the date and time when cancellation privileges expire.
3. Full reimbursement of advance deposits when the Discover® Network Cardholder cancels a reservation within the specified time frame.
4. A disclosure informing Discover® Network Cardholders of their rights and obligations that failure to cancel a reservation within the specified time frame may result in forfeiture of all or part of an advance deposit. **Note:** Discover® Network Cardholders may NOT be charged a no-show penalty in addition to a forfeited advance deposit under this policy.

(b) Sales Drafts Requirements for Advance Deposits/Folio. For each advance deposit taken by you, you shall prepare Sales Drafts in the amount of the advance deposit and transmit it to us immediately after taking the reservation for the advance deposit. Sales Drafts must contain the following information:

1. Discover® Network Cardholder's name as it is embossed on the Discover® Network Card;
2. Card Account Number and expiration date;
3. Discover® Network Cardholder's complete mailing address and phone number;
4. Transaction date;
5. Anticipated arrival date and length of stay;
6. Reservation confirmation number;
7. Authorization approval code;
8. Advance deposit amount (including applicable taxes); and
9. Words "Advance Deposit" on the Discover® Network Cardholder signature line

(c) Written Confirmation. You must provide the Discover® Network Cardholder with written confirmation of an advance deposit that contains the following information:

1. A copy of the Sales Drafts that you prepared and transmitted for the advance deposit;
2. Reference that charges were placed on the Discover® Network Card;
3. Discover® Network Cardholder's name as it is embossed on the Discover® Network Card;
4. Card Account Number and expiration date;
5. Reservation confirmation number;
6. Anticipated arrival date;
7. The cancellation policy in its entirety, inclusive of the date and time the cancellation privileges expire; and
8. Any other pertinent details related to the reserved accommodations

(d) Cancellation of Reservations with Advance Deposits. If the Discover® Network Cardholder requests a cancellation of a reservation in accordance with your cancellation policy and time frames, you must issue a Credit to the Discover® Network Cardholder's Discover® Network Card Account for the full amount of the advance deposit charged to the account within ten (10) days of the Discover® Network Cardholder's request. In addition, you must:

1. Provide a cancellation number to the Discover® Network Cardholder and instructions to retain a record of the number.
2. Prepare Sales Drafts for the Credit as described in this Section 18 and transmit the Sales Drafts to us within the time frames prescribed by the Operating Regulations.

(e) Sales Drafts Required for Cancellation of Reservations with Advanced Deposits. You must prepare and transmit Sales Drafts to us for each cancellation that includes the following information and you must send a copy of the Sales Drafts documenting the Credit to the Discover® Network Cardholder within the time frames prescribed by the Operating Regulations:

1. Discover® Network Cardholder's name as it is embossed on the Discover® Network Card;
2. Card Account Number and expiration date;
3. Discover® Network Cardholder's complete mailing address and phone number;
4. Transaction date;
5. Reservation Cancellation Number;
6. Advance deposit amount; and
7. Words "Advance Deposit" on the Merchant's signature line

(iv) Overbookings. If the accommodations reserved by a Discover® Network Cardholder pursuant to a guaranteed reservation or with an advance deposit are unavailable upon arrival you must at your own expense, provide the Discover® Network Cardholder with the following:

1. Comparable accommodations for one night at a similar Merchant location (including applicable taxes);
2. Transportation to the alternate Merchant location; and
3. Forwarding of all calls and messages to the alternate Merchant location

(v) Priority Check-out Service. If you offer priority checkout services, you must comply with the following requirements:

1. Require the Discover® Network Cardholder to sign the registration card at the time of check-in acknowledging responsibility for all charges. Obtain an authorization decision for the estimated amount of the accommodations at check-in by swiping the Discover® Network Card through your terminal or POS device.
2. Complete Sales Drafts at checkout by entering the total amount of charges incurred during the stay including: restaurant, telephone and miscellaneous expenses.
3. Write the words “Priority Check-out” on the signature line of the Sales Drafts.
4. Obtain a final Authorization approval code for any additional amounts from the check-in estimate to equal the total amount to be billed to the Discover® Network Cardholder.
5. Mail the Discover® Network Cardholder (at the address shown on the registration Discover® Network Card) a copy of the Sales Drafts and itemized lodging bill.
6. Transmit completed Sales Drafts to us within the applicable time frame.

(vi) Estimated Authorization. If you seek to obtain an authorization decision for the estimated amount of charges to be billed to a Discover® Network Cardholder, you shall comply with the following procedures. At the beginning of the Discover® Network Cardholder’s stay and on a periodic basis thereafter, you may obtain an authorization decision as set forth in herein for an amount equal to the estimated total of a Discover® Network Cardholder’s charges based on his/her length of stay and other criteria. You must follow the procedures in Section 13 and this Section 18 to obtain an Authorization decision for the amount of the estimated charges expected during the length of a Discover® Network Cardholder’s stay and to obtain additional Authorization decisions for the actual charges that exceed the amount originally estimated by you for which you obtained Authorization decision.

(a) Check-in Estimate. At check-in, you may estimate the Discover® Network Cardholder’s total charges based on the below requirements and obtain an authorization decision for the amount of that estimate:
1. Intended length of stay;
2. Room rate;
3. Applicable taxes;
4. Applicable service charges; and
5. Any miscellaneous charges, as dictated by experience

(vii) Changes to Estimated Charges. You must monitor the charges made during the course of a Discover® Network Cardholder’s stay to ensure that the actual charges do not exceed the amount indicated in the estimated authorization. The following conditions apply:
1. If the actual charge activity exceeds the amount of the estimated Authorization, then you must secure a positive Authorization decision or approval for the amount in excess of the estimated Authorization. **Note:** Such amounts should not be cumulative and each additional Authorization decision should cover a separate portion of the total amount. If an Authorization request is declined, no charges occurring after that date will be accepted by us for that Discover® Network Cardholder.
2. A final (or additional) Authorization decision is not required if the final amount (total sum) of the Discover® Network Cardholder’s charges does not exceed the sum of the previously authorized charges, plus a twenty percent (20%) tolerance.
3. The dates, authorized amounts, and their respective Authorization approval codes must be individually recorded on the Sales Drafts.

18.3 Customer Activated Terminals (“CAT Terminals”). If you sell petroleum-related products and use Customer Activated Terminals (“CAT Terminals”) to accept Discover® Network Cards, you must comply with the following requirements:

(i) You must contact the sales representative assigned to your account to obtain a unique Merchant Account Number for use exclusively with Discover® Network Card transactions on CAT Terminals (“CAT Merchant number”). If you are unable to contact our sales representative assigned to your account, please contact Bank.

(ii) You agree to use the Unique CAT Merchant number (not any other Merchant number) for all Discover® Network Card transactions on CAT Terminals. You shall use the CAT Merchant number for the sole and exclusive purpose of Discover® Network Card transactions on CAT Terminals.

(iii) If you comply with the procedures in this Section and the procedures for obtaining Authorization decisions in Section 13, the Discover® Network Card transactions that you accept on CAT Terminals will not be subject to Chargeback up to the maximum amount of your Floor Limit for the reasons: (a) Missing Signature (IS) and (b) No Imprint on Sales Draft (SI). You may be subject to Chargeback for other reasons, including, without limitation, the failure to comply with the procedures in this Section and Section 13.

18.4 Overview of Requirements for Automatic Payment Plans. You must comply with the Authorization requirements herein, as supplemented by this Section, with respect to each amount billed to a Discover® Network Card account pursuant to an Automatic Payment Plan. If you fail to comply with any of the requirements in this Agreement or Operating Regulations with respect to an Automatic Payment Plan, or if a Discover® Network Cardholder initiates a Dispute at any time with respect to (i) a Discover® Network Card sale involving an Automatic Payment Plan or (ii) the goods or services that you agreed to provide pursuant to an Automatic Payment Plan, a Dispute may be initiated against you of any Automatic Payment Discover® Network Card Sale, in addition to any payments that were previously submitted to and settled by us.

18.5 Authorization Requirements for Automatic Payment Plans. If you engage in Automatic Payment Discover® Network Card Sales, you must obtain a separate, current Authorization Response for each Automatic Payment Discover® Network Card Sale at the time each Automatic Payment Discover® Network Card Sale becomes due. If we or you have terminated your Merchant Agreement, you may not submit Authorization Requests for Automatic Payment Discover® Network Card Sales that are due after the termination date of your Merchant Agreement. If the Discover® Network Card Account of the Discover® Network Cardholder who agreed to the Automatic Payment Plan is terminated, the Issuer will respond with a negative Authorization Response to any subsequent Authorization Requests, including Authorization Requests related to Automatic Payment Plan initiated prior to the termination of the Discover® Network Card Account. An Issuer's positive Authorization Response for one Automatic Payments Discover® Network Card Sale is not a guarantee that any future Automatic Payment Authorization Request will be approved or paid. If Discover® Network Card Acceptance by you is suspended or terminated for any reason, you may not submit any Authorization Requests for your Automatic Payment Plans during the suspension or after the Discover® Network Card Acceptance Termination Date. If you submit Sales Drafts to us for an Automatic Payment Discover® Network Card Sale that has not received a positive Authorization Response, the Automatic Payment Discover® Network Card Sale may be subject to Dispute and/or you may pay higher Interchange and Fees. If a Discover® Network Cardholder disputes any Automatic Payment Discover® Network Card Sale or your performance of your obligations in connection with the Automatic Payment Plan, a Dispute may be initiated with respect to the disputed Automatic Payment Discover® Network Card Sales and any prior Automatic Payment Discover® Network Card Sales for which you have received Settlement.

18.6 Discover® Network Cardholder's Approval. You must obtain the Discover® Network Cardholder's written approval to charge amounts to the Discover® Network Cardholder's Discover® Network Card Account in accordance with an Automatic Payment Plan. If you use the Internet or another electronic process to receive a Discover® Network Cardholder application for an Automatic Payment Plan, you must retain all electronic evidence of the Discover® Network Cardholder's approval of the Automatic Payment Plan. The Discover® Network Cardholder's approval, whether written or electronic, must include all of the following information:

(i) Discover® Network Cardholder's name, address and Discover® Network Card Number;
(ii) Amount of each Automatic Payment Discover® Network Card Sale;
(iii) Timing or frequency of payments;
(iv) Length of time over which the Discover® Network Cardholder permits the Merchant to bill Automatic Payments to the Discover® Network Card Account;
(v) Merchant's Discover® Network Merchant Number;
(vi) Card expiration date; and
(vii) Total amount of Automatic Payments to be billed to Discover® Network Card Account, including taxes and tip(s).

18.7 Delayed Delivery Sales. For delayed delivery sales in which you charge a deposit, you may prepare two separate Transaction Receipts or Sales Drafts - one Transaction Receipt/Sales Draft labeled "Deposit" and one labeled "Balance." You may not submit Sales Drafts (either manually or electronically) to us, relating to the Transaction Receipt/Sales Draft labeled "Balance" until the merchandise or service is completely delivered to the Discover® Network Cardholder. For delayed delivery sales, you must obtain the "Deposit" Authorization before you submit Sales Drafts to us for the "Deposit" or "Balance" Discover® Network Card Sale. Any Authorization for delayed delivery of merchandise or services will be valid for ninety (90) calendar days. If delivery of the merchandise or service purchased will occur more than ninety (90) calendar days after the "Deposit" Authorization, you must obtain a subsequent Authorization for the "Balance." In addition, you must complete Address Verification at the time of the "Balance" Authorization and must obtain proof of delivery upon delivery of the service or merchandise. Any delayed delivery Discover® Network Card Sale that is not conducted in accordance with the foregoing requirements may result in assessment of Fees or fines by the association, to you and/or may be subject to Dispute.

19. Cash Over. You may issue Cash Over in connection with Discover® Network Card Sales, provided that you comply with the Operating Regulations for each Discover® Network Card Sale and with the following additional requirements applicable to each Discover® Network Card Sale involving Cash Over:

(i) You must deliver to us a single Authorization request for the aggregate total of the goods/services purchase amount and the Cash Over amount of the Discover® Network Card Sale. You may not submit separate Authorization requests to us for the goods/services purchase amount and the Cash Over amount.

(ii) The Sales Drafts you submit to us in connection with a Discover® Network Card Sale involving Cash Over must include both the purchase amount and the

Cash Over amount of the Discover® Network Card Sale. You may not submit separate Sales Drafts to us for the purchase amount and the Cash Over amount.
(iii) No minimum purchase is required for you to issue Cash Over to a Discover® Network Cardholder, provided that some portion of the total Discover® Network Card Sale amount must be attributable to the purchase of goods or services by the Discover® Network Cardholder. You must not issue Cash Over as a stand-alone transaction.
(iv) The maximum amount of cash that you may issue to a Discover® Network Cardholder as Cash Over in connection with a Discover® Network Card Sale is $100.00.
(v) Any Authorization Requests and Sales Drafts you submit to us in connection with a Discover® Network Card Sale involving Cash Over must comply with all requirements of these Operating Regulations.
20. No Signature Required Discover® Network Card Sales. Card Sales conducted by Merchants operating in certain MCCs, will not be subject to Chargeback to you for your failure to obtain the Discover® Network Cardholder's signature on the Transaction Receipt if (i) the full Track Data is transmitted to us with the Authorization Request, and (ii) the Discover® Network Card Sale amount is USD $25.00 or less. No Signature Required Discover® Network Card Sales conducted in accordance with the foregoing requirement may be subject to Dispute for other reasons specified in these Operating Regulations and the Dispute Rules.
21. Cash Reimbursement. The Cash Reimbursement you earn for each Cash Advance transacted in accordance with these Operating Regulations are set forth in the Acquirer Interchange and Assessment Manual.
21.1 Cash Advances and Cash Equivalents. You may not accept a Discover® Network Card in exchange for advancing cash or cash equivalents (i.e., value on the Internet for e-commerce transactions) to a Discover® Network Cardholder, unless you and we have agreed in writing. If you dispense cash or cash equivalents in connection with the presentation of a Discover® Network Card without our permission in the form of a written agreement, such a Discover® Network Card transaction is subject to Chargeback to you, regardless of whether your agreement with the Discover® Network Cardholder describes a cash advance or cash equivalent as a sale of goods or services.
21.2 Fees to Discover® Network Cardholders. Notwithstanding anything herein to the contrary, you are prohibited from assessing or otherwise imposing a fee or surcharge on a Cash Advance transaction. The amount of the Cash Advance transaction reflected in Cash Advance Sales Drafts submitted by you to us for Settlement must be the amount of cash disbursed to the Discover® Network Cardholder. If any fees were assessed to the Discover® Network Cardholder by you in connection with a Cash Advance, including, a fee paid in cash after the transaction was completed, the entire amount of the Cash Advance transaction is subject to Dispute.
22. Discover® Network Card Security Features. All Discover® Network Cards contain common characteristics and distinctive features. Security features common to all Discover® Network Cards include:
(i) Distinctive Discover® Network/NOVUS or Discover® Network Acceptance Mark, depending on the date of issuance of the Discover® Network Card,
(ii) The Discover® Network Card Number on Discover® Network Cards is made up of at least 16 digits,
(iii) The embossed digits of the Discover® Network Card Number are clear and uniform in size and spacing.
(iv) The embossed expiration date, if present, appears in a MMYY format below the title "Valid Thru" and indicates the last month in which the Discover® Network Card is valid,
(v) The Discover® Network Card contains a magnetic stripe, which may be a holographic magnetic stripe bearing a security hologram, depending on the issue date of the Discover® Network Card.
(vi) An underprint of the word "VOID" on the signature panel becomes visible if erasure of the signature is attempted,
(vii) Depending on the issue date of the Discover® Network Card, the· words. DISCOVER or DISCOVER NETWORK appear in ultraviolet ink on the front of the Discover® Network Card and become visible when the Discover® Network Card is held under an ultraviolet light.
22.1 Distinctive Security Features - Standard Credit, Debit and Stored Value Discover® Network Cards. In addition to the common security features for all Discover® Network Cards listed above, most standard, rectangular plastic Discover® Network Cards accepted on the Discover® Network include the following distinctive features:
(i) Distinctive Discover® Network Acceptance Mark positioned in the lower right corner on both sides of the Discover® Network Card, Until October 2007, the Discover® Network/NOVUS Acceptance Mark may appear only on the back of older Discover® Network Cards.
(ii) Discover® Network Cardholder name is embossed on the front of the Discover® Network Card, evenly spaced and aligned.
(iii) The scripted D is embossed beneath the Discover® Network Card Number on the front of the Discover® Network Card and appears on the same line as the embossed year beneath the "Member Since" title and the embossed date beneath the "Valid Thru" title.
(iv) Card Numbers on all Discover® Network Cards are embossed, clear and uniform in size and spacing and should extend into the hologram on the front of the Discover® Network Card, if a hologram is present on the front of the Discover® Network Card, where the last four digits are within the hologram.
(v) For Discover® Network Cards issued before April 15, 2006 the distinct circulation (New Generation) or rectangular (Old Generation) three-dimensional hologram bearing a distinct pattern of a globe with an arrow through it.
(vi) The Discover® Network Card Number or the last four digits of the Discover® Network Card Number on the signature panel are followed by a three-digit CID that must be included in certain Authorization requests
(vii) The Discover® Network Card Number or the last four digits of the Discover® Network Card Number appear in reverse indent printing on the signature panel and must match the last four digits of the Discover® Network Card Number embossed on the front of the Discover® Network Card.
22.2 Exceptions to Standard Security Features. Standard, rectangular plastic, stored value Discover® Network Cards are not required to bear the Discover® Network Cardholder Name. In addition, standard, rectangular plastic stored value gift Discover® Network Cards accepted at a limited, specific list of merchants are not required to include the three-dimensional hologram patterned as a globe with an arrow through it and are not required to bear the Discover® Network Acceptance Mark on the front of the Discover® Network Card.
Valid Discover® Network Cards may not always be rectangular in shape (e.g., Discover® Network 2GOTM Discover® Network Card), may not bear all or may bear different security features than those described in this Section and may not be printed in English.
23. Reminders for Preventing Fraudulent Discover® Network Card Usage. In addition to complying with Authorization requirements as stated in your Agreement, you shall pay careful attention to both the Discover® Network Card presenter and the Discover® Network Card presented. In particular, you should:
A. Verify that the signature on the Transaction Documentation is reasonably similar to the signature on the back of the Discover® Network Card.
B. Check the signature panel for signs of erasure or alteration. You should not accept the Discover® Network Card if the word "VOID" appears in the signature panel.
C. Check the Discover® Network Card expiration date and do not accept any expired Discover® Network Card.
D. Examine the Discover® Network Card for signs of alteration.
E. If you have any doubts about the validity of the Discover® Network Card or the Discover® Network Card presenter, you may request additional identification from the Discover® Network Card presenter and/or utilize procedures outlined in your Agreement.
F. When using a POS Device and printer to process Discover® Network Card transactions, the Merchant must verify that the Discover® Network Card Number printed on the Transaction Receipt matches the Discover® Network Card Number embossed on the front of the Discover® Network Card.
G. Follow procedures for Address Verification if the Discover® Network Card Sale is a Discover® Network Card Not Present transaction.
H. Enter the CID for all Authorization Requests in all Discover® Network Card Not Present transactions.
24. Data Security.
A. Security Requirements. At all times during the term of this Agreement you must comply with PCI Data Security Standard and the other obligations with respect to data security in this Agreement ("Security Requirements") as may be amended from time to time. We may impose restrictions, fines, or prohibit you from accepting Cards if we determine that you are not in compliance with the Security Requirements. You must be in compliance with the Security Requirements as well as comply with general security procedures. You understand and acknowledge that it is solely your responsibility to maintain compliance with the Security Requirements and to pay any and all fines levied by the applicable association or network for your non-compliance. You also understand and acknowledge that you are solely responsible for the compliance of any and all third parties that are given access by you, to Discover® Network Cardholder data, and for any third party POS VAR ("Value Added Reseller") software that you may use.
B. Termination; Indemnification. We may in our sole discretion, suspend or terminate Discover® Network Card processing services under the Agreement for any actual or suspected data security compromise. Notwithstanding anything in this Agreement to the contrary, you agree to indemnify and hold us harmless from and against all losses, liabilities, damages and expenses resulting from your failure to comply with the Security Requirements.
C. Notice of Data Security Breach. You must notify us as soon as reasonably practicable and in no event more than 24 hours after becoming aware of (i) any suspected or actual data security breach in any of your systems or databases used to conduct or in any way process Discover® Network Card transactions or to store Discover® Network Cardholder information, including websites or electronic links used to conduct Discover® Network Card transactions, and (ii) any noncompliance by you with the Security Requirements. Such breaches shall include third party incursions that could in any way result in access to Discover® Network Card transaction information, Discover® Network Card account information or Discover® Network Cardholder information.
D. Investigation. You must, at your expense (i) perform or cause to be performed an independent investigation (including a forensics analysis) of any

data security breach, (ii) perform or cause to be performed any remedial actions recommended by any such independent investigation, and (iii) cooperate with us in the investigation and resolution of any data security breach.

E. Information Provided. You must provide us or Discover® Network as requested, with the following information concerning any suspected or actual data security breach: (i) the date of such breach, (ii) details concerning the data compromised (e.g., Discover® Network Card numbers and expiration dates, Discover® Network Cardholder names and addresses), (iii) the method of such breach, (iv) your security personnel contacts, (v) the name of any Person (including any law enforcement agency) assisting you with your investigation of such breach, and (vi) any other information which we reasonably request from you concerning such breach, including any forensics report(s). You will provide the information listed in (i)-(vi) as soon as is reasonably practicable and the information listed in (i)-(v) shall in any event be provided to us within 48 hours of your initial notification to us of such breach. You must provide us or Discover® Network as requested, with copies of any reports concerning such breach as soon as practicable. You must not issue any press release or other public announcement concerning such breach until after you have provided us and Discover® Network with the information requested in (i)-(v) above.

25. Changes in Business. You must notify us immediately of any change to the information included in your Merchant Profile, including if you engage in, or in the future elects to engage in, any new lines or types of business activities not disclosed to us during your initial application process or if you change your business activities in any of the following ways:

1. Change of ownership;
2. Change in type or kind of business;
3. Change in Merchant Identity, including corporate/legal name or Address; or telephone numbers;
4. Closing or liquidating business entirely or any locations;
5. Change in processing method (i.e. Transaction Drafts to POS Device);
6. Voluntary or involuntary party in a bankruptcy case;
7. Entry into a loan or other agreement with a third party that seeks to affect the Merchant Agreement;
8. Change to the entity that is a party to the Merchant Agreement or entities listed in your records, including by merger or acquisition; and
9. Change to or from a business that conducts exclusively retail sales to one that accepts Discover® Network Card Sales by mail, telephone order or Internet transactions.

26. Factoring. Factoring is the submission of Authorization Requests and/or Sales Drafts by a Merchant for Discover® Network Card sales or Cash Advances transacted by another business. Factoring is considered fraud unless you are registered with us as a Payment Service Provider.

Factoring is expressly prohibited under your Merchant Agreement. This means a Merchant that submitted the Sales Drafts on behalf of another Person will suffer any losses associated with the Disputes of Discover® Network Card Sales. Also if any fraud is involved, the Factoring Merchant could face criminal prosecution.

27. No Merchant Acquisition by Merchants. You may not enter into formal or informal agreements with other merchants for Discover® Network Card Acceptance.

28. Audit Rights. You will allow us to conduct, or to engage a third party designated by us to conduct, annual examinations and audits of your compliance with the applicable provisions of these Operating Regulations and with applicable law.

29. Employee Purchases. You must not conduct Cash Advances, Discover® Network Card Sales or returns for goods or services with your owners, officers or employees using such individuals' personal Discover® Network Cards, except for bona fide Discover® Network Card transactions in the ordinary course of business.

Glossary

Except as provided in this Discover® Network Program Agreement, the terms which are defined in the MAA's Glossary shall have the same meanings in this Discover® Network Program Agreement. The terms below shall have the following meanings for all purposes under the Discover® Network Program Agreement:

Affiliate means any entity that controls, is controlled by, or is under common control with a party, including its subsidiaries.

Association means the Discover® Network or any entity formed to administer and promote Cards, including without limitation MasterCard International, Incorporated, Visa U.S.A., Inc. and Visa International, and any applicable Debit Networks.

Automatic Payment Plan means an obligation, either of a fixed or variable amount that is paid by a Discover® Network Cardholder with a series of charges to an Account over a period time pursuant to an agreement between the Discover® Network Cardholder and the Merchant.

Authorization Center means a department that electronically communicates a merchant's request for Authorization on Credit Discover® Network Card transactions to Discover® Network or the Discover® Network Cardholder's bank, respectively, and transmits such Authorization to the merchant via electronic equipment or by voice Authorization.

Bank means the entity identified on the Application which provides certain services under this Discover® Network Program Agreement.

Card Account means the records maintained by the Issuer of the respective Discover® Network Card transactions, payments and available balance or credit line for a given Discover® Network Card.

Card Number means the unique identifying number that is assigned by the Issuer at the time of Discover® Network Card issuance.

Card Issuer means Discover® Network or the bank that issues a Card to a person.

Card Sale means a sale of goods or services to a Discover® Network Cardholder by a Merchant, either in a Discover® Network Card Present environment or as a Discover® Network Card Not Present transactions, either or which is conducted pursuant to a Merchant Agreement where the amount or such sale is applied to a Discover® Network Card Account and considered an obligation of the Discover® Network Cardholder.

Card Not Present refers to a Discover® Network Card transaction that occurs where the Discover® Network Card is not present at the point-of-sale, including Internet, mail order and telephone-order Discover® Network Card Sales.

Cash Advance means the disbursement of currency, including foreign currency, to a Cardholder by a Cash Advance merchant in connection with the presentation of a Card at branch location, excluding an ATM**.** Cash Advance does not include convenience checks, balance transfers, cash back points, quasi-cash or Cash Over.

Cash Advance Merchant means a Merchant that is a financial institution that is permitted under these Operating Regulations and has been authorized by Acquirer to dispense Cash Advances.

Cash Over means dispensing of cash by a Merchant in connection with a Discover® Network Card Sale for the purchase of goods or services.

Chargeback means the procedure by which a Sales Draft or other indicia of a Discover® Network Card transaction (or disputed portion) is returned to Bank or the issuing bank. Merchant is responsible for reimbursing us for all Chargebacks.

CID or Discover® Network Card Identification Data refers to the three digit number that follows the complete or truncated Discover® Network Card Number in the signature panel on the back of each Discover® Network Card.

Credit means a refund or price adjustment given for a previous purchase transaction.

Credit Card means a valid Discover® Network Card or a valid Discover® Network Card bearing the service mark of Visa or MasterCard and, to the extent the Schedules so provide, a valid Card issued by any other Association specified in such Schedules.

Credit Limit means the credit line set by the Discover® Network Card Issuer for the Discover® Network Cardholder's account.

Dispute means a ticket Retrieval Requests, Chargeback, request for representment of a Discover® Network Card transaction, or Representment of a Discover® Network Card transaction, as the context may require, by an Issuer, Acquirer or Discover® Network, including supporting information and documentation provided by the Issuer or Acquirer in connection with any of the foregoing, and Discover® Network's process of resolving or effecting any of the foregoing.

MAA means the agreements among Merchant and Bank contained in the Merchant Processing Application and Agreement, the Program Guide and the Schedules thereto and the documents incorporated therein, each as amended from time to time, which collectively constitute the agreement among such parties. References in the MAA to the "Agreement" are references to the MAA.

Non-Qualified Program Fee means the difference between the Discover® Network fee associated with the Anticipated Fee Level and the Discover® Network fee associated with the more costly fee level at which the transaction actually was processed.

Non-Qualified Surcharge means a surcharge applied to any Discover® Network Card transaction that fails to qualify for the Anticipated Fee Level and is therefore downgraded to a more costly fee level. The Non-Qualified Surcharge (the amount of which is set forth in the Service Fee Schedule) is in addition to the Non-Qualified Program Fee, which is also your responsibility.

Transaction Receipt means a paper or electronic copy of transaction data generated at the point of sale when the Discover® Network Card transaction is conducted using a POS Device, a copy of which is provided to the Discover® Network Cardholder.

We, our, and us mean Bank.

You and your mean the entity accepting the Discover® Network Card under this Discover® Network Program Agreement and its Affiliates conducting business in the same industry.

Addendum
COF Contract No. 2015-0144

This addendum shall modify and supersede the Pinnacle Merchant Application and Agreement (the "Agreement") attached hereto and entered into on the ___ day of _________, 2015. The Agreement, together with this Addendum and the attached documents, constitutes the entire agreement ("Contract"). Should any terms and conditions contained herein differ, then these terms and conditions shall supersede.

1. TERMS AND CONDITIONS FOR MERCHANT AGREEMENT, number 11. Indemnity, shall be removed in its entirety.

2. TERMS AND CONDITIONS FOR MERCHANT AGREEMENT, number 14. Disclaimer; Limitation of Damages, shall be amended as follows, by removing the language shown in ~~strikethrough~~ and inserting language shown in **bold:**

   "Subject to Section 5, we will, at our own expense, correct any Transaction Data to the extent that such errors have been caused by us or by malfunctions of our processing systems. ~~Under no circumstances will Bank's financial responsibility for our failure of performance under this Agreement exceed the total fees paid to us under this Agreement (net of Payment Brand fees, third party fees, interchange, assessments, and fines) for the six months prior to the time the liability arose. EXCEPT AS OTHERWISE PROVIDED FOR IN THIS AGREEMENT, IN NO EVENT WILL ANY PARTY, ITS RESPECTIVE DORECTORS, OFFICERS, EMPLOYEES, OR AFFILAITES, BE LIABLE FOR SPECIAL, INCIDENTAL, CONSEQUENTIAL, OR PUNITIVE DAMAGES OR ANY LOSS, THEFT, DISAPPEARANCE, OR DAMAGE TO DATE TRANSMITTED ELECTRONICALLY IN CONNECTION WITH THIS AGREEMENT. THIS AGREEMENT IS A SERVICE AGREEMENT, AND EXCEPT AS EXPRESSLY PROVIDED IN THIS AGREEMENT, BANK AND MEMBER DICLAIM ALL OTHER REPRESENTATIONS OR WARRANTIES, EXPRESS OR IMPLIED, MADE TO MERCHANT OR ANY OTHER PERSON, INCLUDING WITHOUT LIMITATION, ANY WARRANTIES REGARDING QUALITY, SUITABILITY, MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, OR OTHERWISE (REGARDLESS OF ANY COURSE OF DEALING, CUSTOM, OR USAGE OF TRADE) OF ANY SERVICES PROVIDED UNDER THIS AGREEMENT OR ANY GOODS PROVIDED INCIDENTAL TO SUCH SERVICES.~~

3. TERMS AND CONDITIONS FOR MERCHANT AGREEMENT, number 15.10 Governing Law; Waiver of Jury Trial; Arbitration, shall be removed in its entirety.

4. TERMS AND CONDITIONS FOR CARD ACCEPTANCE, number 9 (C) Indemnification and Limitation of Liability, shall be removed in its entirety.

11. Precedence. In the event of conflict between this Addendum and the provisions of the Agreement, or any other contract, agreement or other document to which the Agreement or this Addendum may accompany, the provisions of this Addendum will to the extent of such conflict take precedence unless such document expressly states that it is amending this Addendum.

12. Entire Agreement. This Addendum, including any contract, agreement or other document which it may accompany, constitutes the entire agreement between the parties and supersedes any prior or contemporaneous communications, representations or agreements between the parties, whether oral or written, regarding the subject matter of this Addendum. The terms and conditions of this Addendum may not be changed except by an amendment expressly referencing this Addendum by section number and signed by an authorized representative of each party.

13. Additions/Modifications. If seeking any addition or modification to the Contract, the parties agree to reference the specific paragraph number sought to be changed on any future document or purchase order issued in furtherance of the Contract, however, an omission of the reference to same shall not affect its applicability. In no event shall either party be bound by any terms contained in any purchase order, acknowledgement, or other writings unless: (a) such purchase order, acknowledgement, or other writings specifically refer to the Contract or to the

specific clause they are intended to modify; (b) clearly indicate the intention of both parties to override and modify the Contract; and (c) such purchase order, acknowledgement, or other writings are signed, with specific material clauses separately initialed, by authorized representatives of both parties.

14. Applicable Law; Choice of Forum/Venue. The Contract constitute the entire agreement and are made under and will be construed in accordance with the laws of the State of Tennessee without giving effect to any state's choice-of-law rules. The choice of forum and venue shall be exclusively in the Courts of Williamson County, TN.

15. Breach. Upon deliberate breach of the Contract by either party, the non- breaching party shall be entitled to terminate the Contract without notice, with all of the remedies it would have in the event of termination, and may also have such other remedies as it may be entitled to in law or in equity.

16. Survival. This Addendum shall survive the completion of or any termination of the Contract, agreement or other document to which it may accompany.

PINNACLE BANK

By: ____________________________________

Its: ____________________________________

CITY OF FRANKLIN:

By:____________________________________

Eric S. Stuckey, City Administrator

Sanitation & Environmental Services Fund - Fiscal Year End Update - September 10, 2015

Summary

The Sanitation and Environmental Services Fund had a very busy and complicated FY 2015 from both a financial and operational perspective. This analysis will focus solely on the financial implications of the year which closed June 30, 2015. It is perhaps important to remember before unpacking the major financial activity and changes which occurred in the last twelve months that a budget, despite the best efforts of its planners, is just that - a plan. And although it may look on the bottom line that the Sanitation and Environmental Services fund had a predictable level of activity and collected more than it spent, there is a good deal more to the story than just the totals.

The budget for Sanitation and Environmental Services was projected to have $8,148,820 in both revenues and expenses. The good news is that the fund exceeded its revenue projections, while coming in under budget on its expenses. This of course is the desire of any governmental operation. Table 1 below shows the fund summary for FY 2013-2016.

Table 1: SES Fund Budget Summary - FY 2013 through FY 2016

	Actual 2013	Actual 2014	Budget 2015	Est 2015	Budget 2016
Beginning F.B.	**$ -**	**$ -**	**$ 405,119**	**$ 405,119**	**$ 618,331**
Available Funds	**$ 7,648,732**	**$ 7,462,938**	**$ 8,148,820**	**$ 8,275,156**	**$ 7,825,777**
Personnel	$ 2,706,191	$ 2,841,664	$ 2,914,293	$ 2,768,726	$ 2,912,850
Operations	$ 4,626,397	$ 3,820,938	$ 4,884,527	$ 5,293,218	$ 4,912,927
Capital	$ 61,550	$ 91,113	$ 350,000	$ -	$ -
SES Fund Expenses	**$ 7,394,138**	**$ 6,753,715**	**$ 8,148,820**	**$ 8,061,944**	**$ 7,825,777**
Surplus/Deficit	**$ 254,594**	**$ 709,223**	**$ -**	**$ 213,212**	**$ -**
Ending Fund Balance	**$ -**	**$ -**	**$ 405,119**	**$ 618,331**	**$ 618,331**

The budget for the fund as adopted had the following major assumptions:

On Revenues:

- Intergovernmental Revenue totaling $350,000 would be received through a grant to assist the City in building its own Household Hazardous Waste Collection.
- Charges for Services would come in around $7.55 million, inclusive of approx. 1.2 million of charges for City of Franklin tipping fees.
- The fund would not require a General Fund Transfer.

On Expenses:

- The City would dispose approximately 60,000 tons of trash (and it would cost $1.55 Million for disposal)
- The City would account for the disposal of trash collected by the City (costing approximately $1.2 million)
- Vehicle Repair would cost approximately $350,000
- The Fund would be able to absorb $379,800 in additional but unallocated savings in the budget due the resulting efficiencies of implementing the four 10-hour day collection schedule.
- $350,000 in capital costs would be incurred for the construction of a separate Household Hazardous Waste Collection Center.

Sanitation & Environmental Services Fund - Fiscal Year End Update - September 10, 2015

Summary

In reality, the following occurred:

On Revenues:

- Intergovernmental Revenue totaling $350,000 would be received through a grant to assist the City in building its own transfer station.
  - **Actual: Intergovernmental Revenue only totaled 42,686 as the City chose not to build its own Household Hazardous Waste Collection Center and did not receive the grant reimbursements.**
- Charges for Services would come in around $7.55 million, inclusive of approx. 1.2 million of charges for City of Franklin tipping fees.
  - **Actual: Charges for Service came in at only $7.32 million. But it must be remembered that this is *after* accounting for the State's requirement that all revenues and expenses for the disposal of the City's own trash be netted out against each other. In reality, after netting out the anticipated revenues for City's disposal, the revised Charges for Services budget was only $6.3 million, meaning the fund collected one million more than anticipated through Collection and transfer station activities in FY 2015.**
- The fund would not require a General Fund Transfer
  - **Actual: The fund did require a transfer of $500,000 from the General Fund to ensure it ended with a positive cash balance (another requirement of the State of Tennessee). This is the lowest transfer to the fund since it was created.**

On Expenses:

- The City would dispose approximately 60,000 tons of trash (and it would cost $1.55 Million to dispose)
  - **Actual: The City disposed of nearly 80,000 tons of trash, costing nearly $2.69 million to dispose. This massive increase in the amount of tonnage crossing the scales at the transfer station (a combination of commercial hauler traffic, increase in construction activity, and growth of residential collection within the community) had significant operational challenges and cost impacts.**
- The City would account for the disposal of the City collected trash (costing approximately $1.2 million)
  - **Actual: The City netted this cost (as per State guidance) against revenues, reducing anticipated expenses by $1.2 million.**
- Vehicle Repair would cost approximately $350,000
  - **Actual: Vehicle Repair and Maintenance Services cost nearly $542K - over $191K more than budgeted. This was caused by a variety of reasons - delay in receipt of new vehicles, substantial increase equipment usage due to the disposal of unanticipated tonnage, weather delays and difficulties and increased use of vehicles and hauling due to unanticipated changes to recycling arrangements last fall, resulting in shuttling of recycling materials within the City and to Lewisburg - all contributed to using the existing fleet longer and heavier than anticipated.**
- The budget would be able to absorb $379,800 in additional savings from budget due the resulting efficiencies of implementing the 4-10 day collection schedule.
  - **Actual: the full savings of $379,800 was not realized. Although approximately $146K in savings was achieved in Personnel savings, the circumstances described above and increased strain on overall operations made achieving greater expenditure savings in Fiscal Year 2015 out of reach.**

Quite simply, the SES operations for the City of Franklin had a very busy year. And a successful one from a financial perspective. Operational considerations - such as the effectiveness of the 4-10 hour days and the Blue Bag program will be covered by the Director of SES at the Budget & Finance Committee meeting of September 10. The attached pages provide summary detail for Revenues and Expenses by division of the fund.

City of Franklin, Tennessee

FY 2015 FYE Reconciliation

as of 8/31/2015

Budget

	A	B	C	D	E (C-D)	F (C/D)	G	H (G-C)	I (G/C)
	Actual	Actual	Budget	Estimated	Difference		Base	Difference	
	2013	2014	2015	2015	$	%	2016	$	%
Available Funds									
Intergovernmental	-	71,500	350,000	42,686	(307,314)	12.2%	-	(350,000)	-100.0%
Charges for Services	6,743,941	5,958,990	7,548,820	7,324,841	(223,979)	97.0%	7,336,952	(211,868)	-2.8%
Use of Money and Property	155,981	199,507	225,000	407,629	182,629	181.2%	163,825	(61,175)	-27.2%
Other Revenue	748,810	1,232,941	25,000	500,000	475,000	2000.0%	325,000	300,000	1200.0%
Total Available Funds	**7,648,732**	**7,462,938**	**8,148,820**	**8,275,156**	**126,336**	**101.6%**	**7,825,777**	**(323,043)**	**-4.0%**
Personnel									
Salaries & Wages	1,777,153	1,842,518	2,058,896	1,993,239	(65,657)	96.8%	2,014,614	(44,282)	-2.2%
Employee Benefits	929,038	999,146	855,397	775,487	(79,910)	90.7%	898,236	42,839	5.0%
Total Personnel	**2,706,191**	**2,841,664**	**2,914,293**	**2,768,726**	**(145,567)**	**95.0%**	**2,912,850**	**(1,443)**	**0.0%**
Operations									
Transportation Services	3,559	969	3,540	754	(2,786)	21.3%	3,117	(423)	-11.9%
Operating Services	1,590,247	1,934,090	1,554,465	2,690,485	1,136,020	173.1%	2,388,617	834,152	53.7%
Notices, Subscriptions, etc.	5,642	8,527	28,050	25,288	(2,763)	90.2%	27,445	(605)	-2.2%
Utilities	1,316,466	62,625	1,329,100	68,901	(1,260,199)	5.2%	71,235	(1,257,865)	-94.6%
Contractual Services	18,113	8,967	10,000	2,228	(7,772)	22.3%	10,000	-	0.0%
Repair & Maintenance Services	391,454	421,495	350,500	541,841	191,341	154.6%	261,382	(89,118)	-25.4%
Employee programs	6,285	16,933	21,500	8,712	(12,788)	40.5%	17,253	(4,247)	-19.8%
Professional Development/Travel	2,236	13,258	13,900	9,883	(4,017)	71.1%	8,333	(5,567)	-40.1%
Office Supplies	10,211	10,174	12,500	11,964	(536)	95.7%	12,694	194	1.6%
Operating Supplies	64,055	100,562	112,000	116,934	4,934	104.4%	114,337	2,337	2.1%
Fuel & Mileage	268,169	300,796	266,500	262,671	(3,829)	98.6%	264,752	(1,748)	-0.7%
Machinery & Equipment (<$25,000)	69,073	14,423	21,600	15,885	(5,715)	73.5%	36,883	15,283	70.8%
Repair & Maintenance Supplies	53,647	56,023	47,250	64,328	17,078	136.1%	54,103	6,853	14.5%
Operational Units	183,819	217,401	207,787	155,840	(51,947)	75.0%	209,545	1,758	0.8%
Property & Liability Costs	59,732	70,378	61,961	109,470	47,509	176.7%	94,282	32,321	52.2%
Rentals	2,609	205	1,000	3,283	2,283	328.3%	-	(1,000)	-100.0%
Permits	1,715	2,990	3,500	1,672	(1,829)	47.8%	2,000	(1,500)	-42.9%
Financial Fees	7,916	5,837	4,000	6,415	2,415	160.4%	4,306	306	7.7%
Other Business Expenses	-	500	(379,800)	-	379,800	0.0%	-	379,800	-100.0%
Debt Service and Lease Payments	9,821	4,249	626,094	612,156	(13,938)	97.8%	743,563	117,469	18.8%
Transfers to Other Funds	561,628	570,536	589,080	584,509	(4,571)	99.2%	589,080	-	0.0%
Total Operations	**4,626,397**	**3,820,938**	**4,884,527**	**5,293,218**	**408,691**	**108.4%**	**4,912,927**	**28,400**	**0.6%**
Capital	**61,550**	**91,113**	**350,000**	**-**	**(350,000)**	**0.0%**	**-**	**(350,000)**	**-100.0%**
SES	**7,394,138**	**6,753,715**	**8,148,820**	**8,061,944**	**(86,876)**	**98.9%**	**7,825,777**	**(323,043)**	**-4.0%**
Surplus/Deficit	**254,594**	**709,223**	**-**	**213,212**	**213,212**		**0**	**0**	

Final Year-End Surplus/(Deficit)	**213,212**

City of Franklin, Tennessee

FY 2015 FYE Reconciliation

as of 8/31/2015

Budget

Administration Budget

	A	B	C	D	E (C-D)	F (C/D)	G	H (G-C)	I (G/C)
	Actual	Actual	Budget	Estimated	Difference		Base	Difference	
	2013	2014	2015	2015	$	%	2016	$	%
Personnel									
Salaries & Wages	218,212	300,201	355,286	323,032	(32,254)	90.9%	340,676	(14,610)	-4.1%
Employee Benefits	111,731	187,836	120,629	158,083	37,454	131.0%	116,031	(4,598)	-3.8%
Total Personnel	**329,943**	**488,037**	**475,915**	**481,115**	**5,200**	**101.1%**	**456,707**	**(19,208)**	**-4.0%**
Operations									
Transportation Services	10	10	-	-	-	0.0%	-	-	0.0%
Operating Services	122	511	450	641	191	142.4%	430	(20)	-4.4%
Notices, Subscriptions, etc.	1,144	3,289	4,600	1,335	(3,265)	29.0%	4,323	(277)	-6.0%
Utilities	40,611	45,946	39,400	44,937	5,537	114.1%	48,757	9,357	23.7%
Contractual Services	15,211	1,500	-	-	-	0.0%	-	-	0.0%
Repair & Maintenance Services	24,377	48,254	32,500	32,695	195	100.6%	45,022	12,522	38.5%
Employee programs	2,985	10,607	9,000	6,513	(2,487)	72.4%	9,270	270	3.0%
Professional Development/Travel	943	7,007	4,500	3,766	(734)	83.7%	4,320	(180)	-4.0%
Office Supplies	2,989	2,902	4,000	4,031	31	100.8%	4,120	120	3.0%
Operating Supplies	2,155	1,620	3,000	1,211	(1,789)	40.4%	3,966	966	32.2%
Fuel & Mileage	4,759	3,147	6,500	2,618	(3,882)	40.3%	2,575	(3,925)	-60.4%
Machinery & Equipment (<$25,000)	14,254	7,415	4,600	3,382	(1,218)	73.5%	27,595	22,995	499.9%
Repair & Maintenance Supplies	3,835	3,417	5,000	2,829	(2,171)	56.6%	4,636	(364)	-7.3%
Operational Units	183,819	217,401	207,787	155,840	(51,947)	75.0%	209,545	1,758	0.8%
Property & Liability Costs	3,347	4,380	5,118	5,550	432	108.4%	3,605	(1,513)	-29.6%
Rentals	-	205	-	-	-	0.0%	-	-	0.0%
Permits	-	1,233	-	-	-	0.0%	-	-	0.0%
Other Business Expenses	-	500	-	-	-	0.0%	-	-	0.0%
Debt Service and Lease Payments	9,821	-	-	-	-	0.0%	-	-	0.0%
Total Operations	**310,382**	**359,344**	**326,455**	**265,348**	**(61,107)**	**81.3%**	**368,164**	**41,709**	**12.8%**
Buildings	-	91,113	350,000	-	-	-	-	(350,000)	-100.0%
Capital	**-**	**91,113**	**350,000**	**-**	**(350,000)**	**0.0%**	**-**	**(350,000)**	**-100.0%**
Administration	**640,325**	**938,494**	**1,152,370**	**746,463**	**(405,907)**	**64.8%**	**824,871**	**(327,499)**	**-28.4%**

City of Franklin, Tennessee

FY 2015 FYE Reconciliation

as of 8/31/2015

Budget

Collection Budget

	A	B	C	D	E (C-D)	F (C/D)	G	H (G-C)	I (G/C)
	Actual	Actual	Budget	Estimated	Difference		Base	Difference	
	2013	2014	2015	2015	$	%	2016	$	%
Personnel									
Salaries & Wages	1,323,163	1,271,861	1,454,496	1,422,227	(32,269)	97.8%	1,423,250	(31,246)	-2.1%
Employee Benefits	672,894	672,034	642,275	538,747	(103,528)	83.9%	672,188	29,913	4.7%
Total Personnel	**1,996,057**	**1,943,895**	**2,096,771**	**1,960,974**	**(135,797)**	**93.5%**	**2,095,438**	**(1,333)**	**-0.1%**
Operations									
Transportation Services	2,466	192	2,640	189	(2,451)	7.2%	2,102	(538)	-20.4%
Operating Services	7,363	16,903	14,500	9,640	(4,860)	66.5%	8,940	(5,560)	-38.3%
Notices, Subscriptions, etc.	4,371	4,767	22,000	23,799	1,799	108.2%	22,198	198	0.9%
Utilities	1,275,051	16,102	1,289,200	22,393	(1,266,807)	1.7%	21,030	(1,268,170)	-98.4%
Contractual Services	1,640	6,205	10,000	2,228	(7,772)	22.3%	10,000	-	0.0%
Repair & Maintenance Services	233,404	223,976	162,500	269,432	106,932	165.8%	155,568	(6,932)	-4.3%
Employee programs	1,650	4,276	9,750	2,199	(7,551)	22.6%	5,923	(3,827)	-39.3%
Professional Development/Travel	1,193	5,212	4,150	3,303	(847)	79.6%	3,858	(292)	-7.0%
Office Supplies	4,456	5,038	5,500	5,877	377	106.9%	5,454	(46)	-0.8%
Operating Supplies	40,866	85,703	101,500	108,727	7,227	107.1%	102,376	876	0.9%
Fuel & Mileage	218,810	236,479	215,000	207,196	(7,804)	96.4%	210,275	(4,725)	-2.2%
Machinery & Equipment (<$25,000)	52,826	6,009	17,000	12,170	(4,830)	71.6%	7,188	(9,812)	-57.7%
Repair & Maintenance Supplies	28,150	34,984	25,250	45,319	20,069	179.5%	33,332	8,082	32.0%
Property & Liability Costs	29,994	48,254	37,985	77,298	39,313	203.5%	68,294	30,309	79.8%
Rentals	624	-	-	3,283	3,283	100.0%	-	-	0.0%
Permits	43	43	-	-	-	0.0%	-	-	0.0%
Financial Fees	7,916	5,837	4,000	6,415	2,415	160.4%	4,306	306	100.0%
Other Business Expenses	-	-	(379,800)	-	379,800	0.0%	-	379,800	-100.0%
Debt Service and Lease Payments	-	4,249	569,031	603,684	34,653	106.1%	687,662	118,631	20.8%
Transfers to Other Funds	280,814	285,268	294,540	292,255	(2,285)	99.2%	294,540	-	0.0%
Total Operations	**2,191,637**	**989,497**	**2,404,746**	**1,695,405**	**(709,341)**	**70.5%**	**1,643,046**	**(761,700)**	**-31.7%**
Machinery & Equipment (>$25,000)	61,550	-	-	-	-	-	-	-	0.0%
Capital	61,550	-	-	-	-	**0.0%**	-	-	0.0%
Collection	**4,249,244**	**2,933,392**	**4,501,517**	**3,656,378**	**(845,139)**	**81.2%**	**3,738,484**	**(763,033)**	**-17.0%**

City of Franklin, Tennessee

FY 2015 FYE Reconciliation

as of 8/31/2015

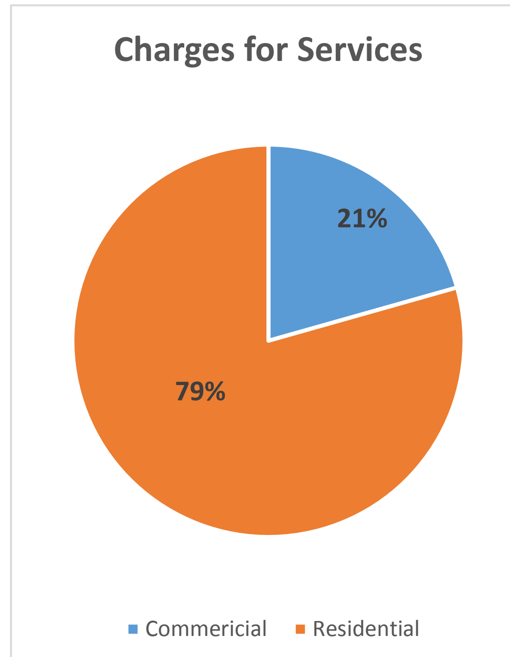
Budget

Disposal Budget

	A	B	C	D	E (C-D)	F (C/D)	G	H (G-C)	I (G/C)
	Actual	Actual	Budget	Estimated	Difference		Base	Difference	
	2013	2014	2015	2015	$	%	2016	$	%
Personnel									
Salaries & Wages	235,778	270,456	249,114	247,980	(1,134)	99.5%	250,688	1,574	0.6%
Employee Benefits	144,413	139,276	92,493	78,657	(13,836)	85.0%	110,017	17,524	18.9%
Total Personnel	**380,191**	**409,732**	**341,607**	**326,637**	**(14,970)**	**95.6%**	**360,705**	**19,098**	**5.6%**
Operations									
Transportation Services	1,083	767	900	565	(335)	62.7%	1,015	115	12.8%
Operating Services	1,582,762	1,916,676	1,539,515	2,680,203	1,140,688	174.1%	2,379,247	839,732	54.5%
Notices, Subscriptions, etc.	127	471	1,450	154	(1,296)	10.6%	924	(526)	-36.3%
Utilities	804	577	500	1,571	1,071	314.3%	1,448	948	189.6%
Contractual Services	1,262	1,262	-	-	-	0.0%	-	-	0.0%
Repair & Maintenance Services	133,673	149,265	155,500	239,715	84,215	154.2%	60,792	(94,708)	-60.9%
Employee programs	1,650	2,050	2,750	-	(2,750)	0.0%	2,060	(690)	-25.1%
Professional Development/Travel	100	1,039	5,250	2,815	(2,435)	53.6%	155	(5,095)	-97.0%
Office Supplies	2,766	2,234	3,000	2,055	(945)	68.5%	3,120	120	4.0%
Operating Supplies	21,034	13,239	7,500	6,996	(504)	93.3%	7,995	495	6.6%
Fuel & Mileage	44,600	61,170	45,000	52,858	7,858	117.5%	51,902	6,902	15.3%
Machinery & Equipment (<$25,000)	1,993	999	-	333	333	100.0%	2,100	2,100	0.0%
Repair & Maintenance Supplies	21,662	17,622	17,000	16,180	(820)	95.2%	16,135	(865)	-5.1%
Property & Liability Costs	26,391	17,744	18,858	26,622	7,764	141.2%	22,383	3,525	18.7%
Rentals	1,985	-	1,000	-	-	0.0%	-	(1,000)	-100.0%
Permits	1,672	1,714	3,500	1,672	(1,829)	47.8%	2,000	(1,500)	-42.9%
Debt Service and Lease Payments	-	-	57,063	8,472	(48,591)	14.8%	55,901	(1,162)	-2.0%
Transfers to Other Funds	280,814	285,268	294,540	292,255	(2,285)	99.2%	294,540		
Total Operations	**2,124,378**	**2,472,097**	**2,153,326**	**3,332,465**	**1,180,139**	**154.8%**	**2,901,717**	**748,391**	**34.8%**
Machinery & Equipment (>$25,000)	-	-	-	-	-	-	-	-	0.0%
Capital	**-**	**-**	**-**	**-**	**-**	**0%**	**-**	**-**	**0.0%**
Disposal	**2,504,569**	**2,881,829**	**2,494,933**	**3,659,103**	**1,164,170**	**146.7%**	**3,262,422**	**767,489**	**30.8%**

Revenues - FY 2015 - Sanitation & Environmental Services — AS Adopted

	Budget	Estimated Thru 8/31	Difference $	Difference %
Intergovernmental				
33610 46100 SANITATION GRANT	$ 350,000	$ 35,000	$ (315,000)	10.0%
33610 46140 SANITATION GRANT	$ -	$ 7,686	$ 7,686	100.0%
Intergovernmental	**$ 350,000**	**$ 42,686**	**$ (307,314)**	**12.2%**
Charges for Services				
33650 46110 SPECIAL EVENT SERVICES FEE	$ -	$ 50,623		
34140 46110 SPECIAL EVENT SERVICES FEE	$ -	$ 4,275		
34410 46130 SOLID WASTE DISPOSAL	$ -	$ 3,501,505		
34410 46130 SOLID WASTE DISPOSAL	$ -	$ 62,400		
34411 46110 RESIDENTIAL ADD. ROLLOUT CONTAINER	$ -	$ 1,275		
34412 46110 RESIDENTIAL DUMPSTER PICKUP	$ -	$ 455,213		
34413 46110 SANITATION SERVICES MILCROFTON	$ -	$ 144,275		
34415 46110 NON-RESIDENTIAL ROLLOUT CONTAINER	$ -	$ 20,550		
34415 46110 NON-RESIDENTIAL ROLLOUT CONTAINER	$ -	$ 18,000		
34415 46110 NON-RESIDENTIAL ROLLOUT CONTAINER	$ -	$ 20,000		
34415 46110 NON-RESIDENTIAL ROLLOUT CONTAINER	$ -	$ 212,503		
34417 46110 NON-RESIDENTIAL DUMPSTER PICKUP	$ -	$ 228,693		
34417 46110 NON-RESIDENTIAL DUMPSTER PICKUP	$ -	$ 157,973		
34417 46110 NON-RESIDENTIAL DUMPSTER PICKUP	$ -	$ 16,320		
34417 46110 NON-RESIDENTIAL DUMPSTER PICKUP	$ -	$ 106,250		
34417 46110 NON-RESIDENTIAL DUMPSTER PICKUP	$ -	$ 1,656		
34417 46110 NON-RESIDENTIAL DUMPSTER PICKUP	$ -	$ -		
34417 46110 NON-RESIDENTIAL DUMPSTER	$ -	$ -		
sub-total Solid Waste Collection Charges	*$ 4,936,245*	*$ 5,001,509*	*$ 65,264*	*101.3%*
34420 46130 TIPPING FEES	$ -	$ 3,559,833		
less City portion for Disposal	$ -	$ (1,266,010)		
sub-total Tipping Fees	*$ 2,600,000*	*$ 2,293,823*	*$ (306,177)*	*88.2%*
34430 46110 RECYCLING-CARDBOARD	$ -	$ 2,940		
34430 46110 RECYCLING-CARDBOARD	$ -	$ 4,050		
34430 46110 RECYCLING-CARDBOARD	$ -	$ 5,450		
34430 46110 RECYCLING-CARDBOARD	$ -	$ 1,275		
sub-total Recycling-Cardboard	*$ 10,000*	*$ 13,715*	*$ 3,715*	*137.1%*
34431 46110 RECYCLING-BATTERIES	$ -	$ 4,266		
34433 46110 RECYCLING-METAL	$ -	$ 5,817		
34434 46110 RECYCLING-WASTE OIL	$ -	$ 523		
34440 46110 BUCK A BAG PROGRAM	$ 2,500	$ 2,988	$ 488	119.5%
34441 46110 RESIDENTIAL BRUSH PICKUP	$ -	$ 900		
34442 46110 RESIDENTIAL BULKY GOODS	$ -	$ 600		
34444 46110 NON-RESIDENTIAL BRUSH	$ -	$ 100		
34445 46110 NON-RESIDENTIAL BULKY GOODS	$ -	$ 600		
Charges for Services	**$ 7,548,745**	**$ 7,324,841**		
Use of Money and Property				
36700 00000 SALE OF DUMPSTERS	$ 55,000	$ 77,595	$ 22,595	141.1%
36705 00000 LEASE OF DUMPSTERS	$ 30,000	$ 37,260	$ 7,260	124.2%
36800 00000 SALE OF SURPLUS ASSETS	$ 140,000	$ 292,774	$ 152,774	209.1%
Use of Money and Property	**$ 225,000**	**$ 407,629**	**$ 182,629**	**181.2%**
Other Revenue				
37100 00000 TRANSFER FROM GENERAL FUND	$ -	$ 500,000		
37900 00000 MISCELLANEOUS INCOME	$ 25,000	$ -	$ (25,000)	0.0%
Other Revenue	**$ 25,000**	**$ 500,000**	**$ 475,000**	**2000.0%**
Total Revenues - SES	**$ 8,148,745**	**$ 8,275,156**	**$ 126,411**	**101.6%**



ORDINANCE NO. 2015 – 48

TO BE ENTITLED: "AN ORDINANCE TO AMEND THE BUDGET OF THE CITY OF FRANKLIN FOR FISCAL YEAR 2015-2016"

WHEREAS, the City Charter, Article VIII, provides for adoption of an annual budget for departments of the City of Franklin; and

WHEREAS, an annual budget process appropriating funds to the various departments and divisions of the City government for the fiscal year beginning July 1, 2015 has been completed in accordance with state law and local ordinances; and

WHEREAS, the Board of Mayor and Aldermen find it is in the best interests of the citizens of the City of Franklin to modify the annual budget from time to time.

NOW, THEREFORE BE IT ORDAINED, by the Board of Mayor and Aldermen of the City of Franklin, Tennessee:

SECTION I: That the annual budget for the City of Franklin for the Fiscal Year 2015-2016 shall be amended and does allocate and appropriate additional funding as follows:

<u>GENERAL FUND</u> [Amendment 1]		
<u>REVENUE</u>		
National Park Service Grant Revenue (pass-through)	Increase	$1,402,797
<u>EXPENDITURES</u>		
Payment to Civil War Trust for Eley tract (pass-through)	Increase	$ 99,610
Payment to Franklin's Charge for Lovell tract (pass-through)	Increase	$1,303,187

Net Increase (Decrease) to General Fund Balance		**$ -0-**
<u>ROAD IMPACT FUND</u> [Amendment 2]		
<u>REVENUE</u>		
<u>EXPENDITURES</u>		
Payment to Crescent Resources, LLC	Increase	$ 300,000

Net Increase (Decrease) to Road Impact Fund Balance		**$ (300,000)**
<u>HOTEL MOTEL</u> [Amendment 3]		
<u>REVENUE</u>		
<u>EXPENDITURES</u>		
Additional money to cover full project cost of the Eastern Flank Rock Wall	Increase	$ 36,038

Net Increase (Decrease) to Hotel Motel Fund Balance		**$ (36,038)**

SECTION II: That each department of the City shall limit its expenditures to the amount appropriated; that any changes or amendments to the appropriations set forth in the budget shall be made in accordance with the City Code, Article VIII.

SECTION III: That this Ordinance shall take effect on from and after its passage on Second and Final Reading; the health, safety and welfare of the citizens of the City of Franklin requiring it.

ATTEST: **CITY OF FRANKLIN, TENNESSEE**

By: ______________________________ **By:** __________________________

ERIC S. STUCKEY
City Administrator

DR. KEN MOORE
Mayor

PASSED FIRST READING: September 22, 2015
PUBLIC HEARING: October 13, 2015
PASSED SECOND READING: October 13, 2015

Approved as to form:

____
Kristen L. Corn, Assistant City Attorney

HISTORIC FRANKLIN TENNESSEE

MEMORANDUM

September 10, 2015

TO: Members of the Board of Mayor and Aldermen
Members of Budget and Finance Committee

FROM: Eric Stuckey, City Administrator
Russ Truell, ACA/CFO
Mike Lowe, Comptroller
Michael Walters Young, Business Process Improvement Manager

RE: Consideration of Ordinance 2015-48, 1st Quarter 2016 Budget Amendments

Purpose

The purpose of this item is to amend the Fiscal Year 2016 Budget for compliance with State budgeting guidance regarding:

1. Ensuring authorizations in place to balance each fund's budget on a cash basis on June 30, 2015.

Background

The State Comptroller has provided guidance that budget amendments are to be on the cash basis and must occur prior to fiscal year end (June 30) to ensure no fund has a deficit fund balance or deficit cash balance at June 30.

In order to stay ahead of this responsibility, staff is proposing three budget amendments.

The amendments are as follows:

1. Additional $1,402,797 appropriation in General Fund for pass-through grant expenditures pertaining to Carter's Hill Park. The expenditures are funded in full by grants with the U.S. Department of the Interior, National Parks Service. The City of Franklin will be a pass-through entity for payment to the Civil War Trust of $99,610 for the purchase of the Eley tract and to Franklin's Charge of $1,303,187 for purchase of the Lovell tract.
2. Authorization to add $300,000 to budgeted expenditures in the Road Impact Fund for the purpose of refunding road offset overpayment to Crescent Resources, LLC. Crescent Resources, LLC paid into the Fund but it has been determined that the payment was made in excess. The total amount of overpayment to be repaid is $900,000, which the City has agreed to pay in three (3) $300,000 installments for the next three Fiscal Years. This amendment satisfies the payment for Fiscal Year 2016.
3. Authorization to add $36,038 to budgeted expenditures in the Hotel/Motel Tax Fund for the purpose of completing renovations to rock walls at Eastern Flank Battlefield Park. This project was approved in the FY 2016 Budget, but the budget was built with the assumption the item was to be funded through short-term borrowing. Given the relative size of the expenditure and the need to complete the project this late summer/fall, it should funded

directly out of the Hotel/Motel Fund outright. The total cost of the project is estimated at $55,000.

This is the second of several budget amendments during the Fiscal Year to the budget. Later in the year we will bring to you a series of corrections and amendments which are more traditionally found in the 1st Quarter, including the distribution of wage adjustments from General Expenses to Departments, pension adjustments and miscellaneous expense adjustments.

Financial Impact

The amendments, as proposed, would result in:

1. General Fund: No Change.

2. Reduction of Road Impact Fund balance by $300,000.

3. Reduction of Hotel/Motel Tax Fund balance by $36,038.

Options

1. Approve amendment(s) as proposed and forward to BOMA.

2. Make changes to the amendment(s) where desired and forward to BOMA.

Recommendation

Staff recommends approval of the amendments.

Impact of Ordinance 2015-48 on Budgets

The following demonstrates the impact of Ordinance 2015-48 on four separate funds: the General Fund, Road Impact Fund, Hotel/Motel Tax Fund and Transit Fund. It is important to note:

a) The General Fund has no impact on the bottom line by these transfers. They are simply pass through grants - money coming in and going out in the same amount.
b) The Road Impact Fund has no offsetting revenue for this proposed payout. However the amount anticipated to be received through additional new development more than covers any known draws against the fund in FY 2016 for Debt Service, and there is existing fund balance of nearly $400,000.

c) The Hotel/Motel Fund has no offsetting revenue for this amendment. However, 2015 year-end / 2016 beginning fund balance is approximately $800,000 higher than originally anticipated ($2.74 Million instead of $1.96 million) and this project was approved as part of the budget process.

Fund 110 - General Fund

	A	B	C(B-A)	D (B/A)
	2016 Budget	2016 Amended	Difference $	%
Beginning Balance*	**$ 35,296,391**	**$ 35,296,391**	**$ -**	**0.00%**
Revenues	**$ 59,886,344**	**$ 61,289,141**	**$ 1,402,797**	**2.34%**
Expenses				
Personnel	$ 42,151,465	$ 42,151,465	$ -	0.00%
Operations	$ 15,361,179	$ 16,763,976	$ 1,402,797	9.13%
Capital	$ 2,373,700	$ 2,373,700	$ -	0.00%
Expenses	**$ 59,886,344**	**$ 61,289,141**	**$ 1,402,797**	**2.34%**
Ending Balance	**$ 35,296,391**	**$ 35,296,391**	**$ -**	**0.00%**

Fund 128 - Road Impact Fund

	A	B	C(B-A)	D (B/A)
	2016 Budget	2016 Amended	Difference $	%
Beginning Balance*	**$ 397,976**	**$ 397,976**	**$ -**	**0.00%**
Revenues	**$ 5,770,361**	**$ 5,770,361**	**$ -**	**0.00%**
Expenses				
Personnel	$ -	$ -	$ -	0.00%
Operations	$ 2,739,169	$ 3,039,169	$ 300,000	10.95%
Capital	$ -	$ -	$ -	0.00%
Expenses	**$ 2,739,169**	**$ 3,039,169**	**$ 300,000**	**10.95%**
Ending Balance	**$ 3,429,168**	**$ 3,129,168**	**$ (300,000)**	**-8.75%**

City of Franklin, Tennessee
FY 2016 Operating Budget

Impact of Ordinance 2015-48 on Budgets

Fund 150 - Hotel/Motel Tax Fund

	A	B	C(B-A)	D (B/A)
	2016 Budget	2016 Amended	Difference $	%
Beginning Balance*	**$ 2,740,270**	**$ 2,740,270**	**$ -**	**0.00%**
Revenues	**$ 3,246,619**	**$ 3,246,619**	**$ -**	**0.00%**
Expenses				
Personnel	$ -	$ -	$ -	0.00%
Operations	$ 2,420,727	$ 2,456,765	$ 36,038	1.49%
Capital	$ 100,000	$ 100,000	$ -	0.00%
Expenses	**$ 2,520,727**	**$ 2,556,765**	**$ 36,038**	**1.43%**
Ending Balance	**$ 3,466,162**	**$ 3,430,124**	**$ (36,038)**	**-1.04%**

**All beginning balances estimated as of June 30, 2015*

HISTORIC
FRANKLIN
TENNESSEE

MEMORANDUM

August 31, 2015

TO: Members of the Board of Mayor and Aldermen
Members of Budget and Finance Committee

FROM: Eric Stuckey, City Administrator
Russ Truell, ACA/CFO
Mike Lowe, Comptroller
Michael Walters Young, Business Process Improvement Manager

RE: Consideration of Ordinance 2015-48, 1st Quarter 2016 Budget Amendments

Purpose

The purpose of this item is to amend the Fiscal Year 2016 Budget for compliance with State budgeting guidance regarding:

1. Ensuring authorizations in place to balance each fund's budget on a cash basis on June 30, 2015.

Background

The State Comptroller has provided guidance that budget amendments are to be on the cash basis and must occur prior to fiscal year end (June 30) to ensure no fund has a deficit fund balance or deficit cash balance at June 30.

In order to stay ahead of this responsibility, staff is proposing three budget amendments.

The amendments are as follows:

1. Additional $1,402,797 appropriation in General Fund for pass-through grant expenditures pertaining to Carter's Hill Park. The expenditures are funded in full by grants with the U.S. Department of the Interior, National Parks Service. The City of Franklin will be a pass-through entity for payment to the Civil War Trust of $99,610 for the purchase of the Eley tract and to Franklin's Charge of $1,303,187 for purchase of the Lovell tract.
2. Authorization to add $300,000 to budgeted expenditures in the Road Impact Fund for the purpose of refunding road offset overpayment to Crescent Resources, LLC. Crescent Resources, LLC paid into the Fund but it has been determined that the payment was made in excess. The total amount of overpayment to be repaid is $900,000, which the City has agreed to pay in three (3) $300,000 installments for the next three Fiscal Years. This amendment satisfies the payment for Fiscal Year 2016.
3. Authorization to add $36,038 to budgeted expenditures in the Hotel/Motel Tax Fund for the purpose of completing renovations to rock walls at Eastern Flank Battlefield Park. This project was approved in the FY 2016 Budget, but the budget was built with the assumption the item was to be funded through short-term borrowing. Given the relative size of the expenditure and the need to complete the project this late summer/fall, it should funded

directly out of the Hotel/Motel Fund outright. The total cost of the project is estimated at $55,000.

4. Authorization to add $59,093 to budgeted expenditures in the Transit Fund for additional operating costs incurred during fiscal year 2015. There is sufficient fund balance in the Transit Fund to cover this additional amount. At the close of fiscal year 2015, the City had paid to the Transit Authority the full amount ($1,570,540) it had appropriated for transit operating expenditures. Transit is requesting $59,093 to fund the remainder of its 2015 operating expenditures, primarily from salary, benefits, and indirect expenditures.

This is the second of several budget amendments during the Fiscal Year to the budget. Later in the year we will bring to you a series of corrections and amendments which are more traditionally found in the 1st Quarter, including the distribution of wage adjustments from General Expenses to Departments, pension adjustments and miscellaneous expense adjustments.

Financial Impact

The amendments, as proposed, would result in:

1. General Fund: No Change.
2. Reduction of Road Impact Fund balance by $300,000.
3. Reduction of Hotel/Motel Tax Fund balance by $36,038.
4. Reduction of Transit Fund balance by $59,093.

Options

1. Approve amendment(s) as proposed and forward to BOMA.
2. Make changes to the amendment(s) where desired and forward to BOMA.

Recommendation

Staff recommends approval of the amendments.

Impact of Ordinance 2015-48 on Budgets

The following demonstrates the impact of Ordinance 2015-48 on four separate funds: the General Fund, Road Impact Fund, Hotel/Motel Tax Fund and Transit Fund. It is important to note:

a) The General Fund has no impact on the bottom line by these transfers. They are simply pass through grants - money coming in and going out in the same amount.
b) The Road Impact Fund has no offsetting revenue for this proposed payout. However the amount anticipated to be received through additional new development more than covers any known draws against the fund in FY 2016 for Debt Service, and there is existing fund balance of nearly $400,000.

c) The Hotel/Motel Fund has no offsetting revenue for this amendment. However, 2015 year-end / 2016 beginning fund balance is approximately $800,000 higher than originally anticipated ($2.74 Million instead of $1.96 million) and this project was approved as part of the budget process.

d) The Transit Fund has sufficient fund balance to accommodate the increase in expenditures and still retain the same (in fact, slightly more) fund balance it had a the beginning of Fiscal 2015. As of 7/1/2014, the Transit Fund had $400,695 in beginning fund balance; this amendment would result in an estimated year-end (6/30/2015) fund balance of $407,955.

Fund 110 - General Fund

	A	B	C(B-A)	D (B/A)
	2016 Budget	2016 Amended	Difference $	%
Beginning Balance*	**$ 35,296,391**	**$ 35,296,391**	**$ -**	**0.00%**
Revenues	**$ 59,886,344**	**$ 61,289,141**	**$ 1,402,797**	**2.34%**
Expenses				
Personnel	$ 42,151,465	$ 42,151,465	$ -	0.00%
Operations	$ 15,361,179	$ 16,763,976	$ 1,402,797	9.13%
Capital	$ 2,373,700	$ 2,373,700	$ -	0.00%
Expenses	**$ 59,886,344**	**$ 61,289,141**	**$ 1,402,797**	**2.34%**
Ending Balance	**$ 35,296,391**	**$ 35,296,391**	**$ -**	**0.00%**

Fund 128 - Road Impact Fund

	A	B	C(B-A)	D (B/A)
	2016 Budget	2016 Amended	Difference $	%
Beginning Balance*	**$ 397,976**	**$ 397,976**	**$ -**	**0.00%**
Revenues	**$ 5,770,361**	**$ 5,770,361**	**$ -**	**0.00%**
Expenses				
Personnel	$ -	$ -	$ -	0.00%
Operations	$ 2,739,169	$ 3,039,169	$ 300,000	10.95%
Capital	$ -	$ -	$ -	0.00%
Expenses	**$ 2,739,169**	**$ 3,039,169**	**$ 300,000**	**10.95%**
Ending Balance	**$ 3,429,168**	**$ 3,129,168**	**$ (300,000)**	**-8.75%**

City of Franklin, Tennessee
FY 2016 Operating Budget

Impact of Ordinance 2015-48 on Budgets

Fund 150 - Hotel/Motel Tax Fund

	A	B	C(B-A)	D (B/A)
	2016 Budget	2016 Amended	Difference $	%
Beginning Balance*	$ 2,740,270	$ 2,740,270	$ -	0.00%
Revenues	$ 3,246,619	$ 3,246,619	$ -	0.00%
Expenses				
Personnel	$ -	$ -	$ -	0.00%
Operations	$ 2,420,727	$ 2,456,765	$ 36,038	1.49%
Capital	$ 100,000	$ 100,000	$ -	0.00%
Expenses	$ 2,520,727	$ 2,556,765	$ 36,038	1.43%
Ending Balance	$ 3,466,162	$ 3,430,124	$ (36,038)	-1.04%

Fund 160 - Transit Fund

	A	B	C(B-A)	D (B/A)
	2016 Budget	2016 Amended	Difference $	%
Beginning Balance*	$ 467,048	$ 467,048	$ -	0.00%
Revenues	$ 1,808,310	$ 1,808,310	$ -	0.00%
Expenses				
Personnel	$ -	$ -	$ -	0.00%
Operations	$ 1,583,310	$ 1,642,403	$ 59,093	3.73%
Capital	$ 225,000	$ 225,000	$ -	0.00%
Expenses	$ 1,808,310	$ 1,867,403	$ 59,093	3.27%
Ending Balance	$ 467,048	$ 407,955	$ (59,093)	-12.65%

All beginning balances estimated as of June 30, 2015

City of Franklin, Tennessee
FY 2015 Quarterly Report

JUNE 30, 2015 | FINANCE DEPARTMENT | FOURTH QUARTER

City of Franklin Awards

Certificate of Achievement for Excellence in Financial Reporting — 24 Years in A Row

Distinguished Budget Presentation Award — 8 Years in A Row

Inside This Report

Quarter Ended June 30, 2015

This quarterly report format has been developed for emphasis on significant items within each fund.

In each fund, certain revenues and expenditures have been highlighted. If in future reports additional information or comparison is desired, we will incorporate it into subsequent reports.

Executive Summary

The preliminary (unaudited) year-end financials show the General Fund with an increase in fund balance of over $2.7 million. One key reason for the increase is the receipt of $3 million in Hall income tax on taxable interest and dividends. (The budgeted amount was $1.25 million). Local sales taxes, the City's primary revenue source, is up over 6.2% over last year, and slightly (.6%) above budget.

In the Street Aid Fund, gasoline taxes are 7.6% higher as the fee is set on gallons sold rather than price. The fund shows an ending fund balance of $287,000.

The Road Impact Fee Fund shows an ending fund balance of almost $400,000. It finished the previous year at break-even.

Due to receipts from the hotel/motel tax audit, hotel/motel taxes are up 19% over last year.

The In Lieu of Parkland Fund shows an ending fund balance of almost $2,500,000. The fund was new for 2015 with no budgeted expenditures.

The Capital Projects Fund shows a deficit at year-end. Reimbursements from other funds (water/sewer and hotel/motel) for the 3rd Avenue North project and Hillsboro project have not yet occurred.

The General Fund shows an increase of fund balance of over $2.7 million.

Summary of All Funds

Fund	Beg Fund Balance	Revenue	Expenditures	End Fund Balance	Increase / (Decrease)	Primary Factor	Page Reference for Additional Information
General	$32,714,451	$57,489,605	$54,749,700	$35,454,356	8.4%	Due to higher than expected Hall income tax, fund balance increased by over $2.7 million	4
Street Aid	$295,259	$2,396,417	$2,404,452	$287,224	-2.7%	Due to reduced gas prices, gasoline taxes (which are set by gallon, not price) are almost 8% higher than last year.	5
Sanitation & Envir. Services.	$405,119	$8,275,155	$8,061,980	$618,294	52.6%	Collection services revenue is almost 11% higher than last year.	6
Road Impact	$0	$3,358,555	$2,960,579	$397,976	---	Due to collections during the spring months, the fund finished in a surplus position.	7
Facilities Tax	$6,253,611	$2,482,413	$2,018,260	$6,717,764	7.4%	Although collections are almost 36% less than last year, revenue still exceeded expenditures.	8
Stormwater	$5,511,065	$2,673,348	$3,401,178	$4,783,235	-13.2%	Stormwater costs for Hillsboro and 3rd Ave were transferred to the Capital Projects Fund	9
Drug	$165,436	$214,482	$84,622	$295,296	78.5%	Drug fine collections are 48% less than last year.	10
Hotel/Motel	$1,971,048	$3,293,337	$2,514,789	$2,749,596	39.5%	Due to collections from the hotel/motel tax audit, collections are 19% over last year.	11
In Lieu of Parkland	$0	$2,494,076	$0	$2,494,076	---	Received transfer from General Fund of in lieu of parkland collections through 2014.	12
Transit	$400,695	$2,087,408	$2,298,496	$189,607	-52.7%	Transit fares are slightly less than last year.	13
CDBG	$23,717	$448,200	$451,706	$20,211	-14.8%	Grant revenue covers grant expenditures.	14
Debt Service	$195,118	$12,050,578	$12,244,987	$709	-99.6%	Fund incurred costs toward refunding of prior year bond issue.	15
Capital Projects	($18,878,175)	$22,287,365	$13,446,990	($10,037,800)	-46.8%	Reimbursements from hotel/motel and water/sewer funds have not occurred.	16

Fund	Beg Fund Balance	Revenue	Expenditures	Surplus / (Deficit)	Increase / (Decrease)	Primary Factor	Page Reference for Additional Information
Water & Wastewater Operations	---	$31,082,913	$22,492,489	$8,590,424	38.2%	Customer service revenue has exceeded last year by 9%.	17
Water & Wastewater Dev. Fees	---	$3,909,710	$1,012,632	$2,897,078	286.1%	Access fee collections are about 18% less than last year. Taps fees are over 12% less.	18

Note: As an enterprise fund (which is similar to a private business), Water & Wastewater does not have a fund balance.

General Fund Budget

Fiscal Year 2015
Amended Budget

GENERAL FUND

Revenues	Original	1st Qtr Amendments	2nd Qtr Amendments	3rd Quarter Amendments	4th Quarter Amendments	Amended Budget	Amendment Description
Local Taxes	38,131,485					38,131,485	
Licenses & Permits	5,074,430					5,074,430	
Intergovernmental	11,630,627					11,630,627	
Charges for Services	68,950					68,950	
Fines & Fees	753,720					753,720	
Use of Money & Property	350,491					350,491	
Other Revenue	125,000					125,000	
Allocation from Fund Balance	0	2,280,119			695,000	2,975,119	1st quarter: For transfer to In Lieu of Parkland Fund. 4th quarter: Transfers to Sanitation, Road Impact, and Transit.
TOTAL	**56,134,703**	**0**	**0**	**0**	**0**	**59,109,822**	

Expenditures	Original	1st Qtr Amendments	2nd Qtr Amendments	3rd Quarter Amendments	4th Quarter Amendments	Amended Budget	Amendment Description
Elected Officials	290,165					290,165	
Administration	519,504	7,645				527,149	1st quarter reallocations (Phase II, 2%) and retirement savings
Capital Investment Planning	192,403	2,993				195,396	1st quarter reallocations (Phase II, 2%) and retirement savings
Project & Facilities Management	1,095,001	5,046				1,100,047	1st quarter reallocations (Phase II, 2%) and retirement savings
Human Resources	1,271,388	9,139				1,280,527	1st quarter reallocations (Phase II, 2%) and retirement savings
Law	392,913	7,173				400,086	1st quarter reallocations (Phase II, 2%) and retirement savings
Communications	328,269	3,625				331,894	1st quarter reallocations (Phase II, 2%) and retirement savings
Parks	3,508,174	133,753				3,641,927	1st quarter reallocations (Phase II, 2%) and retirement savings; additional amount to buy outright items under $25,000 originally budgeted as lease
Police	13,793,216	228,468			(42,500)	13,979,184	1st quarter reallocations (Phase II, 2%) and retirement savings; additional amount to buy outright items under $25,000 originally budgeted as lease. 4th quarter: 1/2 of funding for payment to Network Authority.
Fire	13,593,754	357,607			(42,500)	13,908,861	1st quarter reallocations (Phase II, 2%) and retirement savings; additional amount to buy outright items under $25,000 originally budgeted as lease. 4th quarter: 1/2 of funding for payment to Network Authority.
Finance	738,255	10,502	50,000			798,757	1st quarter reallocations (Phase II, 2%) and retirement savings; 2nd quarter reallocation of contingency funding from General Expenses for payroll upgrades
IT	3,664,021	135,453				3,799,474	1st quarter reallocations (Phase II, 2%) and retirement savings; lease amount for Infor $93,535
Purchasing	185,345	1,873				187,218	1st quarter reallocations (Phase II, 2%) and retirement savings
Revenue Management	175,240	7,459				182,699	1st quarter reallocations (Phase II, 2%) and retirement savings
Court	231,335	4,258				235,593	1st quarter reallocations (Phase II, 2%) and retirement savings
Building & Neighborhood Services	2,350,928	77,827	7,500			2,436,255	1st quarter reallocations (Phase II, 2%) and retirement savings; additional amount to buy outright items under $25,000 originally budgeted as lease; 2nd quarter reallocation of contingency funding from General Expenses for Inspector positions reclassifications
Planning & Sustainability	1,558,878	5,508				1,564,386	1st quarter reallocations (Phase II, 2%) and retirement savings
Engineering	879,513	35,245				914,758	1st quarter reallocations (Phase II, 2%) and retirement savings; additional amount to buy outright items under $25,000 originally budgeted as lease
Traffic Operations Center	2,628,908	769				2,629,677	1st quarter reallocations (Phase II, 2%) and retirement savings
Streets-Maintenance	3,793,498	70,509				3,864,007	1st quarter reallocations (Phase II, 2%) and retirement savings; additional amount for landscape truck $11,518; additional amount to buy outright items under $25,000 originally budgeted as lease
Streets - Traffic	1,217,023	16,175				1,233,198	1st quarter reallocations (Phase II, 2%) and retirement savings
Streets - Fleet Maintenance	816,662	10,950				827,612	1st quarter reallocations (Phase II, 2%) and retirement savings
General Expense	1,915,194	(1,301,785)	(57,500)		85,000	640,909	1st quarter reallocations (Phase II, 2%) and retirement savings; 2nd quarter reallocation of contingency funding to Finance and BNS. 4th quarter: Payment to Network Authority.
Appropriations	425,986					425,986	
Economic Development	69,730					69,730	
Transfer to In Lieu of Parkland Fund	0	2,280,119				2,280,119	1st quarter: Transfer to In Lieu of Parkland
Transfer to Street Aid	0					0	
Transfer to Sanitation & Env Svcs	0				500,000	500,000	4th quarter: transfer to Sanitation
Transfer to Road Impact	0				125,000	125,000	4th quarter: transfer to Road Impact
Transfer to Transit	499,400	169,808			70,000	739,208	1st quarter: Fund remainder of 2014 operating expenditures. 4th quarter: transfer to Transit.
TOTAL	**56,134,703**	**2,280,119**	**0**	**0**	**695,000**	**59,109,822**	

General Fund

City of Franklin Tennessee
General Fund
For the Twelve Months Ending Tuesday, June 30, 2015

	Current YTD Actuals	Prior YTD Actual	Percent Current YTD to Prior YTD	Budget	Percent Current YTD to Budget
Revenues					
Local Sales Tax	$28,943,994	$27,254,742	106.2%	$28,758,770	100.6%
State Shared Taxes	12,780,373	10,356,309	123.4%	10,342,088	123.6%
Property Taxes	5,568,530	6,295,722	88.4%	5,439,034	102.4%
Alcohol Taxes	3,630,038	3,373,144	107.6%	3,615,310	100.4%
Grants	289,720	520,921	55.6%	1,288,539	22.5%
Franchise Fees	2,462,903	2,449,724	100.5%	2,449,980	100.5%
Building Permits & Fees	2,208,558	2,088,775	105.7%	2,091,490	105.6%
Court Fines & Fees	586,478	657,229	89.2%	747,720	78.4%
In Lieu of Tax (Local)	326,887	325,018	100.6%	306,131	106.8%
Interest Income	145,098	189,014	76.8%	179,820	80.7%
In Lieu of Parkland Fees	0	2,280,119	0.0%	0	0.0%
Other Revenues	547,026	1,127,787	48.5%	915,821	59.7%
Allocation from Fund Balance	0	0	0.0%	2,975,119	0.0%
Total Revenues	57,489,605	56,918,504	101.0%	59,109,822	97.3%
Expenditures:					
Salaries & Wages	28,545,883	26,683,462	107.0%	29,386,991	97.1%
Employee Benefits	9,471,680	10,273,877	92.2%	10,681,649	88.7%
Utilities	2,210,273	2,136,829	103.4%	2,099,679	105.3%
Contractual Services	2,318,867	1,856,849	124.9%	2,813,525	82.4%
Repair & Maintenance Services	2,132,527	1,896,479	112.4%	1,683,869	126.6%
Debt Service & Lease Payments	1,744,296	1,097,079	159.0%	2,106,425	82.8%
Reimbursement from Other Funds	(2,575,478)	(2,355,000)	109.4%	(2,575,478)	100.0%
Transfers To Other Funds	3,463,229	2,852,228	121.4%	3,644,327	95.0%
Capital (>$25,000)	427,799	1,447,889	29.5%	1,917,500	22.3%
Other Expenditures	7,010,624	7,204,480	97.3%	7,351,335	95.4%
Total Expenditures	54,749,700	53,094,171	103.1%	59,109,822	92.6%
Total Unallocated Funds	**2,739,908**	**3,824,333**	**71.6%**	**0**	**0.0%**

Local Sales Tax			
Month of Sale	FY 2015	FY 2014	Increase / (Decrease)
July	2,288,457	2,113,374	8.3%
August	2,296,081	2,115,836	8.5%
September	2,374,572	2,178,174	9.0%
October	2,327,025	2,117,978	9.9%
November	2,399,941	2,419,578	-0.8%
December	3,345,841	3,097,595	8.0%
January	2,079,073	1,926,687	7.9%
February	1,900,629	1,973,541	-3.7%
March	2,479,917	2,421,918	2.4%
April	2,410,499	2,201,566	9.5%
May	2,489,724	2,323,975	7.1%
June	2,552,235	2,364,520	7.9%
	28,943,994	**27,254,742**	**6.2%**

Local Sales Taxes have exceeded last year by 6.2%.

City received $3 million from Hall income tax compared to $1.25 million budgeted.

Street Aid Fund

City of Franklin Tennessee
Street Aid & Trans
For the Twelve Months Ending Tuesday, June 30, 2015

	Current YTD Actuals	Prior YTD Actual	Percent Current YTD to Prior YTD	Budget	Percent Current YTD to Budget
Revenues					
Beginning Fund Balance	$295,259	$0	0.0%	$0	0.0%
State Shared Taxes	1,887,683	1,754,190	107.6%	1,904,402	99.1%
Property Taxes	508,038	0	0.0%	500,000	101.6%
Interest Income	697	0	0.0%	50	1,393.7%
Transfer From General Fund	0	739,965	0.0%	0	0.0%
Total Revenues	2,691,676	2,494,155	107.9%	2,404,452	111.9%
Expenditures:					
Repair & Maintenance Services	2,403,908	2,197,808	109.4%	2,404,452	100.0%
Other Expenditures	544	1,088	50.0%	0	0.0%
Total Expenditures	2,404,452	2,198,896	109.3%	2,404,452	100.0%
Total Unallocated Funds	**287,224**	**295,259**	**97.3%**	**0**	**0.0%**

Gasoline Tax

Month	FY 2015	FY 2014	Increase / (Decrease)
July	155,530	140,316	10.8%
August	160,986	148,269	8.6%
September	158,803	139,680	13.7%
October	151,055	150,134	0.6%
November	162,540	154,350	5.3%
December	160,764	137,582	16.8%
January	154,773	135,038	14.6%
February	135,056	133,104	1.5%
March	145,510	139,669	4.2%
April	159,024	152,108	4.5%
May	166,972	159,085	5.0%
June	176,670	164,855	7.2%
	1,887,683	**1,754,190**	**7.6%**

Gasoline taxes received from the State in 2015 are 7.6% higher than last year.

Sanitation Fund

Sanitation & Envir Services Fund
For the Twelve Months Ending Tuesday, June 30, 2015

	Current YTD Actuals	Prior YTD Actual	Percent Current YTD to Prior YTD	Budget	Percent Current YTD to Budget
Revenues					
Beginning Fund Balance	$405,119	$0	0.0%	$0	0.0%
Grants	93,309	71,500	130.5%	350,000	26.7%
Sanitation Collection Services	4,946,611	4,460,658	110.9%	4,936,245	100.2%
Tipping Fees	2,293,823	1,487,082	154.2%	2,600,000	88.2%
Transfer From General Fund	500,000	1,208,148	41.4%	500,000	100.0%
Other Revenues	441,413	238,024	185.4%	262,575	168.1%
Total Revenues	8,680,275	7,465,413	116.3%	8,648,820	100.4%
Expenditures:					
Salaries & Wages	1,993,239	1,972,329	101.1%	2,058,896	96.8%
Employee Benefits	775,487	1,053,766	73.6%	855,397	90.7%
Utilities	68,938	62,625	110.1%	1,329,100	5.2%
Contractual Services	2,228	8,967	24.9%	10,000	22.3%
Repair & Maintenance Services	541,841	449,322	120.6%	350,500	154.6%
Debt Service & Lease Payments	612,155	54,828	1,116.5%	626,094	97.8%
Transfers To Other Funds	584,509	570,537	102.4%	589,080	99.2%
Capital (>$25,000)	0	91,113	0.0%	350,000	0.0%
Other Expenditures	3,483,582	2,796,808	124.6%	1,979,753	176.0%
Total Expenditures	8,061,980	7,060,294	114.2%	8,148,820	98.9%
Total Unallocated Funds	**618,294**	**405,119**	**152.6%**	**500,000**	**123.7%**

Sanitation Collection Services

Month	FY 2015	FY 2014	Increase / (Decrease)
July	397,757	341,316	16.5%
August	405,329	372,028	9.0%
September	404,641	373,314	8.4%
October	406,235	371,404	9.4%
November	412,213	374,451	10.1%
December	405,099	374,412	8.2%
January	417,411	374,323	11.5%
February	409,543	374,774	9.3%
March	408,175	373,602	9.3%
April	414,324	375,429	10.4%
May	411,887	376,006	9.5%
June	453,997	379,599	19.6%
	4,946,611	**4,460,658**	**10.9%**

Tipping Fees

Month	FY 2015	FY 2014	Increase / (Decrease)
July	176,956	242,140	-26.9%
August	167,665	222,982	-24.8%
September	168,505	208,748	-19.3%
October	177,676	218,096	-18.5%
November	144,827	208,336	-30.5%
December	170,179	220,134	-22.7%
January	173,857	215,864	-19.5%
February	136,547	193,450	-29.4%
March	228,522	231,768	-1.4%
April	246,846	270,912	-8.9%
May	241,911	287,553	-15.9%
June	260,332	(1,032,901)	-125.2%
	2,293,823	**1,487,082**	**54.2%**

Disposal Fees are almost 11% higher than 2014; Tipping Fees have increased by over 54%.

Road Impact Fund

City of Franklin Tennessee
Road Impact Fund
For the Twelve Months Ending Tuesday, June 30, 2015

	Current YTD Actuals	Prior YTD Actual	Percent Current YTD to Prior YTD	Budget	Percent Current YTD to Budget
Revenues					
Beginning Fund Balance	$0	($854,829)	0.0%	$0	0.0%
Interest Income	124	0	0.0%	0	0.0%
Road Impact Fees	3,611,954	4,725,902	76.4%	3,800,000	95.1%
Road Impact Credits	(253,523)	(704,150)	36.0%	0	0.0%
Transfer From General Fund	0	60,933	0.0%	125,000	0.0%
Total Revenues	3,358,555	3,227,856	104.0%	3,925,000	85.6%
Expenditures:					
Transfers To Other Funds	2,960,579	3,227,856	91.7%	2,980,603	99.3%
Total Expenditures	2,960,579	3,227,856	91.7%	2,980,603	99.3%
Total Unallocated Funds	**397,976**	**0**	**0.0%**	**944,397**	**42.1%**

Road Impact Fees			
Month	FY 2015	FY 2014	Increase / (Decrease)
July	229,572	153,724	49.3%
August	139,840	888,987	-84.3%
September	217,394	205,408	5.8%
October	200,301	264,184	-24.2%
November	254,561	360,104	-29.3%
December	203,249	351,901	-42.2%
January	177,164	295,934	-40.1%
February	183,500	76,244	140.7%
March	255,892	386,184	-33.7%
April	925,840	122,560	655.4%
May	432,960	165,892	161.0%
June	391,681	1,454,780	-73.1%
	3,611,954	**4,725,902**	**-23.6%**

Although collections are over 23% less than last year, the fund finished in a surplus position. Revenue is dependent on building starts.

Facilities Tax Fund

City of Franklin Tennessee
Facilities Tax Fund
For the Twelve Months Ending Tuesday, June 30, 2015

	Current YTD Actuals	Prior YTD Actual	Percent Current YTD to Prior YTD	Budget	Percent Current YTD to Budget
Revenues					
Beginning Fund Balance	$6,253,611	$3,147,824	198.7%	$6,124,876	102.1%
Interest Income	13,939	6,662	209.2%	10,000	139.4%
Facilities Taxes	2,468,473	3,848,783	64.1%	3,697,190	66.8%
Total Revenues	8,736,024	7,003,269	124.7%	9,832,066	88.9%
Expenditures:					
Utilities	395	0	0.0%	0	0.0%
Contractual Services	363	1,600	22.7%	30,000	1.2%
Repair & Maintenance Services	951	33,900	2.8%	0	0.0%
Capital (>$25,000)	1,642,694	694,855	236.4%	3,952,500	41.6%
Other Expenditures	373,857	19,302	1,936.8%	645,415	57.9%
Total Expenditures	2,018,260	749,658	269.2%	4,627,915	43.6%
Total Unallocated Funds	**6,717,764**	**6,253,611**	**107.4%**	**5,204,151**	**129.1%**

Facilities Tax

Month	FY 2015	FY 2014	Increase / (Decrease)
July	174,169	188,335	-7.5%
August	128,599	282,956	-54.6%
September	155,707	172,873	-9.9%
October	211,229	1,182,887	-82.1%
November	160,556	234,251	-31.5%
December	168,587	188,891	-10.7%
January	186,851	189,243	-1.3%
February	130,798	70,242	86.2%
March	227,269	216,615	4.9%
April	383,594	160,708	138.7%
May	256,477	309,052	-17.0%
June	284,637	652,730	-56.4%
	2,468,473	**3,848,783**	**-35.9%**

Collections are almost 36% less than last year. Revenue is dependent on building starts.

Stormwater Fund

City of Franklin Tennessee
Stormwater Fund
For the Twelve Months Ending Tuesday, June 30, 2015

	Current YTD Actuals	Prior YTD Actual	Percent Current YTD to Prior YTD	Budget	Percent Current YTD to Budget
Revenues					
Beginning Fund Balance	$5,511,065	$5,615,101	98.1%	$5,337,047	103.3%
Grants	0	3,691	0.0%	0	0.0%
Building Permits & Fees	93,447	15,385	607.4%	1,240	7,536.0%
Interest Income	14,441	8,929	161.7%	10,000	144.4%
Stormwater Fees	2,521,597	2,277,908	110.7%	2,355,050	107.1%
Customer Service	0	(4,776)	0.0%	0	0.0%
Other Revenues	43,862	39,825	110.1%	42,550	103.1%
Total Revenues	8,184,413	7,956,064	102.9%	7,745,887	105.7%
Expenditures:					
Salaries & Wages	747,936	634,338	117.9%	693,043	107.9%
Employee Benefits	299,168	314,451	95.1%	312,881	95.6%
Utilities	50,790	47,998	105.8%	42,028	120.8%
Contractual Services	76,822	404,903	19.0%	132,278	58.1%
Repair & Maintenance Services	87,960	91,805	95.8%	51,600	170.5%
Transfers To Other Funds	919,139	0	0.0%	919,139	100.0%
Capital (>$25,000)	843,588	526,868	160.1%	3,018,627	27.9%
Other Expenditures	375,775	424,635	88.5%	551,982	68.1%
Total Expenditures	3,401,178	2,444,999	139.1%	5,721,578	59.4%
Total Unallocated Funds	**4,783,235**	**5,511,065**	**86.8%**	**2,024,309**	**236.3%**

Stormwater Fees

Month	FY 2015	FY 2014	Increase / (Decrease)
July	189,512	184,352	2.8%
August	196,335	189,734	3.5%
September	194,017	189,576	2.3%
October	189,669	188,589	0.6%
November	200,521	194,472	3.1%
December	188,047	186,833	0.6%
January	196,262	191,499	2.5%
February	200,103	189,805	5.4%
March	185,692	187,694	-1.1%
April	196,334	191,257	2.7%
May	201,070	190,737	5.4%
June	384,035	193,360	98.6%
	2,521,597	**2,277,908**	**10.7%**

Stormwater fees are over 10% higher than last year.

Drug Fund

City of Franklin Tennessee
Drug Fund
For the Twelve Months Ending Tuesday, June 30, 2015

	Current YTD Actuals	Prior YTD Actual	Percent Current YTD to Prior YTD	Budget	Percent Current YTD to Budget
Revenues					
Beginning Fund Balance	$165,436	$121,781	135.8%	$196,498	84.2%
Interest Income	937	1,127	83.2%	1,000	93.7%
Drug Fines Received	42,740	82,013	52.1%	93,070	45.9%
Other Revenues	170,805	88,680	192.6%	79,091	216.0%
Total Revenues	379,919	293,602	129.4%	369,659	102.8%
Expenditures:					
Repair & Maintenance Services	1,512	0	0.0%	0	0.0%
Other Expenditures	83,111	128,166	64.8%	127,000	65.4%
Total Expenditures	84,622	128,166	66.0%	127,000	66.6%
Total Unallocated Funds	**295,296**	**165,436**	**178.5%**	**242,659**	**121.7%**

Drug Fines

Month	FY 2015	FY 2014	Increase / (Decrease)
July	2,437	5,814	-58.1%
August	3,090	5,077	-39.1%
September	2,780	4,754	-41.5%
October	1,136	5,095	-77.7%
November	3,467	6,347	-45.4%
December	2,639	6,344	-58.4%
January	3,475	6,998	-50.3%
February	5,613	9,298	-39.6%
March	5,567	9,956	-44.1%
April	6,702	6,502	3.1%
May	2,795	7,518	-62.8%
June	3,039	8,310	-63.4%
	42,740	**82,013**	**-47.9%**

Drug fines are almost 48% less than last year.

Hotel/Motel Tax Fund

City of Franklin Tennessee
Hotel/Motel Tax Fund
For the Twelve Months Ending Tuesday, June 30, 2015

	Current YTD Actuals	Prior YTD Actual	Percent Current YTD to Prior YTD	Budget	Percent Current YTD to Budget
Revenues					
Beginning Fund Balance	$1,971,048	$1,124,507	175.3%	$1,689,759	116.6%
Grants	0	476,000	0.0%	0	0.0%
Interest Income	2,318	1,333	174.0%	20,000	11.6%
Hotel/Motel Taxes	3,291,019	2,764,802	119.0%	2,864,480	114.9%
Other Revenues	0	0	0.0%	31,000	0.0%
Total Revenues	5,264,385	4,366,641	120.6%	4,605,239	114.3%
Expenditures:					
Contractual Services	177,058	9,500	1,863.8%	325,000	54.5%
Repair & Maintenance Services	25,053	4,785	523.6%	0	0.0%
Transfers To Other Funds	1,114,995	1,116,929	99.8%	1,119,842	99.6%
Capital (>$25,000)	541,999	744,413	72.8%	870,000	62.3%
Other Expenditures	655,685	519,967	126.1%	890,735	73.6%
Total Expenditures	2,514,789	2,395,594	105.0%	3,205,577	78.5%
Total Unallocated Funds	**2,749,596**	**1,971,048**	**139.5%**	**1,399,662**	**196.4%**

Hotel/Motel Taxes

Month	FY 2015	FY 2014	Increase / (Decrease)
July	262,527	220,564	19.0%
August	273,788	202,941	34.9%
September	310,183	219,382	41.4%
October	294,166	242,061	21.5%
November	228,683	223,360	2.4%
December	207,948	175,183	18.7%
January	213,640	184,875	15.6%
February	231,264	214,823	7.7%
March	321,936	274,023	17.5%
April	311,958	260,989	19.5%
May	288,118	249,496	15.5%
June	346,808	297,104	16.7%
	3,291,019	**2,764,802**	**19.0%**

Due to collections from the hotel/motel tax audit, Hotel/Motel Taxes are 19% higher than last year.

In Lieu of Parkland Fund

City of Franklin Tennessee
In Lieu of Parkland
For the Twelve Months Ending Tuesday, June 30, 2015

	Current YTD Actuals	Prior YTD Actual	Percent Current YTD to Prior YTD	Budget	Percent Current YTD to Budget
Revenues					
Interest Income	$2,109	$0	0.0%	$0	0.0%
In Lieu of Parkland Fees	211,848	0	0.0%	0	0.0%
Transfer From General Fund	2,280,119	0	0.0%	2,280,119	100.0%
Total Revenues	2,494,076	0	0.0%	2,280,119	109.4%
Total Unallocated Funds	**2,494,076**	**0**	**0.0%**	**2,280,119**	**109.4%**

The In Lieu of Parkland Fund was created this year. In Lieu of Parkland Fees collected in the General Fund were transferred to this fund during FY 2015.

Collections are now being recorded in this fund. No expenditures have been budgeted in this fund.

Transit Fund

City of Franklin Tennessee
Transit Fund
For the Twelve Months Ending Tuesday, June 30, 2015

	Current YTD Actuals	Prior YTD Actual	Percent Current YTD to Prior YTD	Budget	Percent Current YTD to Budget
Revenues					
Beginning Fund Balance	$400,695	$0	0.0%	$0	0.0%
Grants	1,296,953	1,050,331	123.5%	1,526,264	85.0%
Interest Income	3,573	11,820	30.2%	10,000	35.7%
Transit Fares	94,072	94,314	99.7%	100,600	93.5%
Transfer From General Fund	683,110	843,182	81.0%	739,208	92.4%
Other Revenues	9,700	9,700	100.0%	17,200	56.4%
Total Revenues	2,488,103	2,009,347	123.8%	2,393,272	104.0%
Expenditures:					
Capital (>$25,000)	55,415	55,415	100.0%	125,000	44.3%
Other Expenditures	2,243,081	1,553,237	144.4%	2,198,272	102.0%
Total Expenditures	2,298,496	1,608,652	142.9%	2,323,272	98.9%
Total Unallocated Funds	**189,607**	**400,695**	**47.3%**	**70,000**	**270.9%**

Transit Fares

Month	FY 2015	FY 2014	Increase / (Decrease)
July	5,876	5,771	1.8%
August	6,048	6,629	-8.8%
September	6,284	7,969	-21.1%
October	9,479	6,531	45.1%
November	18,738	19,364	-3.2%
December	6,730	6,822	-1.3%
January	5,426	6,419	-15.5%
February	10,077	8,106	24.3%
March	6,076	5,169	17.5%
April	8,377	9,463	-11.5%
May	5,163	4,636	11.4%
June	5,798	7,435	-22.0%
	94,072	**94,314**	**-0.3%**

Fares are slightly less than last year.

CDBG Fund

City of Franklin Tennessee
Community Development Block Grant
For the Twelve Months Ending Tuesday, June 30, 2015

	Current YTD Actuals	Prior YTD Actual	Percent Current YTD to Prior YTD	Budget	Percent Current YTD to Budget
Revenues					
Beginning Fund Balance	$23,717	$23,545	100.7%	$23,670	100.2%
Grants	223,787	198,747	112.6%	264,629	84.6%
Interest Income	251	173	145.4%	125	201.0%
Other Revenues	224,162	0	0.0%	224,162	100.0%
Total Revenues	471,917	222,465	212.1%	512,586	92.1%
Expenditures:					
Contractual Services	94,880	110,371	86.0%	212,504	44.6%
Repair & Maintenance Services	94,878	65,901	144.0%	50,000	189.8%
Other Expenditures	261,948	22,475	1,165.5%	226,287	115.8%
Total Expenditures	451,706	198,747	227.3%	488,791	92.4%
Total Unallocated Funds	**20,211**	**23,717**	**85.2%**	**23,795**	**84.9%**

The fund provides community development assistance to low and moderate income families. The City receives grant reimbursements for eligible expenditures.

Debt Service Fund

City of Franklin Tennessee
Debt Service Fund
For the Twelve Months Ending Tuesday, June 30, 2015

	Current YTD Actuals	Prior YTD Actual	Percent Current YTD to Prior YTD	Budget	Percent Current YTD to Budget
Revenues					
Beginning Fund Balance	$195,118	$84,729	230.3%	$131,956	147.9%
Property Taxes	6,350,472	5,357,261	118.5%	6,443,176	98.6%
Interest Income	1,514	2,205	68.7%	5,000	30.3%
Rebate on BAB/RZEDB Bonds	838,508	832,180	100.8%	825,401	101.6%
Transfer from Sanitation Fund	584,509	570,537	102.4%	589,080	99.2%
Transfer from Road Impact Fund	2,960,579	3,227,856	91.7%	2,980,603	99.3%
Transfer from Hotel/Motel Tax Fund	1,114,995	1,116,929	99.8%	1,119,842	99.6%
Transfer from Water & Sewer Fund	200,000	0	0.0%	200,000	100.0%
Total Revenues	12,245,695	11,191,697	109.4%	12,295,058	99.6%
Expenditures:					
Debt Service & Lease Payments	12,244,987	10,996,579	111.4%	12,290,058	99.6%
Total Expenditures	12,244,987	10,996,579	111.4%	12,290,058	99.6%
Total Unallocated Funds	**709**	**195,118**	**0.4%**	**5,000**	**14.2%**

The fund paid costs toward refunding of a prior year bond issue.

Capital Projects Fund

City of Franklin Tennessee
Capital Improvement Bonds
For the Twelve Months Ending Tuesday, June 30, 2015

	Current YTD Actuals	Prior YTD Actual	Percent Current YTD to Prior YTD	Budget	Percent Current YTD to Budget
Revenues					
Beginning Fund Balance	($18,878,175)	$382,419	(4,936.5%)	$0	0.0%
Property Taxes	508,038	0	0.0%	0	0.0%
Grants	1,397,150	0	0.0%	0	0.0%
Interest Income	(14,090)	(807)	1,746.6%	0	0.0%
Facilities Taxes	982,605	1,026,933	95.7%	0	0.0%
Other Revenues	19,413,663	20,191,851	96.1%	0	0.0%
Total Revenues	3,409,190	21,600,397	15.8%	0	0.0%
Expenditures:					
Employee Benefits	0	9,975,815	0.0%	0	0.0%
Utilities	0	1,903	0.0%	0	0.0%
Contractual Services	41,127	201,855	20.4%	0	0.0%
Repair & Maintenance Services	1,886	4,700	40.1%	0	0.0%
Debt Service & Lease Payments	159,550	175,718	90.8%	0	0.0%
Capital (>$25,000)	12,570,378	29,007,421	43.3%	0	0.0%
Other Expenditures	674,049	1,111,160	60.7%	0	0.0%
Total Expenditures	13,446,990	40,478,571	33.2%	0	0.0%
Total Unallocated Funds	**(10,037,800)**	**(18,878,175)**	**53.2%**	**0**	**0.0%**

In April, the City issued bonds in the amount of $15 million. Reimbursements from other funds such as Water/Sewer and Hotel/Motel Tax have not yet occurred.

Water/Sewer Operating

City of Franklin Tennessee
Water & Sewer Operations
For the Twelve Months Ending Tuesday, June 30, 2015

	Current YTD Actuals	Prior YTD Actual	Percent Current YTD to Prior YTD	Budget	Percent Current YTD to Budget
Revenues					
Interest Income	$74,901	$28,869	259.4%	$109,774	68.2%
Customer Service	24,971,374	22,831,174	109.4%	21,953,345	113.7%
Other Revenues	6,036,639	7,060,110	85.5%	287,970	2,096.3%
Total Revenues	31,082,914	29,920,153	103.9%	22,351,089	139.1%
Expenditures:					
Salaries & Wages	3,528,358	3,252,871	108.5%	3,820,257	92.4%
Employee Benefits	1,339,997	1,545,115	86.7%	1,478,082	90.7%
Utilities	1,539,827	1,544,875	99.7%	1,640,280	93.9%
Contractual Services	537,621	246,155	218.4%	524,375	102.5%
Repair & Maintenance Services	379,691	465,756	81.5%	376,000	101.0%
Debt Service & Lease Payments	534,140	579,395	92.2%	1,592,191	33.5%
Transfers To Other Funds	200,000	0	0.0%	0	0.0%
Capital (>$25,000)	0	0	0.0%	4,925,325	0.0%
Other Expenditures	14,432,855	13,925,507	103.6%	7,986,154	180.7%
Total Expenditures	22,492,489	21,559,673	104.3%	22,342,664	100.7%
Total Unallocated Funds	**8,590,424**	**8,360,479**	**102.8%**	**8,425**	**101,963.5%**

Customer Service

Month	FY 2015	FY 2014	Increase / (Decrease)
July	2,344,511	2,100,827	11.6%
August	2,421,541	2,013,445	20.3%
September	2,270,476	2,159,651	5.1%
October	2,115,853	1,981,523	6.8%
November	1,907,893	1,718,401	11.0%
December	1,838,811	1,701,227	8.1%
January	1,780,932	1,711,478	4.1%
February	1,930,302	1,757,910	9.8%
March	1,686,400	1,630,410	3.4%
April	1,886,102	1,845,144	2.2%
May	2,251,754	2,011,883	11.9%
June	2,536,799	2,199,275	15.3%
	24,971,374	**22,831,174**	**9.4%**

Customer service revenues (water, sewer, reclaimed) are over 9% higher than last year.

Water/Sewer Development Fees

City of Franklin Tennessee
Water & Sewer Development Fees
For the Twelve Months Ending Tuesday, June 30, 2015

	Current YTD Actuals	Prior YTD Actual	Percent Current YTD to Prior YTD	Budget	Percent Current YTD to Budget
Revenues					
Interest Income	$81,459	$51,444	158.3%	$0	0.0%
Customer Service	17,000	0	0.0%	0	0.0%
Access Fees	2,247,764	2,748,539	81.8%	0	0.0%
System Development Fees	1,542,152	1,762,932	87.5%	0	0.0%
Other Revenues	21,335	18,657	114.4%	0	0.0%
Total Revenues	3,909,710	4,581,571	85.3%	0	0.0%
Expenditures:					
Contractual Services	1,417	7,672	18.5%	0	0.0%
Repair & Maintenance Services	0	5,800	0.0%	0	0.0%
Debt Service & Lease Payments	1,011,348	1,098,895	92.0%	0	0.0%
Other Expenditures	(134)	47,998	(0.3%)	0	0.0%
Total Expenditures	1,012,632	1,160,365	87.3%	0	0.0%
Total Unallocated Funds	**2,897,078**	**3,421,206**	**84.7%**	**0**	**0.0%**

Access Fees			
Month	**FY 2015**	**FY 2014**	**Increase / (Decrease)**
July	23,400	249,227	-90.6%
August	45,130	123,429	-63.4%
September	484,582	304,044	59.4%
October	324,651	322,398	0.7%
November	70,075	423,339	-83.4%
December	48,277	3,736	1192.2%
January	96,127	66,862	43.8%
February	35,870	374,032	-90.4%
March	91,234	139,680	-34.7%
April	386,090	497,322	-22.4%
May	327,804	227,220	44.3%
June	314,524	17,250	1723.3%
	2,247,764	**2,748,539**	**-18.2%**

System Development (Tap) Fees			
Month	**FY 2015**	**FY 2014**	**Increase / (Decrease)**
July	82,637	104,955	-21.3%
August	59,849	143,052	-58.2%
September	152,293	139,046	9.5%
October	184,297	139,108	32.5%
November	64,560	342,684	-81.2%
December	92,496	49,824	85.6%
January	145,437	101,336	43.5%
February	87,463	223,717	-60.9%
March	116,485	142,820	-18.4%
April	227,897	222,049	2.6%
May	138,492	57,061	142.7%
June	190,246	97,280	95.6%
	1,542,152	**1,762,932**	**-12.5%**

This fund represents access and tap fees collected on new development.

On the Horizon

Finance Committee

September 10: Finance Committee

October 8: Finance Committee

September

Su	Mo	Tu	We	Th	Fr	Sa
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30			

October

Su	Mo	Tu	We	Th	Fr	Sa
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	31

November

Su	Mo	Tu	We	Th	Fr	Sa
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30					

HISTORIC
FRANKLIN
TENNESSEE

MEMORANDUM

MEMORANDUM

August 14, 2015

TO: Eric Stuckey, City Administrator

FROM: Russ Truell, ACA/CFO

RE: Local Sales Tax Report

The local sales tax remittance from the State of Tennessee for August was $2,552,236 compared to $2,364,520 for the same month in 2014, an increase of $187,716, or 7.9%. [The August remittance is for sales tax collected during the month of June, representing the final month of the fiscal year on an accrual basis.] During the same period, the State of Tennessee sales tax collections were up 7.0% from the prior year.

Year-to-date, the City has received $28.94 million compared to $27.25 million in the previous year, a difference of $1,689,282 or 6.2%. The State of Tennessee sales tax collections, year-to-date, are $7.72 billion compared to $7.27 billion in the prior year, a difference of $449.8 million or 6.2%.

For budget comparisons, the City anticipated collections of $28.80 million through twelve months of the fiscal year. Through the month of June, the City is $143,994, or 0.5%, above budgeted collections. As a further comparison, the June collection of $2.55 million compares to $1.92 million in 2008, $1.80 million in 2009, $1.96 million in 2010, $2.04 million in 2011, $2.16 million in 2012 and $2.26 million in 2013.

The local sales tax collections have increased year-over-year in 62 of the last 65 months reported.

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TENNESSEE DEPARTMENT OF REVENUE

COUNTY EXECUTIVE/MAYOR
WILLIAMSON COUNTY
1320 W MAIN ST STE 125
FRANKLIN TN 37064-3700

August 9, 2015

Month of: JULY
Tot. Collections: $8,846,068.47
Cost of Admin: $99,518.28
Net Collections: $8,746,550.19

The Department of Revenue has collected and allocated the above total during the month indicated from Local Option Sales Tax as follows:

COUNTY/CITY NAME	TOTAL COLLECTIONS	LESS ADMIN. COSTS	NET COLLECTIONS
WILLIAMSON COUNTY	$355,203.18	$3,996.04	$351,207.14
FRANKLIN	$5,214,698.30	$58,665.36	$5,156,032.94
FAIRVIEW	$214,247.69	$2,410.29	$211,837.40
BRENTWOOD	$2,501,827.32	$28,145.56	$2,473,681.76
SPRING HILL	$360,154.74	$4,051.74	$356,103.00
THOMPSON STATION	$120,584.35	$1,356.57	$119,227.78
NOLENSVILLE	$79,352.89	$892.72	$78,460.17

Note that we have deducted 1.125% state cost of administration leaving the net collections. The Department of Finance and Administration has been notified to issue a payment to the Trustee of your county in the amount of the net collections.

Please be aware that normal Local Option Sales Tax collections may fluctuate. This could be due to additional collections on assessments or reductions as a result of taxpayer refunds or returned checks. Should your collection amount increase significantly, it might be the result of an audit assessment.

For additional information regarding the allocation you may call the Division of Fiscal Services at (615) 532-8944 between 8:00 a.m. and 4:30 p.m., Monday through Friday, holidays excepted.

July Revenues

Thursday, August 13, 2015 | 12:54pm

NASHVILLE – Tennessee revenue collections recorded positive growth in July. Finance and Administration Commissioner Larry Martin today announced a net positive growth of 8.51% over July collections of one year ago. Overall July revenues were $1.0 billion, which is $54.4 million more than the state budgeted.

"Year-end collections recorded strong growth, but were significantly impacted by two one-time corporate tax payments," Martin said. "Franchise and excise taxes were also strong, but we must remember that some of the collections are based on estimates and final collections may be less than recorded, resulting in the discounting of future payments."

July marks the 12th consecutive month, on an accrual year basis, in which sales tax collections have experienced positive growth. July sales tax collections represent consumer spending that took place in the month of June.

On an accrual basis, July is the twelfth month in the 2014-2015 fiscal year.

The general fund was over collected by $50.2 million, and the four other funds were over collected by $4.2 million.

Sales tax collections were $23.6 million more than the estimate for July. The July growth rate was 7.01%. For twelve months revenues are over collected by $209.0 million. The year-to-date growth rate for twelve months was positive 6.18%.

Franchise and excise taxes combined were $10.0 million above the budgeted estimate of $70.5 million. The growth rate for July was positive 17.56%. For twelve months revenues are over collected by $299.3 million and the year-to-date growth rate was positive 18.76%. Factoring out the one-time tax payments, the year-over-year recurring growth rate is approximately 10.7%.

Inheritance and estate tax collections were $0.3 million below the estimate for July. For twelve months collections are $10.4 million above the budgeted estimate.

Privilege tax collections were $5.5 million above the July budgeted estimate. For twelve months collections are $7.3 million more than the budgeted estimate, and the year-to-date growth rate was positive 16.44%.

Gross Receipts Tax collections were $1.4 million above the budgeted estimate of $15.8 million. For twelve months collections are $1.7 million below the budgeted estimate and the year-to-date growth rate is 8.15%.

Business tax collections were $3.2 million more than the July estimate. Year-to-date collections for twelve months are $1.6 million above the budgeted estimate. For twelve months the year-to-date growth rate is 15.91%.

Tobacco tax collections were $1.0 million above the budgeted estimate of $24.5 million. For twelve months revenues are under collected by $5.0 million.

Gasoline and motor fuel tax collections for July were over collected by $5.0 million. For twelve months revenues are over collected by $21.5 million, and the growth rate is positive 2.47%.

Motor vehicle registration tax collections were $2.4 million more than what was budgeted and the July growth rate was 21.24%.

All other taxes for July were over collected by a net of $2.6 million.

Year-to-date collections for twelve months were $605.7 million more than the budgeted estimate. The general fund was over collected by $552.7 million and the four other funds were over collected by $53.0 million.

The budgeted revenue estimates for 2014-2015 are based on the State Funding Board's consensus recommendation of December 17th, 2013 and adopted by the second session of the 108th General Assembly in April 2014. They are available on the state's website at:

http://www.tn.gov/finance/article/fa-budget-rev.

The Funding Board met on December 11, 2014 to hear updated revenue projections from the state's various economists. The board met again on December 16 and adopted revised revenue ranges for 2014-2015. The revised ranges assume an over collection from the July 2014 budgeted estimate in the amount of $32.3 million to $73.4 million in total taxes. The revised ranges for the general fund recognize a negative growth in the amount of $6.6 million up to a positive growth of $27.5 million for the current fiscal year.

Year-to-date collections for 2014-2015 are subject to final accrual adjustments.

- See more at: http://www.tn.gov/finance/news/16951#sthash.WwzKCKhz.dpuf

Table 1
Revenue Collections by Fund
July
2014-2015

Fund	2015 Actual	2015 Budgeted	2015 B/(W)	2015 Percent	2014 Actual	2015 B/(W)	2015 Percent
General Fund	$849,579,000	$799,349,000	$50,230,000	6.28%	$776,437,000	$73,142,000	9.42%
Highway Fund	62,613,000	63,041,000	(428,000)	-0.68%	56,462,000	6,151,000	10.89%
Sinking Fund	31,769,000	31,549,000	220,000	0.70%	34,697,000	(2,928,000)	-8.44%
City & County Fund	74,446,000	70,067,000	4,379,000	6.25%	71,316,000	3,130,000	4.39%
Earmarked Fund	3,582,000	3,584,000	(2,000)	-0.06%	2,899,000	683,000	23.56%
Total	**$1,021,989,000**	**$967,590,000**	**$54,399,000**	**5.62%**	**$941,811,000**	**$80,178,000**	**8.51%**

Revenue Collections by Tax
July
2014-2015

Tax Source	2015 Actual	2015 Budgeted	2015 B/(W)	2015 Percent	2014 Actual	2015 B/(W)	2015 Percent
Franchise & Excise	$80,502,000	$70,500,000	$10,002,000	14.19%	$68,476,000	$12,026,000	17.56%
Income	1,944,000	1,421,000	523,000	36.81%	1,314,000	630,000	47.95%
Inheritance & Estate	5,686,000	5,962,000	(276,000)	-4.63%	9,529,000	(3,843,000)	-40.33%
Gasoline	59,507,000	54,861,000	4,646,000	8.47%	54,759,000	4,748,000	8.67%
Petroleum Special	5,944,000	5,579,000	365,000	6.54%	5,536,000	408,000	7.37%
Tobacco	25,504,000	24,539,000	965,000	3.93%	24,933,000	571,000	2.29%
Beer	1,637,000	1,704,000	(67,000)	-3.93%	1,686,000	(49,000)	-2.91%
Motor Vehicle Registration	24,579,000	22,216,000	2,363,000	10.64%	20,273,000	4,306,000	21.24%
Motor Vehicle Title	1,119,000	1,055,000	64,000	6.07%	984,000	135,000	13.72%
Mixed Drink	7,538,000	6,986,000	552,000	7.90%	7,006,000	532,000	7.59%
Business	5,663,000	2,513,000	3,150,000	125.35%	4,082,000	1,581,000	38.73%
Privilege	33,612,000	28,156,000	5,456,000	19.38%	25,824,000	7,788,000	30.16%
Gross Receipts	17,257,000	15,841,000	1,416,000	8.94%	14,420,000	2,837,000	19.67%
TVA - In Lieu of Tax Payments	28,623,000	27,200,000	1,423,000	5.23%	27,076,000	1,547,000	5.71%
Alcoholic Beverage	5,560,000	5,358,000	202,000	3.77%	5,257,000	303,000	5.76%
Sales and Use	700,901,000	677,343,000	23,558,000	3.48%	654,992,000	45,909,000	7.01%
Motor Vehicle Fuel	16,100,000	16,138,000	(38,000)	-0.24%	15,387,000	713,000	4.63%
Severance	151,000	218,000	(67,000)	-30.73%	185,000	(34,000)	-18.38%
Coin-operated Amusement	82,000	0	82,000	NA	92,000	(10,000)	-10.87%
Unauthorized Substance	80,000	0	80,000	NA	0	80,000	NA
Total	**$1,021,989,000**	**$967,590,000**	**$54,399,000**	**5.62%**	**$941,811,000**	**$80,178,000**	**8.51%**

Table 2
Revenue Collections by Fund
Year-to-Date
August - July
2014-2015

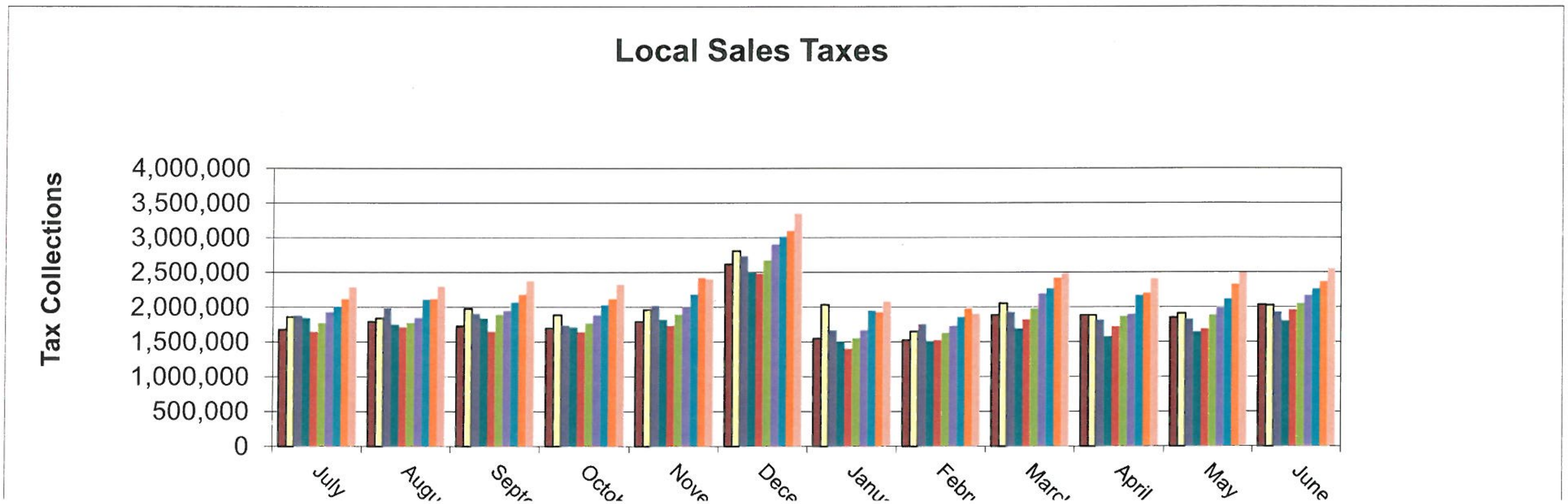
Fund	2014 - 2015 Actual	2014 - 2015 Budgeted	2014 - 2015 B/(W)	2014 - 2015 Percent	2013-2014 Actual	2014-2015 B/(W)	2014-2015 Percent
General Fund	$10,678,862,000	$10,126,200,000	$552,662,000	5.46%	$9,763,386,000	$915,476,000	9.38%
Highway Fund	709,211,000	708,600,000	611,000	0.09%	680,398,000	28,813,000	4.23%
Sinking Fund	375,661,000	374,100,000	1,561,000	0.42%	411,831,000	(36,170,000)	-8.78%
City & County Fund	959,553,000	908,700,000	50,853,000	5.60%	903,481,000	56,072,000	6.21%
Earmarked Fund	43,000,000	43,000,000	0	0.00%	34,800,000	8,200,000	23.56%
Total	**$12,766,287,000**	**$12,160,600,000**	**$605,687,000**	**4.98%**	**$11,793,896,000**	**$972,391,000**	**8.24%**

Revenue Collections by Tax
Year-to-Date
August - July
2014-2015

Tax Source	2014 - 2015 Actual	2014 - 2015 Budgeted	2014 - 2015 B/(W)	2014 - 2015 Percent	2013-2014 Actual	2014-2015 B/(W)	2014-2015 Percent
Franchise & Excise	$2,203,555,000	$1,904,300,000	$299,255,000	15.71%	$1,855,396,000	$348,159,000	18.76%
Income	302,826,000	264,100,000	38,726,000	14.66%	239,136,000	63,690,000	26.63%
Inheritance & Estate	80,367,000	70,000,000	10,367,000	14.81%	106,853,000	(26,486,000)	-24.79%
Gasoline	631,888,000	614,800,000	17,088,000	2.78%	617,046,000	14,842,000	2.41%
Petroleum Special	64,820,000	63,700,000	1,120,000	1.76%	63,225,000	1,595,000	2.52%
Tobacco	264,137,000	269,100,000	(4,963,000)	-1.84%	260,049,000	4,088,000	1.57%
Beer	17,860,000	18,500,000	(640,000)	-3.46%	17,777,000	83,000	0.47%
Motor Vehicle Registration	264,634,000	264,100,000	534,000	0.20%	252,834,000	11,800,000	4.67%
Motor Vehicle Title	12,098,000	12,200,000	(102,000)	-0.84%	11,416,000	682,000	5.97%
Mixed Drink	85,912,000	76,700,000	9,212,000	12.01%	76,729,000	9,183,000	11.97%
Business	150,499,000	148,900,000	1,599,000	1.07%	129,836,000	20,663,000	15.91%
Privilege	360,179,000	352,900,000	7,279,000	2.06%	309,320,000	50,859,000	16.44%
Gross Receipts	28,849,000	30,500,000	(1,651,000)	-5.41%	26,674,000	2,175,000	8.15%
TVA - In Lieu of Tax Payments	347,054,000	332,100,000	14,954,000	4.50%	332,104,000	14,950,000	4.50%
Alcoholic Beverage	58,228,000	57,400,000	828,000	1.44%	56,030,000	2,198,000	3.92%
Sales and Use	7,724,058,000	7,515,100,000	208,958,000	2.78%	7,274,183,000	449,875,000	6.18%
Motor Vehicle Fuel	166,766,000	163,500,000	3,266,000	2.00%	162,428,000	4,338,000	2.67%
Severance	2,162,000	2,700,000	(538,000)	-19.93%	2,480,000	(318,000)	-12.82%
Coin-operated Amusement	314,000	0	314,000	NA	359,000	(45,000)	-12.53%
Unauthorized Substance	81,000	0	81,000	NA	21,000	60,000	NA
Total	**$12,766,287,000**	**$12,160,600,000**	**$605,687,000**	**4.98%**	**$11,793,896,000**	**$972,391,000**	**8.24%**

Local Sales Tax Revenue Comparison

Month	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15	% over prior yr	$ over prior yr
July	1,676,862	1,857,805	1,876,318	1,842,160	1,646,449	1,769,523	1,925,395	2,003,719	2,113,374	2,288,457	8.3%	175,083
August	1,788,477	1,837,563	1,985,123	1,747,507	1,711,487	1,774,021	1,843,928	2,101,518	2,115,836	2,296,081	8.5%	180,245
September	1,724,983	1,977,557	1,900,808	1,834,296	1,645,241	1,888,809	1,946,970	2,065,402	2,178,174	2,374,572	9.0%	196,399
October	1,695,501	1,887,613	1,734,361	1,707,123	1,639,767	1,767,404	1,881,099	2,026,865	2,117,978	2,327,025	9.9%	209,047
November	1,787,276	1,960,370	2,018,105	1,816,125	1,736,146	1,892,149	1,998,723	2,176,371	2,419,578	2,399,941	-0.8%	-19,637
December	2,617,849	2,806,905	2,730,286	2,491,017	2,479,640	2,670,491	2,902,675	3,012,759	3,097,595	3,345,841	8.0%	248,246
January	1,544,557	2,034,121	1,664,281	1,502,087	1,401,398	1,552,324	1,664,281	1,948,752	1,926,687	2,079,073	7.9%	152,385
February	1,526,301	1,649,397	1,752,131	1,507,868	1,521,898	1,628,745	1,729,002	1,856,748	1,973,541	1,900,629	-3.7%	-72,913
March	1,880,654	2,054,793	1,925,296	1,688,794	1,819,095	1,979,080	2,191,405	2,265,006	2,421,918	2,479,918	2.4%	58,000
April	1,883,777	1,885,024	1,812,244	1,572,824	1,719,674	1,866,180	1,897,741	2,168,372	2,201,566	2,410,499	9.5%	208,932
May	1,846,229	1,909,074	1,824,127	1,642,271	1,686,756	1,884,275	1,989,477	2,109,923	2,323,975	2,489,724	7.1%	165,749
June	2,033,237	2,025,044	1,926,353	1,800,044	1,961,270	2,047,664	2,168,095	2,260,297	2,364,520	2,552,236	7.9%	187,716
Total	**22,005,703**	**23,885,264**	**23,149,433**	**21,152,117**	**20,968,821**	**22,720,667**	**24,138,792**	**25,995,732**	**27,254,742**	**28,943,994**	**27,254,742**	**1,689,252**
Budgeted												
	Up	Up	Down	*Down*	*Down*	*year to date*	*year to date*	*year to date*	*year to date*	*year to date*	*last yr YTD*	*YTD difference*
	11.2%	8.5%	-3.1%	-8.6%	-0.9%	8.4%	6.2%	7.7%	4.8%	6.2%	27,254,742	



CITY of FRANKLIN
2014 PROPERTY TAX COLLECTIONS
As of June 30, 2015

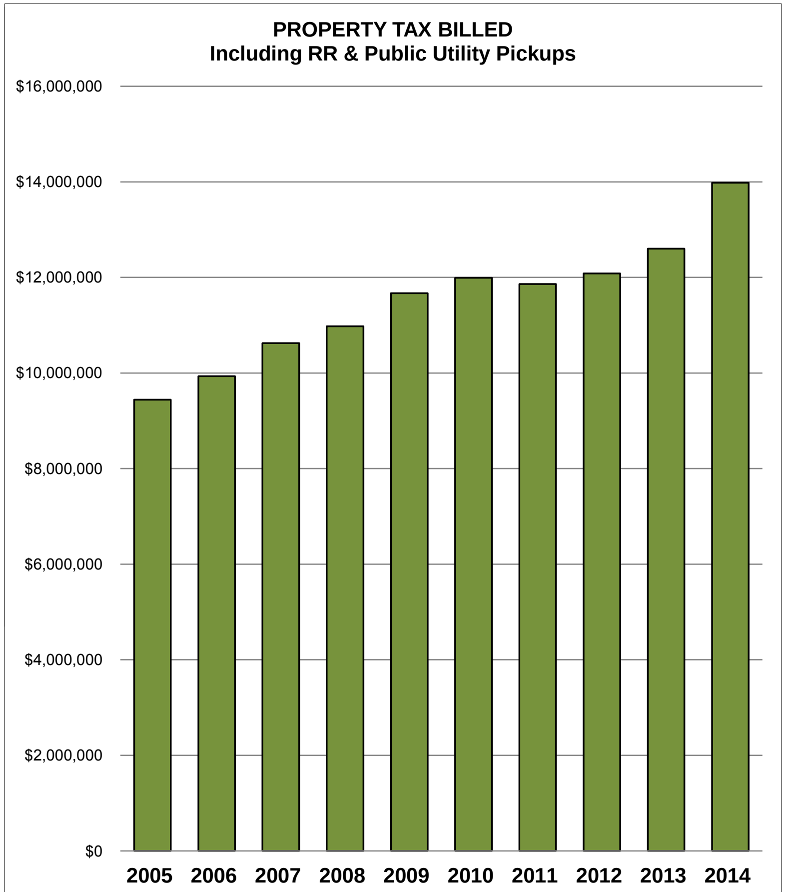
YEAR	Beginning Balance	150 Corrections	600 Refunds	400 Adjustments	100 Pickups	210 Cleanup	700 Returned Checks	200 Receipts	AR Balance
2014	$13,742,347	($413,737)	$0	$0	$654,724	$256,113	($256,113)	($13,792,635)	$190,699
2013	$12,342,702	$11,759	$0	$8	$245,827	$310,928	($310,928)	($12,569,437)	$30,859
2012	$11,902,186	($37,187)	$132,011	($167)	$219,733	$0	$154	($12,201,515)	$15,216
Prior Years (2005 - 2010)	$74,656,547	($173,423)	$837,477	($17,310)	$1,724,372	($600)	$22,114	($76,992,390)	$56,787

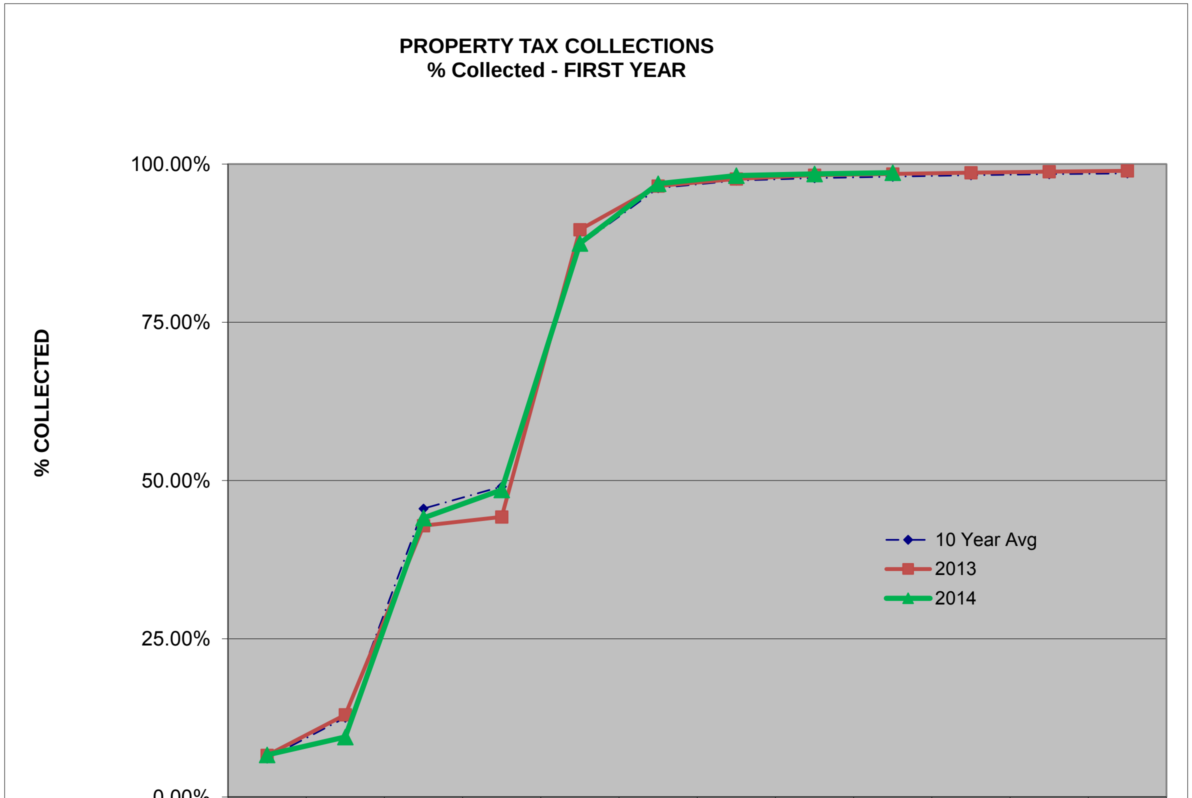
Beginning Balance does not include RR & Public Utilities added later, rollbacks & other adjustments

RR and Public Utilities typically added in January (reflected in 100 PICKUPS); typically about $200k annually

2011 and earlier have been turned over to Clerk & Master to initiate legal action for collection

Receipts include penalty & interest (bills are issued in October and Penalty/interest apply starting the following March)





	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP
10 Year Avg	6.09%	12.54%	45.55%	49.04%	87.19%	96.20%	97.38%	97.77%	98.03%	98.23%	98.40%	98.53%
2013	6.58%	12.99%	42.86%	44.24%	89.63%	96.53%	97.65%	98.24%	98.44%	98.65%	98.82%	98.93%
2014	6.65%	9.48%	44.10%	48.54%	87.46%	96.89%	98.16%	98.43%	98.64%			

BUILDING PERMIT SUMMARY
PERMITS ISSUED & FEES RECEIVED
Including Construction Valuation

From: 7/1/14-7/31/14

Building Permits *

*Does not include associated electrical, mechanical, plumbing, etc permits.

HISTORIC FRANKLIN TENNESSEE

BUILDING PERMIT FEES	# of PERMITS ISSUED	FEES
Residential (inc Townhomes/ Duplexes)	**79**	**$67,922**
BUILDING PERMIT FEE		$67,922
New	45	$63,411
Accessory	4	$417
Addition	17	$1,961
Miscellaneous	8	$913
Renovation	5	$1,220
Non-Residential (inc Multi-Family)	**28**	**$28,040**
BUILDING PERMIT FEE		$28,040
Addition	1	$4,866
Interior Finish (Build-Out)	20	$7,452
Miscellaneous	3	$13,218
Renovation	4	$2,504
TOTAL BUILDING PERMITS ISSUED:	**107**	
TOTAL BUILDING PERMIT FEES:		**$95,962**

ADDITIONAL DEVELOPMENT FEES

ADDITIONAL DEVELOPMENT FEES	FEES
Residential (inc Townhomes/ Duplexes)	**$340,277**
PLAN REVIEW FEE	$50
REINPSECTION FEE & AFTER HOURS INSPECTION FEE	$300
GARBAGE CONTAINER FEE	$3,375
FACILITIES TAX	$156,927
ROAD IMPACT FEE	$179,625
Non-Residential (inc Multi-Family)	**$106,615**
PLAN REVIEW FEE	$3,471
REINPSECTION FEE & AFTER HOURS INSPECTION FEE	$250
FACILITIES TAX	$8,641
ROAD IMPACT FEE	$94,253
TOTAL ADDITIONAL FEES:	**$446,892**

Total Residential Fees:	**$408,199**
Total Non Residential Fees:	**$134,655**
TOTAL FEES RECEIVED:	**$542,854**

ESTIMATED VALUATION OF BUILDING PERMITS

ESTIMATED VALUATION OF BUILDING PERMITS	VALUATION
Residential	
Valuation of Construction	**$16,597,912**
New	$15,777,053
Accessory Building	$48,300
Addition	$445,065
Miscellaneous	$121,494
Renovation	$206,000
Non-Residential	
Valuation of Construction	**$14,530,853**
Addition	$3,000,000
Interior Finish/Build-Out	$1,583,435
Miscellaneous	$9,212,000
Renovation	$735,418
TOTAL ESTIMATED VALUATION OF BUILDING PERMITS*	**$31,128,765**

*Includes all new residential construction (single family detached dwellings and townhomes), non-residential construction (including multi-family dwellings), accessory buildings, additions, tenant build-out, renovations, and miscellaneous construction. Estimated Valuations (Construction Costs) are provided by Applicants on Building Permit Applications.

Permit values transacted during the month do not necessarily equal dollars collected because of the timing of the actual issuance of the permits.

Marriott
HOTELS & RESORTS

Franklin Marriott Cool Springs
700 Cool Springs Boulevard
Franklin, TN 37067
t: 615.261.6100 f: 615.261.6161
Marriott.com/BNACS

August 17, 2015

Mr. Russ Truell, CFO
City of Franklin, Tennessee
109 Third Avenue South
Franklin, TN 37064

Dear Mr. Truell:

Please find enclosed the Consolidated Profit and Loss Statement for the Cool Springs Conference Center for period end July 2015.

A summary of the financial and distribution date is as follows:

COOL SPRINGS CONFERENCE CENTER
July, 2015

	CURRENT MONTH			YEAR-TO-DATE		
	ACTUAL	BUDGET	LAST YR	ACTUAL	BUDGET	LAST YR
GROSS REVENE	413,595	324,066	304,185	413,595	324,066	304,185
HOUSE PROFIT	3,526	(56,478)	(77,819)	3,526	(56,478)	(77,819)
Less: FIXED EXPENSES	17,869	19,196	15,535	17,869	19,196	15,535
NET INCOME	(14,343)	(75,674)	(93,354)	(14,343)	(75,674)	(93,354)
Less: FF&E RESERVE 5% (PY 4%)	20,680	16,203	15,209	20,680	16,203	15,209
NET CASH FLOW	(35,023)	(91,877)	(108,563)	(35,023)	(91,877)	(108,563)

TOTAL CURRENT BALANCE DUE TO OWNERS	(35,023.00)
TOTAL DUE TO CITY OF FRANKLIN	(17,511.50)
TOTAL DUE TO WILLIAMSON COUNTY	(17,511.50)

Marriott
HOTELS & RESORTS

Franklin Marriott Cool Springs
700 Cool Springs Boulevard
Franklin, TN 37067
t: 615.261.6100 f: 615.261.6161
Marriott.com/BNACS

Please note, the Management Fee was accrued but not posted to the financial statement. It will be corrected in August. Also, in the 2014/2015 fiscal year, the FF&E reserve was trued up later in the year. For comparison purposes, it is showing above as if it had been recorded in the month last year.

The financial statements for the Cool Springs Conference Center, subject to routine year-end audit and adjustments, is true and correct in all material respects to the best of my knowledge.

Sincerely,

Michael Sanders
General Manager

GOVERNMENT PORTFOLIO ADVISORS

Monthly Report

Account

City of Franklin

7/31/2015

GOVERNMENT PORTFOLIO ADVISORS

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GOVERNMENT PORTFOLIO ADVISORS

MONTH END COMMENTARY JULY 2015

Bond yields were mainly influenced by discussions of U.S. Interest Rate hikes, the Greek Debt crisis and the Chinese stock market volatility. Treasury yields were mixed across the curve in July. Maturities from zero to two years increased in yield, while securities longer than two years dropped in yield. The 30-year bond had the biggest decrease in yield, moving from 3.12% in June to 2.91% in July. The movement in the short end of the curve is partially due to the market consensus that the Fed will raise the Fed Funds target rate in September. The rally in the longer end of the curve can be attributed to global economic concerns, Greece, China and Puerto Rico, in particular.

FOMC: In its latest FOMC policy statement, the Fed did not make it any clearer that a September rate hike is coming. The statement sounded more upbeat on the economy than previous statements. The policy statement was largely unchanged, with only minor changes to acknowledge the improvement in the economic data. The housing sector is described as showing "additional" rather than "some" improvement, jobs gains are now thought to be "solid" and the unemployment rate is "declining" rather than "remained steady" as before. The more positive tone of the statement is a sign that the first rate hike is coming closer, however, Fed Chair Yellen has recently stressed that each meeting is "live" and "data dependent".

Non-farm Payrolls/Unemployment: Total nonfarm payroll employment increased by 223,000 new jobs in June, weaker than the forecasted 290,000. May's 280,000 rise was revised down to a gain of 254,000. Average hourly wages were unchanged in June and the annual growth rate fell back to 2% from 2.3% in May. The low increase in nonfarm payrolls was partially offset by a decrease in the unemployment rate, to 5.3% from 5.5%. Bond prices rallied on the news with the 2-year Treasury note moving from .69% to .62%. The ten-year note moved 10 basis points, from 2.38% to 2.28% and the 5-year Treasury note moved 7 basis points, from 1.70% to 1.63%

Other Economic Data: U.S. Retail Sales had a decline of .3% in June. However, real consumption increased by 2.7% annualized over the second quarter. CPI increased .3% which was partly due to a 3.4% increase in gasoline. Industrial Production increased .3% largely due to a rebound in the mining sector.

Global Concerns: Concerns over the Greek exit from the euro and the slump in China's stock market continue to contribute to the flight to quality to U.S. Treasuries.

Treasury Yield Curve Total Returns over the last 12 months:*

3month bill	.015
1 year note	.31
2 year note	.95
3 year note	1.69
5 year note	3.15

TREASURY BENCHMARK TOTAL RETURNS IN MONTH

Benchmark	Period Return	Duration
BAML 0-3 Year Treasury	.04%	1.45
BAML 0-5 Year Treasury	.15%	2.20

*Source: Bloomberg

Changes in the Treasury Market (absolute yield levels):*

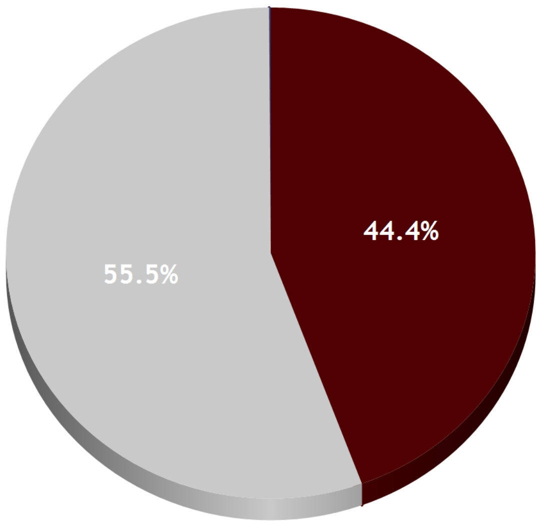
	7/31/14	6/30/15	7/31/15	Change in July	Change from Prior Year
3month bill	.02	.01	.06	+.05	+.04
6month bill	.05	.11	.15	+.04	+.10
2 year note	.53	.64	.66	+.02	+.13
3 year note	.99	1.00	.97	-.03	-.02
5 year note	1.75	1.65	1.53	-.12	-.22
10 year	2.56	2.35	2.18	-.17	-.38

**Source: Bloomberg*

Weighted Averages

Book Yield	0.73
Maturity	1.31
Coupon	0.72
Moody	Aaa
S&P	AA+

Fixed Income Allocation



Fixed Income Totals

Par Value	22,523,119.88
Market Value	22,574,004.88
Amortized Book Value	22,524,760.60
Unrealized Gain/Loss	49,244.28
Estimated Annual Cash Flow	161,877.31

Security Type	Market Value	% Assets
US Agency (USD)	10,023,932.50	44.4
US Treasury (USD)	12,526,952.50	55.5
Money Market Bank Deposits (USD)	23,119.88	0.1
Fixed Income Total	**22,574,004.88**	**100.0**

Total Return Report

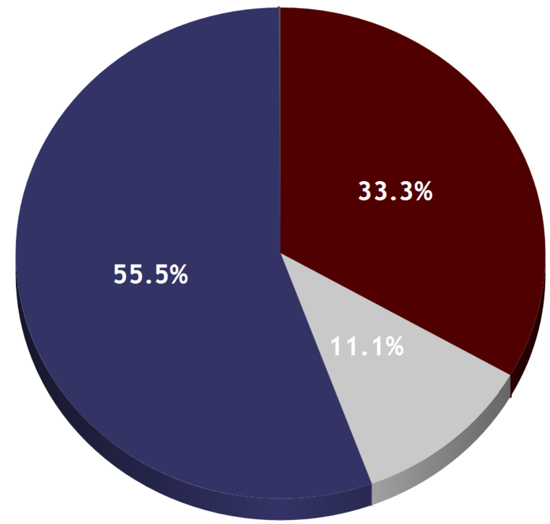
City of Franklin

Net of Accrued Fees | US Dollar 6/30/2015 - 7/31/2015

Total Return for Period

	Since 6/30/2015
Beginning Principal Value	**17,886,931.34**
Beginning Accrued Interest	36,262.24
Net Contributions/Withdrawals	4,671,750.00
Market Value Change	-693.13
Interest Earnings	10,718.60
Ending Principal Value	**22,574,004.88**
Ending Accrued Interest	30,964.18
Net Total Return	**7,942.14**
Management Fees Paid By Client	-2,083.33

Portfolio Allocation



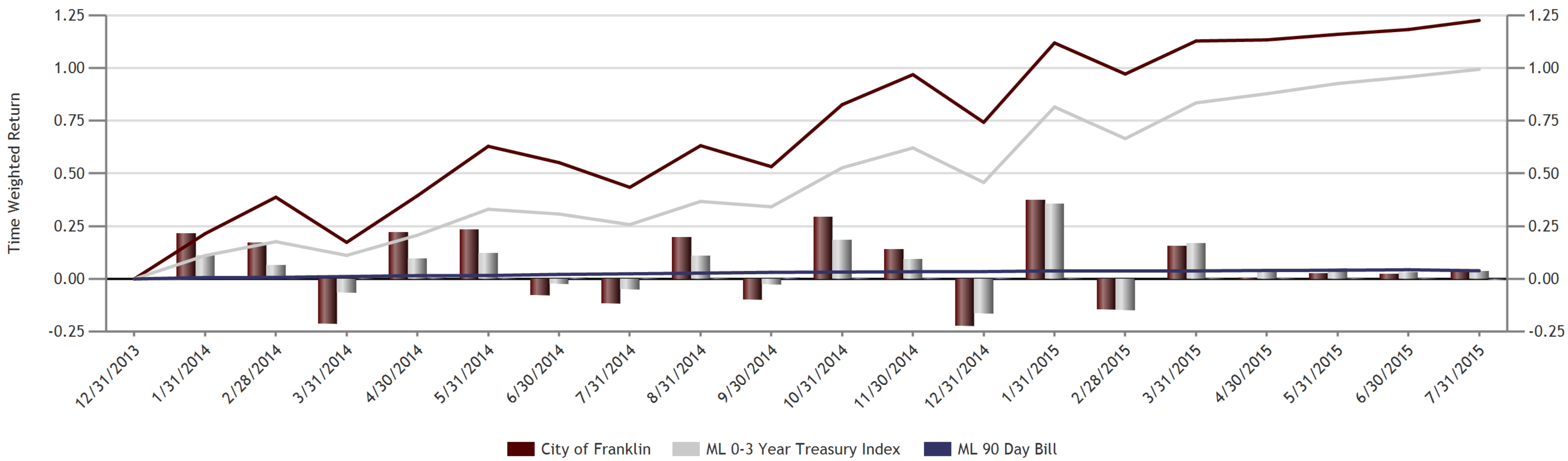
Issuer	Market Value	% Assets	Book Yield
FEDERAL HOME LOAN BANKS	7,510,875.00	33.3	0.7
FEDERAL HOME LN MTG CORP	2,513,057.50	11.1	1.0
UNITED STATES TREAS NTS	12,526,952.50	55.5	0.7
FIFTH THIRD BK CINCINNATI STN	23,119.88	0.1	0.0
Total	**22,574,004.88**	**100.0**	**0.7**

Performance History Inception (12/31/2013) to Date

Portfolio	Month To Date	Quarter To Date	Year To Date	Latest 1 Year	Inception To Date
Account	**0.04**	**0.04**	**0.48**	**0.79**	**1.23**

Index					
ML 0-3 Year Treasury Index	0.04	0.04	0.53	0.73	0.99
ML 90 Day Bill	0.00	0.00	0.00	0.01	0.04

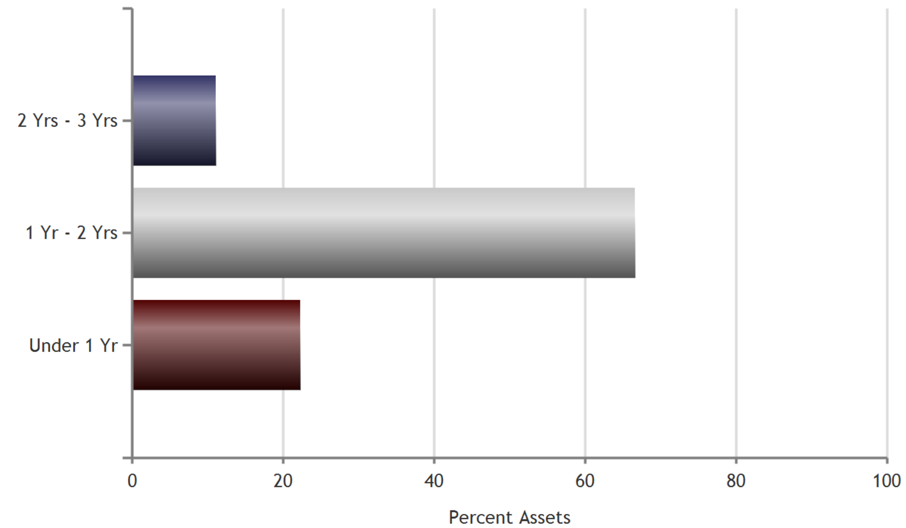
Time Weighted Return Inception (12/31/2013) to Date



Distribution by Maturity

Maturity	Number	Market Value	% FI Holdings	Average YTM	Average Coupon	Average Duration
Under 1 Yr	3	5,025,787.38	22.3	0.2	0.547%	0.2
1 Yr - 2 Yrs	6	15,040,010.00	66.6	0.5	0.709%	1.5
2 Yrs - 3 Yrs	1	2,508,207.50	11.1	1.0	1.125%	2.6

Distribution by Maturity



Distribution by Duration

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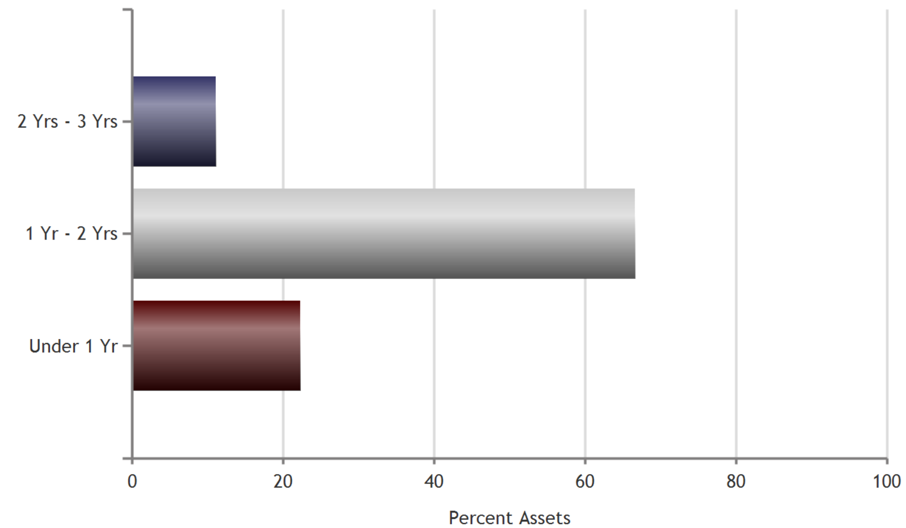
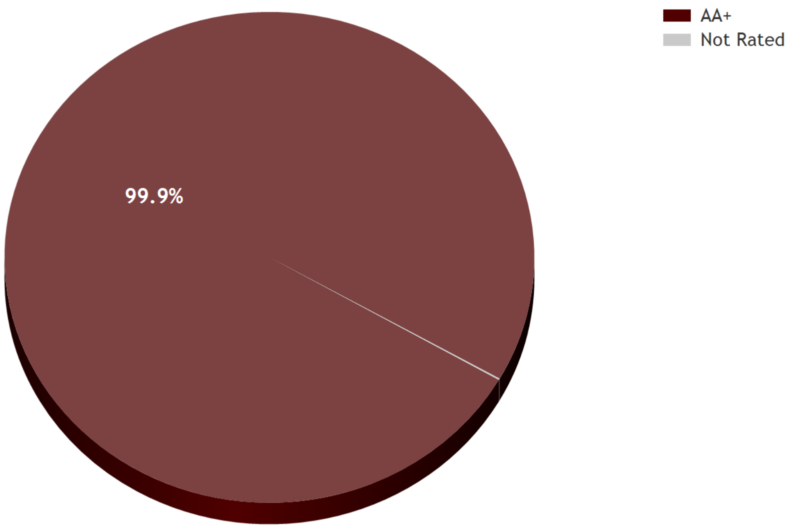
Distribution by Duration



Distribution by S&P Rating

S&P Rating	Number	Market Value	% FI Holdings	Average YTM	Average Coupon	Average Duration
AA+	9	22,550,885.00	99.9	0.7	0.720%	2.7
Not Rated	1	23,119.88	0.1	0.0	0.010%	0.7

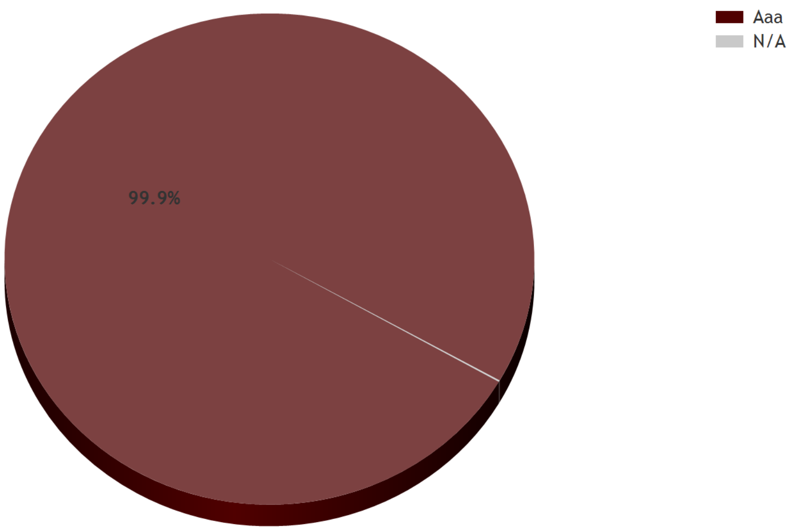
Distribution by S&P Rating



Distribution by Moody Rating

Moody Rating	Number	Market Value	% FI Holdings	Average YTM	Average Coupon	Average Duration
Aaa	9	22,550,885.00	99.9	0.7	0.720%	2.7
N/A	1	23,119.88	0.1	0.0	0.010%	0.7

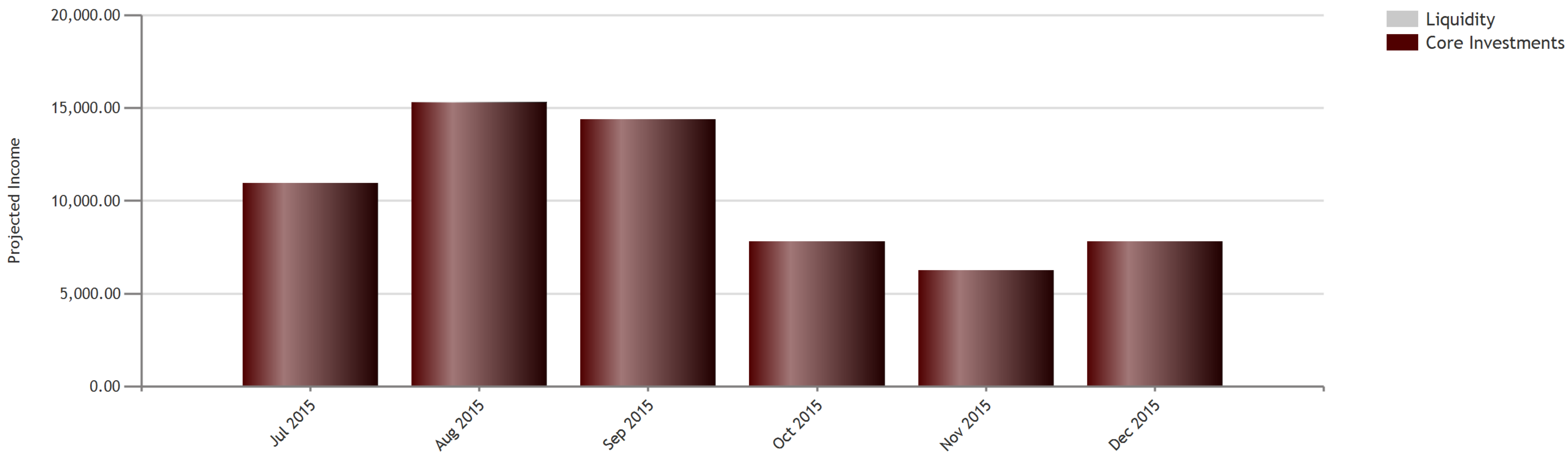
Distribution by Moody Rating



Coupon Cash Flow Projection

City of Franklin

7/31/2015 - 12/31/2015



	Jul 2015	Aug 2015	Sep 2015	Oct 2015	Nov 2015	Dec 2015	
Core Investments	10,937.50	15,312.50	14,375.00	7,812.50	6,250.00	7,812.50	
US Agency (USD)	0.00	7,500.00	8,125.00	0.00	6,250.00	0.00	
US Treasury (USD)	10,937.50	7,812.50	6,250.00	7,812.50	0.00	7,812.50	
Liquidity	0.00	0.19	0.00	0.00	0.00	0.00	
Money Market Bank Deposits (USD)	0.00	0.19	0.00	0.00	0.00	0.00	
Total	**10,937.50**	**15,312.69**	**14,375.00**	**7,812.50**	**6,250.00**	**7,812.50**	
Grand Total							**62,500.19**

Purchases

Trade Date	Settle Date	Quantity	Symbol	Security	Adj Unit Cost	Adjusted Total Cost
7/24/2015	7/28/2015	2,500,000	3130A5PE3	FEDERAL HOME LOAN BANKS 1.125% Due 03-29-18	100.28	2,507,005.00
7/28/2015	7/28/2015	12,500	0000FIFTH3	FIFTH THIRD BANK MMF 0.010% Due 08-27-15	100.00	12,500.00
7/28/2015	7/28/2015	4,673,000	0000FIFTH3	FIFTH THIRD BANK MMF 0.010% Due 08-27-15	100.00	4,673,000.00
7/24/2015	7/28/2015	2,500,000	912828J92	UNITED STATES TREAS NTS 0.500% Due 03-31-17	99.83	2,495,703.13
7/31/2015	7/31/2015	10,938	0000FIFTH3	FIFTH THIRD BANK MMF 0.010% Due 08-27-15	100.00	10,937.50
Total Purchases						**9,699,145.63**

Sales

Trade Date	Settle Date	Quantity	Symbol	Security	Adj Unit Cost	Adjusted Total Cost	Amort. or Accretion	Unit Price	Proceeds	Gain/Loss
7/22/2015	7/22/2015	1,250	0000FIFTH3	FIFTH THIRD BANK MMF 0.010% Due 08-27-15	100.00	1,250.00		100.00	1,250.00	0.00
7/28/2015	7/28/2015	5,010,132	0000FIFTH3	FIFTH THIRD BANK MMF 0.010% Due 08-27-15	100.00	5,010,131.72		100.00	5,010,131.72	0.00
Total Sales						**5,011,381.72**			**5,011,381.72**	**0.00**

Interest

Trade Date	Settle Date	Symbol	Security	Amount
7/1/2015	7/1/2015	0000FIFTH3	FIFTH THIRD BANK MMF 0.010% Due 08-27-15	2.76
7/28/2015	7/28/2015	3137EADJ5	FEDERAL HOME LN MTG CORP 1.000% Due 07-28-17	12,500.00
7/24/2015	7/28/2015	3130A5PE3	FEDERAL HOME LOAN BANKS 1.125% Due 03-29-18	-3,359.38
7/24/2015	7/28/2015	912828J92	UNITED STATES TREAS NTS 0.500% Due 03-31-17	-4,064.21

Interest

Trade Date	Settle Date	Symbol	Security	Amount
7/31/2015	7/31/2015	912828SC5	UNITED STATES TREAS NTS 0.875% Due 01-31-17	10,937.50
Total Interest				**16,016.67**

Expenses

Trade Date	Settle Date	Symbol	Security	Amount
7/22/2015	7/22/2015	fees	exusfees	1,250.00
7/31/2015	7/31/2015	manfee	Management Fee	2,083.33
Total Expenses				**3,333.33**

Contributions

Trade Date	Settle Date	Quantity	Symbol	Security	Unit Price	Amount
7/1/2015	7/1/2015	3	0000FIFTH3	FIFTH THIRD BANK MMF 0.010% Due 08-27-15	100.00	2.76
7/28/2015	7/28/2015		cash	CASH ACCOUNT		4,673,000.00
Total Contributions						**4,673,002.76**

Portfolio Summary

July 31, 2015

Portfolio Name	Par Amount	Total Original Cost	Total Adjusted Cost	Market Value	Unrealized Gain/Loss	Yield At Cost	Mod Dur	Eff Dur	Bench Dur	Benchmark
City of Franklin	22,523,120	22,517,994.89	22,524,760.60	22,574,004.88	49,244.28	0.73	1.30	1.29	1.45	BofA Merrill 0-3 Treasury
TOTAL PORTFOLIO	**22,523,120**	**22,517,994.89**	**22,524,760.60**	**22,574,004.88**	**49,244.28**	**0.73**	**1.30**	**1.29**	**1.45**	

Portfolio Holdings

City of Franklin

July 31, 2015

Cusip	Quantity	Security	Call Date	Trade Date	Amor Price	Book Yield	Market Price	Market Yield	Market Value	Accrued Interest	Total Value	Unrealized Gain/Loss	Pct. Assets	Dur Mat	Eff Dur
US Treasury															
912828VR8	2,500,000	UNITED STATES TREAS NTS 0.625% Due 08-15-16		03-27-14	100.00	0.62	100.2500	0.38	2,506,250.00	7,165.06	2,513,415.06	6,207.31	11.1	1.03	1.03
912828WA4	2,500,000	UNITED STATES TREAS NTS 0.625% Due 10-15-16		03-27-14	99.91	0.70	100.2344	0.43	2,505,860.00	4,567.96	2,510,427.96	8,174.73	11.1	1.20	1.19
912828A59	2,500,000	UNITED STATES TREAS NTS 0.625% Due 12-15-16		12-18-13	99.98	0.64	100.1719	0.50	2,504,297.50	1,963.80	2,506,261.30	4,701.52	11.1	1.37	1.36
912828SC5	2,500,000	UNITED STATES TREAS NTS 0.875% Due 01-31-17		03-27-14	100.05	0.84	100.5234	0.52	2,513,085.00	0.00	2,513,085.00	11,949.66	11.1	1.49	1.49
912828J92	2,500,000	UNITED STATES TREAS NTS 0.500% Due 03-31-17		07-24-15	99.83	0.60	99.8984	0.56	2,497,460.00	4,166.67	2,501,626.67	1,728.83	11.1	1.65	1.65
	12,500,000					0.68		0.48	12,526,952.50	17,863.48	12,544,815.98	32,762.05	55.5	1.35	1.34
US Agency Bullet															
313378CN9	2,500,000	FEDERAL HOME LOAN BANKS 0.600% Due 08-17-15		03-12-12	100.00	0.66	100.0170	0.20	2,500,425.00	6,833.33	2,507,258.33	486.27	11.1	0.05	0.04
313380L96	2,500,000	FEDERAL HOME LOAN BANKS 0.500% Due 11-20-15		07-11-13	100.00	0.51	100.0897	0.20	2,502,242.50	2,465.28	2,504,707.78	2,319.02	11.1	0.31	0.30
3137EADJ5	2,500,000	FEDERAL HOME LN MTG CORP 1.000% Due 07-28-17		12-18-13	100.02	0.99	100.5223	0.73	2,513,057.50	208.33	2,513,265.83	12,445.77	11.1	1.97	1.96
3130A5PE3	2,500,000	FEDERAL HOME LOAN BANKS 1.125% Due 03-29-18		07-24-15	100.28	1.02	100.3283	1.00	2,508,207.50	3,593.75	2,511,801.25	1,231.18	11.1	2.62	2.61
	10,000,000					0.79		0.54	10,023,932.50	13,100.69	10,037,033.19	16,482.23	44.4	1.24	1.23
Money Market Fund															
0000FIFTH	23,120	FIFTH THIRD BANK MMF 0.010% Due 08-27-15		12-31-14	100.00	0.01	100.0000	0.01	23,119.88	0.00	23,119.88	0.00	0.1	0.07	0.01
TOTAL	**22,523,120**					**0.73**		**0.50**	**22,574,004.88**	**30,964.18**	**22,604,969.06**	**49,244.28**	**100.0**	**1.30**	**1.29**

MASTER EARNED INCOME REPORT

From 06-30-15 To 07-31-15

Name	Beginning Accrued Interest	Purchased Interest	Sold Interest	Interest Received	Ending Accrued Interest	Earned Interest	Amortization/ Accretion	Earned Income
City of Franklin	36,262.24	7,423.59	0.00	-23,440.26	30,964.18	10,718.60	233.51	10,952.11
TOTAL	**36,262.24**	**7,423.59**	**0.00**	**-23,440.26**	**30,964.18**	**10,718.60**	**233.51**	**10,952.11**

This report is for general informational purposes only and is not intended to provide specific advice or recommendations. Government Portfolio Advisors (GPA) is an investment advisor registered with the Securities and Exchange Commission and is required to maintain a written disclosure statement of our background and business experience.

Questions About an Account: GPA's monthly & quarterly reports are intended to detail the investment advisory activity managed by GPA. In addition, at the request of the account, the report may include bank balances, LGIP balances and other funds that are held but not invested at the direction of GPA. The custodian bank maintains the control of assets and executes (ie. Settles) all investment transactions. The custodian statement is the official record of security and cash holdings and transactions. GPA recognizes that clients may use these reports to facilitate record keeping and that the custodian bank statement and the GPA report should be reconciled and differences resolved. Many custodians use a settlement date basis which may result in the need to reconcile due to a timing difference.

Account Control:
GPA does not have the authority to withdraw funds from or deposit funds to the custodian. Our clients retain responsibility for their deposit funds to the custodian. Our clients retain responsibility for their internal accounting policies, implementing and enforcing internal controls and generating ledger entries or otherwise recording transactions.

Market Value:
Generally, market prices in GPA's reports are derived from closing bid prices as of the last business day of the month as supplied by Interactive Data or Bloomberg. Where prices are not available from generally recognized sources the securities are priced using a yield-based matrix system to arrive at an estimated market value. Prices that fall between data points are interpolated. Non-negotiable FDIC - insured bank certificates of deposit are priced at par. Although GPA believes the prices to be reliable, the values of the securities do not always represent the prices at which the securities could have been bought or sold.

Amortized Cost:
The original cost of the principal of the security is adjusted for the amount of the periodic reduction of any discount or premium from the purchase date until the date of the report. Discount or premiums with respect to short term securities (those with less than one year to maturity at time of issuance) is amortized on a straightline basis. Such discount or premium with respect to longer term securities is amortized using the constant yield basis.

Financial Situation:
In order to better serve you, GPA should be promptly notified of any material change in your investment objective or financial situation.

Callable Securities:
Securities subject to redemption prior to maturity may be redeemed in whole or in part before maturity, which could affect the yield represented. Certain call dates may not show up on the report if the call date has passed and it is continuously callable.

Duration:
The duration listed on the reports is duration to maturity and duration to call. Effective duration is calculated on Bloomberg and imported into these reports and reflects the OAS duration which incorporates the probability of the bond being called. Effective duration is what GPA compares to the benchmark to reflect current market risk.

Benchmark Duration:
The benchmark duration is the historical weighted average of the benchmark duration over monthly periods. GPA is reporting this number as a static amount period over period.

Portfolio:
The securities in this portfolio are not guaranteed or otherwise protected by GPA, the FDIC (except for non-negotiable certificates of deposit) or any government agency. Investment in securities involves risks, including the possible loss of the amount invested.

Rating:
Information provided for ratings is based upon a good faith inquiry of selected sources, but its accuracy and completeness cannot be guaranteed.

Building Permits

Month	FY2016	FY2015	BUDGET	Variance from Last Year	Variance from Budget
July	219,601	82,353	79,337	137,248	140,264
August	0	69,863	67,304	0	0
September	0	127,700	123,023	0	0
October	0	123,191	118,679	0	0
November	0	94,573	91,109	0	0
December	0	74,673	71,938	0	0
January	0	117,569	113,263	0	0
February	0	81,060	78,091	0	0
March	0	138,911	133,823	0	0
April	0	171,524	165,242	0	0
May	0	153,798	148,165	0	0
June	0	190,972	183,978	0	0
Total (year-to-date)	219,601	1,426,187	1,373,951	137,248	140,264
% of Prior Year YTD/ % of Budget YTD >>>>>				266.7%	276.8%

* seasonality based on last year's results

110-32120

Road Impact fees

Month	FY2016	FY2015	BUDGET	Variance from Last Year	Variance from Budget
July	733,816	229,572	369,312	504,244	364,504
August	0	139,840	224,960	0	0
September	0	217,394	349,721	0	0
October	0	200,301	322,224	0	0
November	0	254,561	409,511	0	0
December	0	168,587	271,205	0	0
January	0	186,851	300,587	0	0
February	0	183,500	295,196	0	0
March	0	255,892	411,653	0	0
April	0	925,840	1,489,396	0	0
May	0	432,960	696,501	0	0
June	0	391,681	630,096	0	0
Total (year-to-date)	733,816	3,586,979	5,770,361	504,244	364,504
% of Prior Year YTD/ % of Budget YTD >>>>>				319.6%	198.7%

* seasonality not assigned; divided evenly by month

128-32800

Facilities Tax

Month	FY2016	FY2015	BUDGET	Variance from Last Year	Variance from Budget
July	460,763	174,169	149,610	286,594	311,153
August	0	128,599	110,466	0	0
September	0	155,707	133,752	0	0
October	0	211,229	181,445	0	0
November	0	160,556	137,917	0	0
December	0	168,587	144,815	0	0
January	0	186,851	160,504	0	0
February	0	130,798	112,355	0	0
March	0	227,269	195,223	0	0
April	0	383,594	329,506	0	0
May	0	256,477	220,313	0	0
June	0	284,637	244,502	0	0
Total (year-to-date)	460,763	2,468,473	2,120,407	286,594	311,153
% of Prior Year YTD/ % of Budget YTD >>>>>				264.5%	308.0%

* seasonality not assigned; divided evenly by month

130-31600

Williamson County Facilities Tax

Month	FY2016	FY2015	BUDGET	Variance from Last Year	Variance from Budget
July	143,941	83,121	83,121	60,820	60,820
August	0	77,682	29,478	0	0
September	0	66,808	66,808	0	0
October	0	75,521	142,478	0	0
November	0	80,039	80,039	0	0
December	0	77,729	77,729	0	0
January	0	67,795	67,795	0	0
February	0	83,183	83,183	0	0
March	0	79,939	79,939	0	0
April	0	96,468	96,468	0	0
May	0	100,933	100,933	0	0
June	0	93,387	93,387	0	0
Total (year-to-date)	143,941	982,605	982,605	60,820	60,820
% of Prior Year YTD/ % of Budget YTD >>>>>				173.2%	173.2%

* seasonality based on last year's results
budgeted in Capital Projects Fund beginning with FY11
310-31600

Results of Fuel Hedging Program, FY2015-2016, through month of July

Gas Price	Gas Contract	Spread	Diesel Price	Diesel Contract	Spread	Month	Gas Contracts (7.14%, 12,000 gallons)	Diesel Contracts (3.30%, 9,700 gallons)	Total
$1.9111	$2.6883	($0.777)	$1.6184	$1.7275	($0.109)	July	($9,326.40)	($1,058.16)	($10,384.56)
0.0000	0.0000	0.000	0.0000	0.0000	0.000	August	$0.00	$0.00	0.00
0.0000	0.0000	0.000	0.0000	0.0000	0.000	September	$0.00	$0.00	0.00
0.0000	0.0000	0.000	0.0000	0.0000	0.000	October	$0.00	$0.00	0.00
0.0000	0.0000	0.000	0.0000	0.0000	0.000	November	$0.00	$0.00	0.00
0.0000	0.0000	0.000	0.0000	0.0000	0.000	December	$0.00	$0.00	0.00
0.0000	0.0000	0.000	0.0000	0.0000	0.000	January	$0.00	$0.00	0.00
0.0000	0.0000	0.000	0.0000	0.0000	0.000	February	$0.00	$0.00	0.00
0.0000	0.0000	0.000	0.0000	0.0000	0.000	March	$0.00	$0.00	0.00
0.0000	0.0000	0.000	0.0000	0.0000	0.000	April	$0.00	$0.00	0.00
0.0000	0.0000	0.000	0.0000	0.0000	0.000	May	$0.00	$0.00	0.00
0.0000	0.0000	0.000	0.0000	0.0000	0.000	June	$0.00	$0.00	0.00
1.9111	2.6883	-0.777	1.6184	1.7275	-0.109	**Fiscal Yr Total**	**-9,326.40**	**-1,058.16**	**-10,384.56**

Contract schedule:

Contract	Trade Date	Effective Date	Termination Date	Price	Gallons
Diesel	6/5/14	7/1/14	6/30/15	1.728	294,000
Gasoline	6/5/14	7/1/14	6/30/16	2.690	84,000
Gasoline	8/7/14	9/1/14	6/30/16	2.687	84,000

Statement of Activities
Grant 20 and Grant 98 Franklin Transit Service
For the One Month Ending July 31, 2015

	Month Actual	Month Budget	YTD Actual	YTD Budget	Total Budget
Revenues					
Revenue - Fares Fixed Route	$ 1,574.46	$ 2,125.00	$ 1,574.46	$ 2,125.00	25,500.00
Revenue - Fares TODD	4,194.00	4,958.33	4,194.00	4,958.33	59,500.00
Revenue - Transit Fares; HT	0.00	0.00	0.00	0.00	16,000.00
Revenue - Contracts	2,550.00	833.33	2,550.00	833.33	10,000.00
Revenue - Building & EquipRent	800.00	800.00	800.00	800.00	9,700.00
Revenue - Transit-Interest	306.00	266.67	306.00	266.67	3,200.00
Reimbursed to COF Transit Oper	(6,868.61)	(106,801.34)	(6,868.61)	(106,801.34)	(1,281,616.04)
COF Transit Operating	129,915.56	149,859.17	129,915.56	149,859.17	1,798,310.04
Revenue - Operating Assistance	0.00	0.00	0.00	0.00	250,000.00
State New Freedoms	0.00	0.00	0.00	0.00	13,500.00
State 5307 IT	0.00	0.00	0.00	0.00	2,800.00
State 5307 Cap. Cost. Contract	0.00	0.00	0.00	0.00	50,288.00
State 5309 Rent Assistance	0.00	0.00	0.00	0.00	4,050.00
Federal New Freedoms	0.00	0.00	0.00	0.00	27,000.00
Federal 5307 IT	0.00	0.00	0.00	0.00	22,400.00
Feder 5307 Preventative Mainte	0.00	0.00	0.00	0.00	85,008.00
Feder 5307 Cap. Cost. Contract	0.00	0.00	0.00	0.00	411,520.00
Federal 5309 Rent Assistance	0.00	0.00	0.00	0.00	32,400.00
Total Revenues	**132,471.41**	**52,041.16**	**132,471.41**	**52,041.16**	**1,539,560.00**
Direct Cost of Program					
Salaries - Drivers Fixed Route	10,822.39	12,333.33	10,822.39	12,333.33	148,000.00
Salaries - Drivers TODD	14,148.60	13,583.33	14,148.60	13,583.33	163,000.00
Salaries - Transit Admin.	652.13	0.00	652.13	0.00	0.00
Salaries - Transit Operations	8,280.38	9,583.33	8,280.38	9,583.33	115,000.00
Salaries - Holly Trolley	0.00	0.00	0.00	0.00	2,000.00
Salaries - Contracts	0.00	125.00	0.00	125.00	1,500.00
Overtime-Drivers (FIXED ROUTE)	845.43	1,000.00	845.43	1,000.00	12,000.00
Overtime-Drivers (TODD)	991.40	1,666.67	991.40	1,666.67	20,000.00
Overtime-Cleaning	158.74	166.67	158.74	166.67	2,000.00
Overtime-Holly Trolley	0.00	0.00	0.00	0.00	200.00
Double Time - Drivers; Hol Tro	0.00	0.00	0.00	0.00	3,000.00
Double Time - Contracts	342.36	833.33	342.36	833.33	10,000.00
Triple Time - Drivers FIXED RT	0.00	0.00	0.00	0.00	3,000.00
Triple Time - Drivers TODD	0.00	0.00	0.00	0.00	3,300.00
Sick Pay - DRIVERS FIXED ROUTE	134.05	333.33	134.05	333.33	4,000.00
Sick Pay - DRIVER TODD	406.15	333.33	406.15	333.33	4,000.00
Sick Pay - Transit Operations	334.21	333.33	334.21	333.33	4,000.00
Holiday Pay-Drivers FIXED RT	620.36	333.33	620.36	333.33	4,000.00
Holiday Pay-Drivers TODD	766.56	375.00	766.56	375.00	4,500.00
Holiday Pay - Operations	530.03	291.67	530.03	291.67	3,500.00
Vacation - Drivers FIXED ROUTE	1,081.19	416.67	1,081.19	416.67	5,000.00
Vacation - Drivers TODD	1,096.76	500.00	1,096.76	500.00	6,000.00
Vacation - Operations	408.32	291.67	408.32	291.67	3,500.00
Incentive Pay - Driver FIXED	0.00	0.00	0.00	0.00	3,500.00
Incentive Pay - Driver TODD	0.00	0.00	0.00	0.00	3,500.00
Incentive Pay - Operations	0.00	0.00	0.00	0.00	3,000.00
Employer FICA/MED DRIVER FIXED	999.11	1,166.67	999.11	1,166.67	14,000.00
Employer FICA/MED DRIVER TODD	1,293.45	1,291.67	1,293.45	1,291.67	15,500.00
Employer FICA/MED Cleaning	12.14	12.50	12.14	12.50	150.00
Employer FICA/MED - Tran Admin	49.88	0.00	49.88	0.00	0.00
Employer FICA/MED Tran Oper.	699.58	833.33	699.58	833.33	10,000.00
Employer FICA/MED Holly Troll	0.00	0.00	0.00	0.00	400.00
Employer FICA/MED Contracts	26.19	66.67	26.19	66.67	800.00

Statement of Activities
Grant 20 and Grant 98 Franklin Transit Service
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	Month Actual	Month Budget	YTD Actual	YTD Budget	Total Budget
Emp Bene-Drivers FIXED RT	2,462.25	3,541.67	2,462.25	3,541.67	42,500.00
Emp Bene-Drivers TODD	5,035.32	4,166.67	5,035.32	4,166.67	50,000.00
Employee Benefits - Cleaning	37.41	41.67	37.41	41.67	500.00
Employee Benefits - Admin	41.66	0.00	41.66	0.00	0.00
Employee Benefits - Operations	1,877.11	2,666.67	1,877.11	2,666.67	32,000.00
Employee Benefits - Holly Trol	0.00	0.00	0.00	0.00	600.00
Employee Benefits - Contracts	78.06	208.33	78.06	208.33	2,500.00
FUTA/SUTA Drivers FIXED ROUTE	87.19	150.00	87.19	150.00	1,800.00
FUTA/SUTA Drivers TODD	10.26	166.67	10.26	166.67	2,000.00
FUTA/SUTA Cleaning	0.00	0.83	0.00	0.83	10.00
FUTA/SUTA Operations	0.00	108.33	0.00	108.33	1,300.00
FUTA/SUTA Holly Trolley	0.00	0.00	0.00	0.00	50.00
FUTA/SUTA Contracts	1.43	8.33	1.43	8.33	100.00
Workers Comp Drivers FIXED RTE	690.93	750.00	690.93	750.00	9,000.00
Workers Comp Drivers TODD	895.52	833.33	895.52	833.33	10,000.00
Employers Workers Comp Clean	8.03	8.33	8.03	8.33	100.00
Employers Workers Comp-Admin	1.57	0.00	1.57	0.00	0.00
Employers Workers Comp - Opera	224.66	233.33	224.66	233.33	2,800.00
Workers Comp Holly Trolley	0.00	0.00	0.00	0.00	250.00
Employers Workers Comp - Contr	17.48	41.67	17.48	41.67	500.00
Uniforms	527.82	500.00	527.82	500.00	6,000.00
Professional Services	2,036.25	2,375.00	2,036.25	2,375.00	28,500.00
Transit Bldg/Oper. Maintenance	991.79	833.33	991.79	833.33	10,000.00
Transit Maintenance-Fxed Route	2,183.44	3,333.33	2,183.44	3,333.33	40,000.00
Transit Maintenance-TODD	2,292.94	3,416.67	2,292.94	3,416.67	41,000.00
Transit Maintenance-CONTRACT	43.17	0.00	43.17	0.00	0.00
Transit Center Cleaning	422.00	416.67	422.00	416.67	5,000.00
Education/Community Outreach	0.00	83.33	0.00	83.33	1,000.00
Promotional Products	0.00	333.33	0.00	333.33	4,000.00
Print Advertising	842.50	666.67	842.50	666.67	8,000.00
Radio Advertising/Web	350.00	500.00	350.00	500.00	6,000.00
Printed Brochures & Pieces	0.00	500.00	0.00	500.00	6,000.00
Legal Fees	100.00	208.33	100.00	208.33	2,500.00
Transit-DAM Compliance	306.00	166.67	306.00	166.67	2,000.00
Transit Fuel - Fixed Route	3,586.07	5,250.00	3,586.07	5,250.00	63,000.00
Transit Fuel - TODD	4,557.67	5,416.67	4,557.67	5,416.67	65,000.00
Transit Fuel - HT	0.00	0.00	0.00	0.00	500.00
Transit Fuel - Contract	230.48	166.67	230.48	166.67	2,000.00
Transit Maint. Fac - Utilities	1,793.75	1,875.00	1,793.75	1,875.00	22,500.00
Trolley Insurance-Fixed Route	4,280.34	2,791.67	4,280.34	2,791.67	33,500.00
Trolley Insurance-TODD	2,026.29	2,791.67	2,026.29	2,791.67	33,500.00

Statement of Activities
Grant 20 and Grant 98 Franklin Transit Service
For the One Month Ending July 31, 2015

	Month Actual	Month Budget	YTD Actual	YTD Budget	Total Budget
Transit General Liability	380.29	500.00	380.29	500.00	6,000.00
Errors & Omissions Liability	572.38	541.67	572.38	541.67	6,500.00
Dues, Subs, Tuition	982.05	583.33	982.05	583.33	7,000.00
Meetings	90.00	41.67	90.00	41.67	500.00
Travel & Training	75.31	833.33	75.31	833.33	10,000.00
Trolley Cleaning Supplies - FX	291.47	333.33	291.47	333.33	4,000.00
Trolley Cleaning Supplies TODD	291.48	375.00	291.48	375.00	4,500.00
Equipment - Transit Other	100.00	0.00	100.00	0.00	0.00
Bank/Credit Card Charges	5.85	33.33	5.85	33.33	400.00
Bank/Credit Card Charges HT	0.00	0.00	0.00	0.00	100.00
Transit Maint. Facility-Rent	3,354.67	3,375.00	3,354.67	3,375.00	40,500.00
Depreciation - Transit Off Equ	123.25	8.33	123.25	8.33	100.00
Total Direct Cost of Program	**89,005.55**	**97,046.66**	**89,005.55**	**97,046.66**	**1,187,960.00**
Indirect Expenditures	31,333.25	29,300.00	31,333.25	29,300.00	351,600.00
Net Difference	**$ 12,132.61**	**($ 74,305.50)**	**$ 12,132.61**	**($ 74,305.50)**	**0.00**

Statement of Activities
Grant 20 and Grant 98 Franklin Transit Service
For the One Month Ending July 31, 2015

		Month Actual	Month Budget	YTD Actual	YTD Budget	Total Budget
Planning						
Federal 5307 Planning	$	2,454.88 $	2,916.67 $	2,454.88 $	2,916.67	35,000.00
State 5307 Planning		306.86	364.58	306.86	364.58	4,375.00
COF Planning Cost Share		306.86	364.58	306.86	364.58	4,375.00
Total Planning Revenues		**3,068.60**	**3,645.83**	**3,068.60**	**3,645.83**	**43,750.00**
Planning Costs						
Planning/Transit		3,068.60	3,645.83	3,068.60	3,645.83	43,750.00
Net Difference - Planning	**$**	**0.00 $**	**0.00 $**	**0.00 $**	**0.00**	**0.00**
Equipment						
State 5307 Capital Expenditure	$	0.00 $	0.00 $	0.00 $	0.00	22,500.00
Federal 5307 Capital Expenditu		0.00	0.00	0.00	0.00	180,000.00
COF Capital Cost Share		0.00	0.00	0.00	0.00	22,500.00
Total Equipment Revenues		**0.00**	**0.00**	**0.00**	**0.00**	**225,000.00**
Equipment Costs						
Equipment - Transit		0.00	0.00	0.00	0.00	225,000.00
Net Difference - Equipment	**$**	**0.00 $**	**0.00 $**	**0.00 $**	**0.00**	**0.00**