



The PFM Group

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September 23, 2014

Mr. Russell Truell, CFO
City of Franklin
109 Third Avenue South, Suite 111
Franklin, TN 37064

Dear Mr. Truell:

Public Financial Management, Inc. (“PFM”), as Financial Advisor, recently assisted the City of Franklin (“City”) with a Request for Proposals (“RFP”) process for a liquidity replacement associated with the City’s Series 101-A-1 Bonds. It is our pleasure to present this letter summarizing the RFP process and PFM’s recommendation to the City.

On August 6, 2014, on behalf of the City, PFM sent out to qualified firms a Request for Proposals (RFP) for replacement of a Standby Bond Purchase Agreement. The RFP was sent to sixteen (16) firms.

#	Firm	Contact	Email
1	Bank of America Merrill Lynch	Tom Boyd	thomas.boyd@baml.com
2	Bank of Tokyo-Mitsubishi UFJ, Ltd.	Nick Boyle	nboyle@us.mufg.jp
3	BB&T	Craig Bechtel John Harris	cbechtel@BBandT.com John.Harris@BBandT.com
4	BMO	Peter Stettler Lyle McCoy	peter.stettler@bmo.com lyle.mccoy@bmo.com
5	BNY Mellon	Diana Castañeda	Diana.Castaneda@bnymellon.com
6	Citi	Sara Zare	sara.zare@citi.com
7	Comerica	T. Davenport J. Selbach	tdavenport@comerica.com jselbach@comerica.com
8	JPMorgan	Rob Porter	robert.c.porter@jpmorgan.com
9	Mizuho	Bran. A. Raskovic James E. Cubbon	bran.raskovic@mizuhocbus.com james.cubbon@mizuhocbus.com
10	MTB	G. Brunner L. Eremita	gbrunner@mtb.com leremita@mtb.com
11	PNC	Jack Sweeney	john.sweeney@pnc.com
12	Raymond James	Rick Dulaney	Richard.Dulaney@RaymondJames.com
13	State Street	Alison Doherty	adoherty@statestreet.com
14	Sumitomo Mitsui Banking Corporation	Kin Wong	KWong@smbc-lf.com
15	US Bank	Cameron Parker	cameron.parker@usbank.com
16	Wells Fargo	Ellie Sternberg	ellie.sternberg@wellsfargo.com

The deadline for firms to respond to the RFP was August 20, 2014. On August 20, 2014, PFM received five (5) proposals. Although most proposals were solely for Standby Bond Purchase

Agreements, a number of firms additionally submitted proposals for Direct Purchase options to the City.

Because of inclusion of a Direct Purchase option, the City and PFM decided to amend the original RFP and request from firms Proposals for Direct Purchase options as well. The Amendment to the RFP was sent to all the firms that responded to the original RFP and active Direct Purchase providers on September 3, 2014 allowing firms to respond by September 8, 2014. By September 8, 2014, five (5) additional firms responded to the Amended RFP for Direct Purchase. Most of the proposals received through the RFP and the Amended RFP included multiple options related to the term of the Direct Purchase option (3, 5, 7 and 10 years).

PFM has reviewed the economics associated with all ten (10) proposals and the individual options included by each firm with the City. After a detailed review, PFM and the City narrowed the potential providers to PNC, BB&T and SunTrust. PNC was selected based the economics associated with their three (3) year Standby Bond Purchase Agreement, five (5) year Direct Purchase and seven (7) seven year Direct Purchase. BB&T and SunTrust were the only firms to propose options for 10 years and therefore; PFM evaluated both of these proposals and the associated economics. Of the 10 year proposals, SunTrust was the most economical. A brief comparison of BB&T and SunTrust is included below:

	BB&T (10 Yr Option)	SunTrust (10 Yr Option)
Interest Rate Calculation	78% of 1-Month LIBOR + 1.11%	67% of (1 Month LIBOR + 1.32%)
Indicative Rate based on current market	1.231%	0.998%

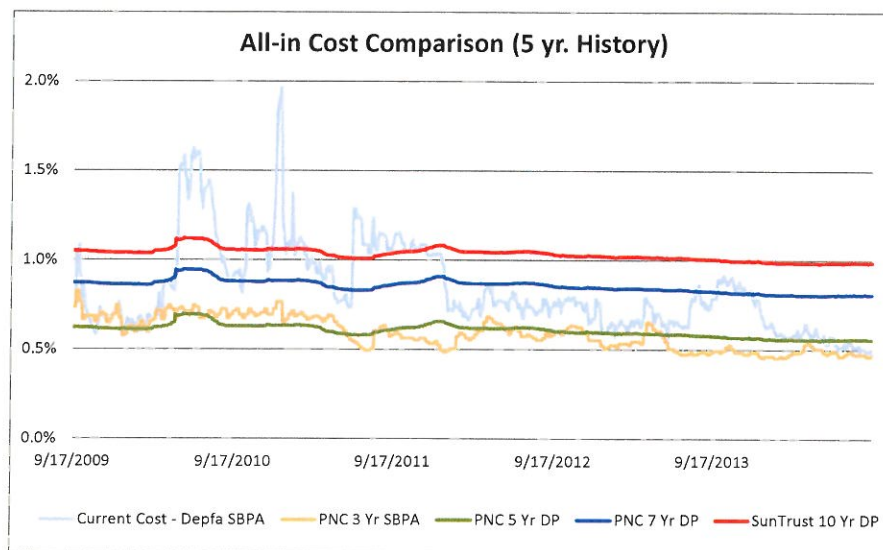
PFM compared the all-in-cost based on current market conditions for each of the options identified through the RFP process:

- PNC 3 year Standby Bond Purchase Agreement (SBPA)
- PNC 5 year Direct Purchase
- PNC 7 year Direct Purchase
- SunTrust 10 year Direct Purchase

A brief comparison of the all-in-cost (annual) based on current market conditions is included below:

	Current Cost - Depfa SBPA	PNC 3 Yr SBPA	PNC 5 Yr DP	PNC 7 Yr DP	SunTrust (10 Yr Option)
Variable Interest Rate Calculation	VRDB Market (resets daily)	VRDB Market (resets daily)	70% of 1 Month LIBOR + 0.45%	70% of 1 Month LIBOR + 0.70%	67% of (1 Month LIBOR + 1.32%)
Remarketing	0.125%	0.125%	--	--	--
SBPA	0.160%	0.300%	--	--	--
Variable Rate	0.190%	0.040%	0.558%	0.808%	0.998%
All-in-cost based on current market	0.475%	0.465%	0.558%	0.808%	0.998%

PFM also compared these options on a historical basis. The graphic below provides for a comparison of the annual interest rate cost associated with each option over the last five (5) years:



After reviewing this information with the City, PFM recommends PNC's five (5) year Direct Purchase option to the City. While the five (5) year Direct Purchase may be slightly more expensive than the three (3) year SBPA, PFM's recommendation is based also on the City's ability to secure a longer term option for the Series 101-A-1 Bonds at a manageable cost.

We appreciate the opportunity to serve the City and look forward to moving forward with the City on this financing. Please contact me with any questions.

Sincerely,

PUBLIC FINANCIAL MANAGEMENT, INC.

Lauren S. Lowe
Director

All-in Cost Comparison (5 yr. History)

