FULLER ROAD MANAGEMENT CORPORATION

DEBT MANAGEMENT POLICY

1. **Purpose**

   To create and maintain a high quality debt management program, the Fuller Road Management Corporation ("FRMC") has adopted the guidelines and policies set forth in this document titled "Debt Management Policy" (the "Policy"). The purpose of the Policy is to establish FRMC's debt management objectives and practices.

   The Policy is intended to guide current and future decisions related to debt issued by FRMC. FRMC Board of Director's ("Board") approval is required to waive or modify any of the policies included herein.
   Since the Policy guidelines require regular updating to maintain relevance and to respond to the changes inherent in the capital markets, FRMC will have the Board re-adopt this Policy annually within 90 days after fiscal year-end.

2. **Policy Statement**

   This Policy shall govern the issuance and management of all FRMC bonds and other forms of indebtedness, together with any credit, liquidity, or other security instruments and agreements that may be executed in connection with the issuance of bonds and other forms of indebtedness. The Policy formally establishes parameters for issuing debt which considers FRMC capital needs, ability to repay financial obligations, and the existing legal, economic, and capital markets conditions.

   By implementing this Policy, FRMC expects to realize financial benefits such as debt service savings and efficiencies.

   All financings require FRMC Board approval.

3. **Goals & Objectives**

   Debt management policies and procedures are tools which ensure that financial resources are adequate to meet FRMC long-term planning objectives and financial obligations. In addition, the Policy helps to ensure that financings undertaken by FRMC satisfy certain clear objective standards which allow FRMC to protect its financial resources to meet its long-term capital needs. The adoption of clear and comprehensive financial policies enhances the internal financial management of FRMC.
   Specifically, the policies outlined in this document are intended to assist as following:

   a. Promote cooperation and coordination with all parties in the financing and delivery of services by:

   - Seeking the lowest cost of capital reasonably available and minimizing financing costs for capital projects and other debt issuances;

- Establishing criteria to determine use of financing sources, including bank loans, bonds, grants and other forms of financing;
- Evaluating debt issuance options including the amount and type of debt; and.
- Minimizing the use of unplanned, short-term cash flow borrowings by maintaining adequate working capital and authorizing the minimum amount required to offset mismatches between available cash and cash outflows determined by cash flow analysis.

b. Promote sound financial management to maximize and best utilize future debt capacity by:

- Maximizing administrative and operating flexibility;
- Minimizing legal and financial risk to current and future budgets;
- Maintaining an appropriate level of operating cash reserves. ;
- Maintaining reasonable and justifiable levels of rates and fees that address the current and future needs of FRMC; and
- Improving the quality of decisions and parameters for justification on debt structure

4. **<u>Types of Debt</u>**

When FRMC determines that financing is required, the following criteria will be utilized to evaluate the type of debt to be issued:

a. **Long-Term Debt**. FRMC may issue long-term debt when it is deemed that capital needs will not be financed from current revenues. 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.

b. **Short-Term Debt**. Short-term borrowing may be utilized subject to the following policies:

i. **Bond Anticipation Notes (BANs)** may be issued instead of capitalizing interest to reduce the debt service during the construction period of a project or facility. The BANs may not mature more than three years from the date of issuance or will mature 60 days after the date of issuance of the long-term municipal security that will finance the project or facility, whichever comes first.

ii. **Other Short-Term Debt**, including bank loans and bank lines of credit, may be used when it provides an interest rate advantage or as interim financing until market conditions are more favorable. FRMC will determine and utilize the least costly method for short-term borrowing. FRMC may issue short-term debt when there is a defined repayment source. Such debt will not have a term of more than one year.

c. **SWAPS**. If FRMC is considering the use of swaps in connection with a debt issue, a swap policy must first be evaluated/endorsed by FRMC Registered Municipal Advisor and then approved by the Board.

d. **Variable Rate Debt.** If FRMC is considering the use of variable rate debt, it must first be evaluated and recommended by FRMC Registered Municipal Advisor.

5. Debt Issuance Guidance

a. To the extent practicable, FRMC should annually identify projects within its five-year Capital Plan and determine the funding source for each project. In order to develop a funding plan, FRMC should:
   i. Determine the timing and amount of each project to be funded; and
   ii. Develop a funding analysis which will allocate the project costs and debt service payments accordingly.

b. FRMC should determine what funding sources best meet its budget requirements.

c. Prior to issuing debt, FRMC will establish the criteria to determine how the proposed sources of funding will impact current and future budgets and identify how the costs will be allocated.

d. Prior to issuing debt for specific projects, FRMC will have an independent analysis performed to demonstrate the ability of FRMC to repay the estimated debt service payments or meet the annual revenue financed capital allocation.

6. Bond Structure

The following will serve as bond requirements:

a. **Term**. All capital improvements financed through the issuance of debt will be financed for a period not to exceed the useful life of the improvements, but in no event will the term exceed forty (40) years.

b. **Capitalized Interest**. From time to time certain financings may benefit from the use of capitalized interest from the issuance date until FRMC has beneficial use and/or occupancy of the financed project. Interest may not be funded (capitalized) beyond three years.

c. **Debt Service Structure**. Debt issuance will be planned to achieve relatively level debt service while still matching debt service to the useful life of facilities. FRMC may only consider other debt service structures if a demonstrated benefit can be achieved.

d. **Call Provisions**. In general, FRMC securities will include a call feature unless otherwise recommended by FRMC Registered Municipal Advisor. FRMC will avoid the sale of non-callable bonds absent careful evaluation by FRMC with respect to the value of the call option.

e. **Original Issue Discount and Premium Bonds**. Discount and premium bonds are permitted if FRMC determines that such discount or premium bonds, including the impact on call option value, will result in a lower interest cost on the bonds.

f. **Debt Service Reserve Fund (the "DSRF"):** FRMC will consider providing a DSRF as market conditions dictate, if a funded DSRF will reduce the overall borrowing cost of FRMC. A DSRF can be established to support each individual series of bonds or as a common reserve that can support more than one series of the bond's debt service. The DSRF may be funded with bond proceeds at the time of issuance, cash, Letter of Credit, or Surety Bonds.

g. **Call Option:** A 10-year call option should be standard, but other call options including non-callable bonds will be considered if determined to be economically advantageous by FRMC's advisor.

7. **<u>Underwriter Selection</u>**

Senior Manager Selection. FRMC will select the senior manager for a proposed negotiated sale based on a Request for Proposal ("RFP") process that will comply with FRMC's procurement policies. The selection criteria will include, but not be limited to, the following:

- The firm's ability and experience in managing comparable transactions;
- Prior knowledge and experience with FRMC, if applicable;
- The firm's willingness to risk capital and demonstration of such risk;
- Quality and experience of personnel assigned to FRMC engagement;
- Financing plan presented; and
- 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 FRMC bonds.

Selling Groups. FRMC may establish selling groups in certain transactions in order to broaden the reach to potential investors.

Underwriter's Counsel. In any negotiated sale of FRMC debt in which legal counsel is required to represent the underwriter, the appointment will be made by the Senior Manager, in consultation with FRMC, while also being acceptable to FRMC.

Underwriter's Discount. FRMC Registered Municipal Advisor 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 ("CFO") will determine the allocation of liabilities and fees among the underwriters, with input from FRMC Registered Municipal Advisor.

All fees and allocation of liability and fees will be determined prior to the sale date; a cap on management fee (if any), expenses and underwriter's counsel will be established and communicated to all parties by the CFO or FRMC Registered Municipal Advisor. The Senior Manager will submit an itemized list of expenses charged to members of the underwriting group. Any additional expenses must be substantiated.

Syndicate Policies. For each negotiated transaction, the CFO will, with input and advice from FRMC Registered Municipal Advisor, approve a syndicate policy that will describe the designation policies governing the upcoming sale.

Designation Policies. To encourage the pre-marketing efforts of each member of the underwriting team, orders for FRMC bonds should be net designated whenever practical, unless otherwise expressly recommended by FRMC Registered Municipal Advisor. FRMC will require the Senior Manager to:

- Equitably allocate bonds to other managers and the selling group;
- Comply with MSRB regulations governing the priority of orders and allocations;
- Within ten working days after the sale date, submit to the CFO, and FRMC Registered Municipal Advisor, detail of orders, allocations and other relevant information pertaining to FRMC sale.

Evaluation of Underwriter Performance. FRMC 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 spreads to relevant benchmarks, the distribution of bonds, and secondary market trading activity. Following each sale, the CFO or FRMC Registered Municipal Advisor will provide a report to the Board on the results of the sale.

8. Consultants

Subject to board approval**,** FRMC's consultants and advisors will provide objective advice and analysis, maintain the confidentiality of FRMC financial plans, and be free from any conflicts of interest. The consultants shall include, but not be limited to, the following:

Registered Municipal Advisor. FRMC may retain a Registered Municipal Advisor (or advisors) chosen from an RFP process to provide FRMC with a comprehensive analysis of financing options available to FRMC for debt issuance. The Financial Advisor(s) will advise on the structuring and execution of all debt and debt-related transactions and provide other services as defined by approved contracts. FRMC shall publicly post a letter that complies with the SEC Municipal Advisor Rules.

Bond Counsel. FRMC may retain Bond Counsel chosen from an RFP process to issue an opinion as to the legality and tax status of all debt obligations. FRMC may also seek the advice of Bond Counsel on other types of financing and on any other questions involving local, state or federal law. Bond Counsel is also responsible for the preparation of the resolution authorizing the issuance of obligations, certain bond and closing documents necessary for the execution of the debt issuance, and the performance of other services as defined by contract approved by FRMC.