



DUNCAN - WILLIAMS • EST. 1969  
INVESTMENT BANKING

January 14, 2015

Mr. Karl Banks  
President, Board of Supervisors  
Madison County, Mississippi  
125 West North Street  
Canton, MS 39046

Dear Mr. Banks:

We are writing to provide you, as an official with authority to bind Madison County, Mississippi (the "Issuer") by contract, with certain disclosures relating to the potential issuance of General Obligation Refunding Bonds, Series 2015 (the "Bonds"), as required by the Municipal Securities Rulemaking Board ("MSRB") Rule G-17 as set forth in MSRB Notice 2012-25 (May 7, 2012)(the "G-17 Notice").

Duncan-Williams, Inc. ("DWI" or the "Underwriter") has been engaged by the Issuer to serve as underwriter, and not as financial advisor or municipal advisor, in connection with the issuance of the Bonds. As part of our underwriting services, the Underwriter (acting as a principal and not as financial or municipal advisor) may provide advice concerning the structure, timing, terms, and other similar matters concerning the issuance of the Bonds. If the Issuer would like a municipal advisor in this transaction that has legal fiduciary duties to the Issuer, then the Issuer is free to engage a municipal advisor to serve in that capacity.

**I. Disclosures Concerning the Underwriter's Role**

- (i) MSRB Rule G-17 requires the Underwriter to deal fairly at all times with both the Issuer and investors.
- (ii) The Underwriter's primary role is to purchase the Bonds with a view to distribution in an arm's-length commercial transaction with the Issuer. The Underwriter has financial and other interests that differ from those of the Issuer.
- (iii) Unlike a municipal advisor, the Underwriter does not have a fiduciary duty to the Issuer (or any other person or entity) under the federal securities laws and is, therefore, not required by law to act in the best interests of the Issuer or any other party without regard to its own financial or other interests.
- (iv) The Underwriter has a duty to purchase the Bonds, pursuant to a Bond Purchase Agreement or other appropriate form of agreement, from the Issuer at a fair and

reasonable price, but must balance that duty with its duty to sell the Bonds to investors at prices that are fair and reasonable.

- (v) The Underwriter will review the official statement for the Bonds in accordance with, and as part of, its respective responsibilities to investors under the federal securities laws, as applied to the facts and circumstances of this transaction.

## **II. Our Compensation**

Our compensation for serving as the underwriter for the Bond Issue will be contingent on the closing of the transaction and at least a portion of that compensation will be based on the size of the Bond Issue. The rules of the Municipal Securities Rulemaking Board require us to inform you that compensation that is contingent on the closing of a transaction or the size of a transaction presents a conflict of interest, because it may cause an underwriter to recommend a transaction that is unnecessary or to recommend that the size of the transaction be larger than is necessary.

## **III. Risks Related to Issuing Bonds**

As with any Bond Issue, your obligation to pay principal and interest will be a contractual obligation that will require you to make these payments no matter what budget constraints you encounter. Furthermore, to the extent that you agree in the Bond Issue to rate covenants, additional bond tests or other financial covenants, these may constrain your ability to operate and to issue additional debt and, if you do not comply with these covenants, they can result in a default under the Bond Issue. Depending on the terms of the Bond Issue, if you fail to make a payment of principal or interest or if you otherwise fail to comply with your covenants under the Bond Issue, the trustee may have the right to accelerate all of the payment of principal on the Bond Issue, which means that you may be required to pay all of the principal of the Bond Issue at that time.

The Bond Issue is structured as tax-exempt obligations. This requires that you comply with various Internal Revenue Service ("IRS") requirements and restrictions relating to how you use and invest the proceeds of the Bond Issue, how you use any facilities constructed or improved with proceeds of the Bond Issue and other restrictions throughout the term of the Bond Issue. These requirements and restrictions may constrain how you operate the financed facilities and may preclude you from capitalizing on opportunities. Further, violation of these requirements and restrictions can result in the Bond Issue becoming taxable and may cause you to become liable to the IRS and to the owners of the Bond Issue. In addition, in the event of an audit of the Bond Issue by the IRS, obtaining an independent review of the IRS positions with which you legitimately disagree is difficult, may be costly and may not ultimately be practicable.

## **IV. Miscellaneous**

Please note nothing in this correspondence is an expressed nor an implied commitment by the Underwriter to provide financing or to purchase or place the Bonds or any other securities. Any such commitment shall only be set forth in a Bond Purchase Agreement or other appropriate form of agreement for the type of transaction undertaken by the Issuer. Further, the Underwriter's participation in any transaction (contemplated herein or otherwise) remains subject to, among other things, execution of a

Bond Purchase Agreement (or other appropriate form of agreement), further internal review and approvals, satisfactory completion of our due diligence investigation and market conditions.

The Underwriter is acting independently in seeking to act as an underwriter in the transaction being contemplated herein and shall not be deemed to be acting as an agent, joint venture or partner of any others, and that the Underwriter assumes no responsibility, express or implied, for any actions or omissions of, or the performance of services by, any other Underwriters in connection with the transaction contemplated herein or otherwise.

**V. Issuer Acknowledgment**

It is our understanding that you have the authority to bind the Issuer by contract with the Underwriter. If you or any other Issuer officials have any questions or concerns about the disclosures in this letter, or if you do not have the authority to bind the Issuer by contract with the Underwriter, please contact E.J. Gregory immediately at 901-260-6800.

We are required by MSRB in the G-17 Notice to seek your acknowledgment that you have received this disclosure. **Accordingly, please respond to the email to which this disclosure was attached to the effect that you have received the disclosures contained herein or sign and return this document to us at [dclark@duncanw.com](mailto:dclark@duncanw.com).**

Sincerely,

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By: E.J. Gregory

Title: Director, Duncan-Williams, Inc.

RECEIPT ACKNOWLEDGED BY:

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Date:

Name: Mr. Karl Banks

Title: President, Madison County Board of Supervisors