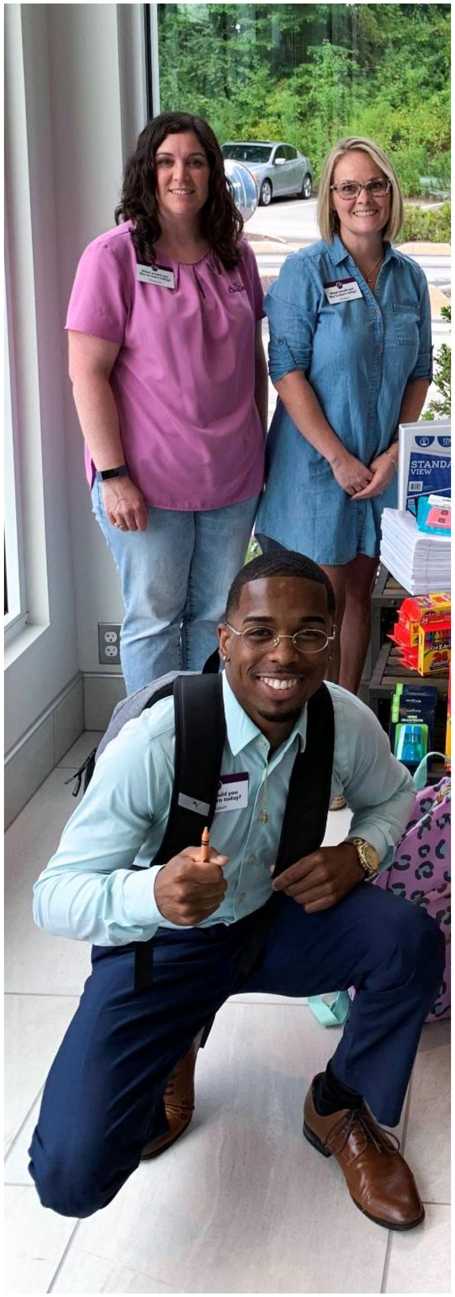
The Town of Waterford



Chelsea Groton Bank

The Town of Waterford

July 1, 2022

Town of Waterford
15 Rope Ferry Road
Waterford, CT 06385

Attention: Ms. Kimberly Allen and Mr. Abbas Danesh

INTRODUCTION

We would like to thank The Town of Waterford for providing Chelsea Groton Bank with the opportunity to propose a revised proposal as a follow-up to our meeting on June 28, 2022. We appreciate the ability to explore a proposed solution for an optimal structure and setup based on a more in-depth understanding of the Town's needs. As discussed, our aim is to establish a close relationship with our municipal customers through a consultative approach that adds value through cost efficiencies and time-saving processes. In this updated proposal, we outline our recommendation for the account structure, cash management services and estimated costs. Moreover, since our goal is to customize our proposal to your individual needs, we are able to further fine-tune and explore further efficiencies based on the Town's feedback with the objective of ensuring the solution perfectly aligns with the Town of Waterford's desired outcome.

While the financial components are important, this is only part of the value proposition offered by Chelsea Groton Bank. By banking with a people-powered community banking institution such as Chelsea Groton Bank, you have access to local management and you can be assured that your voice will be heard and your relationship valued.

ENVISIONED OPTIMIZED ACCOUNT STRUCTURE

1. General Fund Account

We recommend establishing one (1) Business Sweep Checking account as the General Fund Account for the Town of Waterford. This account would be linked to the Zero Balance Account as well as to the IntrFi "Insured Cash Sweep®" (ICS) investment account. Our recommendation is to establish a daily collected target balance of $4,000,000 to be linked to the ICS account. Our Business Sweep Checking account is designed for municipalities and organizations that maintain larger account balances where the "earnings credit" will reduce or eliminate monthly service charges. **As per our conversation, given recent interest rate market developments we have been able to increase our earnings credit interest rate offered to the Town of Waterford on average daily collected balances to 0.40%, which is used to offset monthly-calculated service charges.**

2. Business Analysis Checking Accounts:

Our recommendation is to establish three (3) Business Analysis Checking accounts. The Business Analysis Checking account is designed for municipalities or organizations that maintain larger account balances where the “earnings credit” will reduce or eliminate monthly service charges. **As per our conversation, given recent interest rate market developments we have been able to increase our earnings credit interest rate offered to the Town of Waterford on average daily collected balances to 0.40%, which is used to offset monthly-calculated service charges.**

All “earnings credits” and monthly service charges will be aggregated with the General Fund Account and all other Analysis checking accounts in order that all Analysis checking account balances will be used to offset monthly-calculated service charges. All of these checking accounts will be included in the online banking profile and will be accessible online in accordance with entitlements as established by the Town of Waterford.

3. Zero Balance Accounts:

We are able to provide 1 (one) Zero Balance Account for the Town of Waterford to serve as the General Disbursement account. The Zero Balance Account helps segregate certain account activity from the Master Account and at the same time aggregate funds without the need to perform manual transfers. The Zero Balance Account will be linked to the desired account so that at the end of each business day, the Zero Balance Account will either pull funds in or disburse funds to the linked account to bring the target balance to zero. The available balance in the Zero Balance Accounts will be the balance in the Zero Balance Accounts plus the available balance in the linked account. Chelsea Groton Bank will work with The Town of Waterford to determine the most advantageous set up.

4. Municipal Money Market Account:

Our recommendation is to establish an Insured Cash Sweep account to replace the Town of Waterford’s Municipal Money Market account.
The IntrFi “Insured Cash Sweep®” (ICS) service provides immediate access to funds for withdrawal, transfer or payment. Through ICS, the Town of Waterford would have access to multi-million dollar FDIC insurance coverage above and beyond the FDIC coverage normally available to businesses and organizations at a single financial institution. The Town is able to consolidate cash balances at one financial institution and access the funds as needed, obtain full FDIC insurance coverage, receive a competitive interest rate and view all transaction activity through the Chelsea Groton Bank Online Treasury Management System.

The ICS account automatically sweeps available funds to or from the ICS account in order to maintain the recommended target balance in the Business Sweep Checking account. Available funds in excess of the target balance are automatically swept from the Business Sweep Checking account into the ICS account at the end of each business day. However, if the Business Sweep Checking account falls below the target balance, available funds will automatically be swept from the ICS account to the Business Sweep Checking account in order to replenish the checking account back to the target balance. The cost of the ICS sweep arrangement is $35.00 per month and will be included in the account analysis and offset by any available earnings credits.

However, if the Town of Waterford prefers to maintain a separate investment account not linked to the General Fund account, we can certainly provide one (1) Municipal Money Market account. There is no monthly service charge, provided that the account maintains a minimum monthly average balance of $1,000. Interest is compounded and paid monthly on collected balances.

The current interest rate and annual percentage yield on the Municipal Money Market account is variable.

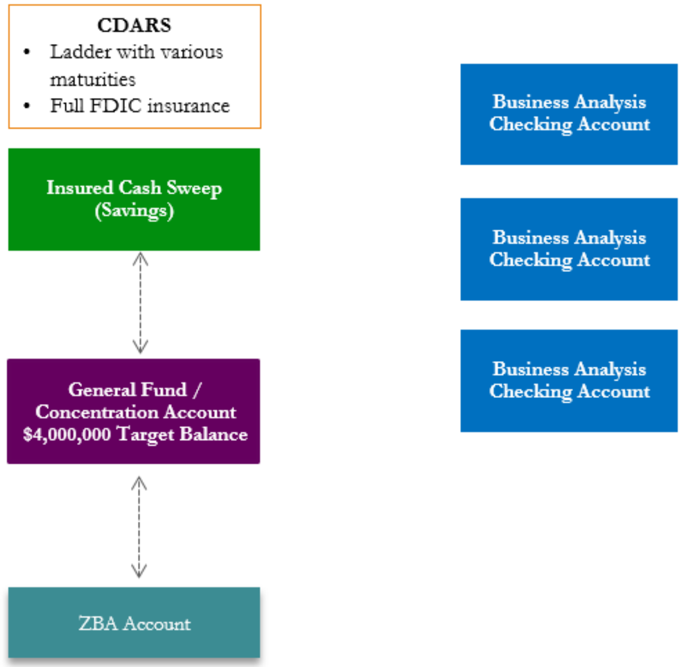
Optional:

CDARS® (Certificate of Deposit Account Registry Service):

We are able to offer to the Town of Waterford access to CDARS® (Certificate of Deposit Account Registry Service) provided by IntraFi. Through CDARS, the Town of Waterford would have access to multi-million dollar FDIC insurance coverage above and beyond the FDIC coverage normally available to businesses and organizations at a single financial institution. The Town is able to consolidate your certificates of deposit at one financial institution, obtain full FDIC insurance coverage, receive competitive interest rates and receive a single consolidated monthly statement and year-end 1099 form. These investments could be layered onto the Town of Waterford's cash pool structure in order to opportunistically earn additional interest on funds that are not needed for certain timeframes. Once the CDARS mature, the funds would be deposited back into the General Fund and swept into the Insured Cash Sweep investment account if applicable to earn interest.

The Town of Waterford

Prospective Account Setup – Town of Waterford



Value Proposition:

- Treasury Management Team to provide implementation, training and ongoing support
- Greater FDIC Coverage
- Ease and Availability of funds
- Loomis Armored Car Cash Pickup
- Remote Deposit Capture
- Lighthouse Lockbox Service
- Continuation of services currently used: Wire Origination, ACH Origination, Positive Pay

Chelsea Groton
Feel good about your bank™

The Town of Waterford

To enhance the convenience and efficiency of your banking operations, we offer the following Treasury Management Services:

1. Remote Deposit Capture Service:

We can provide The Town of Waterford with three (3) scanners as part of the Remote Deposit Capture Service, one each for the Finance Department, Tax Collection Department and the Waterford Utility Commission. We are also able to accommodate deploying one (1) scanner to the Finance Department at the onset, with the onboarding of the two (2) additional scanners once the other Departments are ready to adopt the Remote Deposit Capture Service. There is no upfront cost for the scanner equipment; rather, the service charge for the Remote Deposit Capture service will be included in the account analysis and offset by any available earnings credits.

2. ACH Origination Service:

We will provide The Town of Waterford with the ACH Origination Service. This service provides the ability to electronically pay vendors or individuals manually set up in the system, or alternatively, by uploading a NACHA-compliant file with payment information directly into the ACH Origination module to process multiple payments with just a few clicks. As The Town of Waterford eventually moves to performing payroll in-house, this will provide a quick and easy solution to processing payroll through the simple file upload.

We will be able to provide the Town's three (3) Administrators each an RSA Security token to access the ACH Origination module, adding an extra layer of security in addition to the security features included in the online banking system.

3. Online Wire Origination Service:

We will provide The Town of Waterford with use of the Online Wire Origination Service. Each Wire Origination user is provided with an RSA Security token to access the Wire Origination module, adding an extra layer of security in addition to the security features included in the online banking system. This RSA Security token is the same device as for the ACH Origination Service and can be utilized for both services.

4. Positive Pay Service:

As per our discussion, we can provide The Town of Waterford with the Positive Pay fraud detection service for three (3) of the Town's accounts. In addition, we will include "ACH Block and Filter" and "Account Reconciliation" as part of the full Positive Pay solution for the Town.

5. Lockbox Services:

Chelsea Groton is able to provide Lockbox processing through Lighthouse Payment Services, Inc. As discussed, the Lockbox service will be available throughout the year, but the estimated annual charges are based on the assumption that the Town of Waterford will only be utilizing Lockbox during tax season, i.e. the months of January and July. Moreover, the cost of the annual P.O. box rental, which is estimated to be $1,500, is built into the annual cost estimate provided by Chelsea Groton.

6. Armored Car Services:

We are able to propose two solution options for The Town of Waterford to accommodate the transportation of coin and currency.

Option 1: Through Chelsea Groton's Armored Car Transportation Services Provider, Loomis, we can arrange to have an armored car pick up coin and currency twice per week during ten months of the year from two locations – Town Hall and the Waterford Utility Commission – as well as three times per week during the months of January and July. Through Chelsea Groton Bank's existing contract with Loomis, we can reflect the cost of this service as a monthly account analysis charge which can be partially offset by the earnings credit. The pricing estimate for this option is included in the Proposed Pricing section below.

Option 2: The Town of Waterford can opt to contract directly with Loomis for SafePoint Titan® smart safes. This service offers the latest in secure hardware combined with Loomis' proprietary software to streamline the on-location cash-handling process, secure deposits, and increase cash visibility. Cash deposits made into the smart safe are credited to the account each day, with Loomis picking up the cash from the safe each week. We can provide two (2) smart safes through Loomis – one for Town Hall and one for the Waterford Utility Commission. The price for each smart safe would be approximately $650 per safe, for a total of $1,300 for The Town of Waterford.

During the transition to employing Remote Deposit Capture for all the Town's check deposit needs, Chelsea Groton can continue to provide Loomis' Armored Car Transportation Services for pickups of both coin and currency as well as checks at Town Hall and the Waterford Utility Commission, and depositing them at a Chelsea Groton branch. The pricing estimate for this interim solution is included in the Proposed Pricing section below.

7. Proposed Pricing

Annual Pricing Estimate

This annual banking service charge estimate assumes average collected balances between the Town's four (4) analysis accounts of $4,000,000. Net service charges may vary based on average monthly balances and banking activity within a given month**. Chelsea Groton Bank is willing to guarantee the cost structure and banking charges included in this proposal for five years** (this excludes Lockbox and armored car services as these are outside the Bank's influence). Chelsea Groton Bank is committed to providing fair and transparent charges. Following that time, costs outlined in the proposal sheet will remain in effect until notified by Chelsea Groton Bank.

This annual pricing estimate assumes that The Town of Waterford's checks are deposited through the Remote Deposit Capture Service, and coin and currency is picked up by Loomis and delivered to the Loomis cash vault.

The Town of Waterford

Month	Total Banking Fees - with Armored Car	Total Banking Fees - with Smart Safe*
January	$2,022.25	$1,981.07
February	$1,074.94	$1,351.07
March	$1,074.94	$1,351.07
April**	$2,574.94	$2,851.07
May	$1,074.94	$1,351.07
June	$1,074.94	$1,351.07
July	$2,022.25	$1,981.07
August	$1,074.94	$1,351.07
September	$1,074.94	$1,351.07
October	$1,074.94	$1,351.07
November	$1,074.94	$1,351.07
December	$1,074.94	$1,351.07
Annual Fees	**$16,293.87**	**$18,972.86**

* The Town of Waterford would contract and pay Loomis directly for the Smart Safe Service; the displayed cost in column 2 is the approximate total banking cost, including both banking service charges as well as the estimated $1,300 monthly cost directly paid to Loomis.

** Please note that the annual Lockbox P.O. Box charge is billed once per year and included as a one-time charge on that month's analysis statement. For the sake of this estimate, it is shown included in the net banking service charges in the month of April.

The Town of Waterford

Annualized Pricing Estimate per Month During Tax Season (January & July)

Chelsea Groton Bank
904 Poquonnock Rd, Groton, CT 06340

Town of Waterford

Average Collected Balance:	$4,000,000.00
Earnings Credit Rate:	**0.40%**
Earnings Credit Amount:	$1,333.33
Less Services Performed:	$3,355.59
Net Position:	-$2,022.25

Service Description	Volume	Unit Price	Charge	Required Collected Balance
Account Services				
Monthly Maintenance	4	$12.00	$48.00	$144,000.00
Checks Paid	648	$0.12	$77.80	$233,400.00
Checks Deposited	3686	$0.12	$442.34	$1,327,020.00
ACH Debits	51	$0.12	$6.10	$18,300.00
ACH Credits	104	$0.12	$12.44	$37,320.00
Deposit Correction	0	$7.50	$0.00	$0.00
Returns	7	$15.00	$98.75	$296,250.00
Lockbox Service				
Lockbox Service	1	$630.00	$630.00	$1,890,000.00
ACH Origination Service				
ACH Monthly Maintenance	1	$25.00	$25.00	$75,000.00
ACH Originated Debits	0	$0.10	$0.00	$0.00
ACH Originated Credits	1386	$0.10	$138.64	$415,925.00
ACH Returns	0	$5.00	$0.00	$0.00
Wire Transfer Service				
Wire Transfer Module	1	$25.00	$25.00	$75,000.00
Domestic Wire Out	2	$20.00	$40.00	$120,000.00
International Wire Out	0	$45.00	$0.00	$0.00
Incoming Wire Transfer	1	$10.00	$13.33	$40,000.00
Positive Pay Service				
Positive Pay	3	$40.00	$120.00	$360,000.00
Remote Deposit Capture Service				
Remote Deposit Capture	3	$75.00	$225.00	$675,000.00
Cash Management Services				
Security Token	3	$8.00	$24.00	$72,000.00
Line of Credit Sweep Arrangement	0	$0.00	$0.00	$0.00
Investment Sweep Arrangement	1	$35.00	$35.00	$105,000.00
Zero Balance Accounts	1	$8.00	$8.00	$24,000.00
Zero Balance Sweep Service	1	$10.00	$10.00	$30,000.00
Loomis Transportation Service (3 per week)	1	$1,341.18	$1,341.18	$4,023,540.00
Stop Payment	2	$20.00	$35.00	$105,000.00
Monthly Total:			**$3,355.59**	**$10,066,755.00**

The Town of Waterford

Note: if the Town were to maintain average collected balances of $10,100,000 between accounts during tax season, the Town would not be expected to pay any banking service charges.

Annualized Pricing Estimate per Month Outside Tax Season (February-June, August-December)

Chelsea Groton Bank
904 Poquonnock Rd, Groton, CT 06340

Town of Waterford

Average Collected Balance:	$4,000,000.00
Earnings Credit Rate:	**0.40%**
Earnings Credit Amount:	$1,333.33
Less Services Performed:	$2,408.27
Net Position:	-$1,074.94

Service Description	Volume	Unit Price	Charge	Required Collected Balance
Account Services				
Monthly Maintenance	4	$12.00	$48.00	$144,000.00
Checks Paid	648	$0.12	$77.80	$233,400.00
Checks Deposited	3686	$0.12	$442.34	$1,327,020.00
ACH Debits	51	$0.12	$6.10	$18,300.00
ACH Credits	104	$0.12	$12.44	$37,320.00
Deposit Correction	0	$7.50	$0.00	$0.00
Returns	7	$15.00	$98.75	$296,250.00
Lockbox Service				
Lockbox Service	0	$630.00	$0.00	$0.00
ACH Origination Service				
ACH Monthly Maintenance	1	$25.00	$25.00	$75,000.00
ACH Originated Debits	0	$0.10	$0.00	$0.00
ACH Originated Credits	1386	$0.10	$138.64	$415,925.00
ACH Returns	0	$5.00	$0.00	$0.00
Wire Transfer Service				
Wire Transfer Module	1	$25.00	$25.00	$75,000.00
Domestic Wire Out	2	$20.00	$40.00	$120,000.00
International Wire Out	0	$45.00	$0.00	$0.00
Incoming Wire Transfer	1	$10.00	$13.33	$40,000.00
Positive Pay Service				
Positive Pay	3	$40.00	$120.00	$360,000.00
Remote Deposit Capture Service				
Remote Deposit Capture	3	$75.00	$225.00	$675,000.00
Cash Management Services				
Security Token	3	$8.00	$24.00	$72,000.00
Line of Credit Sweep Arrangement	0	$0.00	$0.00	$0.00
Investment Sweep Arrangement	1	$35.00	$35.00	$105,000.00
Zero Balance Accounts	1	$8.00	$8.00	$24,000.00
Zero Balance Sweep Service	1	$10.00	$10.00	$30,000.00
Loomis Transportation Service (2 per week)	1	$1,023.87	$1,023.87	$3,071,595.00
Stop Payment	2	$20.00	$35.00	$105,000.00
Monthly Total:			**$2,408.27**	**$7,224,810.00**

The Town of Waterford

Note: if the Town were to maintain average collected balances of $7,300,000 between accounts during non-tax season, the Town would not be expected to pay any banking service charges.

Interim Solution:

While the Town of Waterford transitions to the utilization of three check scanners for the Finance Department, Tax Collector and Water Commission to process all check deposits, checks and cash can be picked up and processed by the Bank's armored car service, Loomis. The pricing estimate for the transition period is illustrated below:

Annualized Pricing Estimate per Month During Tax Season (January & July) – Interim Solution

Chelsea Groton Bank
904 Poquonnock Rd, Groton, CT 06340

Town of Waterford

Average Collected Balance:	$4,000,000.00
Earnings Credit Rate:	**0.40%**
Earnings Credit Amount:	$1,333.33
Less Services Performed:	$3,604.33
Net Position:	-$2,270.99

Service Description	Volume	Unit Price	Charge	Required Collected Balance
Account Services				
Monthly Maintenance	4	$12.00	$48.00	$144,000.00
Checks Paid	648	$0.12	$77.80	$233,400.00
Checks Deposited	3686	$0.12	$442.34	$1,327,020.00
ACH Debits	51	$0.12	$6.10	$18,300.00
ACH Credits	104	$0.12	$12.44	$37,320.00
Deposit Correction	0	$7.50	$0.00	$0.00
Returns	7	$15.00	$98.75	$296,250.00
Lockbox Service				
Lockbox Service	1	$630.00	$630.00	$1,890,000.00
ACH Origination Service				
ACH Monthly Maintenance	1	$25.00	$25.00	$75,000.00
ACH Originated Debits	0	$0.10	$0.00	$0.00
ACH Originated Credits	1386	$0.10	$138.64	$415,925.00
ACH Returns	0	$5.00	$0.00	$0.00
Wire Transfer Service				
Wire Transfer Module	1	$25.00	$25.00	$75,000.00
Domestic Wire Out	2	$20.00	$40.00	$120,000.00
International Wire Out	0	$45.00	$0.00	$0.00
Incoming Wire Transfer	1	$10.00	$13.33	$40,000.00
Positive Pay Service				
Positive Pay	3	$40.00	$120.00	$360,000.00
Remote Deposit Capture Service				
Remote Deposit Capture	1	$75.00	$75.00	$225,000.00
Cash Management Services				
Security Token	3	$8.00	$24.00	$72,000.00
Line of Credit Sweep Arrangement	0	$0.00	$0.00	$0.00
Investment Sweep Arrangement	1	$35.00	$35.00	$105,000.00
Zero Balance Accounts	1	$8.00	$8.00	$24,000.00
Zero Balance Sweep Service	1	$10.00	$10.00	$30,000.00
Loomis Transportation Service (3 per week)	1	$1,739.92	$1,739.92	$5,219,760.00
Stop Payment	2	$20.00	$35.00	$105,000.00
Monthly Total:			**$3,604.33**	**$10,812,975.00**

The Town of Waterford

Annualized Pricing Estimate per Month Outside Tax Season (February-June, August-December) – Interim Solution

Chelsea Groton Bank
904 Poquonnock Rd, Groton, CT 06340

Town of Waterford

Average Collected Balance:	$4,000,000.00
Earnings Credit Rate:	**0.40%**
Earnings Credit Amount:	$1,333.33
Less Services Performed:	$2,825.45
Net Position:	-$1,492.11

Service Description	Volume	Unit Price	Charge	Required Collected Balance
Account Services				
Monthly Maintenance	4	$12.00	$48.00	$144,000.00
Checks Paid	648	$0.12	$77.80	$233,400.00
Checks Deposited	3686	$0.12	$442.34	$1,327,020.00
ACH Debits	51	$0.12	$6.10	$18,300.00
ACH Credits	104	$0.12	$12.44	$37,320.00
Deposit Correction	0	$7.50	$0.00	$0.00
Returns	7	$15.00	$98.75	$296,250.00
Lockbox Service				
Lockbox Service	0	$630.00	$0.00	$0.00
ACH Origination Service				
ACH Monthly Maintenance	1	$25.00	$25.00	$75,000.00
ACH Originated Debits	0	$0.10	$0.00	$0.00
ACH Originated Credits	1386	$0.10	$138.64	$415,925.00
ACH Returns	0	$5.00	$0.00	$0.00
Wire Transfer Service				
Wire Transfer Module	1	$25.00	$25.00	$75,000.00
Domestic Wire Out	2	$20.00	$40.00	$120,000.00
International Wire Out	0	$45.00	$0.00	$0.00
Incoming Wire Transfer	1	$10.00	$13.33	$40,000.00
Positive Pay Service				
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Remote Deposit Capture Service				
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Cash Management Services				
Security Token	3	$8.00	$24.00	$72,000.00
Line of Credit Sweep Arrangement	0	$0.00	$0.00	$0.00
Investment Sweep Arrangement	1	$35.00	$35.00	$105,000.00
Zero Balance Accounts	1	$8.00	$8.00	$24,000.00
Zero Balance Sweep Service	1	$10.00	$10.00	$30,000.00
Loomis Transportation Service (2 per week)	1	$1,591.04	$1,591.04	$4,773,120.00
Stop Payment	2	$20.00	$35.00	$105,000.00
Monthly Total:			**$2,825.45**	**$8,476,335.00**

The Town of Waterford

BOTTOM LINE

- Increased earnings credit of 0.40%.
- Optimized account structure including greater liquidity as well as FDIC insurance through Insured Cash Sweep and CDARS.
- Chelsea Groton Banking service charges honored for five years.
- Estimated annual banking service charges inclusive of Lockbox during tax season and Armored Car Services year-round of $16,293.87.

	Chelsea Groton Bank
Tier 1 Ratio	13.87%
Earnings Credit	0.40%
Average Ledger Balance	$4,000,000
Annual Fees After Credit Including Armored Car	$16,294
Honored For	5 Years
References	New London, Montville, North Stonington, Franklin, Bolton

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Chelsea Groton Bank helps municipalities succeed in big ways and small by putting more effort into everything we do — and by doing it all with a customized mindset. We're committed to supporting every customer's needs and financial wellness goals, equally, and solving their problems with customized solutions. Our technology is focused on bringing together the best in digital, remote and in-person capabilities — an approach designed around the lives of our customers so they can manage finances when, where and how they want. This dedication to help others extends to the places where our customers and employees live and work. We put more time, energy and money into our local communities to make them stronger. Because when we do, everyone succeeds. **To learn more about Chelsea Groton Bank, please watch our Annual Report video at www.chelseagroton.com/AnnualReport.**

If you have any questions, please feel free to contact Alexis Kahn directly at (860) 448-4157 or via email at akahn@chelseagroton.com or Harry Colonis at (860) 448-4269 or via email at hcolonis@chelseagroton.com.

Sincerely,

Alexis Kahn
Vice President
Cash Management Sales Manager

Chelsea Groton Bank

The Town of Waterford

Harry Colonis
Assistant Vice President
Business Development Officer

cc.:
Alex Masse, Senior Vice President, Director of Operations & Business Intelligence
Lori Dufficy, Executive Vice President, Chief Experience & Engagement Officer
Tony Joyce, Chief Operating Officer
Michael Rauh, Chief Executive Officer