



July 23, 2021

Mr. Jeremy Vidito, CFO
Detroit Public Schools Community District
3011 West Grand Boulevard
Detroit, MI 48202

RE: School District of the City of Detroit – Engagement Letter for Municipal
Financial Advisory Services

Dear Jeremy:

The following is PFM Financial Advisors LLC (“PFMFA”) engagement letter to provide Financial Advisory Services to the District in connection with the District’s future financings. A general summary of the services PFMFA will provide in the *financial advisory capacity* for each series of bonds or notes is as follows and any material changes in or additions to the scope of services described below shall be promptly reflected in writing:

pfm

555 Briarwood Circle
Suite 333
Ann Arbor, MI 48108
734.994.9700

pfm.com

Develop and Monitor Financing Schedule

- Coordinate a plan for timely completion of the financing

Analyze Debt Structure Alternatives

- Design a structure which seeks to maximize market interest and future financing flexibility while being consistent with debt needs and policies

Review Existing Debt Structure

- Document current debt structure
- Identify strengths and weaknesses of structure in order to structure future debt issues that seek to maximize the ability to finance future capital needs
- Identify refunding opportunities

Assistance completing Department of Treasury Applications

- Prepare necessary financial schedules required for filing with the Department of Treasury
- Prepare necessary applications required by the Department of Treasury

Advise on the sale method (Negotiated Sale, Competitive Sale or Private Placement)

- When requested, we will assist in the selection of an underwriter or underwriting syndicate and coordinate activities of the underwriters

Assist the District with the Selection of Working Group Members, if requested

- Coordinate the selection of a team that can effectively bring an issue to market, if requested



Develop Terms of the Financing

- Assist in helping to ensure credit quality and present terms which are attractive to investors to create broad-based interest in the debt
- Assist in helping to maximize District's future flexibility

Review and Assist in Preparing Marketing Information

- PFMFA will review marketing materials to assist with accuracy and completeness.
- PFMFA will assist in preparing a comprehensive Official Statement or Marketing Information package, as applicable

Develop Financing Documents

- Assist the District by reviewing all contractual and business terms from the District's perspective

Develop Marketing Plan

- With an objective to maximize underwriter and investor interest in the securities

Develop Rating Presentation and/or Assist with Rating Calls or Meetings

- To seek to obtain highest possible credit rating for debt issue
- Formulate and implement long-term credit rating strategy

Assist with Obtaining Credit Enhancements, if Necessary

- PFMFA will work with the District and other working group members to determine if credit enhancement is beneficial to the District and if so, will coordinate obtaining pricing on credit enhancements and advise the District as to the cost benefit of the purchase of the credit enhancement.

Timing Entry into the Market

- Schedule bond sale around other pertinent/comparable financings as well as the release of various economic indicators

Assist With Pricing of Bonds

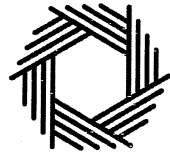
- Assist District in obtaining the lowest interest rate for given market
- Provide written documentation of acceptability of pricing

Prepare Post-Sale Information

- Prepare a results of bidding or sale summary
- Prepare final payment schedules and applications
- Assist with the preparation of closing information including closing statements, schedules and information

Closing Activities

- Handle all activities necessary to assist in ensuring a smooth closing of the bonds



Fees for Services

Fees for Bond Issuances: PFMFA's fee will vary based on the number of financings, if the bonds are issued directly through the District or if they are issued through the Michigan Finance Authority ("MFA"), the type of financing (direct placement or public issuance), etc. We have provided below PFM's proposed fee schedules based on various issuance types and methods.

PFM's Fee Schedule for the District Debt Issuances						
			Public Debt Issued through the District	Direct Placement Issued through the District	Public Debt Issued through MFA	Direct Placement Issued through MFA
Base Fee for issues up to \$10,000,000			\$30,000	\$25,000	\$35,000	\$30,000
Plus fee per \$1,000 of bonds over \$10,000,000 up to \$25,000,000	\$10,000,000 up to \$25,000,000		\$0.75	\$0.60	\$0.75	\$0.60
Plus fee per \$1,000 of bonds over \$25,000,000 up to \$50,000,000	\$25,000,000 up to \$50,000,000		\$0.65	\$0.50	\$0.65	\$0.50
Plus fee per \$1,000 of bonds over \$50,000,000 up to \$100,000,000	\$50,000,000 up to \$100,000,000		\$0.60	\$0.45	\$0.60	\$0.45
Plus fee per \$1,000 of bonds over \$100,000,000	\$100,000,000		\$0.55	\$0.40	\$0.55	\$0.40
Maximum Fee - School Loan Revolving Fund (SLRF) Refunding Bonds or Short Term Financir			\$100,000	\$85,000	\$105,000	\$90,000
Maximum Fee			\$150,000	\$150,000	\$150,000	\$150,000

NOTE: The fee schedules shown above are subject to adjustment based on a mutually agreed upon amount between PFM and the District. Examples wherein adjustments may be appropriate include a fee reduction for the issuance of multiple debts concurrently, or a fee increase due to a complex financing. Additionally, PFM will honor any engagement letter that is in place with the District that provides a lower fee than produced by the above fee schedules, such as the proposed 2021 SLRF Refunding issuance which provides for a fee of \$80,000 for a public issuance and \$60,000 for a direct placement, assuming issuance through the District.

Fees for Ongoing Services: It is PFMFA's expectation to continue having its advisory relationship with the School District that goes beyond the issuance of debt, but also includes strategic planning efforts, among many non-transaction services. We typically structure non-transaction services in one of two ways: an annual fixed fee retainer or invoices based on hourly billing. The School District could use one or both of the fee arrangements. If the School District selects a retainer, as it has in the past, we propose it be structured as an annual retainer with an allotment for a maximum time, based upon an mutually agreed upon amount of hours that PFM would expect to incur. **We suggest an annual retainer fee of \$5,000 which would cover up to 30 hours of professional services which would not otherwise be covered under a transaction fee.** This fee would cover items such as assistance with preparing and filing the District's annual disclosure documents, assisting to prepare required State School Loan Revolving Fund applications and tables, and assistance with annual requirements related to the Series 2016 Bonds.

Expenses: Any extra-ordinary travel and out-of-pocket expenses, such as out-of-state travel at the request of the School District will be billed in addition to our fee for municipal advisory services. Examples would include traveling out-of-State for meetings with investors, insurance companies, rating agencies, etc. at the request of the School District.

If the District does not proceed with the financing, no fee would be due to PFMFA, except for travel expenses incurred at the District's request. This engagement may



be extended to other issuances by mutual agreement between the District and PFM Financial Advisors LLC.

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Other Services Available:

- Assistance with setting the District's allocated debt millage each year
 - Based on actual taxable value, funds on hand, etc.
 - Allocation between School Loan Revolving Fund ("SLRF")-qualified debt
 - Review future projected millage rates
- Assistance in preparing the SLRF applications:
 - August application and millage allocation
 - November and May loan applications
 - Communications with SLRF
 - Negotiation of alternative millage allocations and/or repayment amounts
- Preparation of annual continuing disclosure statements and filing of the same with EMMA and the State Depository
- Serve as the District's Independent Registered Municipal Advisory ("IRMA") in assisting the School District to review debt related financial proposals by underwriters and financial institutions.
- Assistance with preparing and filing material event notices, if required
- Monitoring existing debt for refunding opportunities
- Preparation of financing options on required capital expenditures
- Assistance with monitoring the accuracy of the tax information provided to the School District by the City and County.

Registered Municipal Advisor

Section 975 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act") makes it unlawful for municipal advisors to provide advice regarding municipal financial products or the issuance of municipal securities without being registered with the Municipal Securities Rulemaking Board ("MSRB").

Conflict of Interest

Attached please find a copy of the **DISCLOSURE OF CONFLICTS OF INTEREST AND OTHER INFORMATION** we have prepared for the District.



Termination of Engagement:

This engagement may be terminated by either party with 30 days' notice. If the termination occurs mid-transaction, the District would pay PFMFA a mutually agreeable amount for services rendered on the transaction up to the point of termination.

Should you have any questions or require additional information, please call. Again, thank you for the opportunity to continue to represent you on your financings.

Respectfully submitted,

Kari L. Blanchett

Kari L. Blanchett
Managing Director

Accepted by:

School District of the City of Detroit / Detroit Public Schools Community District

By: *N. W.*

Its: *Superintendent*

Date: *9/13/2021*