



**AGENDA**  
**SPECIAL SCHOOL BOARD MEETING**

Monday, September 12, 2005 – 2:00 p.m.

School Board Meeting Room

500 E. Ocean Blvd.

Stuart, FL 34994

Call to Order by the Chairman and Pledge of Allegiance to the Flag of the United States

1. **Adoption of the Agenda:\***
  - A. **Additions, Deletions or Amendments to the Agenda**
  - B. **Approval of the Agenda**
  
2. **Open to the Public:\***
  
3. **Presentations:\***
  - A. **Presentation on Recommended Capital Projects-Rodger Osborne (Exhibit to follow)**
  
4. **Finance:\***
  - A. **Approve C.O.P. Process for \$40 Million- Darla Miloszewski (Ex. 4-A)**
  - B. **Approve One-half Cent Sales Tax Referendum Process-Darla Miloszewski (Ex. 4-B)**
  - C. **Approve Agreement with Public Financial Management, Inc. (PFM); Professional Contracts from Financial Advisory and Bond/Special Counsel Services-Darla Miloszewski (Ex. 4-C)**
  
5. **Open to the Board:\***



**UPCOMING MEETINGS:** Unless noted otherwise, all School Board Meetings are held at 7:00 p.m. in the School Board Meeting Room, Instructional Center, 500 E. Ocean Blvd., Stuart, FL

**REGULAR SCHOOL BOARD MEETINGS**

September 20, 2005 – 7:00 p.m.  
October 18, 2005 – 7:00 p.m.  
November 15, 2005 -7:00 p.m.  
School Board Meeting Room

**Update from Martin County School Board District Representatives at Republican Luncheon**

Monday, September 12, 2005 – 11:30 a.m. – 1:15 p.m.  
Ramada Inn, 1200 S. Federal Hwy., Stuart, FL

**Special School Board Meeting**

Monday, September 12, 2005 – 2:00 p.m.  
School Board Meeting Room

**Superintendent/School Board/Gayle Harrell Martin County School Visitation**

Tuesday, September 27, 2005- 9:00 a.m. – 1:00 p.m.

**FSBA Growth Management Workshops**

Thursday, September 29, 2005 – 10:00 a.m.- 4:00 p.m.  
Hilton Palm Beach Airport

**169.1 PUBLIC PARTICIPATION AT BOARD MEETINGS.**

The Chair shall be guided by the following policies:

(1) **Time Limit.** Public discussion, not to exceed one (1) hour, may be scheduled or unscheduled. The Board may, from time to time, waive certain procedural requirements to allow greater public participation in Board meetings. Any waiver, regardless of how frequently made, shall be narrowly construed and not cited or used by other parties seeking to invalidate such procedures or otherwise avoid their impact. Attendees shall register their intention to participate in the public portion of the meeting with the Board clerk.

(2) **Scheduled Appearances.** In scheduled appearances, any person or group shall be allowed fifteen (15) minutes for the purpose, provided such appearance has been placed on the agenda. Hearing procedures for formal argument and presentation are governed by Bylaw 0169.1.

(3) **Unscheduled Appearances.** In unscheduled appearances, any person or group who has not made previous arrangements to be placed on the agenda may be heard for not more than five (5) minutes for an individual or group, provided there is time remaining in the public discussion.

(4) **Remarks Directed to the Board.** When several members of the public or several members of a group share similar opinions on the same issues, a representative, rather than all the members, should address the Board. Persons addressing the Board shall speak into a microphone and direct their remarks to the Board. Staff members shall not be expected to answer questions from the audience unless called upon by the Chair or the Superintendent.

(5) **Board Action.** Board action will not be taken on requests made during unscheduled appearances during the public discussion period until a later meeting unless the Board declares the matter to be an emergency.

\*possible action                      #exhibit available for review                      +emergency item

**NOTICE OF RIGHT TO JUDICIAL REVIEW**

A party who is adversely affected by this Final Order is entitled to Judicial Review pursuant to Section 120.68, Florida Statutes. Review proceedings are governed by the Florida Rules of Appellate Procedure. Such proceedings are commenced by filing one copy of a Notice of Appeal with the School Board Clerk and a second copy, accompanied by filing fees prescribed by law, with the District Court, Fourth District. The notice of appeal must be filed within 30 days of rendition of the order to be reviewed. Rendition is defined as the filing of the Final Order with the Clerk of the School Board of Martin County, Florida. The agency shall accurately and completely preserve all testimony in the proceedings, and, on the request of any party, it shall make a full or partial transcript available at no more than actual cost.

Accommodations are available for persons with special needs. Please call 219-1200 X 425 for assistance

# THE SCHOOL BOARD OF MARTIN COUNTY, FLORIDA

500 East Ocean Blvd • Stuart, Florida 34994 • Telephone (772) 219-1200 Ext: 30236 • Facsimile: (772) 219-1229



*Office Of: Darla J. Miloszewski*  
*Executive Director of Finance*

## MEMORANDUM

FIN: 06-017

**DATE:** September 8, 2005

**TO:** Dr. Sara A. Wilcox, Superintendent  
Board Members

**FROM:** Darla J. Miloszewski *DM*  
Executive Director of Finance

**SUBJECT:** Certificates of Participation Process

In order to provide adequate financing of the construction of AA Middle School and other major construction projects as outlined by the facility master plans during the 2005-2006 school year, additional resources must be provided.

The Board and staff have researched the feasibility of an issue of Certificates of Participation for the past several months. It is understood that as long as the inflationary cost is higher than the interest rate to borrow, it is better to borrow the funds to proceed with the construction of the middle school.

Since there are several legal requirements that must be met prior to issuance of the actual debt, I recommend the School Board confirm their intent to proceed with a COPs issue and allow staff to proceed with the preparation of the necessary documents.

Dr. Sara A. Wilcox, Superintendent  
School Board Members: Dr. David L. Anderson • Laurie Gaylord • Susan J. Hershey • Nancy Kline • Lorie Shekailo

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# THE SCHOOL BOARD OF MARTIN COUNTY, FLORIDA

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**Office Of: Darla J. Miloszewski**  
*Executive Director of Finance*

## MEMORANDUM

FIN: 06-016

**DATE:** September 8, 2005

**TO:** Dr. Sara A. Wilcox, Superintendent  
Board Members

**FROM:** Darla J. Miloszewski *DJM*  
Executive Director of Finance

**SUBJECT:** School Capital Outlay Surtax

The District is considering the imposition of a school capital outlay surtax pursuant to Section 212.055(6), Florida Statutes (the "Sales Surtax") in order to finance the construction or improvement of school facilities within the District, as more particularly described below. Pursuant to statutory authority provided by Section 212.055(6), Florida Statutes school boards in Florida may levy the Sales Surtax in an amount not to exceed 0.5% for fixed capital expenditures or fixed capital outlay costs associated with the construction, reconstruction or improvement of school facilities and campuses which have a useful life expectancy of five years or more and any land acquisition, land improvement, design and engineering costs related thereto. Additionally, Sales Surtax revenues may be used for the purpose of servicing bond indebtedness used to finance school district projects. However, the Sales Surtax revenues may not be used for operational expenses.

In order to levy the Sales Surtax, the Board must first adopt a resolution that (1) includes a statement that provides a brief and general description of the school capital outlay projects that will be funded by the Sales Surtax, which statement conforms in all respects with the requirements of Section 101.161, Florida Statutes (relating to ballot language) and which statement shall be placed on the ballot in a special or general referendum election for approval by the electorate of the District, and (2) sets forth a plan describing how the Sales Surtax proceeds will be used to pay for the authorized projects, such plan to include the costs of retrofitting and providing for technology implementation, including hardware and software, for the various sites within the District. This resolution should also include the duration for the levy of the Sales Surtax and the date set for a referendum election to be held in which the electorate of the District can approve or disapprove imposition of the Sales Surtax.

Dr. Sara A. Wilcox, Superintendent

School Board Members: Dr. David L. Anderson • Laurie Gaylord • Susan J. Hershey • Nancy Kline • Lorie Shekailo

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Once the resolution described in the preceding paragraph has been adopted, a duly noticed and called referendum election must take place in accordance with applicable law. If the Sales Surtax is approved at such referendum, the Board may approve a Bond Resolution for the issuance of Sales Tax Bonds in order to finance the cost of all or a portion of the projects described in the plan attached to the previously adopted resolution.

It should be noted that any school board imposing the surtax must implement a freeze on noncapital local school property taxes, at the millage rate imposed in the year prior to the implementation of the Sales Surtax for a period of at least three (3) years from the date of imposition of the Sales Surtax. This provision shall not apply to existing debt service or taxes authorized in the General Appropriations Act.

I recommend that the Board authorize staff to move forward with the District's Counsel, Bond Counsel and Financial Advisor in accordance with the steps outlined above in order to (i) formulate a plan of finance and (ii) draft a resolution for consideration by the Board for the levy of the Sales Surtax within the District.

DJM/dr

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# THE SCHOOL BOARD OF MARTIN COUNTY, FLORIDA

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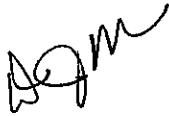
*Office Of: Darla J. Miloszewski*  
*Executive Director of Finance*

## MEMORANDUM

FIN: 06-014

**DATE:** September 8, 2005

**TO:** Dr. Sara A. Wilcox  
Board Members

**FROM:** Darla J. Miloszewski   
Executive Director of Finance

**SUBJECT:** Approve Agreement with Public Financial Management, Inc. (PFM)

The attached agreement with PFM is a piggyback on the RFP and selection process done by Manatee County School District who has used the services of PFM for various debt issues. I have worked with David Moore while employed with Monroe County and have found him to be knowledgeable and reliable in his assistances as a financial advisor for districts when capital planning and related debt are under consideration. Palm Beach County also works with his firm on these issues. I have also solicited and received a recommendation from Leanne Evans, Treasure, Palm Beach County School District.

I believe that to ensure the Board follows the appropriate legal procedures in the selected financing arrangements, I recommend that we seek this expert financial advice.

The function of a financial advisor is to develop a plan of finance by:

- Assisting with developing financing and debt objectives
- Reviewing legal structure
- Analyzing debt capacity
- Reviewing the capital budget
- Identifying financing alternatives
- Managing the financing transactions to closure
- Select a team of bond council and underwriters that can bring the debt issue to market
- Develop term of the financing and related documents
- Develop a marketing plan by maximizing underwriter and investor interest in the securities
- Obtaining highest possible credit rating for the debt issue
- Assisting with sale and closing of the debt instruments

I recommend approval of agreement with PFM.

Dr. Sara A. Wilcox, Superintendent

School Board Members: Dr. David L. Anderson • Laurie Gaylord • Susan J. Hershey • Nancy Kline • Lorie Shekailo

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**AGREEMENT FOR SERVICES OF FINANCIAL ADVISOR  
BETWEEN THE SCHOOL DISTRICT OF MARTIN COUNTY AND  
PUBLIC FINANCIAL MANAGEMENT, INC.**

**THIS AGREEMENT**, made and entered into this \_\_\_nd day of August 2005, by and between the **SCHOOL DISTRICT OF MARTIN COUNTY, FLORIDA** a body politic in Martin County, Florida under the laws of the State of Florida, (hereinafter referred to as the "DISTRICT ") and **PUBLIC FINANCIAL MANAGEMENT, Inc.**, (hereinafter call the "FINANCIAL ADVISOR").

**WITNESSETH**

**WHEREAS**, the DISTRICT desires to obtain the services of a FINANCIAL ADVISOR to develop and implement strategies to meet the DISTRICT 'S current and long-term operations and capital financing needs and render assistance in the preparation and marketing of bond issues and other financing issues by the DISTRICT; and

**WHEREAS**, the FINANCIAL ADVISOR represents it is capable of providing the necessary financial consulting service.

**NOW THEREFORE**, in consideration of the premises and of the mutual covenants and agreements set forth herein, the DISTRICT and FINANCIAL ADVISOR agree as follows:

**I. SCOPE OF SERVICES**

The DISTRICT hereby engages FINANCIAL ADVISOR to provide advice and recommendations to the DISTRICT concerning new money, refunding and other financings of the DISTRICT, the proposed structuring of restructuring of certain escrow accounts established for the benefit of certain refunded bonds, to assist the DISTRICT in surety policy substitutions for various cash-funded Reserve Accounts, and to provide other financial advisory services, as generally set forth in Exhibit A, Scope of Services. After authorization by the DISTRICT to proceed, the FINANCIAL ADVISOR shall perform any requested services set forth in this paragraph or Exhibit A.

## II. COMPENSATION AND TERMS OF PAYMENT

For all services related to the issuance of debt, the FINANCIAL ADVISOR shall be paid as set forth in EXHIBIT B. For services related to the structuring or restructuring of refunding escrows, including the competitive bidding of escrow investments, and services related to execution of a debt service reserve surety, including the bidding of reserve investments, FINANCIAL ADVISOR shall be paid a fee to be negotiated based on the type of the transaction. At all times such fees will be consistent with limitations required by the US Treasury Department or the SEC. For financial planning and other non-transactional services requested by the DISTRICT, the FINANCIAL ADVISOR shall be paid based upon the hourly rates as set forth in EXHIBIT B.

Payment for debt management (i.e., transaction related) services including bonds, swaps, escrows, and reserve sureties shall be due and owing to the FINANCIAL ADVISOR upon closing of the transaction. If the transaction is not consummated for any reason, no fee shall be paid to the FINANCIAL ADVISOR. Payment for financial planning and other non-transactional services requested by the DISTRICT shall be invoiced by the FINANCIAL ADVISOR on a monthly basis.

In addition to the foregoing fees, the DISTRICT shall pay the FINANCIAL ADVISOR a fixed fee of \$1,000 per issue for administrative expenses (local travel, copies, local phone service, etc.) plus out-of-pocket expenses for out of state travel (travel, lodging and meals). The DISTRICT shall also reimburse the FINANCIAL ADVISOR for direct expenses for long distance conference calls. Expenses shall be reimbursed in keeping with the limitations set forth in the DISTRICT Policy, i.e., Section 112.061, Florida Statutes. Said reimbursable expenses shall be payable from the proceeds of the bonds or, in the event that the bonds are not issued, then payable from other legally available funds of the DISTRICT.

## III. TERM OF AGREEMENT

The term of this Agreement shall be for three (3) years measured from the date first written above, with an option for annual one-year renewals thereafter. The Agreement shall automatically renew unless either party gives written notice of intent to terminate the Agreement. Deadlines for written notice are referenced in section IV (B).

## IV. TERMINATION OF THE AGREEMENT

A. This Agreement may be unilaterally canceled by the DISTRICT for:

- (i) refusal by the FINANCIAL ADVISOR to allow public access to all documents, papers, letters or other material (whether made or received by the FINANCIAL ADVISOR in conjunction with this Agreement) which are subject to the Public Records Act, Chapter 119, Florida Statutes, or
- (ii) for violation of The State Ethics Statute or the Ethics Policy of the DISTRICT

**B. Termination by Either Party**

This Agreement may be terminated by either party for any reasons by giving written notice to the other party no later than thirty (30) days before the termination date.

**C. Effect of Termination**

If this Agreement is terminated for any reason finished or unfinished documents, data, studies, correspondence, reports and other products prepared by or for the FINANCIAL ADVISOR pursuant to this Agreement shall be made available to and for the exclusive use of the DISTRICT. Notwithstanding the above, the FINANCIAL ADVISOR shall not be relieved of liability to the DISTRICT for damages sustained by the DISTRICT by virtue of any breach of this Agreement by the FINANCIAL ADVISOR.

**V. INFORMATION TO BE FURNISHED TO THE FINANCIAL ADVISOR**

All information, data, reports, and records in the possession of the DISTRICT necessary for carrying out the work to be performed under this Agreement shall be furnished to the FINANCIAL ADVISOR without charge by the DISTRICT, and the DISTRICT shall cooperate with the FINANCIAL ADVISOR in every way possible.

**VI. WARRANTIES OF FINANCIAL ADVISOR**

The FINANCIAL ADVISOR represents and warrants that no officer, employee or agent of the DISTRICT has any personal interest, either directly or indirectly, in the FINANCIAL ADVISOR. The FINANCIAL ADVISOR further represents and warrants to the DISTRICT that it has not employed or retained any person, company, corporation, individual or firm (other than a bona fide employee working solely for the FINANCIAL ADVISOR) any fee, commission, percentage, gift, or any other consideration contingent upon or resulting from the making of this Agreement: and it has not agreed, as an express or implied condition for obtaining this Agreement, to employ or retain the services of any person, company, corporation, individual or firm in connection with carrying out this Agreement.

**VII. MEMBER PROTECTION; WAIVER**

No member, officer, employee or agent of the DISTRICT shall be personally liable for any claim of the FINANCIAL ADVISOR arising out of this Agreement or the services rendered pursuant thereto. Any and all personal liability of every nature of any DISTRICT member, officer, employee or agent by reason of: (i) any act or omission (on his or her part or otherwise) for any claim arising out of this Agreement (or the services rendered pursuant to it), or (ii) for the payment of any sum that may remain due and unpaid by the DISTRICT, is hereby expressly waived and released as a condition of and as consideration for the execution of this Agreement.

## VIII. INDEMNIFICATION

Except where caused by its (or their) gross negligence or intentional misconduct, the DISTRICT and its members, officers, agents and employees shall be defended indemnified and held harmless by the FINANCIAL ADVISOR from any and all claims, demands, debts, cost, liabilities or causes of action of every kind or character (whether in law or in equity) by reason of any death, injury or damage to any person or persons, or with respect to damage to or destruction of property of the FINANCIAL ADVISOR (its agents or employees, or of any third persons) and from any cause whatsoever arising out of the FINANCIAL ADVISOR's negligent acts or omissions or intentional misconduct. The FINANCIAL ADVISOR hereby covenants and agrees to defend, indemnify and save harmless the DISTRICT, its members, officers, agents and employees, from any and all such claims, demands, debts, liabilities and causes of action, including attorney's fees and costs through any and all appeals.

## IX. INSURANCE

- A. The FINANCIAL ADVISOR will maintain in force, during the full term(s) of this Agreement, insurance in the following amounts and coverage:

Professional Liability Insurance with limits of not less than One Million Dollars (\$1,000,000) each occurrence.

- B. A certificate of insurance evidencing the required coverage shall be furnished to the DISTRICT upon execution of the Agreement and each anniversary date thereafter for the length of the Agreement.

## X. MISCELLANEOUS PROVISIONS

- A. The rights granted to the FINANCIAL ADVISOR hereunder are non-exclusive, and the DISTRICT reserves the right to enter into agreements with other persons or firms to perform services, including those provided hereunder.
- B. The FINANCIAL ADVISOR and its employees shall promptly observe and comply with applicable provisions of all published federal, state and local laws, rules and regulations which govern or apply to the services rendered by the FINANCIAL ADVISOR hereunder, or to the wages paid by the FINANCIAL ADVISOR to its employees.
- C. The FINANCIAL ADVISOR shall procure and keep in force during the term of this Agreement all necessary licenses, registrations, certificates, permits and other authorizations as are required by law in order for the FINANCIAL ADVISOR to render the services required hereunder.
- D. Except as expressly provided for in this Agreement the FINANCIAL ADVISOR is not authorized to act as the DISTRICT's agent hereunder and shall not have DISTRICT (expressed or implied) permission to act for or bind the DISTRICT hereunder, either in

the FINANCIAL ADVISOR'S relations with sub-consultants or in any other manner whatsoever.

- E. What Law Governs. This Agreement shall be deemed to have been made in and construed in accordance with, the Laws of the State of Florida.
- F. Venue. The parties hereto agree to venue in Martin County, Florida.
- G. Severability. All clauses herein shall remain fully severable with respect to the intent and scope of this agreement. Where clauses are deemed illegal, those shall be removed without affecting the balance of the Agreement.
- H. Assignability. It is specifically agreed that the Consultant herewith binds himself, his partners, successors and legal representatives to the DISTRICT as respects to the covenants of the Agreement. It is further agreed that the Consultant shall not assign, sublet, or transfer his interest in this Agreement without the written consent of the DISTRICT.
- I. EEO - Equal Employment Opportunity Employer. The DISTRICT is an Equal Employment Opportunity (EEO) employer and as such encourages all consultants to voluntarily comply with EEO regulations with regards to gender, age, race, veteran status, country of origin, and creed. In addition, the Consultant or anyone under his employ shall comply with all applicable rules, regulations and promulgation's thereby pertaining to the avoidance of appearance of sexual harassment or on the job discrimination. The Consultant shall maintain a working environment free of discrimination or unwelcome actions of a personal nature. Any sub-contracts the Consultant may enter into shall make reference to this clause with the same degree of application being encouraged. When applicable, the Consultant shall comply with all new State and Federal EEO Regulation.
- J. Attachments. All attachments and exhibits hereto are incorporated hereby as a material and relevant part of this agreement.
- K. The headings of the sections of this Agreement are for the purpose of convenience only and shall not be deemed to expand or limit the provisions contained in such sections.
- L. This Agreement constitutes the entire agreement between the parties and shall supersede and replace all other prior agreements or understandings (written or oral) relating to the matters set forth herein.
- M. FINANCIAL ADVISOR shall maintain all records and working papers concerning this Agreement and work performed hereunder, even if this Agreement is terminated before completion. Such records will be available to the DISTRICT for inspection for a period of four (4) years following the completion of the project, or for a longer period of time if so required by law. All reports produced by FINANCIAL ADVISOR under the terms of this Agreement shall at all times be the exclusive property of the DISTRICT.

- N. FINANCIAL ADVISOR is and shall remain during the performance of all work under this Agreement an independent contractor, and not an agent or representative of the DISTRICT. All persons engaged in any work or services performed pursuant to this Agreement shall at all times and in all places be subject to FINANCIAL ADVISOR'S sole discretion, supervision and control. As an independent contractor, FINANCIAL ADVISOR shall exercise control over the means and manner in which it and its employees perform the work, are paid, use vehicles, tools and are insured. FINANCIAL ADVISOR will be fully responsible for all Social Security payments, withholding taxes, workers' compensation insurance, liability insurance, and malpractice insurance.
- O. FINANCIAL ADVISOR represents it presently has no interest and shall not acquire any interest (direct or indirect) which would conflict in any manner with the performance or services required to be performed under this Agreement. FINANCIAL ADVISOR further represents that in the performance of work provided by this Agreement, no persons having any such interest shall be employed.

**IN WITNESS WHEREOF;** the parties have hereunto set their hands and seals and executed this Agreement on the day and year first above mentioned.

**SCHOOL BOARD OF MARTIN  
COUNTY, FLORIDA**

By: \_\_\_\_\_  
 Name: \_\_\_\_\_  
 Date: \_\_\_\_\_  
 Title: Board Chairman

**SCHOOL DISTRICT OF MARTIN  
COUNTY, FLORIDA**

By: \_\_\_\_\_  
 Name: \_\_\_\_\_  
 Date: \_\_\_\_\_  
 Title: Superintendent

**PUBLIC FINANCIAL MANAGEMENT, INC.**

By: \_\_\_\_\_  
 Name: David Moore  
 Date: August , 2005  
 Title: Managing Director

## EXHIBIT A SCOPE OF SERVICES

### FINANCIAL PLANNING

1. Development of Capital Plan and Financial Policies. PFM views capital planning as an essential component of the District 's overall debt issuance and financing program. Having an idea of future financing needs and future revenue projections will enable the District to structure current debt offerings to ensure cost-effective financings in the future. Establishing policies regarding the capital plan provides formal written procedures for measuring and making financial decisions. In addition, rating agencies look favorably on debt issues that are part of a well-conceived, long-term plan as opposed to financings that are carried out in a fragmented, disorganized manner; establishing long-term policies and plans demonstrates sophisticated financial management. Ultimately, implementing financing and debt policies will enable the District to carry out capital expansion or debt restructuring plans more efficiently while preserving market access for future debt.

PFM is driven not by financial transactions, but by financial planning. We believe our performance can be successful only if our clients have developed a long-term capital plan which includes financial policies and the identification of alternative revenues. After assisting the District to develop a capital plan which is customized to meet its needs, PFM will ensure that each successive financing is executed in a manner consistent with the policies set forth in the long-term plan.

2. Review Existing Debt Structure. As your financial advisor, PFM will analyze the financial resources available to the District by considering the types of revenues available, their stability over time, and their forecasts for growth. The results will be compared to the existing debt structure to determine how much debt can be issued while still maintaining sufficient cash flow coverage to preserve the District 's present credit rating. Finally, a review of the legal structure will provide the basis for the consideration of financing alternatives that are currently available.

3. Review Capital Budget. In order to determine the optimal method of issuing debt, some estimate of the amount of capital needed to finance the planned projects included in the District 's capital plan is required. PFM will review the District 's capital budget to determine the amount and source of funds the District is willing and able to commit to funding its infrastructure needs. The goal of this review is to determine the optimal match of the sources of capital funding with the infrastructure funding needs.

4. Analyze Future Debt Capacity. In order to assess the District 's ability to raise debt capital in the future, a computerized financial model is formulated to assess the ability of alternative financing strategies to economically provide the required level of funding over time. The first step is the identification of the key assumptions that will be common to all strategies. The second step is to structure each alternative and evaluate its feasibility.

Once the model is constructed, existing debt structures will be incorporated to test the impact of each alternative financing strategy on the overall financial statements and financing plan. As a result, the current financing program can be evaluated by itself and in concert with future financings or refundings depending on the financing policies established from the outset (e.g., minimize debt service, maintain level debt service, lengthen or shorten maturities, etc.).

Finally, the financial model will have the flexibility to project the capital program using both "constant" and "current" dollar scenarios. This will prevent the District from embarking on a financing plan that, while feasible using constant dollars, becomes suspect or infeasible when the impact of inflation is recognized.

5. Identify Financing Alternatives. As an independent, non-underwriting financial advisory firm, PFM offers its clients advice uninfluenced by the conflicts of interest which may affect other firms, such as municipal bond underwriters. This independence from the underwriting business is important because it allows PFM to

develop objective capital financing plans for our clients which incorporate a full range of financing alternatives; as your advisors, we are not blindly committed to the notion that a municipal financing must result in the issuance of municipal bonds. We will develop an optimization model to address various financing alternatives, including the following:

- Pay-As-You-Go Financing
- Notes
- Taxable Notes and Bonds
- Lease-Appropriation Obligations/Certificates of Participation (COP's)
- Variable Rate Demand Notes/Bonds (VRDBs)
- Tax-Exempt Commercial Paper
- QZABs
- Capital Appreciation or Zero Coupon Bonds
- Bond Banks and Pooled Programs
- Derivative Financing Products

## DEBT MANAGEMENT SERVICES

1. Develop and Monitor Financing Schedule. To facilitate the timely completion of all tasks, PFM will prepare a bond sale calendar that clearly identifies the responsibilities of each participant in the transaction. The schedule will be designed to permit sufficient time for review of all disclosure materials by District officials prior to final printing and distribution.

PFM will utilize its extensive experience to prepare a schedule that allows for the orderly completion of each component of the transaction. Moreover, we will work closely with all external participants (e.g., bond counsel, rating analysts, etc.) to ensure that their tasks are coordinated with the activities of the District's staff.

Finally, we will keep the proper officials informed about the progress of the financing and, if necessary, remind team members of deadlines.

2. Analyze Debt Structure Alternatives. The determination of an efficient issue structure will be a function of three elements: (i) is the proposed amortization schedule well coordinated with the District's existing debt obligations and projected revenues? (ii) are the resources pledged to debt redemption sufficient to meet total debt service requirements plus operating and maintenance expenses, renewal and replacement reserves, etc.? (iii) is the proposed maturity schedule designed to attract maximum interest from underwriters and potential investors in the current market?

Working with other members of the financing team and the District's staff, PFM will use the information it has gathered from the policy review and development phase of the engagement to facilitate the formulation of the issue structure and the terms under which the bonds are to be offered in order to answer the aforementioned questions in the best possible manner, given the current market. PFM's experience with the structuring and sale of over \$98 billion of debt has given us an appreciation for this task and an awareness of how to design terms and conditions of sale that are compatible with underwriter and investor interests under varying market conditions while consistent with the District's fiscal policy objectives. Some of the key issues to be addressed are:

- Maturity Schedule and Pattern of Debt Service
- Security Structure
- Call Features
- Credit Enhancement
- Book Entry vs. Certificates
- Reserve Requirements
- Premium or Discount Restrictions

3. Recommend a Negotiated or Competitive Sale. One of the most important decisions in the bond sale process will be choosing between a competitive and a negotiated sale. This decision will be essential in determining what financial services will be needed for any financing and will be instrumental in determining the ultimate cost of any financing to the District. In making the choice between the two approaches, the District should specifically consider the costs of the sale process, the type of security being sold, the marketability of the security and market volatility at the time of the sale.

PFM, as an independent financial advisory firm, places considerable corporate emphasis on the professional and skillful conduct of competitive issues. The public finance departments of investment banks generate the vast majority of their revenues from negotiated bond issues and therefore have a natural bias, both in attitude and experience, to negotiated issues. PFM works on numerous competitive issues each year and, in fact, prides itself on successfully bringing non-general obligation as well as general obligation issuers to the competitive markets.

The following describes the general attributes that argue for a competitive versus a negotiated sale. The decision is made depending primarily upon the attributes of the issue and market conditions at the time of sale.

| <u>Attributes that argue for a competitive sale</u> | <u>Attributes that argue for a negotiated sale</u> |
|---|--|
| <b>The Issue</b>                                    | <b>The Issue</b>                                   |
| Well known issuer                                   | New issuer   |
| Rating of A or higher                               | Rating lower than A                                |
| Conventional issue structure                        | Innovative debt structure                          |
| Standard security provisions                        | Unusual security pledge                            |
| Good credit quality                                 | Concern about credit quality                       |
| Few or no tax law concerns                          | Potential tax law concerns                         |
| Tax-exempt issue                                    | Taxable issue                                      |
| Credit enhanced                                     |  |
| <b>The Market</b>                                   | <b>The Market</b>                                  |
| Strong market with high demand                      | Weak market with low demand or high supply         |
| Stable, predictable market                          | Volatile market with rapid changes                 |

At the outset of the engagement, we will evaluate existing and expected credit market conditions, features of the credit, and the financing time schedule associated with the proposed bond sale. These and other factors will be used to develop a recommended method of sale.

PFM's competitive sale experience is one of the most extensive in the industry. Once the District has adopted a financing plan, and a competitive sale has been identified as the optimal method, the financing team will be responsible for drafting, printing, adopting, and distributing all legal and disclosure documents. PFM will coordinate with local officials, bond counsel, underwriters, banks, and other team members in the preparation, review, and finalization of all bond document preparation activities, including the preparation and review of trust indentures, if any, official statements, and other contracts that may be necessary for a bond issue.

For a competitive method of sale, the District, Disclosure Counsel and the Financial Advisor are responsible for preparing the Preliminary Official Statement (POS). The importance of the Official Statement cannot be overstated. It not only serves as the primary marketing and promotional tool for the issue, but also serves as the vehicle for disclosure. The clarity of both the summary and technical explanations, as well as the comprehensive nature of the documentation, must be assured. It becomes the public document of record for the financing, will receive widespread distribution and scrutiny during the financing, and will be referenced in future years as not only a vehicle of credit but also as a "sales tool" in the remarketing of the underlying securities. In a competitive sale, the issuer must also prepare a Notice of Sale, advertise the notice of sale, and prepare and mail the bid forms. PFM has extensive experience with these logistical issues and can assist the District in their preparation.

In general, our approach to negotiated transactions is to work with you to decide the broad parameters of the transaction, help select the bankers, to present and to analyze specific structuring ideas, to establish pricing benchmarks, and oversee the pricing process. For a negotiated financing, PFM will assist the District in determining the appropriate level of pricing for its debt obligations. In order to assist the District, PFM will conduct historical pricing analyses and analyses of the market to determine the appropriate pricing goals of the District. PFM also does a significant amount of analysis comparing one issue against another, attempting to establish clear pricing benchmarks or targets.

4. Assist Issuer in Selecting Working Group Members and Procuring Services.

a. Underwriter Selection. When it is determined that a negotiated sale is appropriate, PFM will work with District officials to develop a detailed request for underwriting proposals. This approach to the selection of its underwriting group gives the District an opportunity to control all components of the underwriting spread and identify those firms which are most experienced with marketing securities of the type being offered. In addition, through our experience in bringing over \$82 billion in debt to market for our clients, PFM professionals have worked with a wide variety of underwriting firms and investment bankers and will use this experience to the District's benefit. Once the underwriting group has been chosen, PFM will negotiate on the District's behalf to ensure that the issue is aggressively priced relative to current market conditions.

b. Procurement of Financial Services. PFM will assist the District, if needed, in identifying and procuring special financial related services that may be needed over the course of its financing program. Some of these services are generic to any financing alternative while others may or may not be required depending on the financing vehicle chosen. Services needed for many financings include:

- Special Tax Counsel
- Trustee Selection
- Paying Agent Selection
- Special Credit Facilities (includes such items as letters of credit or bond insurance)
- Printing Services

5. Work with Members of Working Group to Develop Financing Terms. Once the working group has been selected, PFM assumes the role of coordinator and catalyst. PFM, in conjunction with the District's staff, will analyze each component of the structure and make recommendations. Each member of the financing team will have a different perspective on each point, and it is important that each team member be given an opportunity to express their views and incorporate them into the final structure. The objective of this process is to create a package of terms that creates broad-based interest in the debt among investors while ensuring the lowest possible cost and future flexibility.

After assisting the District in developing its financing priorities, it will be PFM's job to represent the District's point of view to the other team members during all discussions about the structure of the financing.

6. Develop Financing Documents. Once a financial plan has been adopted, the financing team will be responsible for drafting, printing, adopting, and distributing all legal and disclosure documents. PFM's project team members have experience assisting municipal issuers across the nation to prepare the necessary ordinances, legal documents and other disclosure documents for the issuance of taxable and tax-exempt securities. On complex projects, this phase of the project can be extremely time-consuming. PFM will coordinate with local officials, bond counsel, underwriters, banks, and other team members in the preparation, review, and finalization of all bond document preparation activities, including the preparation and review of trust indentures, official statements, loan agreements, reimbursement contracts, trust participation agreements, purchase contracts, remarketing agreements, and other contracts that may be necessary for bond issues and other debt instruments considered by the District. Other documents, such as engineering studies, traffic and revenue projections, and

arbitrage certificates, are the responsibility of other parties, but their preparation will be incorporated into the document preparation work coordinated by PFM prior to the sale of securities.

7. Coordinate the Marketing of the Bonds. PFM would actively undertake all necessary procedures to effectively market and sell the District's debt issues. The following discussion details the steps involved in PFM's coordination of the sale and marketing of bonds.

a. Timing of Sale. In recent years, volatile market conditions have forced municipal issuers to carefully time their tax-exempt borrowings. Factors such as wildly fluctuating interest rates, unprecedented upheaval in the international economic community, and regular federal tax reform proposals have combined to create a very unstable tax-exempt market environment. To assist its clients with the timing of proposed issues, PFM closely monitors all such developments and evaluates the potential impact of each on new-issue, tax-exempt securities.

b. Target Buyers. PFM maintains extensive mailing lists, targeted by region and debt structure, of not only potential underwriters but also major investors to whom all disclosure materials should be distributed. Utilizing these lists, PFM can ensure that all interested parties are provided with all the information they need to make an informed investment decision concerning the issuer's proposed offering. Furthermore, PFM encourages interest in the issuer's new issues through our direct contact with many major underwriting desks. The advantages of this activity are two-fold. First, PFM is able to inquire about the possible impact of different financing features including early call provisions or the resizing after award of the bonds. Second, by canvassing potential investors and underwriters, PFM is able to give added market exposure to any of the issuer's new bond issues.

c. Marketing Information.

(1) Disclosure Documents. For the District's offering, PFM will work closely with the administrative staff to ensure that the District's primary information disclosure document, the Preliminary Official Statement (the "POS"), is in full compliance with industry standards and the guidelines developed by the GFOA and MSRB. To the extent needed, our advisory team will review the District's existing POS format and recommend any changes that may enhance the presentation of relevant information. With minor modification following the sale, the POS becomes the final OS—the public document of record for the financing and the District's only official contact to most of your investors.

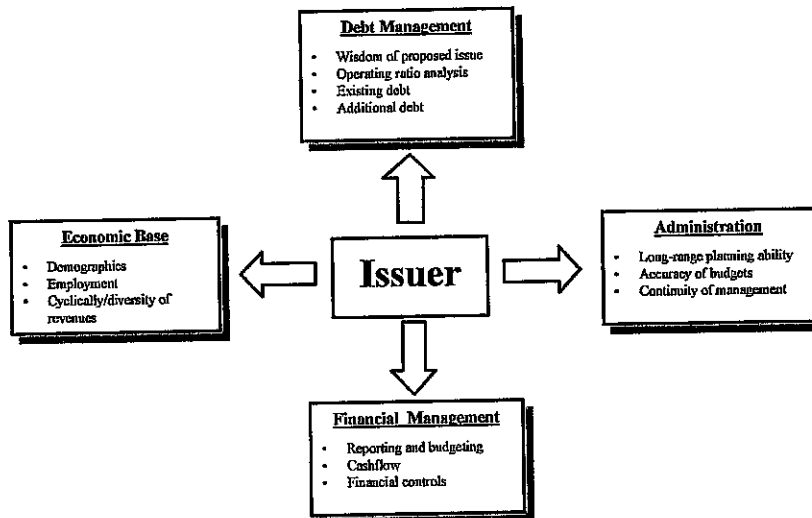
(2) Information Meetings. PFM will closely monitor the number and composition of all underwriting syndicates that are organized for the District's bonds. We will interact directly with these groups and respond promptly to any questions that may arise concerning the issue. When it is deemed appropriate, PFM will organize and participate in investor information meetings to describe in greater detail all elements of the transaction. These could be held both nationally (usually in New York) and regionally to include all Florida firms that may have an interest in the District's bonds.

(3) Marketing Calls. In those cases where we are working directly with the District on a competitive sale, PFM will follow up the mailing of the POS the week before the sale with individual calls to all the major national and regional firms that we feel should be interested in the financing to answer any specific questions they might have and to encourage them to submit bids to the District. We have found that this process has been very successful in increasing the number and competitiveness of the bids an issuer would receive.

(4) Bid Forms. In its preparation of the official bid form, PFM will work with the District's bond counsel to ensure that all statutory requirements are satisfied. In addition to these legal constraints, PFM will evaluate the impact of various bidding provisions on the resulting debt service schedule. Our efforts would be designed to allow bidders maximum flexibility as long as the interests of the District are protected.

8. Rating Agency Presentations. PFM has developed considerable experience working with the major national rating agencies. As a result of our experience advising more than one hundred clients each year to issue tax-exempt securities for a wide range of purposes, PFM has developed a clear understanding of the analytical methods utilized by Moody's Investors Service, Standard & Poor's Inc. and Fitch Investor Service, Inc. Our professional staff is trained to conduct in-depth credit analyses comparable to the rating agencies' own analyses so that both credit strengths and weaknesses can be identified by the District prior to the presentation of materials to rating analysts.

PFM believes each issuer should pursue an indication from the rating agencies of what underlying credit ratings any proposed bond issue would receive. An underlying credit rating of A or better would enhance the marketability of the bonds, thus reducing interest costs associated with the issue. By asking for a rating indicator, the District could receive feedback from the rating agencies of strengths and weaknesses in the District's economic base, debt management, administration, and fiscal management.



Part of PFM's scope of services includes working closely with the rating agencies to fully understand their concerns and methodology. If a rating agency presentation is warranted, PFM will design the District's presentation to specifically address each agency's questions in a meaningful way. We maintain close personal contact with staff members at the rating agencies regarding their views of debt covenants for toll revenue bonds, innovative financing techniques and unusual debt structures.

9. Assist with the Pricing of the Bonds. PFM has built its entire reputation upon our financial advisory and consulting practice in the area of municipal finance. PFM's record of participation in the field of municipal finance is unrivaled by any other independent financial advisor and compares favorably to the performance of major national investment banking houses. For each of the past three years, PFM has advised governments on more than one hundred fifty financings per year, thereby assuring our clients that PFM is as active in the municipal debt market as any Wall Street firm. This record of involvement on as frequent a basis as investment banks has kept us in touch with the municipal market and gives us the needed prospective to assist our clients to market and price their debt issues in a knowledgeable manner.

In addition to our frequent involvement in the market representing our clients, PFM has committed a significant portion of its research effort into studying the municipal markets and the factors that affect the manner in which an individual security is priced in that market. As a result of that effort, PFM has developed a quantitative model that uses a daily tax-exempt pricing matrix developed by the Delphis Hanover Corporation for a group of the nation's largest tax-exempt fund managers to price their portfolios on a daily basis, to quantify the aggressiveness of any individual new issue pricing relative to the rest of the market. This model complements PFM's already extensive anecdotal knowledge of the markets and gives us the unique ability to

provide our clients with quantifiable and objective data to support our pricing recommendations. Finally, no other municipal financial advisor has committed itself to the investment advisory business in the way that PFM has. Since our Investment Advisory Group has three "traders" who execute trades for client's accounts averaging \$150 million per day, we are in total and daily contact with the U. S. government bond market, the market that heavily influences the pricing of municipal securities.

After the pricing is completed, PFM will provide the District with a financial advisor's memorandum so that the District can evaluate the fairness of the pricing of its bonds. Contained in the memorandum is a list of yields on recently priced comparable issues, a list of underwriter's fees on recently priced comparable issues, municipal market conditions leading up to and on the day of the sale, a description of the call provisions, ratings, credit enhancements and special features of the issue and a general background of the issue. This document serves not only as a measure of the fairness of the sales terms but as a comprehensive reference to which the District may refer in the future.

10. Assist with Closing the Bond Issue. PFM will work with all parties involved with the closing to prepare a schedule of tasks to be completed prior to closing and identify the party responsible for completing the task. These tasks include printing and preparing bond certificates (if printed bonds are used), completing the final official statement, preparing closing documents, arranging for the transfer of funds and investment of funds.

In preparation for closing, PFM will work with the District's bond counsel and other members of the financing team to prepare and review all required documentation. This will include our direct dealings with the official statement printer and bond printer, as well as coordination of bond registration with the underwriter and registrar. Our advisory team will arrange for either registration of the bonds with the Depository Trust Company or delivery of the bonds and the simultaneous transfer of "same day" funds into the accounts identified by the District. PFM will assist in the purchase of U.S. Treasury securities for the construction account. Other closing arrangements will also be completed so that officials of the District can be confident that each transaction will be completely and professionally brought to a close.

PFM is also prepared to offer the District its full range of investment management and arbitrage rebate compliance services. If needed, PFM Asset Management LLC will perform these services.

**EXHIBIT B  
FEE SCHEDULE**

**A. Fees for transactional and non-transaction work:**

1. The compensation schedule for COP, Sales Tax and other long-term financings subject to (1) a minimum fee of \$17,500 per transaction, (2) a maximum fee of \$70,000 per transaction and (3) an additional fee of \$2,500 for refunding transactions is:

| <u>Bond Size (\$000)</u> | <u>Incremental Fee Per \$1,000</u> |
|--------------------------|------------------------------------|
| 1 - 40,000               | \$0.65                             |
| 40,001 - 80,000          | \$0.45                             |
| > 80,000                 | \$0.25                             |

2. For RAN or TAN financings the fee is 60% of the above referenced fees. For QZABs the fee is hourly (rates shown below) with a maximum fee of \$10,000.

3. In the event the District requests that PFM perform special projects (capital planning, etc.) we propose the following hourly rates for the indicated levels of experience or their equivalents:

| <u>Experience Level</u>  | <u>Hourly Rate</u> |
|--|--------------------|
| Senior Professional<br>(Managing Director, Senior Managing Consultant) | \$195.00           |
| Consultant   | \$180.00           |
| Administrative Staff   | \$90.00            |

B. In addition to advising on financings and capital planning, PFM and/or PFM Asset Management LLC are often called upon to perform many additional duties. These may include structuring and implementation of the refunding escrow, debt service reserve and debt service payment fund investment structuring, investment of surplus general fund and capital fund money, investment agreement and float contract bidding, investment liquidation, interest rate swap pricing and implementation, and other related services. These services are subject to a separate fee to be negotiated in advance at the time of the service. PFM fully discloses all fees related to any transaction.

C. PFM proposes the following rates for reimbursable expenses incurred in providing financial advisory services to the District subject to the limitations in Section II of this Agreement:

| <u>Type of Expense</u>      | <u>Rate</u>                    |
|-----------------------------|--------------------------------|
| Photocopies                 | \$0.15 per page                |
| Faxes                       | \$1.00 per page sent           |
| Long Distance Telephone     | At Cost                        |
| Conference Calls            | At Cost                        |
| Travel                      | In accordance with F.S.112.061 |
| Mileage                     | In accordance with F.S.112.061 |
| Postage                     | At Cost                        |
| Courier, Overnight Delivery | At Cost                        |

**AGREEMENT BETWEEN  
SCHOOL BOARD OF MARTIN COUNTY, FLORIDA  
AND  
NABORS, GIBLIN & NICKERSON, P.A.**

**THIS AGREEMENT** is entered into as of the \_\_\_\_ day of September, 2005, by and between the **SCHOOL BOARD OF MARTIN COUNTY, FLORIDA** (the "Board"), acting as governing body of the School District of Martin County, and **NABORS, GIBLIN & NICKERSON, P.A.**, Tampa, Florida ("Nabors, Giblin & Nickerson"), a Florida professional service corporation.

**PURPOSE**

The Board may finance or refinance various educational facilities and other capital improvements through the issuance from time to time of certificates of participation, capital outlay sales tax bonds, qualified zone academy bonds, tax anticipation notes and/or revenue anticipation notes (the "Obligations").

The Board desires to engage Nabors, Giblin & Nickerson as special tax/bond counsel in connection with the issuance and sale of such Obligations on the terms and conditions hereinafter set forth.

Nabors, Giblin & Nickerson desires to accept engagement as special tax/bond counsel in connection with the issuance and sale of the Obligations, on the terms and conditions hereinafter set forth.

**THEREFORE**, in consideration of the premises, which shall be deemed an integral part of this Agreement, and of the covenants and agreements herein contained, the Board and Nabors, Giblin & Nickerson, intending to be legally bound thereby, agree as follows:

1. **SPECIAL TAX/BOND COUNSEL - SCOPE OF WORK.** Nabors, Giblin & Nickerson shall serve as special tax/bond counsel in connection with the issuance of the Obligations. The duties of Nabors, Giblin & Nickerson as special tax/bond counsel shall include, but not be limited to, the following:

A. Prepare all basic bond or certificate documents relating to the issuance of the Obligations, said duty to be performed in cooperation with the underwriters and financial advisor engaged by the Board and Board's counsel.

B. Review all disclosure documents, including official statements, prepared or authorized by the Board insofar as such documents contain descriptions of the Obligations and summaries of contracts or other documents

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relevant to the Obligations; provided, however, Nabors, Giblin & Nickerson shall have no responsibility for the disclosure documents insofar as such documents describe the financial circumstances of the offering or any other statistical projections or data, and, provided further, that Nabors, Giblin & Nickerson shall have no responsibility to the purchasers of the Obligations for state or federal securities law compliance in connection with the offering of the Obligations, unless Nabors, Giblin & Nickerson expressly assumes such Obligation in writing.

C. Prepare all closing documents and attend and be responsible for the closing the transactions in conjunction with the other parties to the transaction.

D. Render opinions in written form at the time the Obligations are to be authenticated and delivered, which opinions shall cover the legality of the Obligations and the proceedings pursuant to which they are issued, as well as the federal income tax treatment of interest on the Obligations in accordance with industry standards.

2. CONTINGENCY FEE RELATIONSHIP. The Board will pay to Nabors, Giblin & Nickerson compensation for services rendered as special tax/bond counsel at a fee agreed upon by the Board and Nabors, Giblin & Nickerson (upon advice of the Board's financial advisor) for each transaction. In establishing said fee the financial advisor shall consider, but not be limited to, the following: (i) type of transaction (e.g. sales tax, certificates of participation, qualified zone academy bonds); (ii) size of the transaction; (iii) the presence or absence of ancillary documents such as guaranteed investment contracts, interest rate exchange agreements, repurchase agreements, escrow deposit agreements and derivative products; and (iv) comparable fees charged on similar transactions in the state.

3. PAYMENT FOR EXPENSES AND COSTS. Nabors, Giblin & Nickerson shall be entitled to per diem and travel outside the City of Tampa when such expenses are incurred at the request of the Board, its Counsel, staff or its financial advisor. Nabors, Giblin & Nickerson shall complete expense account forms and attach out-of-pocket expenses such as airline tickets, rental car agreements, lodging, parking fees, tolls, etc. Nabors, Giblin & Nickerson shall be reimbursed for all telephone calls made in relation to the Obligations. Nabors, Giblin & Nickerson shall be reimbursed for actual out-of-pocket expenses, including but not limited to: stenographic recording and transcription services, copying, faxing, recording, filing and certification fees, postage, courier service, overnight mail, telegrams, etc. Nabors, Giblin & Nickerson shall be reimbursed at \$.20 per copy for photocopies. Payment for expenses listed in this section shall not be contingent upon whether the Obligations are sold.

4. TERM OF AGREEMENT. This Agreement shall become effective upon execution by both parties and may be terminated upon thirty (30) days written notice by either party.

5. CONSTRUCTION AND AMENDMENTS. This Agreement shall be governed by, and construed in accordance with, the laws of the State of Florida. This Agreement may be amended only in writing duly entered into by the Board and Nabors, Giblin & Nickerson.

6. PROFESSIONAL LIABILITY INSURANCE. During the term of this Agreement Nabors, Giblin & Nickerson will maintain professional liability insurance in an amount not less than \$7,000,000.

**IN WITNESS WHEREOF**, the Board and Nabors, Giblin & Nickerson have executed this Agreement on the date first written above.

**SCHOOL BOARD OF MARTIN COUNTY,  
FLORIDA**

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Superintendent of Schools, School District of  
Martin County, Florida

**NABORS, GIBLIN & NICKERSON, P.A.**

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Shareholder

**AGREEMENT FOR SERVICES OF FINANCIAL ADVISOR  
BETWEEN THE SCHOOL DISTRICT OF MARTIN COUNTY AND  
PUBLIC FINANCIAL MANAGEMENT, INC.**

**THIS AGREEMENT**, made and entered into this \_\_\_nd day of August 2005, by and between the **SCHOOL DISTRICT OF MARTIN COUNTY, FLORIDA** a body politic in Martin County, Florida under the laws of the State of Florida, (hereinafter referred to as the "DISTRICT ") and **PUBLIC FINANCIAL MANAGEMENT, Inc.**, (hereinafter call the "FINANCIAL ADVISOR").

**WITNESSETH**

**WHEREAS**, the DISTRICT desires to obtain the services of a FINANCIAL ADVISOR to develop and implement strategies to meet the DISTRICT 'S current and long-term operations and capital financing needs and render assistance in the preparation and marketing of bond issues and other financing issues by the DISTRICT; and

**WHEREAS**, the FINANCIAL ADVISOR represents it is capable of providing the necessary financial consulting service.

**NOW THEREFORE**, in consideration of the premises and of the mutual covenants and agreements set forth herein, the DISTRICT and FINANCIAL ADVISOR agree as follows:

**I. SCOPE OF SERVICES**

The DISTRICT hereby engages FINANCIAL ADVISOR to provide advice and recommendations to the DISTRICT concerning new money, refunding and other financings of the DISTRICT, the proposed structuring of restructuring of certain escrow accounts established for the benefit of certain refunded bonds, to assist the DISTRICT in surety policy substitutions for various cash-funded Reserve Accounts, and to provide other financial advisory services, as generally set forth in Exhibit A, Scope of Services. After authorization by the DISTRICT to proceed, the FINANCIAL ADVISOR shall perform any requested services set forth in this paragraph or Exhibit A.

## II. COMPENSATION AND TERMS OF PAYMENT

For all services related to the issuance of debt, the FINANCIAL ADVISOR shall be paid as set forth in EXHIBIT B. For services related to the structuring or restructuring of refunding escrows, including the competitive bidding of escrow investments, and services related to execution of a debt service reserve surety, including the bidding of reserve investments, FINANCIAL ADVISOR shall be paid a fee to be negotiated based on the type of the transaction. At all times such fees will be consistent with limitations required by the US Treasury Department or the SEC. For financial planning and other non-transactional services requested by the DISTRICT, the FINANCIAL ADVISOR shall be paid based upon the hourly rates as set forth in EXHIBIT B.

Payment for debt management (i.e., transaction related) services including bonds, swaps, escrows, and reserve sureties shall be due and owing to the FINANCIAL ADVISOR upon closing of the transaction. If the transaction is not consummated for any reason, no fee shall be paid to the FINANCIAL ADVISOR. Payment for financial planning and other non-transactional services requested by the DISTRICT shall be invoiced by the FINANCIAL ADVISOR on a monthly basis.

In addition to the foregoing fees, the DISTRICT shall pay the FINANCIAL ADVISOR a fixed fee of \$1,000 per issue for administrative expenses (local travel, copies, local phone service, etc.) plus out-of-pocket expenses for out of state travel (travel, lodging and meals). The DISTRICT shall also reimburse the FINANCIAL ADVISOR for direct expenses for long distance conference calls. Expenses shall be reimbursed in keeping with the limitations set forth in the DISTRICT Policy, i.e., Section 112.061, Florida Statutes. Said reimbursable expenses shall be payable from the proceeds of the bonds or, in the event that the bonds are not issued, then payable from other legally available funds of the DISTRICT.

## III. TERM OF AGREEMENT

The term of this Agreement shall be for three (3) years measured from the date first written above, with an option for annual one-year renewals thereafter. The Agreement shall automatically renew unless either party gives written notice of intent to terminate the Agreement. Deadlines for written notice are referenced in section IV (B).

## IV. TERMINATION OF THE AGREEMENT

A. This Agreement may be unilaterally canceled by the DISTRICT for:

- (i) refusal by the FINANCIAL ADVISOR to allow public access to all documents, papers, letters or other material (whether made or received by the FINANCIAL ADVISOR in conjunction with this Agreement) which are subject to the Public Records Act, Chapter 119, Florida Statutes, or
- (ii) for violation of The State Ethics Statute or the Ethics Policy of the DISTRICT

**B. Termination by Either Party**

This Agreement may be terminated by either party for any reasons by giving written notice to the other party no later than thirty (30) days before the termination date.

**C. Effect of Termination**

If this Agreement is terminated for any reason finished or unfinished documents, data, studies, correspondence, reports and other products prepared by or for the FINANCIAL ADVISOR pursuant to this Agreement shall be made available to and for the exclusive use of the DISTRICT. Notwithstanding the above, the FINANCIAL ADVISOR shall not be relieved of liability to the DISTRICT for damages sustained by the DISTRICT by virtue of any breach of this Agreement by the FINANCIAL ADVISOR.

**V. INFORMATION TO BE FURNISHED TO THE FINANCIAL ADVISOR**

All information, data, reports, and records in the possession of the DISTRICT necessary for carrying out the work to be performed under this Agreement shall be furnished to the FINANCIAL ADVISOR without charge by the DISTRICT, and the DISTRICT shall cooperate with the FINANCIAL ADVISOR in every way possible.

**VI. WARRANTIES OF FINANCIAL ADVISOR**

The FINANCIAL ADVISOR represents and warrants that no officer, employee or agent of the DISTRICT has any personal interest, either directly or indirectly, in the FINANCIAL ADVISOR. The FINANCIAL ADVISOR further represents and warrants to the DISTRICT that it has not employed or retained any person, company, corporation, individual or firm (other than a bona fide employee working solely for the FINANCIAL ADVISOR) any fee, commission, percentage, gift, or any other consideration contingent upon or resulting from the making of this Agreement: and it has not agreed, as an express or implied condition for obtaining this Agreement, to employ or retain the services of any person, company, corporation, individual or firm in connection with carrying out this Agreement.

**VII. MEMBER PROTECTION; WAIVER**

No member, officer, employee or agent of the DISTRICT shall be personally liable for any claim of the FINANCIAL ADVISOR arising out of this Agreement or the services rendered pursuant thereto. Any and all personal liability of every nature of any DISTRICT member, officer, employee or agent by reason of: (i) any act or omission (on his or her part or otherwise) for any claim arising out of this Agreement (or the services rendered pursuant to it), or (ii) for the payment of any sum that may remain due and unpaid by the DISTRICT, is hereby expressly waived and released as a condition of and as consideration for the execution of this Agreement.

## VIII. INDEMNIFICATION

Except where caused by its (or their) gross negligence or intentional misconduct, the DISTRICT and its members, officers, agents and employees shall be defended indemnified and held harmless by the FINANCIAL ADVISOR from any and all claims, demands, debts, cost, liabilities or causes of action of every kind or character (whether in law or in equity) by reason of any death, injury or damage to any person or persons, or with respect to damage to or destruction of property of the FINANCIAL ADVISOR (its agents or employees, or of any third persons) and from any cause whatsoever arising out of the FINANCIAL ADVISOR's negligent acts or omissions or intentional misconduct. The FINANCIAL ADVISOR hereby covenants and agrees to defend, indemnify and save harmless the DISTRICT, its members, officers, agents and employees, from any and all such claims, demands, debts, liabilities and causes of action, including attorney's fees and costs through any and all appeals.

## IX. INSURANCE

- A. The FINANCIAL ADVISOR will maintain in force, during the full term(s) of this Agreement, insurance in the following amounts and coverage:

Professional Liability Insurance with limits of not less than One Million Dollars (\$1,000,000) each occurrence.

- B. A certificate of insurance evidencing the required coverage shall be furnished to the DISTRICT upon execution of the Agreement and each anniversary date thereafter for the length of the Agreement.

## X. MISCELLANEOUS PROVISIONS

- A. The rights granted to the FINANCIAL ADVISOR hereunder are non-exclusive, and the DISTRICT reserves the right to enter into agreements with other persons or firms to perform services, including those provided hereunder.
- B. The FINANCIAL ADVISOR and its employees shall promptly observe and comply with applicable provisions of all published federal, state and local laws, rules and regulations which govern or apply to the services rendered by the FINANCIAL ADVISOR hereunder, or to the wages paid by the FINANCIAL ADVISOR to its employees.
- C. The FINANCIAL ADVISOR shall procure and keep in force during the term of this Agreement all necessary licenses, registrations, certificates, permits and other authorizations as are required by law in order for the FINANCIAL ADVISOR to render the services required hereunder.
- D. Except as expressly provided for in this Agreement the FINANCIAL ADVISOR is not authorized to act as the DISTRICT's agent hereunder and shall not have DISTRICT (expressed or implied) permission to act for or bind the DISTRICT hereunder, either in

the FINANCIAL ADVISOR'S relations with sub-consultants or in any other manner whatsoever.

- E. What Law Governs. This Agreement shall be deemed to have been made in and construed in accordance with, the Laws of the State of Florida.
- F. Venue. The parties hereto agree to venue in Martin County, Florida.
- G. Severability. All clauses herein shall remain fully severable with respect to the intent and scope of this agreement. Where clauses are deemed illegal, those shall be removed without affecting the balance of the Agreement.
- H. Assignability. It is specifically agreed that the Consultant herewith binds himself, his partners, successors and legal representatives to the DISTRICT as respects to the covenants of the Agreement. It is further agreed that the Consultant shall not assign, sublet, or transfer his interest in this Agreement without the written consent of the DISTRICT.
- I. EEO - Equal Employment Opportunity Employer. The DISTRICT is an Equal Employment Opportunity (EEO) employer and as such encourages all consultants to voluntarily comply with EEO regulations with regards to gender, age, race, veteran status, country of origin, and creed. In addition, the Consultant or anyone under his employ shall comply with all applicable rules, regulations and promulgation's thereby pertaining to the avoidance of appearance of sexual harassment or on the job discrimination. The Consultant shall maintain a working environment free of discrimination or unwelcome actions of a personal nature. Any sub-contracts the Consultant may enter into shall make reference to this clause with the same degree of application being encouraged. When applicable, the Consultant shall comply with all new State and Federal EEO Regulation.
- J. Attachments. All attachments and exhibits hereto are incorporated hereby as a material and relevant part of this agreement.
- K. The headings of the sections of this Agreement are for the purpose of convenience only and shall not be deemed to expand or limit the provisions contained in such sections.
- L. This Agreement constitutes the entire agreement between the parties and shall supersede and replace all other prior agreements or understandings (written or oral) relating to the matters set forth herein.
- M. FINANCIAL ADVISOR shall maintain all records and working papers concerning this Agreement and work performed hereunder, even if this Agreement is terminated before completion. Such records will be available to the DISTRICT for inspection for a period of four (4) years following the completion of the project, or for a longer period of time if so required by law. All reports produced by FINANCIAL ADVISOR under the terms of this Agreement shall at all times be the exclusive property of the DISTRICT.

- N. FINANCIAL ADVISOR is and shall remain during the performance of all work under this Agreement an independent contractor, and not an agent or representative of the DISTRICT. All persons engaged in any work or services performed pursuant to this Agreement shall at all times and in all places be subject to FINANCIAL ADVISOR'S sole discretion, supervision and control. As an independent contractor, FINANCIAL ADVISOR shall exercise control over the means and manner in which it and its employees perform the work, are paid, use vehicles, tools and are insured. FINANCIAL ADVISOR will be fully responsible for all Social Security payments, withholding taxes, workers' compensation insurance, liability insurance, and malpractice insurance.
- O. FINANCIAL ADVISOR represents it presently has no interest and shall not acquire any interest (direct or indirect) which would conflict in any manner with the performance or services required to be performed under this Agreement. FINANCIAL ADVISOR further represents that in the performance of work provided by this Agreement, no persons having any such interest shall be employed.

**IN WITNESS WHEREOF;** the parties have hereunto set their hands and seals and executed this Agreement on the day and year first above mentioned.

**SCHOOL BOARD OF MARTIN  
COUNTY, FLORIDA**

By: \_\_\_\_\_  
 Name: \_\_\_\_\_  
 Date: \_\_\_\_\_  
 Title: Board Chairman

**SCHOOL DISTRICT OF MARTIN  
COUNTY, FLORIDA**

By: \_\_\_\_\_  
 Name: \_\_\_\_\_  
 Date: \_\_\_\_\_  
 Title: Superintendent

**PUBLIC FINANCIAL MANAGEMENT, INC.**

By: \_\_\_\_\_  
 Name: David Moore  
 Date: August , 2005  
 Title: Managing Director

## EXHIBIT A SCOPE OF SERVICES

### FINANCIAL PLANNING

1. Development of Capital Plan and Financial Policies. PFM views capital planning as an essential component of the District 's overall debt issuance and financing program. Having an idea of future financing needs and future revenue projections will enable the District to structure current debt offerings to ensure cost-effective financings in the future. Establishing policies regarding the capital plan provides formal written procedures for measuring and making financial decisions. In addition, rating agencies look favorably on debt issues that are part of a well-conceived, long-term plan as opposed to financings that are carried out in a fragmented, disorganized manner; establishing long-term policies and plans demonstrates sophisticated financial management. Ultimately, implementing financing and debt policies will enable the District to carry out capital expansion or debt restructuring plans more efficiently while preserving market access for future debt.

PFM is driven not by financial transactions, but by financial planning. We believe our performance can be successful only if our clients have developed a long-term capital plan which includes financial policies and the identification of alternative revenues. After assisting the District to develop a capital plan which is customized to meet its needs, PFM will ensure that each successive financing is executed in a manner consistent with the policies set forth in the long-term plan.

2. Review Existing Debt Structure. As your financial advisor, PFM will analyze the financial resources available to the District by considering the types of revenues available, their stability over time, and their forecasts for growth. The results will be compared to the existing debt structure to determine how much debt can be issued while still maintaining sufficient cash flow coverage to preserve the District 's present credit rating. Finally, a review of the legal structure will provide the basis for the consideration of financing alternatives that are currently available.

3. Review Capital Budget. In order to determine the optimal method of issuing debt, some estimate of the amount of capital needed to finance the planned projects included in the District 's capital plan is required. PFM will review the District 's capital budget to determine the amount and source of funds the District is willing and able to commit to funding its infrastructure needs. The goal of this review is to determine the optimal match of the sources of capital funding with the infrastructure funding needs.

4. Analyze Future Debt Capacity. In order to assess the District 's ability to raise debt capital in the future, a computerized financial model is formulated to assess the ability of alternative financing strategies to economically provide the required level of funding over time. The first step is the identification of the key assumptions that will be common to all strategies. The second step is to structure each alternative and evaluate its feasibility.

Once the model is constructed, existing debt structures will be incorporated to test the impact of each alternative financing strategy on the overall financial statements and financing plan. As a result, the current financing program can be evaluated by itself and in concert with future financings or refundings depending on the financing policies established from the outset (e.g., minimize debt service, maintain level debt service, lengthen or shorten maturities, etc.).

Finally, the financial model will have the flexibility to project the capital program using both "constant" and "current" dollar scenarios. This will prevent the District from embarking on a financing plan that, while feasible using constant dollars, becomes suspect or infeasible when the impact of inflation is recognized.

5. Identify Financing Alternatives. As an independent, non-underwriting financial advisory firm, PFM offers its clients advice uninfluenced by the conflicts of interest which may affect other firms, such as municipal bond underwriters. This independence from the underwriting business is important because it allows PFM to

develop objective capital financing plans for our clients which incorporate a full range of financing alternatives; as your advisors, we are not blindly committed to the notion that a municipal financing must result in the issuance of municipal bonds. We will develop an optimization model to address various financing alternatives, including the following:

- Pay-As-You-Go Financing
- Notes
- Taxable Notes and Bonds
- Lease-Appropriation Obligations/Certificates of Participation (COP's)
- Variable Rate Demand Notes/Bonds (VRDBs)
- Tax-Exempt Commercial Paper
- QZABs
- Capital Appreciation or Zero Coupon Bonds
- Bond Banks and Pooled Programs
- Derivative Financing Products

## DEBT MANAGEMENT SERVICES

1. Develop and Monitor Financing Schedule. To facilitate the timely completion of all tasks, PFM will prepare a bond sale calendar that clearly identifies the responsibilities of each participant in the transaction. The schedule will be designed to permit sufficient time for review of all disclosure materials by District officials prior to final printing and distribution.

PFM will utilize its extensive experience to prepare a schedule that allows for the orderly completion of each component of the transaction. Moreover, we will work closely with all external participants (e.g., bond counsel, rating analysts, etc.) to ensure that their tasks are coordinated with the activities of the District's staff.

Finally, we will keep the proper officials informed about the progress of the financing and, if necessary, remind team members of deadlines.

2. Analyze Debt Structure Alternatives. The determination of an efficient issue structure will be a function of three elements: (i) is the proposed amortization schedule well coordinated with the District's existing debt obligations and projected revenues? (ii) are the resources pledged to debt redemption sufficient to meet total debt service requirements plus operating and maintenance expenses, renewal and replacement reserves, etc.? (iii) is the proposed maturity schedule designed to attract maximum interest from underwriters and potential investors in the current market?

Working with other members of the financing team and the District's staff, PFM will use the information it has gathered from the policy review and development phase of the engagement to facilitate the formulation of the issue structure and the terms under which the bonds are to be offered in order to answer the aforementioned questions in the best possible manner, given the current market. PFM's experience with the structuring and sale of over \$98 billion of debt has given us an appreciation for this task and an awareness of how to design terms and conditions of sale that are compatible with underwriter and investor interests under varying market conditions while consistent with the District's fiscal policy objectives. Some of the key issues to be addressed are:

- Maturity Schedule and Pattern of Debt Service
- Security Structure
- Call Features
- Credit Enhancement
- Book Entry vs. Certificates
- Reserve Requirements
- Premium or Discount Restrictions

3. Recommend a Negotiated or Competitive Sale. One of the most important decisions in the bond sale process will be choosing between a competitive and a negotiated sale. This decision will be essential in determining what financial services will be needed for any financing and will be instrumental in determining the ultimate cost of any financing to the District. In making the choice between the two approaches, the District should specifically consider the costs of the sale process, the type of security being sold, the marketability of the security and market volatility at the time of the sale.

PFM, as an independent financial advisory firm, places considerable corporate emphasis on the professional and skillful conduct of competitive issues. The public finance departments of investment banks generate the vast majority of their revenues from negotiated bond issues and therefore have a natural bias, both in attitude and experience, to negotiated issues. PFM works on numerous competitive issues each year and, in fact, prides itself on successfully bringing non-general obligation as well as general obligation issuers to the competitive markets.

The following describes the general attributes that argue for a competitive versus a negotiated sale. The decision is made depending primarily upon the attributes of the issue and market conditions at the time of sale.

| <u>Attributes that argue for a competitive sale</u> | <u>Attributes that argue for a negotiated sale</u> |
|---|--|
| <b>The Issue</b>                                    | <b>The Issue</b>                                   |
| Well known issuer                                   | New issuer   |
| Rating of A or higher                               | Rating lower than A                                |
| Conventional issue structure                        | Innovative debt structure                          |
| Standard security provisions                        | Unusual security pledge                            |
| Good credit quality                                 | Concern about credit quality                       |
| Few or no tax law concerns                          | Potential tax law concerns                         |
| Tax-exempt issue                                    | Taxable issue                                      |
| Credit enhanced                                     |  |
| <b>The Market</b>                                   | <b>The Market</b>                                  |
| Strong market with high demand                      | Weak market with low demand or high supply         |
| Stable, predictable market                          | Volatile market with rapid changes                 |

At the outset of the engagement, we will evaluate existing and expected credit market conditions, features of the credit, and the financing time schedule associated with the proposed bond sale. These and other factors will be used to develop a recommended method of sale.

PFM's competitive sale experience is one of the most extensive in the industry. Once the District has adopted a financing plan, and a competitive sale has been identified as the optimal method, the financing team will be responsible for drafting, printing, adopting, and distributing all legal and disclosure documents. PFM will coordinate with local officials, bond counsel, underwriters, banks, and other team members in the preparation, review, and finalization of all bond document preparation activities, including the preparation and review of trust indentures, if any, official statements, and other contracts that may be necessary for a bond issue.

For a competitive method of sale, the District, Disclosure Counsel and the Financial Advisor are responsible for preparing the Preliminary Official Statement (POS). The importance of the Official Statement cannot be overstated. It not only serves as the primary marketing and promotional tool for the issue, but also serves as the vehicle for disclosure. The clarity of both the summary and technical explanations, as well as the comprehensive nature of the documentation, must be assured. It becomes the public document of record for the financing, will receive widespread distribution and scrutiny during the financing, and will be referenced in future years as not only a vehicle of credit but also as a "sales tool" in the remarketing of the underlying securities. In a competitive sale, the issuer must also prepare a Notice of Sale, advertise the notice of sale, and prepare and mail the bid forms. PFM has extensive experience with these logistical issues and can assist the District in their preparation.

In general, our approach to negotiated transactions is to work with you to decide the broad parameters of the transaction, help select the bankers, to present and to analyze specific structuring ideas, to establish pricing benchmarks, and oversee the pricing process. For a negotiated financing, PFM will assist the District in determining the appropriate level of pricing for its debt obligations. In order to assist the District, PFM will conduct historical pricing analyses and analyses of the market to determine the appropriate pricing goals of the District. PFM also does a significant amount of analysis comparing one issue against another, attempting to establish clear pricing benchmarks or targets.

4. Assist Issuer in Selecting Working Group Members and Procuring Services.

a. Underwriter Selection. When it is determined that a negotiated sale is appropriate, PFM will work with District officials to develop a detailed request for underwriting proposals. This approach to the selection of its underwriting group gives the District an opportunity to control all components of the underwriting spread and identify those firms which are most experienced with marketing securities of the type being offered. In addition, through our experience in bringing over \$82 billion in debt to market for our clients, PFM professionals have worked with a wide variety of underwriting firms and investment bankers and will use this experience to the District's benefit. Once the underwriting group has been chosen, PFM will negotiate on the District's behalf to ensure that the issue is aggressively priced relative to current market conditions.

b. Procurement of Financial Services. PFM will assist the District, if needed, in identifying and procuring special financial related services that may be needed over the course of its financing program. Some of these services are generic to any financing alternative while others may or may not be required depending on the financing vehicle chosen. Services needed for many financings include:

- Special Tax Counsel
- Trustee Selection
- Paying Agent Selection
- Special Credit Facilities (includes such items as letters of credit or bond insurance)
- Printing Services

5. Work with Members of Working Group to Develop Financing Terms. Once the working group has been selected, PFM assumes the role of coordinator and catalyst. PFM, in conjunction with the District's staff, will analyze each component of the structure and make recommendations. Each member of the financing team will have a different perspective on each point, and it is important that each team member be given an opportunity to express their views and incorporate them into the final structure. The objective of this process is to create a package of terms that creates broad-based interest in the debt among investors while ensuring the lowest possible cost and future flexibility.

After assisting the District in developing its financing priorities, it will be PFM's job to represent the District's point of view to the other team members during all discussions about the structure of the financing.

6. Develop Financing Documents. Once a financial plan has been adopted, the financing team will be responsible for drafting, printing, adopting, and distributing all legal and disclosure documents. PFM's project team members have experience assisting municipal issuers across the nation to prepare the necessary ordinances, legal documents and other disclosure documents for the issuance of taxable and tax-exempt securities. On complex projects, this phase of the project can be extremely time-consuming. PFM will coordinate with local officials, bond counsel, underwriters, banks, and other team members in the preparation, review, and finalization of all bond document preparation activities, including the preparation and review of trust indentures, official statements, loan agreements, reimbursement contracts, trust participation agreements, purchase contracts, remarketing agreements, and other contracts that may be necessary for bond issues and other debt instruments considered by the District. Other documents, such as engineering studies, traffic and revenue projections, and

arbitrage certificates, are the responsibility of other parties, but their preparation will be incorporated into the document preparation work coordinated by PFM prior to the sale of securities.

7. Coordinate the Marketing of the Bonds. PFM would actively undertake all necessary procedures to effectively market and sell the District's debt issues. The following discussion details the steps involved in PFM's coordination of the sale and marketing of bonds.

a. Timing of Sale. In recent years, volatile market conditions have forced municipal issuers to carefully time their tax-exempt borrowings. Factors such as wildly fluctuating interest rates, unprecedented upheaval in the international economic community, and regular federal tax reform proposals have combined to create a very unstable tax-exempt market environment. To assist its clients with the timing of proposed issues, PFM closely monitors all such developments and evaluates the potential impact of each on new-issue, tax-exempt securities.

b. Target Buyers. PFM maintains extensive mailing lists, targeted by region and debt structure, of not only potential underwriters but also major investors to whom all disclosure materials should be distributed. Utilizing these lists, PFM can ensure that all interested parties are provided with all the information they need to make an informed investment decision concerning the issuer's proposed offering. Furthermore, PFM encourages interest in the issuer's new issues through our direct contact with many major underwriting desks. The advantages of this activity are two-fold. First, PFM is able to inquire about the possible impact of different financing features including early call provisions or the resizing after award of the bonds. Second, by canvassing potential investors and underwriters, PFM is able to give added market exposure to any of the issuer's new bond issues.

c. Marketing Information.

(1) Disclosure Documents. For the District's offering, PFM will work closely with the administrative staff to ensure that the District's primary information disclosure document, the Preliminary Official Statement (the "POS"), is in full compliance with industry standards and the guidelines developed by the GFOA and MSRB. To the extent needed, our advisory team will review the District's existing POS format and recommend any changes that may enhance the presentation of relevant information. With minor modification following the sale, the POS becomes the final OS—the public document of record for the financing and the District's only official contact to most of your investors.

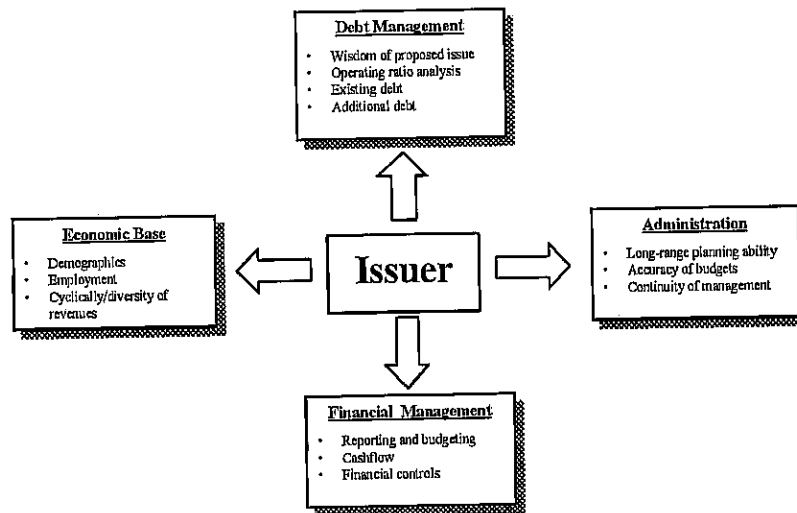
(2) Information Meetings. PFM will closely monitor the number and composition of all underwriting syndicates that are organized for the District's bonds. We will interact directly with these groups and respond promptly to any questions that may arise concerning the issue. When it is deemed appropriate, PFM will organize and participate in investor information meetings to describe in greater detail all elements of the transaction. These could be held both nationally (usually in New York) and regionally to include all Florida firms that may have an interest in the District's bonds.

(3) Marketing Calls. In those cases where we are working directly with the District on a competitive sale, PFM will follow up the mailing of the POS the week before the sale with individual calls to all the major national and regional firms that we feel should be interested in the financing to answer any specific questions they might have and to encourage them to submit bids to the District. We have found that this process has been very successful in increasing the number and competitiveness of the bids an issuer would receive.

(4) Bid Forms. In its preparation of the official bid form, PFM will work with the District's bond counsel to ensure that all statutory requirements are satisfied. In addition to these legal constraints, PFM will evaluate the impact of various bidding provisions on the resulting debt service schedule. Our efforts would be designed to allow bidders maximum flexibility as long as the interests of the District are protected.

8. Rating Agency Presentations. PFM has developed considerable experience working with the major national rating agencies. As a result of our experience advising more than one hundred clients each year to issue tax-exempt securities for a wide range of purposes, PFM has developed a clear understanding of the analytical methods utilized by Moody's Investors Service, Standard & Poor's Inc. and Fitch Investor Service, Inc. Our professional staff is trained to conduct in-depth credit analyses comparable to the rating agencies' own analyses so that both credit strengths and weaknesses can be identified by the District prior to the presentation of materials to rating analysts.

PFM believes each issuer should pursue an indication from the rating agencies of what underlying credit ratings any proposed bond issue would receive. An underlying credit rating of A or better would enhance the marketability of the bonds, thus reducing interest costs associated with the issue. By asking for a rating indicator, the District could receive feedback from the rating agencies of strengths and weaknesses in the District's economic base, debt management, administration, and fiscal management.



Part of PFM's scope of services includes working closely with the rating agencies to fully understand their concerns and methodology. If a rating agency presentation is warranted, PFM will design the District's presentation to specifically address each agency's questions in a meaningful way. We maintain close personal contact with staff members at the rating agencies regarding their views of debt covenants for toll revenue bonds, innovative financing techniques and unusual debt structures.

9. Assist with the Pricing of the Bonds. PFM has built its entire reputation upon our financial advisory and consulting practice in the area of municipal finance. PFM's record of participation in the field of municipal finance is unrivaled by any other independent financial advisor and compares favorably to the performance of major national investment banking houses. For each of the past three years, PFM has advised governments on more than one hundred fifty financings per year, thereby assuring our clients that PFM is as active in the municipal debt market as any Wall Street firm. This record of involvement on as frequent a basis as investment banks has kept us in touch with the municipal market and gives us the needed perspective to assist our clients to market and price their debt issues in a knowledgeable manner.

In addition to our frequent involvement in the market representing our clients, PFM has committed a significant portion of its research effort into studying the municipal markets and the factors that affect the manner in which an individual security is priced in that market. As a result of that effort, PFM has developed a quantitative model that uses a daily tax-exempt pricing matrix developed by the Delphis Hanover Corporation for a group of the nation's largest tax-exempt fund managers to price their portfolios on a daily basis, to quantify the aggressiveness of any individual new issue pricing relative to the rest of the market. This model complements PFM's already extensive anecdotal knowledge of the markets and gives us the unique ability to

provide our clients with quantifiable and objective data to support our pricing recommendations. Finally, no other municipal financial advisor has committed itself to the investment advisory business in the way that PFM has. Since our Investment Advisory Group has three "traders" who execute trades for client's accounts averaging \$150 million per day, we are in total and daily contact with the U. S. government bond market, the market that heavily influences the pricing of municipal securities.

After the pricing is completed, PFM will provide the District with a financial advisor's memorandum so that the District can evaluate the fairness of the pricing of its bonds. Contained in the memorandum is a list of yields on recently priced comparable issues, a list of underwriter's fees on recently priced comparable issues, municipal market conditions leading up to and on the day of the sale, a description of the call provisions, ratings, credit enhancements and special features of the issue and a general background of the issue. This document serves not only as a measure of the fairness of the sales terms but as a comprehensive reference to which the District may refer in the future.

10. *Assist with Closing the Bond Issue.* PFM will work with all parties involved with the closing to prepare a schedule of tasks to be completed prior to closing and identify the party responsible for completing the task. These tasks include printing and preparing bond certificates (if printed bonds are used), completing the final official statement, preparing closing documents, arranging for the transfer of funds and investment of funds.

In preparation for closing, PFM will work with the District's bond counsel and other members of the financing team to prepare and review all required documentation. This will include our direct dealings with the official statement printer and bond printer, as well as coordination of bond registration with the underwriter and registrar. Our advisory team will arrange for either registration of the bonds with the Depository Trust Company or delivery of the bonds and the simultaneous transfer of "same day" funds into the accounts identified by the District. PFM will assist in the purchase of U.S. Treasury securities for the construction account. Other closing arrangements will also be completed so that officials of the District can be confident that each transaction will be completely and professionally brought to a close.

PFM is also prepared to offer the District its full range of investment management and arbitrage rebate compliance services. If needed, PFM Asset Management LLC will perform these services.

**EXHIBIT B  
FEE SCHEDULE**

A. Fees for transactional and non-transaction work:

1. The compensation schedule for COP, Sales Tax and other long-term financings subject to (1) a minimum fee of \$17,500 per transaction, (2) a maximum fee of \$70,000 per transaction and (3) an additional fee of \$2,500 for refunding transactions is:

| <u>Bond Size (\$000)</u> | <u>Incremental Fee Per \$1,000</u> |
|--------------------------|------------------------------------|
| 1 - 40,000               | \$0.65                             |
| 40,001 - 80,000          | \$0.45                             |
| > 80,000                 | \$0.25                             |

2. For RAN or TAN financings the fee is 60% of the above referenced fees. For QZABs the fee is hourly (rates shown below) with a maximum fee of \$10,000.

3. In the event the District requests that PFM perform special projects (capital planning, etc.) we propose the following hourly rates for the indicated levels of experience or their equivalents:

| <u>Experience Level</u>  | <u>Hourly Rate</u> |
|--|--------------------|
| Senior Professional<br>(Managing Director, Senior Managing Consultant) | \$195.00           |
| Consultant   | \$180.00           |
| Administrative Staff   | \$90.00            |

B. In addition to advising on financings and capital planning, PFM and/or PFM Asset Management LLC are often called upon to perform many additional duties. These may include structuring and implementation of the refunding escrow, debt service reserve and debt service payment fund investment structuring, investment of surplus general fund and capital fund money, investment agreement and float contract bidding, investment liquidation, interest rate swap pricing and implementation, and other related services. These services are subject to a separate fee to be negotiated in advance at the time of the service. PFM fully discloses all fees related to any transaction.

C. PFM proposes the following rates for reimbursable expenses incurred in providing financial advisory services to the District subject to the limitations in Section II of this Agreement:

| <u>Type of Expense</u>      | <u>Rate</u>                    |
|-----------------------------|--------------------------------|
| Photocopies                 | \$0.15 per page                |
| Faxes                       | \$1.00 per page sent           |
| Long Distance Telephone     | At Cost                        |
| Conference Calls            | At Cost                        |
| Travel                      | In accordance with F.S.112.061 |
| Mileage                     | In accordance with F.S.112.061 |
| Postage                     | At Cost                        |
| Courier, Overnight Delivery | At Cost                        |