



# **PROFESSIONAL SERVICES AGREEMENT**

*By and Between*

**KEYANALYTICS**

**and**

**LA CANADA UNIFIED SCHOOL DISTRICT**

**for**

***CFS KeyAnalytics  
Operational Support Services***

**THIS AGREEMENT**, commencing on May 1, 2018, by and between La Canada Unified School District, located in Los Angeles County, California, a school district duly organized under the laws of the State of California (the “DISTRICT”), and C Financial Investment, Inc., a California corporation d.b.a. KEYANALYTICS (the “CONSULTANT”).

#### **WITNESSETH**

**WHEREAS**, the DISTRICT has determined it has an immediate and ongoing need for the CONSULTANT to provide the professional consulting services set forth in Section I of this AGREEMENT including the referenced Exhibits attached hereto;

**WHEREAS**, the DISTRICT and the CONSULTANT have reasonably concluded that the described services herein do not currently constitute municipal advisory services as the term is applied by the SEC and the MSRB to firms acting as an advisor in connection with the analyzing, structuring or advising on matters related to the structuring and/or issuing of municipal securities;

**WHEREAS**, the CONSULTANT has disclosed that it is specifically not qualified to provide legal or investment advice related to legal matters that impact the use or restrictions of certain funds or the investment of any DISTRICT funds as part of its services hereunder;

**WHEREAS**, the services required and described in this AGREEMENT are highly specialized and are not otherwise required by the DISTRICT except during periods when capital facilities are being funded and expended for its School Funding Program (“SFP”), for the ongoing maintenance and compliance related to any resulting municipal issuances, and/or State SFP applications; and

**NOW, THEREFORE**, it is mutually agreed as follows:

The DISTRICT hereby retains the CONSULTANT to perform the services, upon the terms, subject to the conditions, and in consideration of payments as hereinafter set forth.

#### **I. SERVICES TO BE PROVIDED BY CONSULTANT**

The CONSULTANT shall perform the services (“Consulting Services”) set forth in the statement of work (the “Statement of Work”) that is attached as Exhibit A to this AGREEMENT in a diligent manner consistent with the usual and customary professional standards. This AGREEMENT and the Statement of Work shall be referred to collectively herein as the “AGREEMENT”.

The CONSULTANT may be directed by the DISTRICT in writing to perform supplemental tasks, analyses, expert testimony or assignments related to the provision of the services in this AGREEMENT (“Special Related Consulting Services”). Such Special Related Consulting Services are intended to supplement the Consulting Services as described herein as circumstances may, from time-to-time, require assistance with matters related to but not contemplated by this AGREEMENT.

## II. COMPENSATION FOR SERVICES RENDERED

### A. FEES

DISTRICT shall pay CONSULTANT a fee computed according to the fee schedule incorporated into the attached Statement of Work ("Fee Schedules") for the Consulting Services rendered.

The DISTRICT agrees to pay and the CONSULTANT agrees to receive as full compensation for the rendering of any Special Related Consulting Services, based on the time and materials expended at a rate of \$250 per hour plus expenses as described herein. The CONSULTANT will provide a 10% discount per hour for hours exceeding ten (10) hours in a month.

### B. REIMBURSEMENT FOR OUT-OF-POCKET EXPENSES

Unless otherwise stated within the Fee Schedule, CONSULTANT shall be reimbursed for out-of-pocket expenses, which include extraordinary travel expenses, charges for outside services specifically requested by the DISTRICT, filing fees, other printing charges and other like expenditures -- provided that if any individual expense exceeds \$500.00, the CONSULTANT shall obtain the PRIOR WRITTEN APPROVAL of the DISTRICT'S superintendent, chief business officer or facility planning representative -- each of whom shall be a employee. The CONSULTANT shall be reimbursed for such expenses upon submitting an itemized statement therefore. These expenses shall be billed no more frequently than monthly, if incurred, and payable within thirty (30) days of receipt of the CONSULTANT's invoice.

### C. INVOICES

Unless otherwise stated within the Fee Schedules, on or about the 15<sup>th</sup> day following each month during which Consulting Services are rendered hereunder, CONSULTANT shall deliver to DISTRICT an invoice for the Consulting Services performed and the reimbursable expenses incurred in the prior month. All fees and reimbursable expenses shall be payable within thirty (30) days of receipt of the undisputed CONSULTANT's invoice.

## III. OTHER MATTERS

- A. **DISTRICT Facilities Data Stored on DATA VAULT:** The CONSULTANT will provide DISTRICT access to the CONSULTANT'S proprietary online **DATA VAULT** to manage, tag, upload, organize and store important documentation required for OPSC closeout audits, Federal reporting obligations and local DISTRICT revenue/funding sources compliance requirements. The CONSULTANT shall take commercially reasonable steps to protect such data from loss or theft but shall not take extraordinary measures to protect data stored in the vault.

The DISTRICT is advised to retain copies of items stored in the vault and only to store non-confidential documents as part of utilizing this service.

- B. Severability:** Should any portion of the AGREEMENT be invalidated through legal proceedings the remaining portions of the AGREEMENT shall remain valid and binding upon both parties.
- C. Sub-consultants:** The CONSULTANT may utilize inputs and data provided by the DISTRICT, DISTRICT consultants, or other third parties retained by the CONSULTANT without or at the direction of the DISTRICT. The CONSULTANT agrees that all payments to such sub-consultants retained by the CONSULTANT shall be the sole responsibility of the CONSULTANT.
- D. Independent Contractor Status:** The CONSULTANT, and any and all agents and employees of CONSULTANT, shall perform the Consulting Services required pursuant to this AGREEMENT as an independent contractor, not as officers, employees or agents of the DISTRICT. In providing the Consulting Services contemplated by this AGREEMENT, the CONSULTANT shall maintain a professional working relationship with the DISTRICT.
- E. Indemnity:** The CONSULTANT shall indemnify, defend and hold the DISTRICT, its Board of Trustees, officers, agents, and employees harmless from any and all claims, damages, losses, causes of action and demands, including reasonable attorney's fees and costs, incurred in court action with or in any manner arising out of the CONSULTANT'S performance of, or failure to perform, any of the duties contemplated by this AGREEMENT, unless such failure was caused in whole or in part by a negligent act or omission of the DISTRICT.
- The DISTRICT shall indemnify and hold the CONSULTANT, its agents and employees harmless from any and all claims, damages, losses, causes of action and demands, including reasonable attorney's fees and costs, incurred in court action with or in any manner arising out of the DISTRICT'S performance of, or failure to perform, any of the duties for which the DISTRICT is responsible to perform pursuant to this AGREEMENT, unless such failure was caused in whole or in part by a negligent act or omission of the CONSULTANT.
- F. Taxes:** The CONSULTANT shall be liable and solely responsible for paying all required taxes, including, but not limited to, federal and state income taxes and social security taxes, on all amounts payable to the CONSULTANT. All payments to the CONSULTANT shall be reported to the appropriate State and Federal tax authorities as required.
- G. Amendment:** This AGREEMENT cannot be changed or supplemented orally and may be modified only by written instrument executed by all parties.
- H. Compliance with Law:** While performing the Consulting Services contemplated by this AGREEMENT, the CONSULTANT and the DISTRICT agree to comply with all applicable laws and regulations.

- I. Work Records:** All documents developed under this AGREEMENT are and shall become the property of the DISTRICT. It is understood that and agreed that the DISTRICT'S right to documents produced by the CONSULTANT pursuant to this AGREEMENT shall not include and ownership interest, license or possession of any computer models, or databases.

The CONSULTANT shall be entitled to retain copies of all such documents and materials for a period of up to five (5) years following termination or expiration of this AGREEMENT. However, the data files shall remain the property of the DISTRICT.

- J. Entire Agreement:** This AGREEMENT constitutes the entire agreement between the parties and supersedes all prior negotiations, representations, or agreements, either written or oral relating to the Consulting Services to be provided in the AGREEMENT. Prior agreements not directly related to the Consulting Services to be provided in this AGREEMENT shall remain in full force and effect.
- K. Successors and Assigns:** The DISTRICT and the CONSULTANT each bind themselves, their partners, successors, legal representatives, and assigns of such other party in respect to all covenants of this AGREEMENT. Neither the DISTRICT or the CONSULTANT shall assign or transfer their interest in the AGREEMENT without the consent of the other.
- L. Execution of the AGREEMENT in Counterparts:** This AGREEMENT may be executed in several counterparts each of which shall be an original. Electronic signatures may be provided to this AGREEMENT or any amendment thereto consistent with the provisions of the California Uniform Electronic Transactions Act.
- M. Term of the AGREEMENT:** The term of this AGREEMENT shall be from May 1, 2018 to May 1, 2023.
- N. Termination of the AGREEMENT:** This AGREEMENT, after an initial period of three years, may be terminated by either party, without cause, upon thirty (30) days written notice of either the DISTRICT or the CONSULTANT. All fees (other than hourly fees that shall be paid on an hourly basis notwithstanding termination) shall be prorated according to the percentage of work completed by the CONSULTANT on the date of DISTRICT termination of other consulting services to be provided under this AGREEMENT, and are due and payable no later than the effective date of termination.
- O. Suspension of DISTRICT Capital Facilities Program:** In the event the DISTRICT'S Capital Facilities Program collective Capital Facilities Fund accounts (collectively "Program Funds") being tracked by the CONSULTANT collective fund balance is less than two million for more than sixty (60) calendar days, the CONSULTANT will reduce its monthly fee set forth in the attached Exhibit A – Statement of Work from \$3,500 to \$1,500 per month. At such time as the combined Program fund balances subsequently exceed two million, the CONSULTANT'S fee would then revert back to \$3,500 per month.

- P. Fee Disputes:** The parties agree to work cooperatively to resolve any fee disputes that arise during the term of this AGREEMENT. Should such efforts fail to resolve any dispute(s), the parties agree that any legal costs incurred to enforce the terms of this agreement shall be recoverable by the prevailing party.
- Q. Notices:** Except for invoices submitted by the CONSULTANT, all notices or other communications to either party by the other shall be deemed given when made in writing and delivered, mailed or send by electronic transmission to such party at their respective addresses as follows:

**If to DISTRICT:**

**Gretchen Bergstrom**  
*Director of Fiscal Services - Supervisor*  
**La Canada Unified School District**  
4490 Cornishon Avenue  
La Canada, CA 91011  
Phone: (818) 952-8386  
*gbergstrom@lcsd.net*

**If to CONSULTANT:**

**Tarana Alam**  
*Vice President,*  
***KeyAnalytics Operational Support Services***  
**California Financial Services**  
555 Corporate Drive, Suite 100  
Ladera Ranch, CA 92694  
Phone: (949) 282-1077  
*talam@calschools.com*

All notices shall be effective immediately upon personal delivery or electronic transmission; or on the first business day after delivery to an overnight delivery service, or on the third business day if mailed, postage prepaid.

**IV. DISPUTE RESOLUTION**

DISTRICT and CONSULTANT shall use good faith efforts to resolve all disputes informally through direct discussions between the DISTRICT and a representative of the CONSULTANT to be appointed by the CONSULTANT for this purpose.

If the parties cannot resolve their dispute by direct consultation, the dispute shall be referred to mediation through the offices of Judicial Arbitration and Mediation Services (JAMS) at the JAMS office which is geographically most closely located to the chief administrative office of the DISTRICT. The parties shall jointly attempt to agree on a mediator from a list of mediators provided by JAMS but if they cannot so agree, they shall request that JAMS provide the parties with a list of potential mediators containing an odd number of not less than five, and the DISTRICT and the CONSULTANT shall alternatively strike one name from the list with the last remaining name deemed to be the mediator selected by the parties.

If the dispute is not resolved in mediation, the matter shall then be submitted to binding arbitration through JAMS and such arbitration shall be conducted pursuant to the JAMS Streamlined Arbitration Rules & Procedures.

Nothing contained herein shall limit either party from seeking injunctive or equitable relief from a court of competent jurisdiction, provided that such injunctive or equitable relief shall be solely in addition to, and not in substitution for the dispute resolution process otherwise provided herein.

The prevailing party in any arbitration or litigation procedure shall be entitled, in addition to any other relief to an award of reasonable attorney's fees incurred.

**IN WITNESS WHEREOF**, the DISTRICT has caused this AGREEMENT to be properly executed and the CONSULTANT has caused this AGREEMENT to be properly executed, as of the date hereinabove set forth.

**LA CANADA UNIFIED SCHOOL DISTRICT**

**By:** \_\_\_\_\_

**Mark E. Evans**

**Title: Assistant Superintendent of Business and Administrative Services**

**CALIFORNIA FINANCIAL SERVICES**

**By:** \_\_\_\_\_

**Michael Ogburn  
Senior Vice President**

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## EXHIBIT A

### STATEMENT OF WORK

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## **KEYANALYTICS**

*Strategic Cash Flow Planning,  
Project Tracking/Reporting &  
Ongoing Compliance Support Services*





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## STATEMENT OF WORK

### ***KEYANALYTICS PROJECT TRACKING AND REPORTING SERVICES***

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#### SERVICES TO BE PROVIDED BY CONSULTANT

The CONSULTANT shall provide its ***KeyAnalytics Project Tracking, Reporting and Compliance Services*** needed to assist the DISTRICT in developing, implementing, and overseeing a ***Facilities Financial Management, Reporting and Compliance System*** that is integrated with the DISTRICT'S existing fiscal system operated by the County and/or the DISTRICT. The CONSULTANT shall receive financial data from the DISTRICT at least monthly in a form exported from the DISTRICT'S Fiscal System to be uploaded by the CONSULTANT to its ***CFS InternetAccess*** platform. The Financial Management & Reporting System is designed to support and enhance the ability of the DISTRICT needed for tracking all major aspects of the of the Measure LCF Program ("LCF").

Set forth below are the major service areas and requirements that the CONSULTANT will assist the DISTRICT with under this AGREEMENT.

#### **I. PROJECT TRACKING AND REPORTING SERVICES**

These Consulting Services consist of the following:

- A. TRACKING MULTIPLE REVENUE SOURCES:** The CONSULTANT will track all revenue sources that are being used by the DISTRICT to fund a portion and/or all of the LCF projects, including each G.O. Bond Series issued, Fund 35, Fund 14, Fund 25, Certificates of Participation financings, etc., as applicable.
- B. PROJECT BUDGETS:** The CONSULTANT will track initial project **BUDGETS**, changes to budgets, and the impact of those changes to the DISTRICT'S overall revenue on a cumulative basis.
- C. PROJECT EXPENDITURES:** The CONSULTANT will track LCF project **EXPENDITURES** from the each LCF revenue source individually and on a **CUMULATIVE** basis, from project inception to closeout.
- D. PURCHASE ORDERS AND CONTRACTS:** The CONSULTANT will track **PURCHASE ORDERS** and **CONTRACTS** from the LCF multiple revenue sources on a cumulative basis.
- E. INVESTMENT EARNINGS, TRANSFERS, AND DEPOSITS:** The CONSULTANT will track **INVESTMENT EARNINGS, FUND TRANSFERS, DEPOSITS**, etc. from each LCF revenue source on a cumulative basis.

- G. **ELECTRONIC DATA UPLOADS:** The CONSULTANT will electronically **UPLOAD** financial data directly from the Los Angeles County PeopleSoft reports **without** manual entry or change to the DISTRICT'S accounting procedures and internal controls. This upload feature eliminates the need for DISTRICT staff to double enter the same data twice, once into the County's PeopleSoft system and then again to a spreadsheet, or other standalone database, thereby preventing data transposition and errors.
- H. **CASH RECONCILIATION:** The CONSULTANT will **RECONCILE** LCF Building fund account(s) with Los Angeles County General Ledger reports and reconcile to 9110 cash balances in each period for accuracy. This feature will enable the DISTRICT to avoid **OMISSIONS** of expenditures or other transactions that affect cash balances.
- I. **SORT AND GROUP DATA:** **CFS INTERNETACCESS** will provide the DISTRICT with tools to **SORT** and **GROUP** data in a variety of ways from a **MICRO** transaction level to a **MACRO** program level.
- J. **TEN SPECIALTY REPORTS:** Under the CONSULTANT'S Consulting Services, the DISTRICT will have access to ten (10) specialty reports that are designed to meet the need for information from a summary, Board update level, to a transactional, staff and auditor detail level.
- K. **SECURE ONLINE ACCESS:** The CONSULTANT'S Operational Support Systems will provide the DISTRICT'S **AUTHORIZED** staff and construction team with **SAFE** and **SECURE** access to **CFS INTERNETACCESS** from anywhere an internet connection is available.
- L. **NO EXTRA FEES:** The CONSULTANT will **not** charge any additional license fees, web user fees, or extra staff navigation and training fees.

## II. PROPOSITION 39, STATE AND LOCAL COMPLIANCE SERVICES

These Consulting Services consist of the following:

- A. **CITIZEN'S OVERSIGHT COMMITTEE REPORTING REQUIREMENT:** The CONSULTANT will provide the **CITIZEN'S OVERSIGHT COMMITTEE** ("COC") with accurate and concise expenditure reports that are mandated by the Prop. 39 statues on a quarterly basis. These reports include the DISTRICT'S Board approved priority school projects, project timelines, project scope, construction progress status and pictures, and detailed project expenditures.

- B. ANNUAL REPORTS FROM THE COC TO THE BOARD:** This report is mandated by the Measure LCF Bylaws. The CONSULTANT will assist the COC in preparing this Annual Report to the Board which will reflect the COC members' meeting activity in the preceding year as it relates to Measure LCF project priorities, project times, and Measure LCF project expenditures.
- C. G.O. BOND PERFORMANCE AUDIT REQUIREMENT:** The CONSULTANT will assist the DISTRICT'S independent auditors with the financial information needed to prepare the annual Performance Audit that is mandated by the Prop. 39 statues.
- D. OPSC EXPENDITURE REPORTING REQUIREMENTS:** For all State eligible projects, the CONSULTANT will assist the DISTRICT with tracking project **EXPENDITURES** in the OPSC reporting format on a **CUMULATIVE** basis.
- E. OPSC ANNUAL FILINGS REQUIREMENTS:** For State eligible projects, the CONSULTANT will prepare the State's **ANNUAL** and **FINAL** expenditure reports and **50-06 FORMS** according to OPSC defined categories and guidelines.
- F. OPSC PROJECT INFORMATION WORKSHEET (PIW) FILING REQUIREMENT:** For State eligible projects, the CONSULTANT will prepare and file the PIW as required by OPSC in the beginning of the project, one year from the date of the first fund release, and upon final project closeout.
- G. OPSC CLOSEOUT AUDIT REQUIREMENTS:** For State eligible projects, the CONSULTANT will assist the DISTRICT with the OPSC **CLOSEOUT** audit, including responding to OPSC correspondence, requests for backup documentation of reported transactions, and 15-day letters.
- H. OPSC PROJECT PROGRESS REPORT REQUIREMENT:** The CONSULTANT will prepare project **PROGRESS REPORTS** every 18 months regarding project construction progress for State eligible projects.
- I. OPSC REPORTING OF PROJECT SAVINGS REQUIREMENT:** The CONSULTANT will assist the DISTRICT in preserving State funds and limiting the return of any project savings back to OPSC.
- J. AVOIDING RED FLAGS AND OPSC AUDIT TRIGGERS:** The CONSULTANT will assist the DISTRICT in complying with OPSC's latest guidelines and reporting provisions in order to avoid red flags and OPSC audit pitfalls.

- K. **RECORDKEEPING AND ALLOCATION REQUIREMENT:** In addition to tracking Program Funds, the CONSULTANT will provide the DISTRICT access to its proprietary **DATAVAULT**, which is a paperless data repository system for tagging, cataloging, and storing important documents for general record keepings as well as retrieval of important documents in the event of a potential audit by the OPSC, IRS, and OPSC.
- L. **IRS ARBITRAGE REBATE REQUIREMENTS:** The CONSULTANT'S staff will **MONITOR** investment earnings and assist the DISTRICT in complying with the **ARBITRAGE REBATE** provisions of the G.O. Bond financing documents by providing expenditure reports contained within the CONSULTANT'S *InternetAccess database system* to the DISTRICT'S professional firm selected to ensure federal compliance.

### **COMPENSATION FOR CONSULTANT SERVICES**

The DISTRICT agrees to pay and the CONSULTANT agrees to receive as full compensation for the rendering of the **KeyAnalytics Project Tracking, Reporting and Compliance Services**, as described above, the following amounts:

- A. **INITIAL SETUP FEE:** A one-time **InternetAccess Platform** set-up fee of \$7,500 (***which will be reduced to \$4,500 in the event the DISTRICT approves this AGREEMENT by May 30, 2018***) for the CFS InternetAccess database system setup that includes the creation of a comprehensive coding system that is integrated with the DISTRICT'S chart of accounts and internal coding system.
- B. **STAFF TRAINING SESSIONS:** In addition, the CONSULTANT will provide DISTRICT staff training sessions, as needed, regarding the use of an access to the CFS proprietary database platform – **CFS InternetAccess**. This fee is due to the CONSULTANT within thirty days after the execution of this AGREEMENT.
- C. **MONTHLY FEE:** A monthly fee of **\$3,500** for the above CONSULTANT'S ongoing **KeyAnalytics Project Tracking, Reporting and Compliance Services** including uploading data and providing general support and assistance in reconciling future financial data and preparing reports for DISTRICT staff, DISTRICT auditors, and the COC as directed by the DISTRICT.
- D. **DISTRICT PAYMENTS TO CONSULTANT:** Such fees are payable quarterly by the DISTRICT to the CONSULTANT from the inception of each LCF project until the final LCF project expenditure report is completed, and will be billed quarterly as of the first day of March, June, September and December of each year.
- E. **OTHER REQUESTED SPECIAL RELATED CONSULTING SERVICES:** A fee of \$250 per hour for assistance with special data requests and other Special Related Consulting Services periodically requested by the DISTRICT. ***The DISTRICT is under no obligation to utilize the CONSULTANT for OPSC audit assistance as part of this AGREEMENT.*** Any, if any, additional Special Related Consulting Services will only be provided by the CONSULTANT at such times as authorized by the DISTRICT.
- F. **DATA VAULT STORAGE:** Storage of DISTRICT selected LCF Program documentation for seven (7) years is included in the annual fee for services for so long as the CONSULTANT is continuously providing **KeyAnalytics** services.

*After seven (7) years, the DISTRICT may maintain its active **DATA VAULT** for a fee of \$250 per year or request the DISTRICT data be transferred to a storage medium provided to the CONSULTANT by the DISTRICT.*

# MSRB G-42

## CLIENT DISCLOSURE

### Potential Conflicts of Interest

This AGREEMENT includes OPTIONAL Consulting Services to be provided at an hourly rate of \$250 for each of the CONSULTANT'S professional staff members. In order for the CONSULTANT to provide any consulting services that might be deemed "*municipal advisory*" services, the Municipal Securities Rulemaking Board requires us, before acting as your municipal advisor, to provide written disclosure to you about the actual or potential conflicts of interest presented by various forms of compensation. We believe we are obligated to provide this disclosure unless you have required that a particular form of compensation be used. After considering these potential conflicts, the DISTRICT should select a form of compensation that best meets its needs and the agreed upon scope of Optional Consulting Services.

**Forms of compensation; potential conflicts.** The forms of compensation for municipal advisors vary according to the nature of the engagement and requirements of the client, among other factors. Various forms of compensation present actual or potential conflicts because they may create an incentive for an advisor to recommend one course of action over another if it is more beneficial to the advisor to do so. This document discusses various forms of compensation and the timing of payments to the advisor.

**Fixed fee.** Under a fixed fee form of compensation, the municipal advisor is paid a fixed amount at the outset of the transaction. The amount is usually based upon an analysis by the client and the advisor of, among other things, the expected duration and complexity of the transaction and the agreed-upon scope of work that the advisor will perform. This form of compensation presents a potential conflict of interest because, if the transaction requires more work than originally contemplated, the advisor may suffer a loss. Thus, the advisor may recommend less time-consuming alternatives, or fail to do a thorough analysis of alternatives. There may be additional conflicts of interest if the municipal advisor's fee is contingent upon the successful completion of a financing, as described below.

**Hourly fee.** Under an hourly fee form of compensation, the municipal advisor is paid an amount equal to the number of hours worked by the advisor times an agreed-upon hourly billing rate. This form of compensation presents a potential conflict of interest if the client and the advisor do not agree on a reasonable maximum amount at the outset of the engagement, because the advisor does not have a financial incentive to recommend alternatives that would result in fewer hours worked. In some cases, an hourly fee may be applied against a retainer (e.g. a retainer payable monthly), in which case it is payable whether or not a financing closes. Alternatively, it may be contingent upon the successful completion of a financing, in which case there may be additional conflicts of interest, as described below.

**Fee contingent upon the completion of a financing or other transaction.** Under a contingent fee form of compensation, payment of an advisor's fee is dependent upon the successful completion of a financing or other transaction. Although this form of compensation may be customary for the client, it presents a conflict because the advisor may have an incentive to recommend the unnecessary financings or financings that are disadvantageous to the client. For example, when facts or circumstances arise that could cause the financing or other transaction to be delayed or fail to close, an advisor may have an incentive to discourage a full consideration of such facts and circumstances, or to discourage consideration of alternatives that may result in the cancellation of the financing or other transaction.

**Fee paid under a retainer agreement.** Under a retainer agreement, fees are paid to a municipal advisor periodically (e.g. monthly) and are not contingent upon the completion of a financing or other transaction. Fees paid under a retainer agreement may be calculated on a fixed fee basis (e.g., a fixed fee per month regardless of the number of hours worked) or an hourly basis (e.g. a minimum monthly payment with additional amounts payable if a certain number of hours worked is exceeded). A retainer agreement does not present the conflicts associated with a contingent fee arrangement (described above).

**Fee based upon a principal or notional amount and term of transaction.** Under this form of compensation, the municipal advisor's fee is based upon a percentage of the principal amount of an issue of securities (e.g. bonds) or, in the case of a derivative, the present value of or notional amount and term of the derivative. For other services, the fee may be based on project size or funds being tracked with accounting and compliance services and software. This form of compensation presents a conflict of interest because the advisor may have an incentive to advise the client to increase the size of the securities issue or scope of funds being monitored or modify the derivative for the purpose of increasing the advisors' compensation.

### **Acknowledgement**

The undersigned hereby acknowledges that he/she has received this disclosure and that he/she has been given the opportunity to request an additional copy of the contract for review, if needed, as well as raise questions and discuss the foregoing matters with the DISTRICT's counsel or other advisors.

**La Canada Unified School District**

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Mark E. Evans,  
Assistant Superintendent of Business  
and Administrative Services

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Date