

August 30, 2019

Cedar Falls Community School District  
Attn: School Board  
1002 W. 1<sup>st</sup> Street  
Cedar Falls, IA 50613

Re: Placement Agent Engagement Letter  
School Infrastructure Sales, Services & Use Tax Revenue Bonds, Series 2019

Dear Ladies and Gentlemen:

On behalf of D.A. Davidson & Co. (“we” or “Davidson”), we wish to thank you for the opportunity to serve as placement agent for the Cedar Falls Community School District, Iowa (“you” or the “Issuer”) on its proposed offering and issuance of approximately \$10,000,000 School Infrastructure Sales, Services & Use Tax Revenue Bonds, Series 2019 (the “Securities” or “Loan”). In compliance with Municipal Securities Rulemaking Board (“MSRB”) Rule G-23, this letter will confirm the terms of our engagement.

1. Services to be Provided by Davidson. The Issuer hereby engages Davidson to serve as placement agent of the proposed offering and issuance of the Loan(s), and in such capacity Davidson agrees to provide the following services:

- Review and evaluate the proposed terms of the offering and the Loan(s)
- Develop a marketing plan for the offering, including identification of potential investors
- Assist in the preparation of the offering documents
- Contact potential investors, provide them with offering-related information, respond to their inquiries and, if requested, coordinate their due diligence sessions
- Consult with counsel and other service providers about the offering and the terms of the Securities
- Inform the Issuer of the marketing and offering process
- Negotiate the pricing, including the interest rate, and other terms of the Securities
- Plan and arrange for the closing and settlement of the issuance and the delivery of the Securities
- Such other usual and customary placement services as may be requested by the Issuer
- Prepare credit presentations and distribute to potential investors

In addition, at the Issuer's request, Davidson may provide incidental advisory services, including advice as to the structure, timing, terms and other matters concerning the issuance of the Loan(s).

Davidson is required to make the following disclosure pursuant to Municipal Securities Rulemaking Board ("MSRB") Rule G-23: Davidson will be providing such advisory services in its capacity as underwriter and not as a municipal advisor to the Issuer. As placement agent, Davidson's primary role is to arrange for the placement of the Securities in an arm's length commercial transaction between the Issuer and Davidson. Davidson has financial and other interests that differ from those of the Issuer.

As placement agent, Davidson will not be required to purchase the Loan(s) or to find one or more buyers of the Loan(s), but rather to use its reasonable best efforts to sell the Loan(s) to one or more buyers.

In addition, the Issuer acknowledges receipt of certain regulatory disclosures as required by the MSRB that are attached to this agreement as Exhibit A. Issuer further acknowledges that Davidson may be required to supplement or make additional disclosures as may be necessary as the specific terms of the transaction progress.

2. Fees and Expenses. Davidson's proposed placement agent fee/spread is not to exceed 0.300% of the principal amount of the Securities issued. The Issuer shall be responsible for paying or reimbursing Davidson for all other costs of issuance, including without limitation, bond counsel and all other expenses incident to the performance of the Issuer's obligations under the proposed offering.

3. Term and Termination. The term of this engagement shall extend from the date of this letter to the closing of the offering of the Securities.

4. Miscellaneous. This letter shall be governed and construed in accordance with the laws of the State of Iowa. This Agreement may not be amended or modified except by means of a written instrument executed by both parties hereto. This Agreement may not be assigned by either party without the prior written consent of the other party.

If there is any aspect of this Agreement that you believe requires further clarification, please do not hesitate to contact us. If the foregoing is consistent with your understanding of our engagement, please sign and return the enclosed copy of this letter.

Again, we thank you for the opportunity to assist you with your proposed financing and the confidence you have placed in us.

Very truly yours,

D.A. Davidson & Co.

By:



Nathan S. Summers

Title: Vice President – Public Finance

Accepted this \_\_\_\_\_ day of \_\_\_\_\_, 2019

CEDAR FALLS COMMUNITY SCHOOL DISTRICT, IOWA

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

Title: \_\_\_\_\_

## EXHIBIT A

D.A. Davidson & Co. (hereinafter referred to as “Davidson” or “placement agent”) intends/proposes to serve as a placement agent, and not as a financial advisor or municipal advisor, in connection with the issuance of the Loan(s).

As part of our services as placement agent, Davidson may provide advice concerning the structure, timing, terms, and other similar matters concerning the issuance of the Loan(s).

### Disclosures Concerning the Placement Agent’s Role:

- (i) MSRB Rule G-17 requires a placement agent to deal fairly at all times with both municipal issuers and investors.
- (ii) The placement agent has a duty to place the Loan(s) from the Issuer at a fair and reasonable price, but must balance that duty with their duty to sell the Loan(s) to investors at prices that are fair and reasonable.

### Disclosures Concerning the Placement Agent’s Compensation:

As placement agent, Davidson will be compensated by a fee that has been set forth in the engagement letter. Payment or receipt of the placement fee will be contingent on the closing of the transaction and the amount of the fee may be based, in whole or in part, on a percentage of the principal amount of the Loan(s). While this form of compensation is customary in the municipal securities market, it presents a conflict of interest since the placement agent may have an incentive to recommend to the Issuer a transaction that is unnecessary or to recommend that the size of the transaction be larger than is necessary.

### Additional Conflicts Disclosure:

Davidson has not identified any additional potential or actual material conflicts that require disclosure.

### Disclosures Concerning Complex Municipal Securities Financing:

Since Davidson has recommended to the Issuer a financing structure that may be a “complex municipal securities financing” for purposes of MSRB G-17, the following is a description of the material financial characteristics of that financing structure as well as the material financial risks of the financing that are known to us and reasonably foreseeable at this time.

#### Risk Disclosures Pursuant to MSRB Rule G-17 - Fixed Rate Bonds

The following is a general description of the financial characteristics and security structures of fixed rate municipal bonds (“Fixed Rate Bonds”), as well as a general description of certain financial risks that you should consider before deciding whether to issue Fixed Rate Bonds.

### **Financial Characteristics**

**Maturity and Interest.** Fixed Rate Bonds are interest-bearing debt securities issued by state and local governments, political subdivisions and agencies and authorities. Maturity dates for Fixed Rate Bonds

are fixed at the time of issuance and may include serial maturities (specified principal amounts are payable on the same date in each year until final maturity) or one or more term maturities (specified principal amounts are payable on each term maturity date) or a combination of serial and term maturities. The final maturity date typically will range between 10 and 30 years from the date of issuance. Interest on the Fixed Rate Bonds typically is paid semiannually at a stated fixed rate or rates for each maturity date.

**Redemption.** Fixed Rate Bonds may be subject to optional redemption, which allows you, at your option, to redeem some or all of the bonds on a date prior to scheduled maturity, such as in connection with the issuance of refunding bonds to take advantage of lower interest rates.

Fixed Rate Bonds will be subject to optional redemption only after the passage of a specified period of time, often approximately ten years from the date of issuance, and upon payment of the redemption price set forth in the bonds, which may include a redemption premium. You will be required to send out a notice of optional redemption to the holders of the bonds, usually not less than 30 days prior to the redemption date. Fixed Rate Bonds with term maturity dates also may be subject to mandatory sinking fund redemption, which requires you to redeem specified principal amounts of the bonds annually in advance of the term maturity date. The mandatory sinking fund redemption price is 100% of the principal amount of the bonds to be redeemed.

### **Security**

Payment of principal of and interest on a municipal security, including Fixed Rate Bonds, may be backed by various types of pledges and forms of security, some of which are described below.

**Revenue Bonds.** “Revenue bonds” are debt securities that are payable only from a specific source or sources of revenues. Revenue bonds are not a pledge of your full faith and credit and you are obligated to pay principal and interest on your revenue bonds only from the revenue source(s) specifically pledged to the bonds. Revenue bonds do not permit the bondholders to compel you to impose a tax levy for payment of debt service. Pledged revenues may be derived from operation of the financed project or system, grants or excise or other specified taxes. Generally, subject to state law or local charter requirements, you are not required to obtain voter approval prior to issuance of revenue bonds. If the specified source(s) of revenue become inadequate, a default in payment of principal or interest may occur. Various types of pledges of revenue may be used to secure interest and principal payments on revenue bonds. The nature of these pledges may differ widely based on state law, the type of issuer, the type of revenue stream and other factors.

The description above regarding “Security” is only a brief summary of certain possible security provisions for the bonds and is not intended as legal advice. You should consult with your bond counsel and Financial Advisor for further information regarding the security for the bonds.

### **Financial Risk Considerations**

Certain risks may arise in connection with your issuance of Fixed Rate Bonds, including some or all of the following:

**Issuer Default Risk.** You may be in default if the funds pledged to secure your bonds are not sufficient to pay debt service on the bonds when due. The consequences of a default may be serious for you and, depending on applicable state law and the terms of the authorizing documents, the holders of the bonds, the trustee and any credit support provider may be able to exercise a range of available remedies against you. For example, if the bonds are secured by a general obligation pledge, you may be ordered by a court to raise taxes. Other budgetary adjustments also may be necessary to enable you to provide sufficient funds to pay debt service on the bonds. If the bonds are revenue bonds, you may be required to take steps to increase the available revenues that are pledged as security for the bonds. A default may negatively impact your credit ratings and may effectively limit your ability to publicly offer bonds or other securities at market interest rate levels. Further, if you are unable to provide sufficient funds to remedy the default, subject to applicable state law and the terms of the authorizing documents, you may find it necessary to consider available alternatives under state law, including (for some issuers) state-mandated receivership or bankruptcy. A default also may occur if you are unable to comply with covenants or other provisions agreed to in connection with the issuance of the bonds.

This description is only a brief summary of issues relating to defaults and is not intended as legal advice. You should consult with your bond counsel for further information regarding defaults and remedies.

**Redemption Risk.** Your ability to redeem the bonds prior to maturity may be limited, depending on the terms of any optional redemption provisions. In the event that interest rates decline, you may be unable to take advantage of the lower interest rates to reduce debt service.

**Refinancing Risk.** If your financing plan contemplates refinancing some or all of the bonds at maturity (for example, if you have term maturities or if you choose a shorter final maturity than might otherwise be permitted under the applicable federal tax rules), market conditions or changes in law may limit or prevent you from refinancing those bonds when required. Further, limitations in the federal tax rules on advance refunding of bonds (an advance refunding of bonds occurs when tax-exempt bonds are refunded more than 90 days prior to the date on which those bonds may be retired) may restrict your ability to refund the bonds to take advantage of lower interest rates.

**Reinvestment Risk.** You may have proceeds of the bonds to invest prior to the time that you are able to spend those proceeds for the authorized purpose. Depending on market conditions, you may not be able to invest those proceeds at or near the rate of interest that you are paying on the bonds, which is referred to as “negative arbitrage”.

**Tax Compliance Risk.** The issuance of tax-exempt bonds is subject to a number of requirements under the United States Internal Revenue Code, as enforced by the Internal Revenue Service (IRS). You must take certain steps and make certain representations prior to the issuance of tax-exempt bonds. You also must covenant to take certain additional actions after issuance of the tax-exempt bonds. A breach of your representations or your failure to comply with certain tax-related covenants may cause the interest on the bonds to become taxable retroactively to the date of issuance of the bonds, which may result in an increase in the interest rate that you pay on the bonds or the mandatory redemption of the bonds. The IRS also may audit you or your bonds, in some cases on a random basis and in other cases targeted to specific types of bond issues or tax concerns. If the bonds are declared taxable, or if you are subject to

audit, the market price of your bonds may be adversely affected. Further, your ability to issue other tax-exempt bonds also may be limited.

This description of tax compliance risks is not intended as legal advice and you should consult with your bond counsel regarding tax implications of issuing the bonds.

If you or any other Issuer officials have any questions or concerns about these disclosures, please make those questions or concerns known immediately to the undersigned. In addition, you should consult with the Issuer's own financial and/or municipal, legal, accounting, tax and other advisors, as applicable, to the extent you deem appropriate.