

PFM FINANCIAL ADVISORS LLC
AGREEMENT FOR FINANCIAL ADVISOR SERVICES

This agreement, made and entered into this _____ day of _____, 2020, by and between Willistown Township (hereinafter called the "Client") and PFM Financial Advisors LLC, (hereinafter called the "Financial Advisor" or "PFM") sets forth the terms and conditions under which the Financial Advisor shall provide services.

WHEREAS, Client is desirous of obtaining the financial advisory services of an advisor to assist in 1) performing an analysis to determine an estimated value of Willistown Township's sanitary sewer system and 2) assessing the feasibility of the restructuring of the Township's system (together called "Phase 1").

WHEREAS, PFM is capable of providing the necessary financial advisory services.

NOW, THEREFORE, in consideration of the above mentioned premises and intending to be legally bound hereby, Client and PFM agree as follows:

I. SCOPE OF SERVICES

PFM shall provide financial advisory services including but not limited to the items set forth in Exhibit A of this Agreement.

II. WORK SCHEDULE

The services of the Financial Advisor are to commence as soon as practicable after the execution of this Agreement and a request by the Client for such service. Expected completion of Phase 1 to be on or before April 1, 2020.

III. FINANCIAL ADVISORY COMPENSATION

For the services described, PFM's professional fees and expenses shall be paid as follows:

PFM shall apply a flat fee as listed below for the initial analysis including feasibility and value indications. Services will be billed at the conclusion of the Phase 1 engagement.

The Financial Advisory compensation for this Agreement will be \$7,500.

If the client decides to pursue a monetization after the initial analysis, PFM will provide additional fee arrangements.

Reimbursable Expenses

In addition to fees for services, PFM will be reimbursed for necessary, reasonable, and documented out-of-pocket expenses incurred, including: travel, meals, lodging, telephone, mail, and other ordinary cost and any actual extraordinary cost for graphics, printing, data processing and computer time which are incurred by PFM.

IV. TERMS AND TERMINATION

This agreement shall remain in effect unless canceled in writing by either party upon thirty (30) days written notice to the other party.

V. NON-ASSIGNABILITY

PFM shall not assign any interest in this Agreement or subcontract any of the work performed under the Agreement without the prior written consent of the Client.

VI. INFORMATION TO BE FURNISHED TO THE FINANCIAL ADVISOR

All information, data, reports, and records in the possession of the Client necessary for carrying out the work to be performed under this Agreement shall be furnished to the Financial Advisor and the Client shall cooperate with the Financial Advisor in all reasonable ways.

VII. NOTICES

All notices given under this Agreement shall be in writing, sent by registered United States mail, with return receipt requested, addressed to the party for whom it is intended, at the designated below. The parties designate the following as the respective places for giving notice, to-wit:

WILLISTOWN TOWNSHIP

688 Sugartown Road
Malvern, PA 19355
Attention: *Sally Slook, Township Manager*

PFM FINANCIAL ADVISORS LLC

213 Market Street
Harrisburg, PA 17101
Attention: Scott Shearer, Managing Director

VIII. TITLE TRANSFER

All materials prepared by PFM pursuant exclusively to this Agreement shall be the property of the Client. Upon termination of this Agreement, Financial

Advisor shall deliver to the Client copies of any and all material pertaining to this Agreement.

IX. FINANCIAL ADVISOR'S REPRESENTATIVES

The Client has the right for any reason to request PFM to replace any member of the advisory staff. Should the Client make such a request, PFM shall promptly suggest a substitute for approval by the Client.

X. INSURANCE

PFM shall maintain insurance coverage with policy limits not less than as stated in Exhibit B.

XI. INDEPENDENT CONTRACTOR

The Financial Advisor, its employees, officers and representatives at all times shall be independent contractors and shall not be deemed to be employees, agents, partners, servants and/or joint venturers of Client by virtue of this Agreement or any actions or services rendered under this Agreement.

XII. ENTIRE AGREEMENT

This Agreement represents the entire agreement between Client and PFM and may not be amended or modified except in writing signed by both parties.

IN WITNESS THEREOF, the Client and Financial Advisor have executed this Agreement as of the day and year herein above written.

ATTEST: **WILLISTOWN TOWNSHIP**

By: _____
(Witness) Name, Title

DATE: _____

ATTEST: **PFM FINANCIAL ADVISORS LLC**

BY:  _____
(Witness)

DATE: 1/27/2020

EXHIBIT A

PFM Financial Advisors LLC (“PFM”) will perform an analysis to determine an estimated value of Willistown Township’s sanitary sewer system. The project scope is limited in that the project team will not be performing a full utility enterprise valuation. The project team will utilize available operating and fixed capital asset data to arrive at a reasonable range of values that a willing buyer may offer to acquire the utility assets from the Township.

Define Program Objectives and Feasibility.

In consultation with Township officials and supported by the work of consultants with expertise in the requisite areas of service, PFM will:

- Review documents, financial reports and data associated with any of the Township operations or assets being considered as sale candidates
- Analyze the potential impacts of any proposed monetization on the General Fund
- Oversee the engagement of consultants (if necessary) and the preparation and delivery of a limited scope business enterprise valuation analysis
- Define achievable financial and operational goals that represent a threshold value and purpose that the Township should expect from any redeployment of Township’s assets

Utility Enterprise Valuation

A utility enterprise valuation typically employs three (3) approaches to arrive at a range of values for a utility system or utility assets. Those commonly used valuation approaches are as follows:

- Cost Approach
- Income Approach
- Market Approach

The *cost approach* utilizes the book value of the fixed capital assets of the utility system being studied. The book value would be the original costs of the fixed capital assets depreciated to the date of the study utilizing life expectancies for utility assets. The project team will not be performing an original cost study for the purpose of this study. Another approach under this method would be the development of a Reproduction Cost New Less Depreciation (RCNLD) study. This approach could be explored but not be required for the purpose of this limited scope study if the book value can be readily determined.

The *income approach* would calculate the net income available for capitalization over a reasonable period of time or over the future life expectancies of the assets. This approach utilizes the systems revenues, expenses, and capital requirements to determine the present value of the income stream. There are

numerous variables that impact the results of this method including, but not limited to, capital investments and any capital or operating costs necessary to correct operating deficiencies.

The *market approach* employs comparable sales of similar utility systems. It is unlikely that information for an exact comparable sale will be available for this project. This is not unusual since there are no two utility systems alike in operating requirements and capital investment per customer.

The project team will utilize available data for all three (3) methods to develop an indicated value under each approach, as appropriate. The team will then weight the results of the analysis to arrive at an indicated range of values for the sanitary sewer system. As mentioned previously, in the absence of data the project team will use alternative approaches to produce a reliable indicated business enterprise valuation. The indicated value will provide the Township with sufficient data to consider next steps with the sale of the sanitary sewer system.

EXHIBIT B



CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YYYY)

11/30/2018

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AFFIRMATIVELY OR NEGATIVELY AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. THIS CERTIFICATE OF INSURANCE DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUING INSURER(S), AUTHORIZED REPRESENTATIVE OR PRODUCER, AND THE CERTIFICATE HOLDER.

IMPORTANT: If the certificate holder is an ADDITIONAL INSURED, the policy(ies) must have ADDITIONAL INSURED provisions or be endorsed. If SUBROGATION IS WAIVED, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

PRODUCER Crystal & Company Crystal IBC LLC 32 Old Slip New York NY 10005	CONTACT NAME: Brian Rozynski		FAX (A/C, No): 212-504-1899
	PHONE (A/C, No, Ext): 212-504-1882	E-MAIL ADDRESS: brian.rozynski@crystalco.com	
INSURER(S) AFFORDING COVERAGE			NAIC #
INSURER A : Indian Harbor Insurance Company			36940
INSURER B : Arch Insurance Company			11150
INSURER C :			
INSURER D :			
INSURER E :			
INSURER F :			

INSURED PUBLFI
 PFM I, LLC
 1735 Market Street, 43rd Floor
 Philadelphia PA 19103

COVERAGES

CERTIFICATE NUMBER: 1483989054

REVISION NUMBER:

THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

INSR LTR	TYPE OF INSURANCE	ADDL INSD	SUBR WVD	POLICY NUMBER	POLICY EFF (MM/DD/YYYY)	POLICY EXP (MM/DD/YYYY)	LIMITS
	COMMERCIAL GENERAL LIABILITY <input type="checkbox"/> CLAIMS-MADE <input type="checkbox"/> OCCUR GEN'L AGGREGATE LIMIT APPLIES PER: <input type="checkbox"/> POLICY <input type="checkbox"/> PRO-JECT <input type="checkbox"/> LOC OTHER:						EACH OCCURRENCE \$ DAMAGE TO RENTED PREMISES (Ea occurrence) \$ MED EXP (Any one person) \$ PERSONAL & ADV INJURY \$ GENERAL AGGREGATE \$ PRODUCTS - COMP/OP AGG \$ \$
	AUTOMOBILE LIABILITY <input type="checkbox"/> ANY AUTO <input type="checkbox"/> OWNED AUTOS ONLY <input type="checkbox"/> SCHEDULED AUTOS <input type="checkbox"/> HIRED AUTOS ONLY <input type="checkbox"/> NON-OWNED AUTOS ONLY						COMBINED SINGLE LIMIT (Ea accident) \$ BODILY INJURY (Per person) \$ BODILY INJURY (Per accident) \$ PROPERTY DAMAGE (Per accident) \$ \$
	UMBRELLA LIAB <input type="checkbox"/> OCCUR EXCESS LIAB <input type="checkbox"/> CLAIMS-MADE DED <input type="checkbox"/> RETENTION \$						EACH OCCURRENCE \$ AGGREGATE \$ \$
	WORKERS COMPENSATION AND EMPLOYERS' LIABILITY ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? <input type="checkbox"/> Y / N <input checked="" type="checkbox"/> N / A (Mandatory in NH) If yes, describe under DESCRIPTION OF OPERATIONS below						PER STATUTE <input type="checkbox"/> OTH-ER <input type="checkbox"/> E.L. EACH ACCIDENT \$ E.L. DISEASE - EA EMPLOYEE \$ E.L. DISEASE - POLICY LIMIT \$
A B	Information Security & Privacy (Cyber) Liability			MTP903154204 NPL005933303	11/30/2018 11/30/2018	11/30/2019 11/30/2019	Limit of Liability: \$10,000,000 in the aggregate

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES (ACORD 101, Additional Remarks Schedule, may be attached if more space is required)

Evidence of Coverage only

CERTIFICATE HOLDER**CANCELLATION**

PFM Financial Advisors LLC
 1735 Market Street, 43rd Floor
 Philadelphia PA 19103

SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS.

AUTHORIZED REPRESENTATIVE

Crystal & Company

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CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YYYY)

11/29/2018

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PRODUCER Crystal & Company Crystal IBC LLC 32 Old Slip New York NY 10005	CONTACT NAME: Brian Rozynski	
	PHONE (A/C, No, Ext): 212-504-1882	FAX (A/C, No): 212-504-1899
E-MAIL ADDRESS: brian.rozynski@crystalco.com		
INSURER(S) AFFORDING COVERAGE		NAIC #
INSURER A : Endurance American Insurance Company		10641
INSURER B : XL Specialty Insurance Company		37885
INSURER C : Continental Casualty Company		20443
INSURER D : Starr Indemnity & Liability Co		38318
INSURER E : Everest National Insurance Company		10120
INSURER F : ACE American Insurance Company		22667

COVERAGES **CERTIFICATE NUMBER:** 846329723 **REVISION NUMBER:**

THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

INSR LTR	TYPE OF INSURANCE	ADDL INSD	SUBR WVD	POLICY NUMBER	POLICY EFF (MM/DD/YYYY)	POLICY EXP (MM/DD/YYYY)	LIMITS
	COMMERCIAL GENERAL LIABILITY <input type="checkbox"/> CLAIMS-MADE <input type="checkbox"/> OCCUR GEN'L AGGREGATE LIMIT APPLIES PER: <input type="checkbox"/> POLICY <input type="checkbox"/> PRO-JECT <input type="checkbox"/> LOC OTHER:						EACH OCCURRENCE \$ DAMAGE TO RENTED PREMISES (Ea occurrence) \$ MED EXP (Any one person) \$ PERSONAL & ADV INJURY \$ GENERAL AGGREGATE \$ PRODUCTS - COMP/OP AGG \$ \$
	AUTOMOBILE LIABILITY <input type="checkbox"/> ANY AUTO <input type="checkbox"/> OWNED AUTOS ONLY <input type="checkbox"/> SCHEDULED AUTOS <input type="checkbox"/> HIRED AUTOS ONLY <input type="checkbox"/> NON-OWNED AUTOS ONLY						COMBINED SINGLE LIMIT (Ea accident) \$ BODILY INJURY (Per person) \$ BODILY INJURY (Per accident) \$ PROPERTY DAMAGE (Per accident) \$ \$
D	UMBRELLA LIAB <input type="checkbox"/> OCCUR EXCESS LIAB <input checked="" type="checkbox"/> CLAIMS-MADE DED RETENTION \$			1000620602181 FL5EX00441181 DOXG46758833001	11/30/2018 11/30/2018 11/30/2018	11/30/2019 11/30/2019 11/30/2019	EACH OCCURRENCE \$ AGGREGATE \$ \$
	WORKERS COMPENSATION AND EMPLOYERS' LIABILITY ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? (Mandatory in NH) If yes, describe under DESCRIPTION OF OPERATIONS below		Y/N <input type="checkbox"/> N/A				PER STATUTE OTH-ER E.L. EACH ACCIDENT \$ E.L. DISEASE - EA EMPLOYEE \$ E.L. DISEASE - POLICY LIMIT \$
A B C	Professional Liability			MAN30000866500 ELU15897418 596398650	11/30/2018 11/30/2018 11/30/2018	11/30/2019 11/30/2019 11/30/2019	Limit of Liability \$35,000,000 Aggregate Limit

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES (ACORD 101, Additional Remarks Schedule, may be attached if more space is required)

Evidence of coverage only.

THE PROFESSIONAL LIABILITY POLICY IS NON-CANCELABLE BY THE INSURER EXCEPT FOR NON-PAYMENT OF PREMIUM.

CERTIFICATE HOLDER**CANCELLATION**

PFM Financial Advisors LLC
 1735 Market Street
 43rd Floor
 Philadelphia PA 19103

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AUTHORIZED REPRESENTATIVE

Crystal & Company

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