



August 29, 2019

Mr. Matthew Brown
Chief Operating Officer
TEACH Public Schools
1846 W. Imperial Hwy
Los Angeles, CA 90047

Re: Underwriter Engagement Relating to Potential Municipal Securities Transaction for TEACH Public Schools

Dear Mr. Brown:

TEACH Public Schools (“Obligor”) and Stifel, Nicolaus & Company, Incorporated (“Stifel”) are entering into this letter to confirm that they are engaged in discussions related to a potential issue of (or series of issuances of) municipal securities related to the 2019 Charter School Revenue Bonds (TEACH Public Schools – Obligated Group – Issue No. 2) (the “Issue”) and to formalize Stifel’s role as underwriter with respect to the Issue.

Engagement as Underwriter

Obligor is aware of the “Municipal Advisor Rule” of the Securities and Exchange Commission and the underwriter exclusion from the definition of “municipal advisor” for a firm serving as an underwriter for a particular issuance of municipal securities. Obligor hereby designates Stifel as an underwriter for the Issue. Obligor expects that Stifel will provide advice to Obligor on the structure, timing, terms and other matters concerning the Issue.

Limitation of Engagement

It is Obligor’s intent that Stifel serve as an underwriter for the Issue, subject to satisfying applicable procurement laws or policies of the conduit issuer of the securities (“Issuer”), formal approval by the Board of Directors of the Issuer, finalizing the structure of the Issue and executing a bond purchase agreement. While Obligor presently engages Stifel as the underwriter for the Issue, this engagement letter is preliminary, nonbinding and may be terminated at any time by Obligor, without penalty or liability for any costs incurred by Stifel. Furthermore, this engagement letter does not restrict Obligor from selecting an underwriter for the Issue other than Stifel or selecting an underwriting syndicate that does not include Stifel.

Confidentiality

Under the SEC’s “Municipal Advisor Rule,” Obligor might be classified as an “Obligated Person” if bonds are issued through a municipal conduit issuer. It is very important that Obligor keep this information confidential until Obligor executes this Engagement Letter with Stifel and our role is confirmed with the Issuer.

Disclosures Required by MSRB Rule G-17 Concerning the Role of the Underwriter

The Obligor hereby confirms and acknowledges each of the following concerning the role that Stifel would have as an underwriter:

- (1) Municipal Securities Rulemaking Board (“MSRB”) Rule G-17 requires an underwriter to deal fairly at all times with all parties including, municipal issuers, Obligor, and investors;
- (2) the underwriter’s primary role is to purchase securities with a view to distribution in an arm’s-length commercial transaction with Issuer and Obligor and it has financial and other interests that differ from those of issuer and Obligor;
- (3) unlike a municipal advisor, the underwriter does not have a fiduciary duty to Issuer under the federal securities laws and is, therefore, not required by federal law to act in the best interests of Issuer without regard to its own financial or other interests;
- (4) under the federal securities laws, neither a municipal advisor nor an underwriter has a fiduciary duty to Obligor;
- (5) the underwriter has a duty to purchase securities from Issuer at a fair and reasonable price, but must balance that duty with its duty to sell municipal securities to investors at prices that are fair and reasonable; and
- (6) the underwriter will review the official statement for Issuer’s securities, in accordance with, and as part of, its responsibilities to investors under the federal securities laws, as applied to the facts and circumstances of the transaction.¹

Disclosures Concerning the Underwriter’s Compensation

The underwriter will be compensated by a fee and/or an underwriting discount that will be set forth in the bond purchase agreement to be negotiated and entered into in connection with the issuance of the Issue. Payment or receipt of the underwriting fee or discount will be contingent on the closing of the transaction and the amount of the fee or discount may be based, in whole or in part, on a percentage of the principal amount of the Issue. While this form of compensation is customary in the municipal securities market, it presents a conflict of interest since the underwriter may have an incentive to recommend to Obligor and Issuer a transaction that is unnecessary or to recommend that the size of the transaction be larger than is necessary.

Conflicts of Interest Disclosures

Disclosures Relating to Complex Municipal Securities Financing

Since Stifel has not recommended a “complex municipal securities financing” to Obligor, additional disclosures regarding the financing structure for the Issue are not required under MSRB Rule G-17.

However, if Stifel recommends, or if the Issue is ultimately structured in a manner considered a “complex municipal securities financing” to Obligor, this letter will be supplemented to provide disclosure of the

¹ Under federal securities law, an issuer of securities has the primary responsibility for disclosure to investors. The review of the official statement by the underwriter is solely for purposes of satisfying the underwriter’s obligations under the federal securities laws and such review should not be construed by an issuer as a guarantee of the accuracy or completeness of the information in the official statement.

material financial characteristics of that financing structure as well as the material financial risks of the financing that are known to us and are reasonably foreseeable at that time.

It is our understanding that you have the authority to bind the Issuer by contract with us, and that you are not a party to any conflict of interest relating to the subject transaction. If our understanding is incorrect, please notify the undersigned immediately.

Sincerely,

By: 

Name: John Kim

Title: Managing Director

Obligor accepts and acknowledges the foregoing.

Accepted and Executed:

By: _____

Name: Matthew Brown

Title: Chief Operating Officer

Date: 8/29/19