

INVESTMENT BANKING AGREEMENT

This will serve as an investment banking agreement (the "Agreement") between the Mt. Diablo Unified School District (the "District") and Stone & Youngberg LLC ("S&Y"), George K. Baum & Company ("GKB"), and Brandis Tallman LLC ("BT"), together represented by S&Y as the senior managing underwriter (collectively, the "Underwriter"), whereby the Underwriter will provide investment banking services for the sale of general obligation bonds to be issued by the District.

The District intends to implement a financial plan using general obligation bonds to fund capital facilities. For this purpose the District requires the services of the Underwriter to assist in the structuring of the financing or financings, provide information on project financing, underwriting criteria, security analysis, and to assist in the sale of general obligation bonds (the "Securities") by the District. The compensation to the Underwriter is contingent on the sale of Securities and will be paid only at the time of sale of such Securities, and as such the District will not incur ongoing costs for the Underwriter's services. The terms of compensation to the Underwriter are set forth herein.

A general description of the services to be provided to the District by the Underwriter pursuant to this Agreement is set forth below.

Services to be Provided

1. General Services

The Underwriter will be involved at the earliest opportunity to:

- Be available on a timely basis to meet with the District and coordinate the financing with District staff and relevant consultants and agencies.
- Commit the time and professional resources required to facilitate a smooth and efficient process in completing financing requirements.
- Seek innovative methods of structuring and marketing the financing on terms most advantageous to the District.
- Determine the advantages and risks of various financing alternatives.
- Direct the sale of the Securities in a manner that results in the lowest borrowing cost for the District.

2. Assist District with Bond Election

The Underwriter will assist the District with the bond election, coordinating the work with bond counsel, the Registrar of Voters, consultants, and the citizen committee designated to run the election campaign. The Underwriter's services will include the following:

- Determine the bond size and tax rates for the preferred financing alternative.
- Assist with the documents needed to place the bond measure on the ballot.
- Prepare the tax rate statement for the voter pamphlet printed by the Registrar of Voters.
- Attend any informational workshops for voters as requested.

3. Prepare Bond Issue for Sale

After the conclusion of the successful election, the Underwriter will direct the preparation of the sale of the Securities. The Underwriter's services will include the following:

- Advise the District on the timing of the sale of bonds.
- Make recommendations on the final structure of the bond issue.
- Direct the preparation of the underwriting documents.
- Assist in coordinating with the rating agencies and prepare the rating presentation.
- Determine the feasibility of municipal bond insurance.
- Stimulate interest among investors in the sale of bonds.

4. Conduct the Sale of Bonds

The Underwriter will direct the transaction of the purchase of the Securities by investors and the delivery of bond proceeds to the District. The Underwriter's services will include the following:

- Distribute the financing documents to potential investors.
- Advise the District on bond market conditions.
- Distribute information to the District showing interest rates for comparable bond issues.
- Transact the sale of bonds.
- Coordinate the delivery of bond proceeds to the District.
- Assist the District in the investment of bond proceeds.

Compensation

The Underwriter shall be engaged as the District's investment banker for a negotiated sale of the Securities. As the District's investment banker, the Underwriter shall be paid in the form of a discount on each issue of Securities sold and delivered. Compensation to the Underwriter is contingent on the issuance of Securities. If the bond election is unsuccessful or if the Securities are never issued, no compensation is due to the Underwriter.

The Underwriter's maximum not-to-exceed discount for each issuance of Securities shall vary depending on the type and amount of the Securities to be sold by the District, as summarized in the following tables:

General Obligation Bonds without CREBs or QSCBs

For general obligation bonds issued as conventional tax-exempt maturities or as “Build America Bond” maturities, but without components consisting of Clean Renewable Energy Bonds (“CREBs”), Qualified School Construction Bonds (“QSCBs”), or other similar bonds subject to tax credits or payment subsidies from the U.S. Treasury, the Underwriter’s discount shall not exceed the following:

<u>Amount of Each Bond Issue</u>	<u>Maximum Fee as % of Amount of Bonds General Obligation Bonds Without CREBs or QSCBs</u>	
	<u>All Current Interest Bonds</u>	<u>All or Partial Capital Appreciation Bonds</u>
Less than \$25 million	0.65%	0.80%
\$25 million to less than \$50 million	0.60%	0.75%
\$50 million to less than \$70 million	0.55%	0.70%
\$70 million to less than \$90 million	0.50%	0.65%
\$90 million to less than \$110 million	0.45%	0.60%
\$110 million or more	0.40%	0.55%

General Obligation Bonds with CREBs or QSCBs

For general obligation bonds issued as CREBs or QSCBs, or other similar bonds subject to tax credits or payment subsidies from the U.S. Treasury, the Underwriter’s discount shall not exceed the following amounts:

<u>Amount of Each Bond Issue</u>	<u>Maximum Fee as % of Amount of Bonds General Obligation Bonds With CREBs or QSCBs</u>
Less than \$10 million	0.65%
\$10 million to less than \$30 million	0.60%
\$30 million to less than \$40 million	0.55%
\$40 million to less than \$50 million	0.50%
\$50 million or more	0.45%

Evidence shall be provided by the Underwriter to substantiate that the interest rates on the Securities are reasonable with respect to the interest rates for similar securities issued in California at or near the same period of time.

During a “pre-pricing” conference call to be conducted one day prior to the sale of each series of the Securities, the Underwriter shall indicate to the District the interest rate or rates, the public offering price of the Securities, and the purchase price from the District anticipated for the actual sale on the following day. At the conclusion of the order period for the Securities on the day of sale, the Underwriter shall confirm the interest rates and public offering prices of the Securities and the purchase price from the District, all subject to negotiation and approval by the District.

All expenses incurred by the Underwriter in connection with a negotiated sale and issuance of the Securities shall be paid within the limits of said discount, except out-of-state travel approved in advance by the District in connection with the sale of the Securities, which would be reimbursed at cost in the form of an adjusted discount. Expenses to be paid from the discount shall also include fees for the Securities Industry and Financial Markets Association, Municipal Securities Rulemaking Board, California Debt and Investment Advisory Commission, and Depository Trust Company; CUSIP fees; the preparation of any "blue sky" or legal investment memoranda; bond clearance costs; and other similar expenses incurred by the Underwriter in conducting the sale of the Securities.

Division of Compensation Among Firms

The discount shall be divided among S&Y, as the senior managing underwriter, and GKB and BT, as the co-managing underwriters, generally according to the following liabilities: 50% for S&Y, 25% for GKB, and 25% for BT. The specific terms of the division of the discount are described below and will be represented in an Agreement Among Underwriters between S&Y, GKB, and BT.

Priority of Orders

1. Retail. Retail orders are orders from individuals, bank trust departments, and investment advisors/money managers acting on behalf of individuals with a maximum order of \$1,000,000 or less. Orders larger than \$1,000,000 are subject to review by the District and S&Y. Any and all retail orders are subject to confirmation by the District and S&Y. Retail orders are more likely to be received for bond maturities within 15 years of the issuance date and bonds priced close to par or with small amounts of original issue premium.
2. Net Designated. Orders received from investors in which the investor specifies which firm is to receive credit for the bonds they are allocated. For net designated orders, investors must designate all three firms within the general guidelines described below in “Designation Policy.”
3. Member. Orders placed by any of the three firms representing bonds to be acquired for the firm’s own proprietary inventory.

Designation Policy

To provide an incentive for the underwriters to actively market bonds to investors on behalf of the District, there will be an opportunity for any single underwriter to receive a maximum designation of up to 50% of the bonds and a minimum designation of no less than 10% of the bonds, within the general goal of achieving the apportionment described in “Division of Compensation Among Firms” above.

Management Fee

That portion of the total underwriters’ discount represented as “management fee”, or compensation for investment banking services to the District, will be apportioned as described above in “Designation Policy”.

Expenses

That portion of the total underwriters’ discount representing direct expenses for such items as fees of the California Debt and Investment Advisory Commission, California Public Securities Association, CUSIP registration, Depository Trust Company, data from California Municipal Statistics and other sources, travel, and other similar expenses shall be apportioned among the firms based on actual costs incurred, as reviewed and confirmed by the District and S&Y.

General Provisions

1. The District agrees to make available to the Underwriter without cost, sufficient copies of any applicable reports, agreements, contracts, resolutions, and other relevant documents pertaining to the projects, the District or the Securities as reasonably may be required from time to time for the prompt and efficient performance by the Underwriter of its obligations hereunder.

2. The District shall pay from the proceeds of the Securities or other sources all costs and expenses customarily paid therefrom including the cost of printing the Securities and the Investor Prospectus; any other legal or financial documents associated with the sale of Securities; the fees and expenses of its bond counsel, disclosure counsel, and District counsel; financial advisor; tax consultants, assessment engineers, and accountants; facility planners, architects, and engineers; rating agencies; bond insurance companies; and of any other experts or consultants retained by the District in connection with the financing. The District shall reimburse the Underwriter for any out-of-state travel made in connection with the financing and approved in advance by the District.

3. Nothing herein shall prevent the Underwriter from acting as underwriter or financial advisor to the District on other financings.

4. It is understood and agreed that the Underwriter will use its best efforts to obtain the lowest possible cost and highest possible service from all participants in any financing including trustees, all consultants, vendors, providers of insurance and rating services.

5. This Agreement shall remain in effect until all general obligation bond financings contemplated by the District are implemented unless terminated by either party in writing.

Upon your acceptance set forth below, this will constitute an agreement between the District and the Underwriter.

Accepted by:

Stone & Youngberg LLC

On behalf of Stone & Youngberg LLC, George K. Baum & Company, and Brandis Tallman LLC

Signature

Bruce W. Kerns
Name

May __, 2010
Date

Accepted by:

Mt. Diablo Unified School District

Signature

Name

Title

Date