pfm

Advice for people transforming their world

Commitment + Curiosity = Sustainability

We are committed to understanding our clients' needs and achieving their goals. We are collaborative advisors, mentoring the next generation, nurturing curiosity and preparing both our clients and ourselves for the future.

pfm.com

October 24, 2019

City of Belle Isle

Proposal for Financial Advisory Services

(PRODUCED ON RECYCLED PAPER)

Table of Contents

PFM Financial Advisors LLC

300 S Orange Avenue
Suite 1170
Orlando, Florida 32801

407-648-2208
pfm.com

ABOUT PFM

PFM is the marketing name for a group of affiliated companies providing a range of services. All services are provided through separate agreements with each company. This material is for general information purposes only and is not intended to provide specific advice or a specific recommendation.

Financial advisory services are provided by PFM Financial Advisors LLC and Public Financial Management, Inc. Both are registered municipal advisors with the Securities and Exchange Commission (SEC) and the Municipal Securities Rulemaking Board (MSRB) under the Dodd-Frank Act of 2010. Investment advisory services are provided by PFM Asset Management LLC which is registered with the SEC under the Investment Advisers Act of 1940. Swap advisory services are provided by PFM Swap Advisors LLC which is registered as a municipal advisor with both the MSRB and SEC under the Dodd-Frank Act of 2010, and as a commodity trading advisor with the Commodity Futures Trading Commission. Additional applicable regulatory information is available upon request.

Consulting services are provided through PFM Group Consulting LLC. Institutional purchasing card services are provided through PFM Financial Services LLC. PFM's financial modelling platform for strategic forecasting is provided through PFM Solutions LLC. A web-based platform for municipal bond information is provided through Munite LLC.

For more information regarding PFM's services or entities, please visit www.pfm.com.

A. Transmittal Letter

The proposal must include a transmittal letter signed by an official authorized by the Consultant to solicit business and enter into contracts. The letter should include the name, address, email address, and phone number of the Consultant's primary contact person

October 24, 2019

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300 S. Orange Ave.
Suite 1170
Orlando, FL 32801

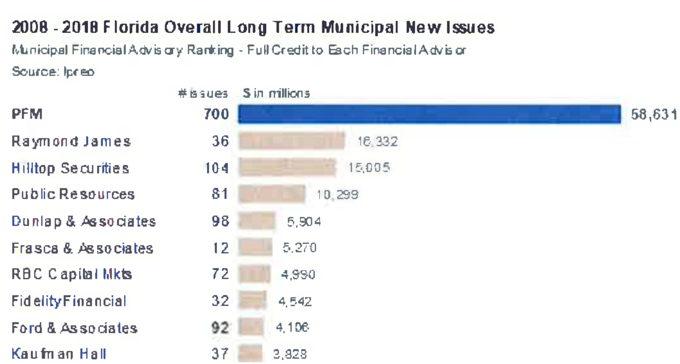
pfm.com

Yolanda Quinceno
City of Belle Isle
1600 Nela Avenue
Belle Isle, FL 32809
RE: Request for Proposal for Financial Advisory Services

Dear Ms. Quinceno:

PFM Financial Advisors LLC ("PFM") appreciates the opportunity to submit our qualifications to serve as financial advisor to the City of Belle Isle (the "City"). We believe PFM is the City's best choice based on our demonstrated success working with other cities and local governments in the central Florida area, and across the state. Moving forward the City faces significant challenges and tremendous opportunities, and we are prepared to work as an extension of staff to deliver the analytical tools and expertise required so policymakers have confidence in their decisions.

Developing an actionable plan to handle the possible Cornerstone Charter Academy property sale is one of the immediate needs of the City. We are confident our experience assisting clients navigate the process of evaluating various options related to land sales will be valuable to the City. While it may be beneficial to remove the current Charter School debt from the City's books, the City needs to ensure it is mindful of the potential future benefits of maintaining the property. Additionally, as the City looks to underground existing utilities, PFM will rely on its recent success in assisting a south Florida client with a similar project. We recognize undergrounding projects as being a great (but costly) asset to the municipalities, and can be less painful of an experience with an appropriate financing structure and a focused education initiative. PFM also has vast experience helping our clients update their Debt and Investment policies. Due to the constantly changing market and legal environment, it is important for issuers to reassess their policies on a regular basis. As further discussed in our response, we are confident PFM's breadth of knowledge will add value to the City's near and long-term endeavors.



Our roots in the municipal finance industry go back over 40 years. From the outset, we wanted to be a financial advisor that is very different from our competitors - an independent financial advisory firm with technical resources matching those of the most sophisticated Wall

Street investment banks. Local governments around the nation have responded to this focus, resulting in us sustaining long-term relationships with our clients while continually adding new clients. The industry-standard for reporting transaction experience is through Refinitiv (formerly Thomson Reuters), who has ranked PFM #1 in the nation and the State of Florida in terms of overall issues and par amount as of 12/31/2018. PFM has held the #1 spot in both the Country and Florida for over 16 consecutive years. Our independence is significant, but it is just the beginning of our qualifications. We believe PFM is the optimal advisor for the City for the following reasons:

A Leading Advisor to Florida Cities. Our experience with Florida municipalities speaks to our commitment to the region as well as our longstanding relationships with clients. PFM currently (as of October 1, 2019) serves as financial advisor to many Florida municipalities including the cities of: Boca Raton, Boynton Beach, Clermont, Coral Gables, Coral Springs, Daytona Beach, DeBary, Delray Beach, Doral, Ft. Lauderdale, Gainesville, Jacksonville, Lake Wales, Leesburg, Madeira Beach, Marco Island, Melbourne, Miami, Miami Gardens, Orlando, Ormond Beach, Palm Beach Gardens, Panama City Beach, Plantation, Pompano Beach, Riviera Beach, Satellite Beach, St. Petersburg, Stuart, Surfside, Tallahassee, Town of Palm Beach, West Palm Beach, Winter Garden, Winter Haven, Winter Park, and Winter Springs[1]. We have in-depth knowledge of the issues facing local governments in today's economy through our work with these entities on a day-to-day basis.

Innovative Team Approach. We believe advising the public sector carries with it a sacred trust, and our 40+ year reputation is built upon our recommendations and ideas. PFM incorporates our team's expertise with long-term financial planning, sophisticated model development, credit rating strategies, and pricing analysis to advise on the City's unique financial considerations and to reduce financing costs and risks in ever-changing markets. PFM's team is led by James Glover and Nicklas Rocca, who are among the most experienced municipal advisory professionals in Florida. Our approach is to serve as an extension of the City's staff, promoting long-term financial and strategic planning to achieve the City's objectives.

Municipal Advisor. PFM serves exclusively as an independent financial advisor and has a fiduciary relationship with our clients, avoiding potential conflicts of interest. We are a registered municipal advisor and maintain a compliance program within the

[1] *Client list as of October 1, 2019 is for informational purposes only and does not represent an endorsement or testimonial by clients of PFM's financial advisory services.*

October 24, 2019

requirements as set forth under the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 and ensuing regulations to serve as the City's municipal advisor.

In closing, we are pleased to have this opportunity to present our qualifications and credentials to serve as financial advisor to the City. The City can be assured that this engagement is a high priority for us, and we are committed to dedicating the full range of PFM's exceptional services and resources. We understand the scope of work to be performed and commit to doing so on the City's schedule. We believe PFM's relevant experience and dedicated project team – as well as our decades of work in Florida, our national presence, our depth of knowledge, and our commitment to acting as a fiduciary for our clients – makes us the ideal choice as the City's strategic partner and financial advisor.

Sincerely,

James Glover, Managing Director
PFM Financial Advisors LLC
300 South Orange Ave., Suite 1170
Orlando, FL 32801
407-406-5760 / gloverj@pfm.com

David Moore, Managing Director
PFM Financial Advisors LLC
300 South Orange Ave., Suite 1170
Orlando, FL 32801
407-406-5751 / moored@pfm.com

Nicklas Rocca, Senior Managing Consultant
PFM Financial Advisors LLC
300 South Orange Ave., Suite 1170
Orlando, FL 32801
407-406-5773 / roccan@pfm.com

B. Experience and Qualifications

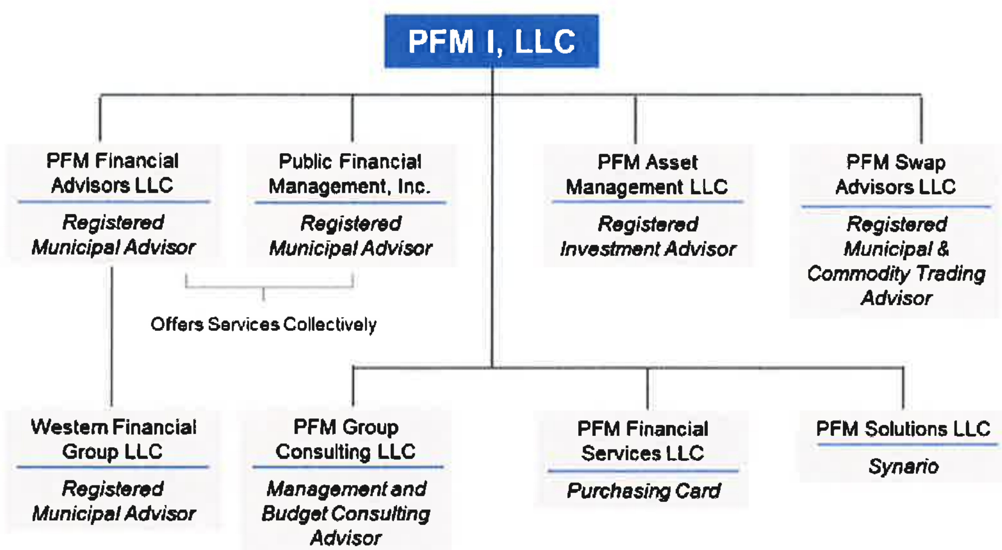
The proposal must demonstrate that the Consultant has the experience and qualifications necessary to successfully perform the scope of services sought by the City. The proposal should specifically contain the following information:

1. A brief description of the Consultant including its history, size, location, geographic focus, and structure of ownership.

Public Financial Management, Inc. ("PFM, Inc.") was founded in 1975 to provide independent financial advisory services to the public sector. In 2014, as a result of the U.S. Securities and Exchange Commission's ("SEC's") new rules for Municipal Advisors (born out of Dodd-Frank) our firm's corporate structure was reorganized so that municipal advisory services could be delineated clearly from other financial consulting services. Accordingly, given the regulation of municipal advisory activities, financial advisory services are now offered through PFM Financial Advisors LLC ("PFMFA"), which commenced operations on June 1, 2016. Financial advisory relationships previously with PFM, Inc. have transitioned and been assigned from PFM, Inc. to PFMFA — which are collectively referred to as PFM. This engagement will be serviced through PFMFA.

At PFM, financial advisors, swap advisors and asset managers partner with clients to transform their world. Our clients have individual needs and our tailored advice reflects this. We have the flexibility to support ambitious client endeavors with teams that provide the creativity and collaboration that define working with PFM. We combine superior financial advice, disciplined management and ingenuity to build and advance clients' goals. Our combined expertise in these areas is of essential importance to our ability to provide the highest quality of service and commitment to the City.

PFM is owned by the firm's 91 Managing Directors (as of October 1, 2019), who set the firm's strategic direction. Individual partners are responsible for specific practice areas and also personally manage specific client engagements. James "Jay" Glover, engagement manager for the City's relationship, is one of the firm's Managing Directors.



As of October 1, 2019, PFM consisted of more than 600 employees in 40 offices and professional locations throughout the United States.

600+ EMPLOYEES 40 LOCATIONS

PFM's Orlando office and will have primary responsibility for the City's engagement.

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

Primary Office
PFM Financial Advisors LLC
300 South Orange Avenue, Suite 1170
Orlando, FL 32801

Primary Contact
James "Jay" Glover, Managing Director
PFM Financial Advisors LLC
300 South Orange Avenue, Suite 1170
Orlando, FL 32801
407-406-5760 / gloverj@pfm.com

2. A summary of the Consultant's experience and qualifications providing financial planning, financial management, debt services, and other relevant services to Florida municipal clients, including a list of other governmental agencies in Florida for which the Consultant is presently under contract, the services provided and cost, and the name of the Consultant's primary staff member for each. Please note whether the Consultant has successfully met the client's needs in terms of client relationship and delivering services on scope, quality, schedule, and budget. Please provide your experience in participating in community engagement tasks related to public finance.

As client's needs have evolved and expanded, PFM has developed a wide range of specialized knowledge and finance-related legal expertise to assist clients as outlined throughout this proposal. As shown in the graphic below, PFM has a number of affiliates that were created to provide the proper regulatory and operating structure to meet all of the financial needs of our clients. The core financial advisory services will be provided by PFM Financial Advisors LLC and will consist of bond or loan-transaction management, debt-portfolio optimization, capital planning, rating agency strategy, debt and financial policy development, among other services. At the same time, the City pursuant to defined tasks, separate agreements, and fees has access to the other affiliates of PFM that assist with asset management, swap advisory, arbitrage rebate, verification reports and other related services. Each of these entities was created in an effort to offer clients services needed to address opportunities and challenges of an ever changing market landscape.

PFM

PFM Financial Advisors LLC / Public Financial Management, Inc.

Financial and Capital Planning
- Pro Forma Cash Flow
- Long Term Debt Management Plans
- Long Term Credit Strategies
- Debt Capacity
- Debt Policy Development

Debt Transaction Management
- Financing Schedule
- Financing Alternatives
- Bond Documents
- Debt Structuring and Products
- Financing Terms
- Bond Pricing
- Financing Team Selection
- Credit Rating Presentation
- Negotiated vs. Competitive Closing

Public Private Partnerships
- Program Development
- Feasibility and Valuation
- Preliminary Market Outreach
- Preferred Contact Structure
- Procurement Design
- RFQ/RFP Process
- Best and Final Offer and Negotiation

PFM Group Consulting LLC
- Management and Budget Consulting
- Multi Year Budget Development
- Competitive Contracting
- Benchmarking
- Performance Management
- Targeted Budgeting
- Securitization of Delinquent Assets
- Revenue Enhancement
- Strategic Municipal Consulting
- Lease Negotiation

PFM Swap Advisors LLC
- Swap and Derivatives Policy Development
- Transaction Review and Risk Analysis
- Structuring Advice
- Board or Rating Agency Education
- Provider Identification
- Documentation Review
- Tax and Accounting Advice
- Pricing and Execution (Competitive Bid or Negotiated)
- Fair Market Opinions
- Portfolio Monitoring and Surveillance
- Qualified Independent Representative

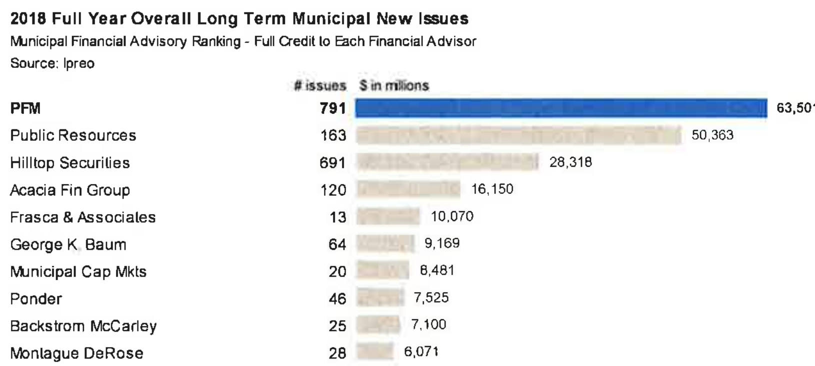
PFM Asset Management LLC
- Investment Alternatives
- Cash Management
- Policy Development
- Cash Flow Forecasting
- Competitive Bidding Services
- Bond Proceeds Reinvestment
- Refunding Escrows
- Fixed Income Portfolio Management
- Accounting / Recordkeeping Services
- Structured Investment Products
- Arbitrage Rebate

PFM includes Public Financial Management Inc. and PFM Financial Advisors LLC (collectively, PFM) both registered municipal advisors registered with the Securities and Exchange Commission ("SEC") and Municipal Securities Rulemaking Board ("MSRB") under the Dodd-Frank Act of 2010. PFM Asset Management LLC is registered with the SEC under the Investment Advisers Act of 1940. PFM Swap Advisors LLC is registered with SEC or MSRB as a municipal advisor and is registered as a Commodity Trading Advisor with the Commodity Futures Trading Commission.

Services provided by affiliates of PFM are provided pursuant to separate agreement.

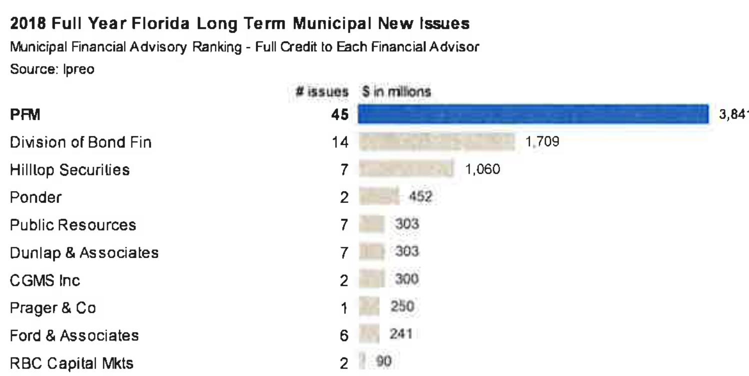
National Market Leader

PFM's national reputation and consistent growth are evident in our ranking as the nation's top financial advisor in terms of number of transactions and par amount for 21 straight years (Source: Refinitiv, formerly Thomson Reuters). In 2018, we served as financial advisor on 791 transactions with a par amount in excess of $63 billion (Source: Ipreo). Many firms may claim to be the top-ranked advisor, but we rely upon factual data from industry standard databases such as Refinitiv (formerly Thomson Reuters) and Ipreo to demonstrate this standing.



Florida Market Leader

Our national market presence is enhanced by our presence in the State of Florida being ranked #1 for 16 consecutive years (Source: Refinitiv, formerly Thomson Reuters). In 2018, we served as financial advisor on 45 transactions with a par amount in excess of $3 billion (Source: Ipreo). As such, we are extremely familiar with relevant Florida law and debt management practices.



The table below provides a representative listing of our current Florida clients (as of October 1, 2019), with cities highlighted in the red box. Many of the cities that PFM works with in the State of Florida are of comparable size to the City. Furthermore, we list the specific city clients Jay Glover and Nicklas Rocca serve in their resumes located in Section 3. We strive to exceed our clients' needs on every project we undertake and would encourage the City to reach out to our contacts listed in "References" section.

PFM's FLORIDA CLIENTS

CITIES
Alachua • Boca Raton
Boynton Beach • Clermont
Cocoa Beach • Coral Gables
Coral Springs • Daytona Beach
DeBary • Delray Beach
Doral • Flagler Beach
Fort Lauderdale • Fort Meade
Fort Walton Beach
Gainesville
Green Cove Springs
Groveland
Hallandale Beach • Hialeah
Jacksonville • Key West
Lake Wales • Leesburg Margate
Madeira Beach • Marco Island
Melbourne • Miami • Miramar
North Palm Beach
Oldsmar • Orlando
Ormond Beach • Palatka
Palm Beach
Palm Beach Gardens
Panama City Beach
Plantation • Pompano Beach
Riviera Beach
Satellite Beach • St. Augustine
St. Petersburg • Sunrise
Tallahassee • Temple Terrace
Titusville • West Palm Beach
Winter Haven • Winter Garden
Winter Park • Winter Springs

COUNTIES
Alachua • Bay
Brevard • Broward
Collier • Flagler
Highlands • Lake • Leon
Marion • Miami-Dade
Monroe • Orange
Osceola • Palm Beach
Pasco • Sarasota
Santa Rosa
St. John's • St. Lucie
Volusia

STATE OF FLORIDA
Division of Bond Finance

SPECIAL DISTRICTS
Blueprint Intergovernmental Agency
Boggy Creek Community Development District
Greenway Community Development District
Myrtle Creek Improvement District
North Sumter County Utility Dependent District
Sumter Landing Community Development District
Village Community Development District

SCHOOL DISTRICTS
Alachua • Broward
Citrus • Columbia
Duval • Flagler
Hernando • Lake
Manatee • Marion
Martin • Miami-Dade
Orange • Osceola
Palm Beach
Pasco • Polk
Sarasota • Seminole
Volusia • Walton

UTILITIES
Clay County Utility Authority
Gainesville Regional Utilities
Jacksonville Electric Authority
Orlando Utilities Commission

HIGHER EDUCATION
Embry-Riddle Aeronautical University
Flagler College
Nova Southeastern University
Ringling College of Art and Design
Stetson University
University of North Florida
University of South Florida
University of Tampa
University of West Florida
Florida Gulf Coast University

TRANSPORTATION
Central Florida Expressway Authority
Jacksonville Aviation Authority
Jacksonville Seaport Authority
Lee County Port Authority
Hillsborough County Aviation Authority
Tampa Port Authority

HEALTHCARE
Brooks Rehabilitation
Jackson Health System
LifeSouth Community Blood Centers
North Broward Hospital District
Orange County Health Facilities Authority
Winter Park Health Foundation

OTHER AUTHORITIES
Florida Development Finance Corporation
Sunshine State Governmental Financing Commission
Tampa Bay Water
South Florida Water Management District

Note: Client list as of October 1, 2019 is for informational purposes only and does not represent an endorsement or testimonial by clients of PFM's financial advisory services. PFM consists of Public Financial Management Inc. and PFM Financial Advisors LLC. PFM Financial Advisors LLC commenced its operations on June 1, 2016. All financial advisory engagements prior to that date were effected through Public Financial Management, Inc., and are currently in the process of being assigned to PFM Financial Advisors LLC. Accordingly, PFM's financial advisory services referenced herein includes the experience of both firms.

Because we focus on the public sector, we are constantly looking for relevant developments for our government clients. We commonly sponsor and attend GFOA and state GFOA conferences. PFM's expertise in many areas is recognized throughout the industry. Our colleagues are regularly asked to present at conferences, seminars, and industry symposia, while national, local and trade media also call upon us for background, insight and opinion. PFM also encourages all employees to participate in community involvement efforts in their regions. Our team members frequently attend or participate in clients' community involvement events, as well as events and area fundraisers.

3. A list of Consultant staff that would work with the City of Belle Isle and their experience providing relevant services (attach bios or resumes as appropriate).

Team Members

PFM creates customized project teams for each engagement. In doing so, we take into account a number of factors, including the types of financings completed by a client, complexity of expected assignments, and geographic considerations. For the City, we have assembled a team based out of our Orlando office that will work to meet the City's unique need for: (i) multi-faceted strategic advice rendered with strict independence; (ii) extensive experience processing financings; and (iii) the most sophisticated analytical and financial modeling support. The team outlined below is has demonstrated the ability to work effectively on a wide range of assignments.

James "Jay" Glover, Managing Director in PFM's Orlando office, will serve as Engagement Manager for this relationship and will be responsible for engagement oversight on a day-to-day basis. As the Engagement Manager, Mr. Glover will take the lead role in providing the requested financial advisory services and be responsible for review of all work products completed by PFM. Mr. Glover specializes in Florida municipal finance for cities, counties, school districts, and a variety of authorities. Mr. Glover has managed more than $15 billion in financings over the last 19 years.

Nicklas Rocca, Senior Managing Consultant, in the Orlando office will serve as the Co-Engagement manager and will provide senior support and will be responsible for day-to-day technical analysis. Mr. Rocca has provided transaction management services and technical support for a variety of our Florida clients over the last 11 years.

As the Engagement Managers, Mr. Glover and Mr. Rocca will take the lead role in providing the requested financial advisory services and be responsible for review of all work products competed by PFM.

David Moore, Managing Director, will provide senior project support for this relationship. He is one of the most seasoned finance professionals in Florida providing financial advisory services to a vast array of cities, counties and school districts managing over $20 billion of debt transactions since 1991.

Michael Dennis, Analyst in the Orlando office will provide analytical and technical support for the engagement.

Staff Accessibility and Availability

One of the many unique aspects of PFM is the deep bench of resources available. Unlike many firms that only have 1 or 2 people dedicated to the Florida market, PFM has multiple senior professionals that will be available to the City in the event the primary contact is not available. This not only helps with covering meetings and calls on short notice, but also provides continuity in the event of unforeseen circumstances that might affect a member of the team. We have a demonstrated track history of providing superior service in a timely manner for our clients. This is reflected in the fact that we have relationships with many clients that stretch back over decades and remain intact through multiple RFP processes. In addition we continue to add clients without compromising the level of service provided. We are committed to providing a high level of accessibility, and we would encourage the City to reach out to our references in order to gauge our availability.

James "Jay" Glover, Managing Director

Mr. Glover is a Managing Director in PFM's Orlando, Florida office. Mr. Glover has assumed an active role in providing project management services to clients throughout the Southeast. Over the last 19 years, Mr. Glover has been one of the most active financial advisors in the southeast in terms of both total par amount and number of transactions completed (over 500 transactions with a par amount in excess of $15 billion). He has taken an active role in working with clients on new money issuances, refundings, pooled financings, conduit borrowings, derivative products analyses, and innovative financing solutions.

The clients that Mr. Glover serves are located in the southeast and include cities, counties, school districts, and a variety of authorities. His project finance experience includes water and sewer, economic development, transportation, education, public power, solid waste, and special assessment programs. Mr. Glover currently serves as project manager on engagements with the cities of Boca Raton, Cocoa Beach, Coral Gables, Delray Beach, Gainesville, Hallandale Beach, Marco Island, Melbourne, Ormond Beach, Palm Beach Gardens, Panama City Beach, St. Petersburg, Titusville, Town of Palm Beach, Winter Garden, Winter Haven and Winter Park[2].

Mr. Glover has worked with the City of Boca Raton, Florida to help improve its water and sewer system ratings to AAA/Aaa/AAA, making it the highest rated system in the country. In addition, Mr. Glover recently assisted the City of Coral Gables with regaining its AAA/Aaa/AAA status that was lost in 2004 when reserves were spent down below acceptable levels for this rating category.

Mr. Glover is an active sponsor and past speaker for the Florida Association of Counties, Florida School Finance Officers Association and Florida Government Finance Officers Association. He is a registered Municipal Advisor Representative (Series 50).

Office Location

300 S. Orange Avenue
Suite 1170
Orlando, FL 32801

Education

Master of Business Administration University of South Carolina

Bachelor of Science in Business Administration
College of Charleston

Professional Designations or Licenses

Municipal Advisor Representative (Series 50)

Years with PFM

19 Years

Years of Experience

19 Years

[2] *Client list as of October 1, 2019 is for informational purposes only and does not represent an endorsement or testimonial by clients of PFM's financial advisory services.*

Nicklas Rocca, Senior Managing Consultant

Nicklas Rocca, joined the Orlando office in May 2008. Mr. Rocca provides primary analytical and project management support for clients located throughout Florida. His daily responsibilities include structuring financings, pricing new money, refunding municipal bond issues, identifying and running analyses of refunding opportunities, and assessing debt structures for clients. Mr. Rocca also creates and assists in the development of specialized quantitative models used to help clients with their unique financings.

Mr. Rocca has been involved directly in more than 140 financings totaling more than $6 billion in debt issuance for Florida clients. Some of his notable Florida clients include: the cities of Clermont, Coral Springs, Groveland, Key West, Lake Wales, Madeira Beach, Orlando, Satellite Beach, Sunrise and Winter Springs[3].

Mr. Rocca graduated from the University of Central Florida with a Bachelor of Science degree in Accounting. Mr. Rocca is a registered Municipal Advisor Representative (Series 50).

Office Location

300 S. Orange Avenue
Suite 1170
Orlando, FL 32801

Education

Bachelor of Science in Accounting

University of Central Florida

Professional Designations or Licenses

Municipal Advisor Representative (Series 50)

Years with PFM

11 Years

Years of Experience

11 Years

[3] *Client list as of April 1, 2019 is for informational purposes only and does not represent an endorsement or testimonial by clients of PFM's financial advisory services.*

David Moore, Managing Director

David Moore, Managing Director, works in PFM's Orlando, Florida office. Mr. Moore managed PFM's Southern region for a number of years and is among the most active financial advisors in Florida, completing financings in excess of $20 billion. During his professional career, Mr. Moore has worked as an engineer, investment banker, and financial advisor, focusing on public finance for more than 25 years, and joined PFM in 1998.

Mr. Moore has led multiple clients through credit upgrades, and currently advises Broward County, Orange County and Palm Beach County, which are all rated AAA. Mr. Moore's analytical foundation enables him to lead clients through complex structures and implement first-time credits to create client specific solutions. One of Mr. Moore's first time credits, the South Florida Water Management District, earned the Bond Buyer's Deal of the Year for 2007 for the first Certificate of Participation (COP) financing program for environmental restoration. The $546 million financing also obtained a AAA rating (implied General Obligation). A sample of Mr. Moore's Florida client experience includes the cities of Boca Raton, Coral Gables, Daytona Beach, Gainesville, Jacksonville, Key West, Melbourne, Ormond Beach, Sunrise, St. Petersburg and Tallahassee[4].

Mr. Moore holds a Master of Business Administration degree, cum laude, from the Crummer School of Business at Rollins College and a Bachelor of Science in Electrical Engineering from Auburn University. He is a registered Municipal Advisor Representative (Series 50).

Office Location

300 S. Orange Avenue
Suite 1170
Orlando, FL 32801

Education

Master of Business Administration
Crummer School of Business
Rollins College

Bachelor of Science in Electrical Engineering
Auburn University

Professional Designations or Licenses

Municipal Advisor Representative (Series 50)

Years with PFM

21 Years

Years of Experience

26+ Years

[4] Client list as of October 1, 2019 is for informational purposes only and does not represent an endorsement or testimonial by clients of PFM's financial advisory services.

Michael Dennis, Analyst

Michael Dennis joined PFM in 2019 and works as a financial advisory analyst based in the Orlando office. He works in the general government sector, healthcare sector, and with special districts providing technical and quantitative analytical support for various clients. His present duties include structuring, sizing, pricing new money, re-amortizing and refunding bond issues. He is also involved in assessing issuer's outstanding debt, performing analysis of refunding opportunities, capacity analysis, ratings support and preparing presentation/marketing materials for existing/prospective clients.

Michael graduated cum laude from Florida State University with a Bachelor of Science in Finance and Marketing as well as a minor in Political Science. He is a registered Municipal Advisor Representative (Series 50).

Office Location

300 S. Orange Avenue
Suite 1170
Orlando, FL 32801

Education

Bachelor of Science in Finance & Marketing
Minor in Political Science
Florida State University

Professional Designations or Licenses

Municipal Advisor Representative (Series 50)

Years with PFM

<1 Year

Years of Experience

<1 Year

4. Description of Consultant's financial position, reputation, and risk management relevant to providing municipal advisory services.

Financial Position

The financial position of PFM remains strong and the stability of the firm is best demonstrated by our 40+ years of providing financial advisory services to local governments throughout the country. Due to the variety of clients and expertise, PFM has a strong client base to ensure continued success. Furthermore, there are no foreseen factors to impede our continuance as a financially secure, ongoing business. Included in **Appendix A** are PFM's 2018-2017 Audited Financial Statements.

Risk Management - Cybersecurity

As Cyber threats have become a greater danger in the last few years, PFM has taken active steps to improve our resilience. PFM maintains a Security Awareness training site, which all employees are required to complete annual training courses. PFM employees logging onto their electronic devices are required to use multi-factor authentication. Also, all of our flash drives are password protected and encrypted for additional security.

C. Approach to Work

The proposal must describe the Consultant's envisioned approach to the work, including method of communicating with the City, determining the City's needs and goals, and evaluating and recommending different financial strategies. Please provide any preliminary thoughts on your approach to public finance specific to the City of Belle Isle.

Our Approach

At PFM, we believe that as a financial advisor, we should play an active part in designing and executing the financing strategies of our clients. We see ourselves as both the client's partner and agent in helping to achieve their specific goals. Our job is to make the City aware of suitable options at its disposal and their potential outcomes, and our goal is to provide the City with the tools it needs to craft a financing strategy that will lead to the lowest-available cost of borrowing; be consistent with the City's broader policy and financial objectives; and fit with existing policies. We provide a forum for ideas, an environment for testing conventional wisdom, and a platform for forging performance-improving strategies. Most importantly, we will help manage the process and execute the transactions.

In addition, our approach involves partnering with our clients as outlined below:

- Strategic Partner:
  - Monitor legislative initiatives
  - Provide updates on new financial products/programs
  - Keep City abreast of regulatory environment changes
- Technical Partner:
  - Provide ongoing market updates on changing market conditions
  - Provide superior transaction management
  - Assist with rating agency relations
  - Make County aware of new financial tools and their applicability
- Client Training – PFM offers:
  - Local training on investments, debt strategies, etc.
  - Training at FGFOA and other industry conferences
  - National client training – week long capital market training for senior finance officers

When serving as financial advisor, PFM takes an all-encompassing approach, ensuring that our clients' best interests are taken into account during each step of the bond issuance process. This begins with the creation of a team that consists of the optimal group of professionals who work all the way through post-issuance compliance on an ongoing basis. Within this section we provide a detailed description of this approach and how it benefits each of our clients.

Creating the Optimal Team

PFM's flexible project-oriented approach to staffing engagements enables us to bring the proper mix of resources and experience to a client's issue or transaction. This may mean bringing together several members of the same advisory practice or it may entail organizing a team from several different practices and offices. Our specialized project teams ensure that our clients receive complete and thorough advice directly from the PFM professionals most appropriate for their particular needs. This approach fosters creativity and innovation between PFM professionals and clients.

First, we designate specific team roles and responsibilities. Second, we marry these roles according to professional expertise needed to meet the scope of services. The core team proposed to serve the City is built upon a foundation of senior professionals located in our Orlando office. These individuals advise regional issuers and jurisdictions within the State of Florida. Together, they offer a mix of expertise in Florida public finance and the professional skills needed to advise a client such as the City.

City of Belle Isle

PFM Financial Advisors LLC

Project Management (Day-to-Day)

Engagement Manager
Jay Glover
Managing Director

Co-Engagement Manager
Nicklas Rocca
Senior Managing Consultant

Senior Project Support (As Needed)

David Moore
Managing Director

Analytical Support (Technical)

Michael Dennis
Analyst

Plan of Finance Development

The development of the most cost-effective financing plan available — as outlined in the table below — is a key strength of ours. Throughout the course of the financing process, PFM's financial advisory team will compile a set of the City's unique attributes that we believe will prove valuable in our negotiation with other market players for the best-available terms for the City.

Plan of Finance	
PFM Responsibilities	**Objective(s)**
1. Develop Financing and Debt Objectives	▪ Ensure consistency with formal written debt policies and procedures. ▪ Set parameters for measuring and making specific financing decisions. ▪ Demonstrate sophisticated financial management.
2. Prepare a Debt Profile	▪ Update comprehensive review of all outstanding indebtedness. ▪ Identify potential cost savings and other beneficial debt strategies.
3. Review Legal Structure	▪ Provide comprehensive review of bonding authority and bond covenants. ▪ Identify opportunities for financing flexibility within credit constraints.
4. Analyze Future Debt Capacity	▪ Determine ability to raise future debt capital. ▪ Identify rating concerns and/or opportunities.
5. Review Capital Budget	▪ Ensure a complete understanding of all anticipated capital needs in this changing plan. ▪ Match sources of capital funding to infrastructure needs.
6. Identify Financing Alternatives	▪ Inform issuer of pros and cons of different financing techniques. ▪ Outline potential financing strategies relevant to specific project.
7. Develop Final Financial Plan	▪ Document policies, processes, alternatives, and results. ▪ Formally recommend optimal financing plan and solution.

An element of the plan of finance development that has evolved over the last decade is the decision on whether direct bank loans or traditional publicly offered bonds are the most cost effective option to finance capital projects. Direct bank loans have become more prevalent among many of our clients who look to take advantage of expedited financing timelines, reduced issuance costs and fewer continuing disclosure requirements. We have been on the leading edge of negotiating favorable terms to our clients and ensuring proper disclosure to the market, through a competitive bank loan Request for Proposals ("RFP") process in most cases. All of the members of our proposed team for the City have extensive experience assisting clients with bank loan financings. Provided below are the pros and cons to both methods of financing.

	Bank Loan	Bond Issuance
Pros	➢ No ratings required ➢ No offering documents & minimal disclosure requirements ➢ Minimal issuance costs ➢ Usually shorter timeframe to close financing	➢ Financings up to 30 years are typical and easy to finance ➢ Future tax law change risk is with holders of bonds ➢ 10-Year Call Provision is the industry standard
Cons	➢ Limited banks willing to finance greater than 15 years ➢ Some banks require gross-up language if tax laws change ➢ Call Provisions are sometimes not available or are costly, can vary greatly between banks	➢ Ratings would be required ➢ Issuance documentation considerations and ongoing administration ➢ Issuance costs much greater than Bank Loan ➢ Additional time to complete financing due to additional documents and ratings process

Transaction Management Process

As we work with the City's team to develop a plan of finance and then move forward with a financing strategy, there are several key elements that should be considered. Of significant importance is the time that goes into the preparation of documents to meet the needs of both policy and credit structure. Upon completion of the documents for a public offering, the City staff and PFM's team will work together to confirm the initial ratings package is complete and provides sufficient detail regarding the credit strength, project significance, and management strengths to garner the highest possible credit rating that is warranted. A similar approach exists for bank loans, but the credit process is specific to each potential bank instead of an offering document that is required for a bond transaction. This credit work is typically completed during the RFP process for bank loan proposals, and we assemble an initial bank credit package which is released along with a bank loan RFP to market participants. As the plan of finance is refined, we will begin to lead the financing team through the transaction management process, as outlined in the table below.

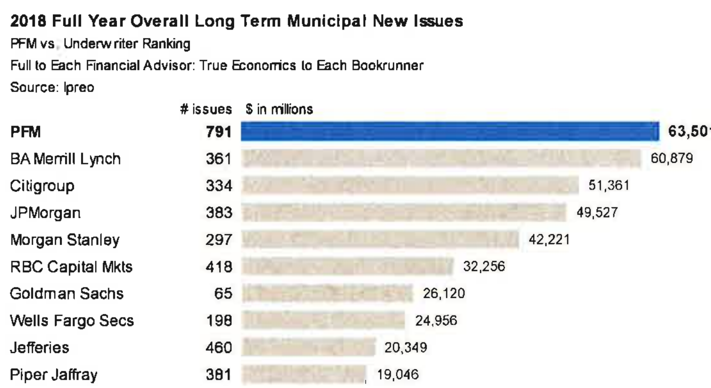
Transaction Management	
Action	**Objective(s)**
1. Develop and Monitor Schedule	▪ Serve as a plan for timely completion of financing.
2. Analyze Debt Structure Alternatives	▪ Design a debt structure that maximizes market interest and future financing flexibility while consistent with debt policy.
3. Review Existing Debt Structure	▪ Identify strengths/weaknesses so future debt issues can be structured to maximize ability to finance future capital needs.
4. Recommend Negotiated or Competitive Sale	▪ Tailor debt issue to the most efficient way to market debt and maximize investor interest/minimize interest cost.
5. Assist Issuer with Selection of Working Group Members	▪ Select team that can most effectively bring the issue to market.

6. Develop Terms of Financing	▪ Ensure credit quality and present terms are attractive to investors in order to create broad-based interest in the debt. ▪ Maximize future flexibility.
7. Review Financing Documents	▪ Monitor that all contractual and business terms are reviewed from the issuer's perspective.
8. Develop Marketing Plan	▪ Coordinate institutional investor "road show" and/or enhanced bond-issue advertising. ▪ Assist issuer seeking to maximize underwriter and investor interest in securities.
9. Develop Rating Presentation	▪ Obtain highest-possible credit rating available for debt issue. ▪ Formulate and implement long-term credit rating strategy.
10. Assist with Sale of Bonds and Evaluate Transaction	▪ Assist in obtaining lowest interest rate for given market. ▪ Provide written documentation of acceptability of bond sale. ▪ Complete pricing analysis.
11. Assist with Bond Closing	▪ Assure complete compliance with all market and regulatory requirements.

If a bank loan financing is deemed optimal, PFM will work with City staff to support scheduling the RFP release and approval/closing dates seeking to optimize the financing's attractiveness to potential bidders, and to allow for multiple terms and conditions to be evaluated. In the selection and approval process, PFM will outline clearly the risks and benefits of the different financing options proposed, and make a recommendation based on what alternative best meets the City's objectives.

Bond Pricing

When pricing bonds, PFM offers the City a unique blend of Wall Street knowledge, technical resources, and an independent, local fiduciary perspective. As indicated in the chart below, PFM is the most active financial advisor in the country, and is a more frequent market participant than even the largest investment banking firms.



One of PFM's greatest strengths is our in-house Pricing Group: a dedicated group of advisory professionals whose job is to follow primary and secondary municipal market activity and to interact with the underwriters' desks on behalf of our issuing clients. The group is located in our Charlotte, North Carolina office. PFM's dedicated team of pricing professionals provides clients throughout the country with centralized access to market information and trends, including coupon structures, call option valuation, and spread relationships

We are in the market on behalf of our clients an average of three times a day, and this constant presence gives us significant advantage over other firms when it comes to bond pricing. Our size and market presence give PFM the knowledge of a major investment bank with the independence of a financial advisor. The sole responsibility of our Pricing Group is to provide our clients with the analytics, market knowledge, and insight to obtain the best available interest cost for their transactions.

Furthermore, the Pricing Group's constant presence in the municipal bond pricing process helps foster professional peer-to-peer relationships with underwriting desks, as well as a better understanding of the internal workings of the underwriting process at the underwriters.

PFM couples this market knowledge with our own proprietary analytical pricing tools (e.g., Option Adjusted Spread analysis) to develop our own pricing targets, independent of and before the presentation of the underwriting team's consensus scale. Whether a negotiated or competitive sale, PFM's role simply is to seek the best results available. This includes structuring, marketing, and pricing a transaction. Regardless of the choice of a negotiated or competitive sale, we will run the numbers and prepare the sensitivity analyses necessary so that the City has an independent evaluation of the pricing.

Post-Issuance Reporting/Compliance

After each transaction, PFM customarily prepares a financial advisory report, providing clients with a summary of the transaction including the financial alternatives considered, the financial impact of the transaction, and a comparison to similar deals that priced within the same timeframe. Part of this post-sale analysis includes detailed information regarding the pricing performance of the bond sale. This detailed analysis includes a review of the City's prior transactions, other transactions in the market that priced within the same timeframe, and a summary of the pricing in comparison to the pricing model. PFM will compile this information for the City as part of the "Financial Advisor's Report," and also will identify the on-going administrative requirements over the life of the transaction.

Specific Opportunities for the City of Belle Isle

- Cornerstone Charter Academy (the "Academy")
    - It is our understanding that the City owns the land where the Academy is located and has been approached by the Academy regarding refinancing the debt and/or selling the facility to the Academy. Our understanding of the history is that the City purchased the property by issuing $9 million in bonds and the school pays the debt service. We understand that the Academy has proposed three scenarios for moving forward: (1) an outright purchase; (2) purchase of the buildings and the City maintains the property (ground lease) or (3) the Academy take out a bond and have the City still maintain all ownership of the property/facilities with the Academy performing all maintenance repairs (triple net lease). With interest rates at all-time lows, at a minimum, the City should consider refunding the bonds. Other factors to consider include:
        - Depending on the structure utilized, the debt may be removed from the City's balance sheet. If the City were to function purely as a conduit issuer, the debt would not count against debt related credit ratios. This would help the City "de-lever" if other general fund borrowing is anticipated in the future.

- Control of a strategic parcel. The City must weigh the benefit of controlling the land that is very visible against the credit risk associated with debt on the City's balance sheet.
- Other factors the City may consider include liability, prioritization of other City capital/debt needs and whether the close link to an academic institution is a positive or a risk to the City.

- Undergrounding Utilities
  - PFM crafted the plan of finance for funding the undergrounding of all of the utilities in the Town of Palm Beach (the "Town"). As the City knows, this is a complicated process from a logistical and financing standpoint. PFM worked with the Town to look at all funding options including special assessments, general obligation bonds and other sources of non-ad valorem revenues. Each of these financing alternatives was presented to the Town's Utility Underground Task Force, which was a group of citizens that were appointed by the Town Council. After many workshops, which included input from citizens, it was determined that the Town would seek voter approval via a general obligation referendum to gauge Town support for the project. However, instead of issuing general obligation debt secured by ad valorem taxes, the Town elected to levy a Town-wide special assessments based on the benefit received by each parcel within the Town. This was thought to be the most equitable means of spreading the cost among the Town. In September of 2018, the Town issued its initial series of the general obligation bonds in the par amount of $56,040,000 to fund the initial phase of the project. Subsequent general obligation bonds (not to exceed $90,000,000 in total) will be issued as additional funding is needed.

D. Legal Issues and Potential Conflict of Interest

The proposal must provide the following information:

1. Any pending investigations of the Consultant and any enforcement, settlements, or disciplinary actions taken within the past five years by any regulatory body.

There are no pending investigation of PFM Financial Advisors LLC and any enforcement, settlements, or disciplinary actions taken within the past five years by any regulatory body

2. The Consultant's affiliation or relationship, if any, with any broker-dealer.

None.

3. Any finder's fee, fee splitting, payments to consultants, or other contractual arrangements of the Consultant that could present a real or perceived conflict of interest.

None.

4. Registration with appropriate regulatory bodies.

As evidence of Municipal Advisor Registration for both the Firm as well as individual MA Representatives, we provide the statement below along with links to obtain the information through the EDGAR system using the file/film number for each representative.

PFM is registered as a municipal advisor with the Securities Exchange Commission and MSRB and is aware and undertakes requirements for individual professional registrations as well.

Provided below is a link to the Security Exchange Commission (SEC) EDGAR system where both the Form MA (for the Firm) and Form MA-I's (for individual Registered Reps) can be retrieved.

https://www.sec.gov/cgi-bin/browse-edgar?company=pfm+financial+advisors+llc&owner=exclude&action=getcompany

E. References

The proposal must identify three different clients for which the Consultant has provided services similar to those sought by the City of Belle Isle within the last three years and that would be willing to provide a reference. Include the name and contact information of an appropriate individual with each client and briefly summarize the main services or initiatives the Consultant provided to the client.

Provided below is list of references for PFM and the core team assigned to this engagement. It is important to note the length of time we have worked with many of these clients, in most cases being re-hired through multiple RFP cycles. We encourage the City to reach out to any of our clients to gauge the level of service provided. At the City's request we can provide copies of any client contracts or additional contact information for our other clients listed on page 9.

City of Winter Park 401 Park Avenue South Winter Park, Florida 32789 **Wes Hamil** Finance Director (407) 599-3381 whamil@cityofwinterpark.org	**Engagement Manager:** Jay Glover **Services Provided:** Financial Advisory, Long-Term Planning, Debt Structuring and Optimization, GO Referendum Planning, Credit Rating Management **Dates of Service:** 2011 to Present
City of Cocoa Beach P. O. Box 322430 Cocoa Beach, Florida 32932 **Eileen Clark** Chief Financial Officer (321) 868-3207 eclark@cityofcocoabeach.com	**Engagement Manager:** Jay Glover **Services Provided:** Financial Advisory, Long-Term Planning, Debt Structuring and Optimization **Dates of Service:** 2013 to Present
City of Titusville 555 S. Washington Avenue Titusville, Florida 32796 **Bridgette Clements** Director of Finance (321) 567-3712 bridgette.clements@titusville.com	**Engagement Manager:** Jay Glover **Services Provided:** Financial Advisory, Long-Term Planning, Debt Structuring and Optimization, **Dates of Service:** 2004 to Present
City of Orlando 400 S. Orange Avenue, 4th Floor Orlando, Florida 32801 **Christopher McCullion** Chief Financial Officer (407) 246-4274 christopher.mccullion@cityoforlando.net	**Engagement Manager:** Nicklas Rocca **Services Provided:** Financial Advisory, Long-Term Planning, Debt Structuring and Optimization, Specialized Pricing Models, Credit Rating Management **Dates of Service:** 2011 to Present

F. Fee Proposal

Describe the fee that the Consultant proposes to charge to perform the scope of services. Identify hourly rates and other personnel billing practices; reimbursable costs; fees charged on a fixed fee or not-to-exceed basis; and other fees and costs.

Non-Transactional Fees

PFM proposes an annual retainer of $8,000 that would be paid quarterly to cover services that are non-transactional related. The City may elect for an hourly fee payment schedule in lieu of an annual retainer fee for non-transactional services. If so below are the hourly rates.

Managing Director/Director: $195 per hour
Senior Managing Consultant: $185 per hour
Senior Analyst/Analyst: $175 per hour

Transaction Fees

For all services related to the public offering or private placement of debt, we propose a "$/$1,000" fee schedule, per series, as shown in the table below. PFM proposes the following compensation schedule with a minimum fee of $17,500 per transaction. Negotiated and competitive transactions are billed at the same rate. Refunding issues will also be billed in accordance to the schedule below, with the exception of a $2,500 additional fee for the extra services required for refundings. Expenses to be billed at cost, not to exceed $500 per series.

Bond Par ($000)	Incremental Fee per $1,000
1 - 10,000	$0.95
10,001 – 25,000	$0.75
25,001 and over	$0.55

Other Services (only if requested by the City)

In addition to advising on debt transactions, PFM is often called upon to perform many additional duties. These may include structuring and implementation of the refunding escrow, debt service reserve and debt service payment fund investment structuring, arbitrage rebate compliance, investment agreement bidding, investment liquidation, interest rate swap pricing and implementation, and other related services. If needed or required under this proposal, these services are subject to a separate fee to be negotiated in advance at the time of the service with the appropriate PFM affiliate. PFM fully discloses all fees related to any transaction.

Additional Information

General Contract Provisions:

Should PFM Financial Advisors LLC be awarded the engagement, we respectfully request the inclusion of certain provisions in the resulting contract that are regulatory requirements driven by our status as a municipal advisor registered with the Securities and Exchange Commission ("SEC") and with the Municipal Securities Rulemaking Board ("MSRB") (e.g., municipal advisor description; the scope of MA services, form and basis of compensation, termination or withdrawal of the client relationship, conflicts of interest disclosure, and our disclosure of any legal and disciplinary events).

I. Appendices

A. 2018-2017 Audited Financial Statements

PFM I, LLC
AND SUBSIDIARIES

Consolidated Financial Statements

December 31, 2018 and 2017

Kreischer Miller

PEOPLE | IDEAS | SOLUTIONS

PFM I, LLC AND SUBSIDIARIES
December 31, 2018 and 2017

CONTENTS

Independent Auditors' Report

The Board of Directors and Members
PFM I, LLC and Subsidiaries

We have audited the accompanying consolidated financial statements of PFM I, LLC and Subsidiaries, which comprise the consolidated balance sheets as of December 31, 2018 and 2017, and the related consolidated statements of comprehensive income, changes in members' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of PFM I, LLC and Subsidiaries as of December 31, 2018 and 2017, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Kreischer Miller

Horsham, Pennsylvania
April 26, 2019

PFM I, LLC AND SUBSIDIARIES

Consolidated Balance Sheets
December 31, 2018 and 2017

	2018	2017
ASSETS		
Current assets:		
Cash and cash equivalents	$ 1,288,519	$ 1,084,724
Investments in securities	97,730	105,000
Accounts receivable, net	23,025,615	17,946,047
Work-in-process, net	14,704,672	17,867,280
Prepaid expenses and other current assets	4,841,504	14,575,166
Total current assets	43,958,040	51,578,217
Equipment and improvements, net	26,841,676	21,336,556
Intangible assets, net	3,822,625	5,354,765
Other assets	2,431,893	734,802
Deferred income taxes	-	1,385,000
Goodwill	113,439,901	114,169,202
Total assets	$ 190,494,135	$ 194,558,542
LIABILITIES AND MEMBERS' EQUITY		
Current liabilities:		
Lines of credit	$ 36,000,000	$ 15,934,562
Current portion of long-term debt, net	-	5,499,702
Current portion of capital lease obligations	1,116,090	717,290
Accounts payable	1,369,272	3,279,654
Current portion of accrued expenses	34,964,790	34,556,143
Current portion of deferred revenue	2,306,756	1,226,600
Total current liabilities	75,756,908	61,213,951
Long-term debt, net	39,810,650	65,650,051
Capital lease obligations, net of current portion	1,218,630	1,530,459
Accrued expenses, net of current portion	5,718,156	6,431,196
Deferred income taxes	1,179,000	-
Deferred revenue, net of current portion	607,075	300,473
Deferred rent	14,306,294	11,108,311
Total liabilities	138,596,713	146,234,441
Members' equity:		
Members' equity	52,043,428	48,418,584
Contributions receivable	(184,090)	(109,030)
Accumulated other comprehensive income	38,084	14,547
Total members' equity	51,897,422	48,324,101
Total members' equity	51,897,422	48,324,101
Total liabilities and members' equity	$ 190,494,135	$ 194,558,542

See accompanying notes to consolidated financial statements.

PFM I, LLC AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income
Years Ended December 31, 2018 and 2017

	2018	2017
Revenues:		
Professional fees	$ 185,442,518	$ 180,191,439
Other income	1,266	95,691
	185,443,784	180,287,130
Expenses:		
Salaries, incentive compensation, and employee benefits	110,541,694	112,582,647
General and administrative	53,654,200	46,280,911
Interest expense	5,529,809	4,832,380
Other expense	109,725	2,141
	169,835,428	163,698,079
Income before provision for income taxes	15,608,356	16,589,051
Provision for income taxes	1,992,000	5,230,000
Net income	13,616,356	11,359,051
Other comprehensive income:		
Foreign currency translation adjustments	23,537	14,547
Comprehensive income	$ 13,639,893	$ 11,373,598

See accompanying notes to consolidated financial statements.

PFM I, LLC AND SUBSIDIARIES

Consolidated Statements of Changes in Members' Equity
Years Ended December 31, 2018 and 2017

	Common Members' Equity[1]	Common Members' Equity Contributions Receivable	Accumulated Other Comprehensive Income	Total Members' Equity
Balance, December 31, 2016	$ 45,938,926	$ (249,030)	$ -	$ 45,689,896
Members' contributions	6,961,073	140,000	-	7,101,073
Equity-based compensation expense recorded in connection with unit grant agreements (Note 15)	172,016	-	-	172,016
Redemption of common members' equity	(6,919,133)	-	-	(6,919,133)
Members' distributions	(9,093,349)	-	-	(9,093,349)
Foreign currency translation adjustments	-	-	14,547	14,547
Net income	11,359,051	-	-	11,359,051
Balance, December 31, 2017	48,418,584	(109,030)	14,547	48,324,101
Members' contributions	6,319,568	(169,185)	-	6,150,383
Receipt of contributions receivable	-	94,125	-	94,125
Equity-based compensation expense recorded in connection with unit grant agreements (Note 15)	191,160	-	-	191,160
Redemption of common members' equity	(6,118,143)	-	-	(6,118,143)
Members' distributions	(10,384,097)	-	-	(10,384,097)
Foreign currency translation adjustments	-	-	23,537	23,537
Net income	13,616,356	-	-	13,616,356
Balance, December 31, 2018	$ 52,043,428	$ (184,090)	$ 38,084	$ 51,897,422

[1]Common equity includes 39,420,524, 39,208,146 and 39,070,416 Class C units as of December 31, 2018, 2017 and 2016, respectively.

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows
Years Ended December 31, 2018 and 2017

	2018	2017
Cash flows from operating activities:		
Net income	$ 13,616,356	$ 11,359,051
Adjustments to reconcile net income to net cash provided by operating activities:		
Change in fair value of contingent consideration	253,685	66,691
Change in fair value of deferred consideration	(729,302)	356,940
Change in fair value of interest rate swap	-	2,141
Accretion of discount on held-to-maturity investments	-	(922)
Depreciation and amortization	6,336,587	4,221,826
Amortization of debt issuance costs	209,381	149,541
Amortization of implementation costs	102,484	-
Loss on investments in securities	7,270	-
Loss on disposal of equipment and improvements	87,336	108,908
Asset impairment	1,439,017	-
Change in accounts receivable reserve	154,193	3,932
Change in work-in-process reserve	47,031	7,559
Deferred income taxes	2,564,000	5,230,000
Equity-based compensation expense	191,160	172,016
Tenant improvement allowance	2,254,963	5,458,827
(Increase) decrease in:		
Accounts receivable	(5,233,761)	4,054,823
Work-in-process	3,115,577	(7,707,295)
Prepaid expenses and other current assets	9,685,178	(9,841,204)
Other assets	(1,799,575)	(164,812)
Increase (decrease) in:		
Accounts payable	(1,910,382)	1,309,335
Accrued expenses	(198,152)	(5,898,409)
Deferred revenue	1,386,758	791,065
Deferred rent	943,020	504,489
Net cash provided by operating activities	32,522,824	10,184,502
Cash flows from investing activities:		
Maturities of investments in securities	-	1,000,000
Purchases of investments in securities	-	(105,000)
Purchases of equipment and improvements	(9,946,846)	(11,532,004)
Equipment and improvements acquired under capital lease obligations	(1,159,773)	(1,138,603)
Acquisition of Fiduciary Capital Management, Inc.	-	(2,420,000)
Net cash used in investing activities	(11,106,619)	(14,195,607)

Continued...

PFM I, LLC AND SUBSIDIARIES

Consolidated Statements of Cash Flows, Continued
Years Ended December 31, 2018 and 2017

	2018	2017
Cash flows from financing activities:		
Net borrowings on (repayments of) lines of credit	(11,434,562)	13,934,562
Repayments of long-term debt	-	(4,500,000)
Payment of contingent consideration	(1,005,424)	(1,120,000)
Advances under capital lease obligations	1,203,595	1,138,603
Payments on capital lease obligations	(1,116,624)	(464,214)
Members' contributions	6,244,508	7,101,073
Members' distributions	(9,009,297)	(7,947,675)
Redemption of common members' equity	(6,118,143)	(6,919,133)
Net cash provided by (used in) financing activities	(21,235,947)	1,223,216
Effect of exchange rate changes on cash	23,537	14,547
Net increase (decrease) in cash and cash equivalents	203,795	(2,773,342)
Cash and cash equivalents, beginning of year	1,084,724	3,858,066
Cash and cash equivalents, end of year	$ 1,288,519	$ 1,084,724

	2018	2017
Supplemental disclosure of cash flow information:		
Cash paid during the year for:		
Interest	$ 5,199,523	$ 4,553,696
Income taxes	$ 643,753	$ 4,946,804

Supplemental disclosure of noncash investing and financing activities:

As described in Note 2, the Company has accrued tax distributions of $3,526,200 and $2,151,400 as of December 31, 2018 and 2017, respectively.

During the year ended December 31, 2018, the Company utilized $31,500,000 of its line of credit to repay its term loan agreement, as described in Note 10.

During the year ended December 31, 2018, the Company disposed of fully depreciated equipment and improvements totaling $9,284,430.

In connection with the 2017 acquisition of Fiduciary Capital Management, Inc. described in Note 3, PFM Asset Management LLC incurred contingent consideration with a fair value of $1,585,000 and deferred consideration of $33,000.

During the year ended December 31, 2017, the Company recorded tenant improvements totaling $573,965.

During the year ended December 31, 2017, the Company disposed of fully amortized intangible assets totaling $959,131.

See accompanying notes to consolidated financial statements.

(1) Nature of Business

As of December 31, 2018, PFM I, LLC (PFM I) wholly owns PFM Investment, LLC (PFM Investment). PFM Investment wholly owns Public Financial Management, Inc., PFM Asset Management LLC and Subsidiaries, PFM Financial Services LLC, PFM Swap Advisors LLC, PFM Ventures, LLC and Subsidiary, PFM Financial Advisors LLC and Subsidiary, PFM Group Consulting LLC, PFM Management Services LLC, and PFM International LLC and Subsidiary.

PFM I will continue until the occurrence of an event of dissolution as described in its third amended and restated limited liability company operating agreement (the Operating Agreement). Events of dissolution include the written consent of holders of at least 76% of the member units, the sale or disposition of substantially all of PFM I's assets, or any event specified under law as an event causing dissolution of PFM I.

Public Financial Management, Inc. (PFM) is a professional services firm that specializes in providing financial advisory services primarily to state and local governments and nonprofit institutions throughout the United States. Financial advisory services relate principally to the structuring, pricing and rating of debt, and consulting on finance related matters.

PFM Asset Management LLC (PFMAM) is an investment advisory firm that specializes in providing money-management and investment advisory services primarily to state and local governments, nonprofit institutions and retirement plans throughout the United States.

PFM Fund Distributors, Inc. (Fund Distributors), a wholly-owned subsidiary of PFMAM, is a broker-dealer whose sole purpose is to serve as the distributor or marketing agent for local government investment pools and registered investment companies for which PFMAM serves as investment adviser and/or administrator and/or transfer agent. Shares in these local government investment pools and registered investment companies are offered and sold only to institutional investors, the majority of which are state and local governmental entities. Fund Distributors has no present plans to buy, sell, or trade securities.

BondResource Partners, LP and BondResource Partners, LLC (collectively, BondResources) are wholly-owned subsidiaries of PFMAM. BondResources is a professional services firm that specializes in providing bond management services and calculations primarily to tax-exempt entities.

PFM Financial Services LLC (FiServ) provides a national program for procurement cards, issued through an unrelated financial institution.

PFM Swap Advisors LLC (PFMSA) is a professional services firm that specializes in assisting clients with interest-rate swaps and other derivatives.

Continued...

(1) Nature of Business, Continued

PFM Ventures, LLC (PFM Ventures) is a holding company that owns PFM Solutions LLC.

PFM Solutions LLC (PFM Solutions), a subsidiary of PFM Ventures, specializes in providing customized, comprehensive strategic planning services to governmental, not-for-profit, and for-profit institutions.

PFM Financial Advisors LLC (PFMFA) is a professional services firm that specializes in providing financial advisory services primarily to state and local governments and nonprofit institutions throughout the United States. Financial advisory services relate principally to the structuring, pricing and rating of debt, and consulting on finance related matters.

Western Financial Group, LLC (WFG) is a wholly-owned subsidiary of PFMFA. WFG is a professional services firm that provides financial advisory services primarily to state and local governments and nonprofit institutions principally in the Northwestern United States.

PFM Group Consulting LLC (PFMGC) is a professional services firm that specializes in providing consulting services primarily to state and local governments and nonprofit institutions throughout the United States. Consulting services are primarily analyses to assist with better governmental operating outcomes.

PFM Management Services LLC (PFMMS) is an administrative entity. PFMMS's primary purpose is to provide financial management and other administrative services to the Company's international operations. PFMMS was formed during the year ended December 31, 2017 and had no activity during the year ended December 31, 2017.

PFM International LLC (PFM International) is a United States holding company for the Company's international subsidiaries.

PFM Advisors UK Limited (PFMUK) is a wholly-owned subsidiary of PFM International. PFMUK is a professional services firm specializing in providing financial advisory services throughout the United Kingdom. Financial advisory services relate principally to the structuring, pricing and rating of debt, and consulting on finance related matters. PFMUK was formed during the year ended December 31, 2017.

(2) Summary of Significant Accounting Policies

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of PFM I, PFM Investment, PFM, PFMAM and Subsidiaries, FiServ, PFMSA, PFM Ventures and Subsidiary, PFMFA and Subsidiary, PFMGC, PFMMS, and PFM International and Subsidiary (collectively, the Company). All significant intercompany accounts and transactions have been eliminated in the accompanying consolidated financial statements.

Cash Equivalents

Short-term investments and other highly liquid instruments having original maturities of three months or less are considered to be cash equivalents.

Investments in Securities

The Company accounts for its investments in equity securities in accordance with Financial Accounting Standards Board (FASB) *Accounting Standards Codification* (ASC) 321, *Investments – Equity Securities*, whereby equity investments are measured at fair value in the accompanying consolidated balance sheets with changes in fair value recognized in net income.

The Company determines the appropriate classification of its investments in debt securities at the time of purchase and reevaluates such determinations at each reporting date. Debt securities are classified as held-to-maturity when the Company has the positive intent and ability to hold the securities to maturity. Held-to-maturity securities are recorded as either short-term or long-term on the accompanying consolidated balance sheets, based on contractual maturity date and are stated at amortized cost. Securities that are bought and held principally for the purpose of selling them in the near term are classified as trading securities and are reported at fair value, with unrealized gains and losses recognized in earnings. Securities not classified as held-to-maturity or trading are classified as available-for-sale, and are valued at fair value, with the unrealized gains and losses, net of tax, included in the determination of comprehensive income and reported in members' equity.

Transactions related to investments in securities are recorded on a trade date basis.

At December 31, 2018 and 2017, the Company held investments in certain pooled funds managed by PFMAM. These investments are recorded at fair value as further described in Note 4.

At December 31, 2016, the Company held U.S. government securities that were classified as held to maturity and carried at amortized cost. These securities matured during the year ended December 31, 2017.

Continued...

(2) Summary of Significant Accounting Policies, Continued

Equipment and Improvements

Equipment and improvements, including computer software developed or acquired for internal use, are stated at cost. The straight-line method of depreciation is used for financial reporting purposes over estimated useful lives of generally three years for computer software, three to five years for equipment, and five to ten years for furniture and fixtures. Leasehold improvements are amortized on a straight-line basis over the shorter of the lease term or the estimated useful lives of the assets, which generally range from two to fifteen years. Assets in progress are stated at cost, which includes the cost of construction and other direct costs attributable to the construction. No provision for depreciation is made on assets in progress until such time as the relevant assets are completed and put to use. Assets in progress at December 31, 2018 and 2017, primarily represents leasehold improvements and computer software. Maintenance and repairs are charged to expense as incurred. Betterments and renewals, which extend the useful lives or capacities of the equipment and improvements, are capitalized. Gains or losses resulting from the sale or disposal of equipment and improvements are included in the consolidated statements of comprehensive income.

Assets Held under Capital Leases

Assets held under capital leases are recorded at the lower of the net present value of the minimum lease payments or the fair value of the leased asset at the inception of the lease. Amortization expense is computed using the straight-line method of the shorter of the estimated useful lives of the assets or the period of the related lease.

Intangible Assets

Intangible assets consist primarily of customer lists and non-competition agreements. The straight line method of amortization is used for financial reporting purposes over estimated useful lives ranging from three to five years.

Continued...

(2) Summary of Significant Accounting Policies, Continued

Cloud Computing Arrangements

Prior to January 1, 2018, the Company expensed implementation costs related to cloud computing arrangements as incurred. Effective January 1, 2018, the Company adopted FASB Accounting Standards Update (ASU) 2018-15, *Intangibles – Goodwill and Other – Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract* and accounts for implementation costs related to cloud computing arrangements by capitalizing qualifying costs on its consolidated balance sheet in the same line item that a prepayment for the fees of the associated arrangement would be presented. Accordingly, such capitalized implementation costs have been included as a long-term other asset in the accompanying consolidated balance sheets. The Company amortizes capitalized implementation costs on a straight line basis over the terms of the related arrangements, which, as of December 31, 2018, is seven years. Amortization expense related to the capitalized implementation costs is required to be presented in the same line item in the consolidated statement of comprehensive income as the fees associated with the hosting element of the arrangements. Accordingly, such amortization expense has been included in general and administrative expenses in the accompanying consolidated statements of comprehensive income.

Goodwill

In accordance with FASB ASC 350, *Intangibles – Goodwill and Other*, the Company assesses goodwill for impairment on an annual basis. In connection with its assessment of the fair value of deferred consideration on PFM Ventures, the Company recognized an impairment of goodwill of $729,301 during the year ended December 31, 2018. See Note 4. No impairment of goodwill was recognized during the year ended December 31, 2017.

Debt Issuance Costs

Debt issuance costs are amortized over the term of the related loan. Unamortized debt issuance costs related to term debt are included in the accompanying consolidated balance sheets as a reduction of the term debt. As of December 31, 2018 and 2017, aggregate debt issuance costs and accumulated amortization related to term debt were $432,800 and $243,450, and $788,791 and $438,544, respectively. See Note 10 for information regarding the related term debt. As of December 31, 2018 and 2017, net debt issuance costs totaling $24,242 and $72,726, respectively, related to the Company's line of the credit are recorded in prepaid expenses and other current assets. As of December 31, 2018 and 2017, aggregate debt issuance costs and accumulated amortization, related to the line of credit were $96,968 and $72,726, and $96,968 and $24,242, respectively.

Continued...

(2) Summary of Significant Accounting Policies, Continued

Debt Issuance Costs, Continued

Total amortization, included in interest expense, related to debt issuance costs was $209,381 and $149,541 for the years ended December 31, 2018 and 2017, respectively.

Impairment of Long-Lived Assets

Impairment of long-lived assets is recognized when projected future cash flows are less than the assets' carrying values. Accordingly, when indicators of impairment are present, the Company evaluates the carrying values of the long-lived assets in relation to the cash generating performance and future undiscounted cash flows of the underlying business. The Company adjusts the net book value of the underlying assets if the sum of their expected future undiscounted cash flows is less than book value. The Company recorded an impairment charge of $709,716 related to internal-use software during the year ended December 31, 2018. No such adjustments were recorded during the year ended December 31, 2017.

Revenue Recognition

A majority of the Company's fees are based on either fixed price or hourly contracts, or assets under management.

The Company's financial advisory contracts are typically long-term in nature. Revenue for these fixed price and hourly contracts is recognized when realized or realizable, and earned. This occurs when an arrangement exists, services have been rendered, the fees are fixed and determinable, and collectability is reasonably assured.

Revenue for asset management is primarily calculated as a percentage of compensable assets under management. At December 31, 2018 and 2017, the Company managed compensable assets with a fair value of approximately $95 billion and $82 billion, respectively. Compensable assets are subject to market fluctuations.

The Company generally bills in arrears for services performed. Unbilled revenue is recorded in work-in-process in the accompanying consolidated balance sheets.

Advertising

The Company expenses advertising costs when incurred. Total advertising expenses, recorded in general and administrative expenses in the accompanying consolidated statements of comprehensive income, for the years ended December 31, 2018 and 2017 were $2,602,194 and $2,019,682, respectively.

Continued...

(2) Summary of Significant Accounting Policies, Continued

Income Taxes

PFM I, PFM Investment, PFMAM, FiServ, PFMSA, BondResources, PFM Ventures, PFM Solutions, PFMFA, WFG, PFMGC, PFM International, PFMUK, and PFMMS (collectively, the Partnerships) file combined federal and state income tax returns. The Partnerships' activities are reported under the partnership provisions of the Internal Revenue Code (IRC) and various state statutes for income tax reporting. Accordingly, the members of PFM I are individually liable for the taxes on their respective shares of the Partnerships' consolidated income or loss.

PFM and Fund Distributors are C corporations. Income taxes are computed in accordance with FASB ASC 740, *Income Taxes*. This standard requires an asset and liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the book and tax bases of assets and liabilities, as well as the estimated future tax consequences attributable to net operating loss and tax credit carryforwards. A valuation allowance is established if, based upon all available information, it is deemed more likely than not that a portion or all of a deferred tax asset will not be realized.

FASB ASC 740 is the authoritative pronouncement on accounting for and reporting income tax liabilities and expense. FASB ASC 740 prescribes a more-likely-than-not recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken. In addition, FASB ASC 740 provides guidance on derecognition, classification and disclosure.

The Company files income tax returns in the U.S. federal jurisdiction, the United Kingdom, and various state and local jurisdictions. For U.S. jurisdictions, the Company's tax returns are subject to examination by the relevant tax authorities until expiration of the applicable statute of limitations, which is generally three years after the filing of the tax return. It is difficult to predict the final timing and resolution of any particular uncertain tax position. Based on the Company's assessment of many factors, including past experience and complex judgments about future events, the Company does not currently anticipate significant changes in its tax positions over the next 12 months.

Under the Operating Agreement, PFM I is generally required, with certain exceptions, to make periodic distributions to the members for federal and state income taxes on pass-through income. Exceptions include restrictions in financing agreements and availability of funds. The Company has accrued tax distributions of $3,526,200 and $2,151,400 as of December 31, 2018 and 2017, respectively.

Continued...

(2) Summary of Significant Accounting Policies, Continued

Comprehensive Income

The Company follows FASB ASC 220, *Comprehensive Income*. FASB ASC 220 establishes standards for reporting and display of comprehensive income and its components in a full set of general purpose financial statements. FASB ASC 220 requires all items to be recognized under accounting standards as components of comprehensive income and to be disclosed in the consolidated financial statements. Comprehensive income is the total of net income and other comprehensive income which comprises the foreign currency translation adjustment in the accompanying consolidated statements of comprehensive income.

Foreign Currency Translation

All assets and liabilities of PFMUK are generally translated at exchange rates in effect at the reporting date. Revenue and expense accounts are generally translated at the average rate of exchange in effect during the reporting period. Foreign currency translation adjustments are included in other comprehensive income. Cumulative foreign currency translation adjustments are reflected in accumulated other comprehensive income in the accompanying consolidated balance sheets.

Concentrations of Credit Risk

Financial instruments that potentially expose the Company to concentrations of credit risk consist principally of cash and cash equivalents, accounts receivable, and work-in-process. The Company principally utilizes national banks to maintain its operating cash accounts. At certain times, such balances may be in excess of the FDIC insurance limits. The Company's principal customers are state and local governments, nonprofit institutions and retirement plans. Services to these customers are normally provided under contractual arrangements. The Company assesses the financial strength of its customers on an ongoing basis. The Company records accounts receivable and work-in-process reserves at levels considered by management to be adequate to absorb estimates of probable future losses (uncollectable amounts) existing at the reporting date. These reserves are based on estimates, and ultimate losses may differ from those estimates.

In the normal course of its operations, the Company enters into contracts and agreements that contain indemnifications and warranties. The Company's maximum exposure under these agreements is unknown as this would involve future claims that may be made against the Company that have not yet occurred. The Company expects the risk of loss to be remote.

Continued...

(2) Summary of Significant Accounting Policies, Continued

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassification

Certain items in the accompanying 2017 consolidated financial statements have been reclassified to conform to the current year presentation.

Recently Adopted Accounting Standards

The Company adopted FASB ASU 2016-01, *Financial Instruments - Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities.* This ASU amends certain aspects of recognition, measurement, presentation and disclosure of financial instruments, including the requirement to measure certain equity investments at fair value with changes in fair value recognized in net income. The impact of adopting this ASU had no material impact upon adoption and will result in the Company recognizing changes to the fair value of equity investments as part of net income rather than other comprehensive income.

The Company adopted FASB ASU 2018-15 on a prospective basis effective January 1, 2018 pertaining to ongoing cloud implementation arrangements. This ASU provides new guidance on a customer's accounting for implementation, set-up and other upfront costs incurred in a cloud computing arrangement that is hosted by the vendor. Under the new guidance, customers will apply the same criteria for capitalizing implementation costs as they would for an arrangement that has a software license. The new guidance also prescribes the balance sheet, income statement and cash flow classification of the capitalized implementation costs and related amortization expense, and requires additional quantitative and qualitative disclosures. The adoption of this guidance resulted in the Company capitalizing costs on its consolidated balance sheet and amortizing those costs over the related arrangements rather than expensing costs as incurred. See Note 8 for further details regarding the capitalized costs.

Continued...

(2) Summary of Significant Accounting Policies, Continued

Recent Accounting Standards Pending Adoption

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This ASU impacts measurement, recognition and disclosure of revenue from contracts. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. The ASU will be effective for the Company's December 31, 2019 consolidated financial statements. The Company is currently evaluating the impact that the adoption of this ASU will have on its consolidated financial position, results of operations, and cash flows. The adoption of this ASU is expected to require additional disclosures in the Company's consolidated financial statements.

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows (Topic 23): Classification of Certain Cash Receipts and Cash Payments*. This ASU clarifies guidance related to the classification of certain cash flows. The ASU will be effective for the Company's December 31, 2019 consolidated financial statements. The Company is currently evaluating the impact that the adoption of this ASU will have on its consolidated cash flows. The adoption of this ASU is expected to require the Company to classify cash payments for contingent and deferred consideration made soon after the acquisition date of a business combination as cash outflows from investing activities rather than as cash outflows from financing activities. Additionally, the adoption of this ASU is expected to require the Company to separate cash payments for contingent and deferred consideration not made soon after the acquisition date of a business combination, and classify as cash outflows from operating and financing activities rather than entirely as cash outflows from financing activities. Cash payments up to the amount of the contingent and deferred consideration liability recognized at the acquisition date will be classified as financing activities; any excess will be classified as operating activities.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)* which requires lessees to recognize the following for all leases other than short-term leases at the commencement of a lease: a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. The ASU is effective for annual reporting periods beginning after December 15, 2019, and interim periods within annual periods beginning after December 15, 2020. Early application is permitted. The Company is currently evaluating the impact that the adoption of this ASU will have on its consolidated financial statements and anticipates a material increase in total assets and liabilities.

(3) Acquisitions

Fiduciary Capital Management, Inc.

In December 2017, PFMAM completed the acquisition of certain assets of Fiduciary Capital Management, Inc. (FCM), who has been in the business of managing stable value portfolios for institutional retirement plan clients. PFMAM acquired FCM to expand its ability to manage stable value portfolios in the defined contribution markets. The acquisition date fair value of consideration transferred and the acquisition date fair value of assets and liabilities acquired include the following:

Fair Value of Consideration Transferred:	
Cash	$ 2,420,000
Deferred consideration	33,000
Contingent consideration	1,585,000
	$ 4,038,000

Recognized Amounts of Identifiable Assets Acquired and Liabilities Assumed:	
Customer list	$ 3,100,000
Goodwill	938,000
	$ 4,038,000

The acquisition of FCM includes two contingent consideration arrangements that require additional consideration to be paid under certain situations. The first contingent consideration is based on the revenues attributable to contracts assigned to PFMAM from FCM through December 15, 2018. The second contingent consideration is based on the revenues attributable to certain of FCM's pipeline prospects as of the date of the acquisition. Any incentive earned is payable over a 2 year time period after execution of contracts with the pipeline prospects. The fair value of the contingent consideration recognized at acquisition is remeasured as of each reporting date using level 3 inputs, as described in Note 4. The goodwill is primarily attributable to the workforce of the acquired business and additional market presence.

(4) Fair Value Measurements

FASB ASC 820, *Fair Value Measurements and Disclosures*, defines fair value and establishes a framework for measuring and disclosing fair value in accordance with accounting principles generally accepted in the United States of America.

Various inputs may be used to determine the value of the Company's financial assets and liabilities. These inputs are summarized in three broad levels listed below. The input levels or methodologies used for valuing financial assets and liabilities are not necessarily an indication of the risk associated with those financial assets and liabilities.

Level 1: Quoted prices in active markets for identical financial assets and liabilities.

Level 2: Observable inputs other than level 1 quoted prices.

Level 3: Unobservable inputs.

Observable inputs are inputs that other market participants may use in pricing a financial asset or liability. These may include quoted prices for similar assets and liabilities, interest rates, prepayment speeds, credit risk, and others. The determination of what constitutes observable inputs requires judgment by management of the Company.

In situations where quoted prices or observable inputs are unavailable or deemed less relevant (for example, when there is little or no market activity for an asset or liability at the end of the period), unobservable inputs may be used. Unobservable inputs reflect the Company's own assumptions about the factors market participants would use in pricing an asset or liability, and would be based upon available information.

For the years ended December 31, 2018 and 2017, the application of valuation techniques applied to similar assets and liabilities has been consistent. The following is a description of the valuation methodologies used for instruments measured at fair value:

Investments in Securities

At December 31, 2018 and 2017, the Company held investments in certain pooled funds managed by PFMAM valued at the net asset value (NAV) per unit of the respective pooled fund.

Contingent Consideration

In accordance with FASB ASC 805, *Business Combinations*, the Company remeasures the fair value of contingent consideration as of each reporting date. The fair value of contingent consideration is based on significant inputs not observable in the market which FASB ASC 820 refers to as level 3 inputs, and has been included in accrued expenses in the accompanying consolidated balance sheets.

Continued...

(4) Fair Value Measurements, Continued

Contingent Consideration, Continued

Key assumptions as of December 31, 2018 and 2017 include the following:

2018

	Range of Years to Earn Contingent Consideration	Range of Estimated Undiscounted Contingent Consideration (thousands)	Estimated Contingent Consideration Outcomes (thousands)	Cumulative Contingent Consideration Earned	Cumulative Contingent Consideration Paid	Fair Value of Outstanding Contingent Consideration	Discount Rate
FCM	2018	$0 - $2,500	$1,817	$ 1,817,424	$ 855,424	$ 962,000	6.00%
ACA	2017 - 2019	$0 - $550	$550	$ 400,000	$ 250,000	$ 291,509	6.00%

2017

	Range of Years to Earn Contingent Consideration	Range of Estimated Undiscounted Contingent Consideration (thousands)	Estimated Contingent Consideration Outcomes (thousands)	Cumulative Contingent Consideration Earned	Cumulative Contingent Consideration Paid	Fair Value of Outstanding Contingent Consideration	Discount Rate
FCM	2018	$0 - $2,500	$1,680	$ -	$ -	$ 1,589,000	6.00%
ACA	2017 - 2019	$0 - $550	$550	$ 250,000	$ 100,000	$ 416,248	6.00%
SBA	2016 - 2017	$1,545 - $2,060	$2,060	$ 2,060,000	$ 2,060,000	$ -	6.00%

Deferred Consideration

In December 2015, PFM Ventures completed an acquisition of certain assets of Whitebirch Software, Inc. through the creation of PFM Solutions. The fair value of the deferred consideration recognized in connection with that acquisition was estimated by applying a discounted cash flow model and is remeasured as of each reporting date. That measurement method is based on significant inputs not observable in the market, which FASB ASC 820 refers to as level 3 inputs. The undiscounted payment amount is based off of the net income or loss attributable to PFM Solutions, plus interest, taxes, depreciation, and amortization, multiplied by eight, (the PFM Solutions Fair Market Value) for each of the years ended December 31, 2019 through December 31, 2023. Payments will be made each year from 2020 through 2024, or earlier under certain conditions, at the prior year's PFM Solutions Fair Market Value. Key assumptions include an estimated base scenario of undiscounted cash flows of $9,300,000 with a 10% and 60% probability at December 31, 2018 and 2017, respectively, and an alternate scenario of undiscounted cash flows of $6,500,000 with a 90% and 40% probability at December 31, 2018 and 2017, respectively. A discount rate of 6% was utilized. Deferred consideration of $5,576,646 and $6,305,948, respectively, is included in accrued expenses, net of current portion in the accompanying consolidated balance sheets at December 31, 2018 and 2017.

Continued...

(4) Fair Value Measurements, Continued

The tables below present the assets and (liabilities) measured at fair value on a recurring basis:

	December 31, 2018			
	Total	Level 1	Level 2	Level 3
Investments in securities measured at NAV per share[a]	$ 97,730			
Contingent consideration	$ (1,253,509)	$ -	$ -	$ (1,253,509)
Deferred consideration	$ (5,576,646)	$ -	$ -	$ (5,576,646)

	December 31, 2017			
	Total	Level 1	Level 2	Level 3
Investments in securities measured at NAV per share[a]	$ 105,000			
Contingent consideration	$ (2,005,248)	$ -	$ -	$ (2,005,248)
Deferred consideration	$ (6,305,948)	$ -	$ -	$ (6,305,948)

[a] In accordance with FASB ASU 2015-07, certain investments that were measured at NAV per share (or its equivalent) as a practical expedient have not been classified in the fair value hierarchy.

The changes in the balances of the liabilities measured at fair value based on level 3 inputs are summarized as follows:

	Contingent Consideration	Deferred Consideration
Balance at December 31, 2016	$ 1,473,557	$ 5,949,008
Fair value recognized at acquisition date	1,585,000	-
Contingent consideration paid	(1,120,000)	-
Change in fair value	66,691	356,940
Balance at December 31, 2017	2,005,248	6,305,948
Contingent consideration paid	(1,005,424)	-
Change in fair value	253,685	(729,302)
Balance at December 31, 2018	$ 1,253,509	$ 5,576,646

(5) Accounts Receivable and Work-In-Process

The components of accounts receivable are as follows at December 31:

	2018	2017
Accounts receivable	$ 24,291,779	$ 19,058,018
Accounts receivable reserve	(1,266,164)	(1,111,971)
Accounts receivable, net	$ 23,025,615	$ 17,946,047

The components of work-in-process are as follows at December 31:

	2018	2017
Work-in-process	$ 15,296,347	$ 18,411,924
Work-in-process reserve	(591,675)	(544,644)
Work-in-process, net	$ 14,704,672	$ 17,867,280

(6) Equipment and Improvements

Equipment and improvements consist of the following at December 31:

	2018	2017
Leasehold improvements	$ 18,725,406	$ 9,987,137
Furniture and fixtures	6,718,556	7,786,120
Equipment	4,228,049	5,907,572
Computer software	6,109,437	7,027,644
Assets in progress	3,027,555	7,075,393
	38,809,003	37,783,866
Accumulated depreciation and amortization	(11,967,327)	(16,447,310)
	$ 26,841,676	$ 21,336,556

Depreciation and amortization expense was $4,804,447 and $3,289,458 for the years ended December 31, 2018 and 2017, respectively.

At December 31, 2017, the Company had a receivable of $3,654,848 for tenant improvement allowances related to assets in progress, which was included in prepaid expenses and other current assets in the accompany consolidated balance sheet as of December 31, 2017.

(7) Intangible Assets

Intangible assets consist of the following at December 31:

	Customer Lists	Non-competition Agreements	Total
		2018	
Gross carrying amount	$ 7,130,000	$ 272,890	$ 7,402,890
Accumulated amortization	(3,307,375)	(272,890)	(3,580,265)
	$ 3,822,625	$ -	$ 3,822,625
		2017	
Gross carrying amount	$ 7,130,000	$ 272,890	$ 7,402,890
Accumulated amortization	(1,854,029)	(194,096)	(2,048,125)
	$ 5,275,971	$ 78,794	$ 5,354,765

Amortization expense for the years ended December 31, 2018 and 2017 was $1,532,140 and $930,341, respectively. Estimated amortization expense for the years ending December 31, 2019, 2020, 2021, and 2022, is $1,453,500, $1,129,125, $620,000, and $620,000, respectively.

(8) Implementation Costs for Cloud Computing Arrangements

Implementation costs for cloud computing arrangements, which have been included in other assets in the accompanying consolidated balance sheet, consist of the following at December 31, 2018:

Implementation costs	$ 1,651,124
Accumulated amortization	(102,484)
	$ 1,548,640

Amortization expense, which has been included in general and administrative expenses in the accompanying consolidated statement of comprehensive income, for the year ended December 31, 2018 was $102,484. Estimated amortization expense for each of the years ending December 31, 2019, 2020, 2021, 2022, and 2023 is $204,968.

(9) Lines of Credit

During 2017, PFM Investment, PFM, PFMAM, and FiServ (collectively, the Borrowers) modified its line of credit agreement. Under the agreement, the Borrowers have available a joint line of credit that expires on June 28, 2019. The maximum available borrowings are $60,000,000, subject to certain conditions in the credit agreement. The Borrowers are jointly and severally liable to the lenders for the full payment and performance under the line of credit. The line of credit contains mandatory prepayment provisions as described in Note 10. The Company's management expects the lines of credit to be extended under similar terms.

Unpaid cash advances bear interest at the base rate plus an applicable margin, or the LIBOR rate plus an applicable margin. The applicable margin for the base rate ranges from 0.00% to 1.00% based on the Company's consolidated senior leverage ratio. The applicable margin for the LIBOR rate ranges from 2.00% to 3.25% based on the Company's consolidated senior leverage ratio. The applicable interest rates at December 31, 2018 range from 4.50% to 4.66%. The line of credit is collateralized by certain assets of the Borrowers and is guaranteed by PFM I, PFMSA, BondResources, PFM Ventures, PFMGC, PFMFA, and WFG (collectively, the Guarantors). At December 31, 2018 there is $36,000,000 outstanding on the line of credit.

The Company's credit agreement also provides for up to $6,000,000 of credit on a swingline loan. The swingline loan is attached to the master cash sweep account and automatically makes draws when daily cash payments exceed the cash on hand in the master cash account, up to the credit limit. At no time, shall the total outstanding balance on the line of credit, the letters of credit and swingline loan exceed the maximum available borrowings. At December 31, 2018, there are no outstanding borrowings on the swingline loan.

The Company's credit agreement also provides for up to $2,000,000 in letters of credit. The outstanding letters of credit reduce the maximum available borrowings on the line of credit. The Company has outstanding letters of credit totaling $784,890 as of December 31, 2018. See Note 14.

PFM had available an equipment finance lease facility with $3,500,000 of maximum financing to lease equipment that expired in December 2018 (See Note 11). Under the terms of this agreement, equipment can be leased for up to 60 months. Lease obligations, payable through 2022, bear interest at the LIBOR rate plus 2% (ranging from 2.92% to 4.52% at December 31, 2018) and are guaranteed by PFM Investment, PFMAM, and FiServ.

(10) Long-Term Debt

Long-term debt consists of the following at December 31:

	2018		
	Principal	Unamortized debt issuance costs	Net
$40,000,000 private placement notes (the Private Notes) with PFM Investment and nine noteholders, with interest only payments made quarterly in arrears and with the remaining unpaid principal and interest due June 2022. The Private Notes are subordinated to the Term Loan and line of credit. The subordination agreement prohibits principal payments on the Private Notes prior to repayment in full of the Term Loan and line of credit. The Private Notes bear interest at a rate of 8% through June 2019 and at the LIBOR rate plus 5.76% from July 2019 through June 2022. Principal prepayments are permitted, subject to the subordination agreement. Any prepayments made prior to June 2019 must include a make-whole penalty, which generally represents interest expense related to the prepayments. The Private Notes are guaranteed by the Guarantors and PFM, PFMAM, and FiServ.	$ 40,000,000	$ (189,350)	$ 39,810,650
Less: Current portion	-	-	-
	$ 40,000,000	$ (189,350)	39,810,650

	2017		
$45,000,000 term loan agreement (the Term Loan) with the Borrowers, jointly and severally liable, and eight lenders. The Term Loan bore interest at the base rate plus an applicable margin, or the LIBOR rate plus an applicable margin. The applicable margin for the base rate ranged from 0.00% to 1.00% based on the Company's consolidated senior leverage ratio. The applicable margin for the LIBOR rate ranged from 2.00% to 3.25% based on the Company's consolidated senior leverage ratio. The Term Loan was collateralized by certain assets of the Borrowers and was guaranteed by the Guarantors. The Term Loan was repaid during the year ended December 31, 2018 utilizing the line of credit discussed in Note 9.	$ 31,500,000	$ (106,797)	$ 31,393,203
The Private Notes described above	40,000,000	(243,450)	39,756,550
	71,500,000	(350,247)	71,149,753
Less: Current portion	(5,625,000)	125,298	(5,499,702)
	$ 65,875,000	$ (224,949)	$ 65,650,051

Continued...

(10) Long-Term Debt, Continued

The aggregate future annual principal payments of long-term debt consist of the following:

Years Ending December 31,	Amount
2019	$ -
2020	-
2021	-
2022	40,000,000
	$ 40,000,000

Upon the occurrence of certain issuances of members' units, receipt of certain insurance proceeds, certain asset dispositions, or if the Company's consolidated senior leverage ratio is 3.00 to 1.00 or greater, the Borrowers are required to make mandatory prepayments to be applied to the lines of credit then the Private Notes. The Company must maintain certain financial and operational covenants in connection with the lines of credit and the Private Notes.

Interest Rate Swap Agreements

The Borrowers entered into two interest rate swap agreements (the Swaps) with total notional amounts of $34,343,750 and $10,000,000, respectively. Under the terms of the Swaps, the Borrowers prepaid fixed interest payments of $521,600 and $219,500, respectively, and receive interest at a floating rate of the excess of LIBOR over 3%. There are no remaining prepaid fixed interest payments at December 31, 2018. The prepaid fixed interest payments aggregating $77,330 at December 31, 2017 are included in other assets on the accompanying consolidated balance sheets and were being amortized over the term of the Swaps. The Swaps commenced October 2013 and expired July 2018. The Borrowers did not elect to designate the Swaps as hedging instruments. Therefore, in accordance with FASB ASC 815, *Derivatives and Hedging*, the gain or loss resulting from the change in fair value of the Swaps is recognized in earnings. The Swaps have no fair value at December 31, 2018 and 2017 and as such, no gain or loss on change in fair value was recorded during the year ended December 31, 2018. The loss on change in fair value of $2,141 for the year ended December 31, 2017, was recognized in other expense in the accompanying 2017 consolidated statement of comprehensive income.

(11) Capital Lease Obligations

The Company leases equipment and furniture and fixtures (included in Note 6) under long-term agreements, which are classified as capital leases under the terms of the equipment finance lease facility described in Note 9. The leases are non-cancellable and expire through 2022. The lease obligations are collateralized by the underlying assets. Assets recorded under capital leases, included in equipment and improvements in the accompanying consolidated balance sheets, are as follows at December 31:

	2018	2017
Equipment	$ 1,010,341	$ 494,677
Furniture and fixtures	2,986,475	1,705,888
Assets in progress	-	636,478
	3,996,816	2,837,043
Accumulated amortization	(837,385)	(253,758)
	$ 3,159,431	$ 2,583,285

Amortization expense related to assets under capital lease obligations was $583,627 and $179,500 for the years ended December 31, 2018 and 2017, respectively.

Aggregate future minimum lease payments on these capital leases as of December 31, 2018, are as follows:

Years Ending, December 31,	Amount
2019	$ 1,182,231
2020	777,803
2021	429,295
2022	58,427
Total future minimum lease payments	2,447,756
Amount representing interest	(113,036)
Present value of net minimum lease payments	2,334,720
Less current portion	(1,116,090)
Long-term portion	$ 1,218,630

(12) Retirement Plans

PFM I, PFM, PFMAM, PFMSA, PFM Solutions, PFMFA, and PFMGC sponsor a qualified 401(k) and profit sharing plan. PFM I, PFM, PFMAM, PFMSA, PFM Solutions, PFMFA, and PFMGC match 50% of employee contributions to the 401(k) plan, up to the first 6% of an employee's salary. Profit sharing contributions are made at the discretion of the board of directors of PFM I. There is a one-year service requirement for employees to receive employer contributions, and employees are fully vested in the matching contributions immediately upon their entry date and after five or six years of service for the profit sharing contributions. Employer contributions for the years ended December 31, 2018 and 2017 totaled $3,652,267 and $3,933,046, respectively, for the profit sharing contribution and $1,945,532 and $1,902,730, respectively, for the matching 401(k) contribution.

(13) Income Taxes

The provision for income taxes consisted of the following for the years ended December 31:

	2018	2017
Current:		
Federal	$ (1,017,000)	$ -
State	445,000	-
	(572,000)	-
Deferred:		
Federal	2,032,000	3,814,000
State	532,000	1,416,000
	2,564,000	5,230,000
	$ 1,992,000	$ 5,230,000

The Company's effective tax rate differs from what would be expected if the federal statutory rate was applied to income before income taxes primarily because of pass-through income and because of certain expenses, which are deductible for financial reporting purposes, that are not deductible for tax purposes and certain taxable income not required for financial reporting purposes such as meals and entertainment, depreciation on deferred lease incentives, and intercompany interest.

Continued...

(13) Income Taxes, Continued

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at December 31, 2018 and 2017 are summarized below. The amount of the deferred tax assets considered realizable, however, could be reduced in the near term if estimates of future taxable income during the time the items below are deducted on the tax returns or in any carryforward period are reduced.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The major temporary differences that give rise to the deferred tax assets and liabilities are as follows as of December 31, 2018: deferred rent, intangible assets, goodwill, and equipment and improvements.

For the year ended December 31, 2017, PFM incurred a tax loss resulting from the realization of timing differences and, accordingly, no provision for current income taxes has been recorded. At December 31, 2017, the Company had approximately $5,600,000 of a federal tax loss and $4,300,000 of state tax loss claims. The Company utilized those claims on a carryback basis during the year ended December 31, 2018.

The Tax Cut and Jobs Act of 2017 was signed into law on December 22, 2017. For the year ended December 31, 2017, PFM recorded a tax benefit of $472,000, primarily due to the remeasurement of the December 31, 2017 deferred tax assets (with the exception of federal net operating losses) and deferred tax liabilities at the new corporate rate.

(14) Commitments and Contingencies

Operating Leases

PFM, PFMAM, and PFMUK lease office space and office equipment under operating leases that expire at various dates through 2033. Annual minimum lease payments excluding common area maintenance charges required under these leases as of December 31, 2018 are:

Years Ending December 31,	Amount
2019	$ 8,283,517
2020	$ 7,849,004
2021	$ 7,120,055
2022	$ 6,738,747
2023	$ 5,254,039
Thereafter	$ 37,638,936

Continued...

(14) Commitments and Contingencies, Continued

Operating Leases, Continued

Several of the leases call for graduated payments over the term of the leases. The lease expense, recognized on a straight-line basis over the lease term and included in general and administrative expenses, was $9,820,625 and $8,601,532 for the years ended December 31, 2018 and 2017, respectively. The difference between actual payments and the straight-line basis expense is included in deferred rent on the accompanying consolidated balance sheets.

In connection with certain of its leases, the Borrowers maintain letters of credit in favor of the lessors. The letters of credit automatically renew on an annual basis. See Note 9.

Employment Agreements

Certain entities of the Company have entered into employment agreements with certain key employees. The contracts are automatically renewed on a year-to-year basis thereafter and are cancelable by either party with 90 days' prior notice. However, certain contracted employees are entitled to not less than six months' severance pay if their employment is terminated. In connection with such agreements, those contracted employees have agreed not to compete in any respect with the businesses of the Company for the longer of either 12 months after the termination date, or the remaining term of the employment agreement. In connection with these agreements, PFM, PFMAM, and PFMFA have guaranteed aggregate bonuses of approximately $1,050,000 payable during the years ending December 31, 2019 through 2020.

Equity Appreciation Units

During 2015, PFM I entered into contracts with three non-employee board members (each an Independent Manager). The contracts provide that each Independent Manager is due a fixed fee of $17,000, plus the positive difference between the equity unit values of PFM I, at the earlier of a liquidity event, or the termination of the Independent Manager's service, and the equity unit value of PFM I at the contract date, for each equity appreciation unit. Contemporaneously, 353,000 equity appreciation units were granted with a contract date equity unit value of $1.56. The contract date fair value of this liability was $51,000. The equity unit value of PFM I, as determined by PFM I's board of directors, as of December 31, 2018 and 2017 was $2.29 and $2.08, respectively. At December 31, 2018 and 2017, the Company recognized a deferred compensation liability of $308,690 and $234,560, respectively, which is included in accrued expenses in the accompanying consolidated balance sheets. During the years ended December 31, 2018 and 2017, PFM I recognized compensation expense of $74,130 and $67,070, respectively, in relation to these contracts, which is included in salaries, incentive compensation, and employee benefits in the accompanying consolidated statements of comprehensive income. There were no new equity appreciation units granted during 2018 and 2017.

Continued...

(14) Commitments and Contingencies, Continued

Health Self-Insurance

PFM maintains a self-insurance program for medical coverage. PFM I, PFMAM, PFMSA, PFM Solutions, PFMFA, and PFMGC employees are also eligible to participate in the plan. PFM I, PFM, PFMAM, PFMSA, PFM Solutions, PFMFA, and PFMGC are liable for claims up to $125,000 per covered person annually, and aggregate claims up to $7,142,053 annually. Self-insurance costs are accrued based upon the aggregate of the liability for reported claims and an estimated liability for claims incurred but not reported. PFM maintains additional coverage for amounts in excess of self-insurance limits.

Insurance Deductible

PFM has a $1,000,000 deductible on its errors and omissions insurance and PFMAM, PFMSA, PFM Solutions, PFMFA, and PFMGC are named insured parties. Deductible amounts are accrued when, in the opinion of management, an incident has occurred which will require PFM, PFMAM, PFMSA, PFM Solutions, PFMFA, and PFMGC to pay under the deductible. At December 31, 2018 and 2017, there are no insurance deductibles accrued.

Related Party Transactions

As described in Note 1, the entities of the Company are affiliated through either common or direct ownership. PFM Investment, PFM, PFMAM, and FiServ are co-borrowers on a line of credit and certain long-term debt agreements (see Notes 8 and 9). Certain expenses have been allocated between various entities of the Company. In addition, PFM I charges its subsidiaries a management fee for certain personnel costs, and PFM charges other entities of the Company a management fee for certain personnel and general and administrative expenses. The operating results of the individual entities of the Company may have been different had they been autonomous.

Litigation

From time to time, the Company is involved in legal proceedings in the ordinary course of its businesses. Management believes that the resolution of these legal proceedings will not have a material adverse effect on the financial condition or results of operations of the Company.

(15) Member Units

As described in the Operating Agreement, PFM I has authorized member units, with voting rights. The member units are generally non-transferrable. The Operating Agreement includes preemptive rights. These preemptive rights provide the members of PFM I the opportunity to participate in certain offerings of the member units by PFM I. The Operating Agreement also includes drag-along rights. These drag-along rights require that all members of PFM I participate in any approved sale. With certain exceptions, PFM I is generally required to repurchase the member units of certain employee members who have attained a specified age. Beginning January 1, 2017, with certain exceptions, PFM I also is generally required to repurchase the member units of certain eligible retirees and the member units of certain terminated employees. The repurchase occurs over a four year period with 20% repurchased in the first year, 20% in the second year, 20% in the third year, and 40% in the fourth year. The repurchase is based on the most recently determined equity unit value at the date of each repurchase. The repurchases in the first, second, and third years are done via cash payments. The repurchases in the fourth year are done via a promissory note, not to exceed four years, and bearing interest at (i) the greater of the applicable federal rate or 8% or (ii) such other rate as the board shall determine.

Unit Grant Agreements

The Company has the ability to enter into unit grant agreements (the Grant Agreement) at its discretion, which provide nonvested member units (the Grant Units) to certain employees. Under the Grant Agreements, employees are issued the Grant Units which vest ratably over a period of continuous service or based on realization of certain performance requirements. Compensation cost is recognized on a straight-line basis over the requisite service or vesting period and forfeitures are recognized as they occur. The Grant Agreement provides for accelerated vesting in the event of a change in control, or termination of the grantee without cause. The Grant Units are nontransferable and, to the extent the Grant Units are not forfeited and the grantee has filed the appropriate elections under the IRC, the grantee is entitled to have all the rights and obligations of a member including the right to share in distributions and allocations of profits and losses without regard to whether the Grant Units have become vested.

Continued...

(15) Member Units, Continued

Unit Grant Agreements, Continued

A summary of the status of the Company's Grant Units as of December 31, 2018 and 2017, and changes for the years then ended are presented below:

Nonvested Shares	Grant Units		Weighted Average Grant-Date Intrinsic Value
Nonvested at December 31, 2016	409,156	$	1.6460
Granted	-	$	-
Vested	(115,539)	$	1.6545
Forfeited	-	$	-
Nonvested at December 31, 2017	293,617	$	1.6427
Granted	-	$	-
Vested	(115,539)	$	1.6545
Forfeited	-	$	-
Nonvested at December 31, 2018	178,078	$	1.6350

As of December 31, 2018, there was $220,160 of total unrecognized compensation cost related to nonvested grant units under the Grant Agreement. The cost is expected to be recognized over a period of 4 years. During 2018 and 2017, the Company recognized compensation expense of $191,160 and $172,016, respectively.

(16) Subsequent Events

The Company has performed an evaluation of subsequent events through April 26, 2019, which is the date the consolidated financial statements were available to be issued.

In March 2019, PFMFA completed the acquisition of certain assets of Fishkind & Associates, Inc., who has been in the business of public finance, real estate and economic consulting and the management of community development districts in the state of Florida. PFMFA acquired Fishkind & Associates, Inc. to expand its ability to manage community development districts and provide economic consulting in the state of Florida. The acquisition included cash of $1.4 million subject to certain adjustments and contingent considerations based on revenue targets for the years ending December 31, 2019, 2020 and 2021. The total consideration, assuming Fishkind & Associates, Inc. satisfies the revenue contingencies is approximately $3.8 million.