

FINANCIAL ADVISORY AGREEMENT

This Financial Advisory Agreement (the “Agreement”) is made and entered into by and between Detroit Water and Sewerage Department (“DWSD”) and Michigan Finance Authority (the “Conduit Issuer”), (DWSD and the Conduit Issuer are sometimes referred to herein collectively as the “Michigan Parties”), and First Southwest Company (“FirstSouthwest”) effective as of the date executed as set forth on the signature page hereof.

WITNESSETH:

WHEREAS, the Conduit Issuer, acting as a conduit issuer on behalf of DWSD, is proposing to issue sewer system capital improvement debt up to \$150 million for FY 2015 or up to \$350 million for a two year funding cycle of indebtedness in connection with the authorization, sale, issuance and delivery of such indebtedness (the “Transaction”); and

WHEREAS, the Michigan Parties desire to retain the professional services of FirstSouthwest to advise them regarding the Transaction; and

WHEREAS, FirstSouthwest, as a registered municipal advisor with the Municipal Securities Rulemaking Board and the United States Securities and Exchange Commission, is willing to provide its professional services and its facilities as financial advisor in connection with the Transaction pursuant to the terms and conditions as set forth in the Agreement.

NOW, THEREFORE, the Michigan Parties and FirstSouthwest, in consideration of the mutual covenants and agreements herein contained and other good and valuable consideration, do hereby agree as follows:

SECTION I DESCRIPTION OF SERVICES

FirstSouthwest agrees to perform the financial advisory services stated in the following provisions of this Section I; and for having rendered such services, the Michigan Parties agree to pay to FirstSouthwest the compensation as provided in Section V hereof.

- A. Financial Planning. At the direction of the Michigan Parties, FirstSouthwest shall:

1. Survey and Analysis. Conduct a survey of the financial resources of DWSD to determine the extent of DWSD's capacity to authorize, issue through the Conduit Issuer and service the Transaction. This survey will include an analysis of any existing debt structure as compared with the existing and projected sources of revenues which may be pledged to secure payment of debt service and, where appropriate, will include a study of the trend of the assessed valuation, taxing power and present and future taxing requirements of the DWSD. In the event revenues of existing or projected facilities operated by the DWSD are to be pledged to repayment of the Transaction, the survey will take into account any outstanding indebtedness payable from the revenues thereof, additional revenues to be available from any proposed rate increases and additional revenues, as projected by consulting engineers employed by DWSD, resulting from improvements to be financed by the Transaction.

 2. Recommendations for the Transaction. On the basis of the information developed by the survey described above, and other information and experience available, submit to the Michigan Parties recommendations regarding the Transaction, including such elements as the date of issue, interest payment dates, schedule of principal maturities, options of prior payment, security provisions, and such other provisions as may be appropriate in order to make the issue attractive to investors while achieving the objectives of the Michigan Parties. All recommendations will be consistent with the goal of designing the Transaction to be sold on terms which are advantageous to the Michigan Parties, including the lowest interest cost consistent with all other considerations.

 3. Market Information. Advise the Michigan Parties of its interpretation of current bond market conditions, other related forthcoming bond issues and general information, with economic data, which might normally be expected to influence interest rates or bidding conditions so that the date of sale of the Transaction may be set at a favorable time.

 4. Elections. In the event it is necessary to hold an election to authorize the Transaction, FirstSouthwest will assist in coordinating the assembly of such data as may be required for the preparation of necessary petitions, orders, resolutions, ordinances, notices and certificates in connection with the election, including assistance in the transmission of such data to a firm of municipal bond attorneys ("Bond Counsel") retained, separately, by the Conduit Issuer and DWSD.
- B. Debt Management and Financial Implementation. At the direction of Michigan Parties, FirstSouthwest shall:

1. Method of Sale. Evaluate the particular financing being contemplated, giving consideration to the complexity, market acceptance, rating (if any), size and structure in order to make a recommendation as to an appropriate method of sale, and:

a. If the Transaction is to be sold by negotiated sale, FirstSouthwest will:

(1) Recommend for the Michigan Parties' final approval of and acceptance one or more investment banking firms as managers of an underwriting syndicate for the purpose of negotiating the purchase of the Transaction.

(2) Cooperate with and assist any selected managing underwriter and their counsel in connection with their efforts to prepare any Official Statement or Offering Memorandum. FirstSouthwest will cooperate with and assist the underwriters in the preparation of a bond purchase contract, an underwriters agreement and other related documents. The costs incurred in such efforts, including the printing of the documents, will be paid in accordance with the terms of the Conduit Issuer's agreement with the underwriters, but shall not be or become an obligation of FirstSouthwest, except to the extent specifically provided otherwise in this Agreement or assumed in writing by FirstSouthwest.

(3) Assist the staff of the Conduit Issuer in the safekeeping of any good faith checks, to the extent there are any such, and provide a cost comparison, for both expenses and interest which are suggested by the underwriters, to the then current market.

(4) Advise the Michigan Parties as to the fairness of the price offered by the underwriters.

2. Offering Documents. Coordinate the preparation of the official statement, private placement memorandum or similar offering placement or purchase document and such other documents as may be required and submit all such documents to the Michigan Parties for examination, approval and certification. After such examination, approval and certification, FirstSouthwest shall provide the Conduit Issuer with a supply of all such documents sufficient to its needs and distribute by mail or, where appropriate, by electronic delivery, sets of the same to prospective purchasers of the Transaction. Also, FirstSouthwest shall provide

copies of the final official statement, private placement memorandum or similar offering placement or purchase document to the purchaser of the Transaction.

3. Credit Ratings. Make recommendations to the Michigan Parties as to the advisability of obtaining a credit rating, or ratings, for the Transaction and, when directed by the Michigan Parties, coordinate the preparation of such information as may be appropriate for submission to the rating agency, or agencies. In those cases where the advisability of personal presentation of information to the rating agency, or agencies, may be indicated, FirstSouthwest will arrange for such personal presentations, utilizing such composition of representatives from the Michigan Parties as may be finally approved or directed by the Michigan Parties.
4. Trustee, Paying Agent, Registrar. Upon request, counsel with the Michigan Parties in the selection of a Trustee and/or Paying Agent/Registrar for the Transaction, and assist in the negotiation of agreements pertinent to these services and the fees incident thereto.
5. Financial Publications. When appropriate, advise financial publications of the forthcoming sale of the Transaction and provide them with all pertinent information.
6. Consultants. After consulting with and receiving directions from the Michigan Parties, arrange for such reports and opinions of recognized independent consultants as may be appropriate for the successful marketing of the Transaction.
7. Auditors. In the event formal verification by an independent auditor of any calculations incident to the Transaction are required, make arrangements for such services.
8. Meetings. Attend meetings of the governing body of the Michigan Parties, their staff, representatives or committees as requested at all times when FirstSouthwest may be of assistance or service and the subject of financing is to be discussed.
9. Printing. To the extent authorized by the Conduit Issuer, coordinate all work incident to printing of the offering documents and the Transaction.
10. Bond Counsel. Maintain liaison with Bond Counsel in the preparation of all legal documents pertaining to the authorization, sale and issuance of the Transaction.

11. Changes in Laws. Provide to the Michigan Parties copies of proposed or enacted changes in federal and state laws, rules and regulations having, or expected to have, a significant effect on the municipal bond market of which FirstSouthwest becomes aware in the ordinary course of its business, it being understood that FirstSouthwest does not and may not act as an attorney for, or provide legal advice or services to, the Michigan Parties.

12. Delivery of the Transaction. As soon as a bid for the Transaction is accepted by the Michigan Parties, coordinate the efforts of all concerned to the end that the Transaction may be delivered and paid for as expeditiously as possible and assist the Michigan Parties in the preparation or verification of final closing figures incident to the delivery of the Transaction.

13. Debt Service Schedule; Authorizing Resolution. After the closing of the sale and delivery of the Transaction, deliver to the Michigan Parties a schedule of annual debt service requirements for the Transaction and, in coordination with Bond Counsel, assure that the paying agent/registrar and/or trustee has been provided with a copy of the authorizing ordinance, order or resolution.

14. Local Purchase Contract. FirstSouthwest shall facilitate a local purchase contract to be executed between the Conduit Issuer and DWSD to effect the payment of the Transaction pursuant to a debt service schedule, the terms of which will reflect the Transaction's structure and the resulting principal and interest payments that have been negotiated with the underwriters and/or purchasers.

15. Confidentiality and Privilege. As financial advisor to the Michigan Parties, FirstSouthwest shall, to the extent allowed by law, regulation or otherwise, maintain the confidentiality of all information submitted to it in connection with the services provided pursuant to this Agreement. FirstSouthwest acknowledges that the City of Detroit, Michigan (the "City") is in a federal bankruptcy proceeding. If, after consultation with counsel to the Michigan Parties, the City and FirstSouthwest, it is deemed necessary or advisable to execute a common interest privilege agreement designed to ensure the protection of such confidential information and the preservation of legal privilege, FirstSouthwest agrees to do so, on terms reasonably acceptable.

SECTION II
OTHER AVAILABLE SERVICES

In addition to the services set forth and described in Section I herein above, FirstSouthwest agrees to make available to the Michigan Parties additional services solely in connection with the Transaction, when so requested and subject to the agreement by the Michigan Parties and FirstSouthwest regarding the additional services and the compensation to be paid for such services.

SECTION III TERM OF AGREEMENT

This Agreement shall become effective as of the date executed by the Michigan Parties as set forth on the signature page hereof and, unless terminated by either party pursuant to Section IV or Section VI (1.) of this Agreement, shall remain in effect thereafter until consummation of the Transaction.

SECTION IV TERMINATION

This Agreement may be terminated with or without cause by the Michigan Parties or FirstSouthwest upon the giving of at least thirty (30) days' prior written notice to the other party of its intention to terminate, specifying in such notice the effective date of such termination. In the event of such termination, it is understood and agreed that only the amounts due FirstSouthwest for services provided and expenses incurred to the date of termination will be due and payable. No penalty will be assessed for termination of this Agreement.

SECTION V COMPENSATION AND EXPENSE REIMBURSEMENT

The fees due to FirstSouthwest for the services set forth and described in Section I of this Agreement with respect to the Transaction during the term of this Agreement shall be in accordance with the Appendix A attached hereto. Unless specifically provided otherwise on Appendix A or in a separate written agreement between Michigan Parties and FirstSouthwest, such fees, together with any other fees as may have been mutually agreed upon and all expenses for which FirstSouthwest is entitled to reimbursement, shall become due and payable concurrently with the consummation of the Transaction.

SECTION VI MISCELLANEOUS

1. Conflict of Interest. After carefully considering all possible present and future conflicts of interest, and having been fully informed of the potential for negative or adverse consequences from FirstSouthwest's joint representation of the Conduit Issuer and DWSD, the undersigned by placing their signature on the respective lines, consent to the joint representation. Further, the undersigned understands that at any time either FirstSouthwest by itself or Conduit Issuer or DWSD may choose to terminate this Agreement as set forth in Section III and retain separate representation in conjunction with the Transaction if a perceived conflict of interest arises between the Conduit Issuer and DWSD or if an unfair advantage to either of the Conduit Issuer, DWSD or FirstSouthwest should arise or be perceived.

2. Choice of Law. This Agreement shall be construed and given effect in accordance with the laws of the State of Texas.

3. Binding Effect; Assignment. This Agreement shall be binding upon and inure to the benefit of the Michigan Parties and FirstSouthwest, their respective successors and assigns; provided however, neither party hereto may assign or transfer any of its rights or obligations hereunder without the prior written consent of the other party.

4. Entire Agreement. This instrument contains the entire agreement between the parties relating to the rights herein granted and obligations herein assumed. Any oral or written representations or modifications concerning this Agreement shall be of no force or effect except for a subsequent modification in writing signed by all parties hereto.

[Remainder of Page Blank, Signature Page Follows]

FIRST SOUTHWEST COMPANY

By: _____

Hill A. Feinberg, Chairman and
Chief Executive Officer

By: _____

Lee Donner, Managing Director

MICHIGAN FINANCE AUTHORITY

By: _____

Title: _____

Date: _____

DETROIT WATER AND SEWERAGE DEPARTMENT

By: _____

Title: _____

Date: _____

APPENDIX A

The fees due FirstSouthwest and payable by MFA shall be mutually agreed upon by MFA and FirstSouthwest prior to the completion of the Transaction.

The charges for ancillary services, including computer structuring and official statement printing, shall be levied only for those services which are reasonably necessary in completing the transaction and which are reasonable in amount, unless such charges were incurred at the specific direction of the Michigan Parties.

The payment of charges for financial advisory services described in Section I of the foregoing Agreement shall be contingent upon the delivery of bonds and shall be due at the time that bonds are delivered.

The Michigan Parties shall be responsible for the following expenses, if and when applicable, whether they are charged to the Conduit Issuer or DWSD directly as expenses or charged to the Conduit Issuer or DWSD by FirstSouthwest as reimbursable expenses:

- Bond counsel
- Bond printing
- Bond ratings
- Computer structuring
- Credit enhancement
- CPA fees for refunding
- Official statement preparation and printing
- Paying agent/registrar/trustee
- Travel expenses
- Underwriter and underwriters counsel
- Miscellaneous, including copy, delivery, and phone charges

The payment of reimbursable expenses that FirstSouthwest has assumed on behalf of the Michigan Parties shall NOT be contingent upon the delivery of bonds and shall be due at the time that services are rendered and payable upon receipt of an invoice therefor submitted by FirstSouthwest.