



SERVING LOCAL GOVERNMENT

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(614) 296-8700

Western Ohio:

6450 Poe Avenue, Suite 110
Dayton, OH 45414
(937) 524-4217

February 9, 2023

James M. Nicholson
Finance Director
City of Pataskala
621 West Broad Street, Suite 1D
Pataskala, OH 43062

RE: Engagement Letter – Municipal Advisory Services

Dear Mr. Nicholson:

This letter describes the municipal advisor professional services engagement between Bradley Payne, LLC (Bradley Payne Advisors) and the City of Pataskala for the financing transaction(s) identified herein. If you agree with the intentions of this letter, please sign and return a copy to me electronically.

Please note: Section 2 of this letter contains important disclosures.

Abbreviations

Bradley Payne Advisors and the City of Pataskala are abbreviated from time to time herein as “BP” and “the City” respectively.

Detailed Transaction Services

The following services will be provided by BP, as requested by the City:

- a) Meet with the City’s financial planning team to develop a plan of finance and organize the offering of securities, including:
 - i Produce and distribute schedules, distribution lists and other working papers, such as a plan of finance.
 - ii Manage the development and distribution of Request for Qualifications for other financial service partners as needed.
 - iii Provide advice on all financing related proposals, ideas and concepts contemplated by the City, including those proposed by other financial services companies.
 - iv Facilitate the City’s full and accurate investor disclosures and assist in the retention of a suitable disclosure agent. *(This service is limited in scope to making a “best effort” review of the information made available to BP and in no way by delivery assumes accuracy or any responsibility or role as Disclosure Agent).*

- v Organize and facilitate bond rating presentations.
- vi Serve as the City's lead negotiator for its negotiated financings.
- vii At the City's request, review post-pricing-day market trades in the City's securities including securities trading out of the primary account and in the secondary market for a period of approximately two to three weeks in an effort to reveal unusual or unfair pricing events.
- viii Work with the financing team to facilitate the successful closing of capital market financings.
- ix Review debt related policies including a debt policy and continuing disclosure policy.

Record Retention

Effective July 1, 2014, pursuant to the Securities and Exchange Commission (SEC) record retention regulations, BP is required to maintain in writing all communication and documentation between BP and the City for five (5) years.

Fiduciary Duty

BP is registered as a Municipal Advisor with the SEC and Municipal Securities Rulemaking Board (MSRB). As such, under MSRB Rule G-42, BP has a fiduciary duty to the City and must provide both duty of care and loyalty that entails several prescribed duties including but not limited to the following:

- a) Exercise due care in performing its municipal advisory activities.
- b) Possess the degree of knowledge and expertise needed to provide the City with informed advice.
- c) Make a reasonable inquiry as to the facts that are relevant to the City's determination as to whether to proceed with a course of action or that form the basis for any advice provided to the City.
- d) Undertake a reasonable investigation to determine that BP is not forming any recommendation on materially inaccurate or incomplete information; BP must have a reasonable basis for:
 - i. any advice provided to or on behalf of the City;
 - ii. any representations made in a certificate that it signs that will be reasonably foreseeably relied upon by the City, any other party involved in the municipal securities transaction or municipal financial product, or the City's securities; and
 - iii. any information provided to the City or other parties involved in the municipal securities transaction when participating in the preparation of an official statement.
- e) BP must deal honestly and with the utmost good faith with the City and act in the City's best interests without regard to the financial or other interests of BP.

*(For MSRB's Regulatory Notice and description for G-42 duties, please see:
<http://www.msrb.org/~media/Files/Regulatory-Notices/Announcements/2016-03.ashx?la=en>)*

Term of Engagement

The City has the right to terminate this agreement at any time. In that event, the City agrees that BP is owed reasonable compensation for satisfactory but uncompensated services completed during the contract period.

Assignment

Neither this Agreement nor any of the rights, interests or obligations hereunder shall be assigned by any of the parties hereto (whether by operation of law or otherwise) without the prior written consent of the other parties.

Subject to the preceding sentence, this Agreement will be binding upon, inure to the benefit of and be enforceable by the parties and their respective successors and assigns.

General Disclosures

- a) Bradley Payne is currently registered as a Municipal Advisor with the U.S. Securities and Exchange Commission and the Municipal Securities Rulemaking Board.
- b) Within the Municipal Securities Rulemaking Board (“MSRB”) website at www.msrb.org, the City may obtain the Municipal Advisory client brochure that is posted on the MSRB website. The brochure describes the protections that may be provided by the MSRB Rules along with how to file a complaint with financial regulatory authorities.
- c) Establishment of Non-Municipal Advisor Firm: John Payne and Andrew Brossart, joint owners of Bradley Payne, LLC (“Bradley Payne”) have established a separate and independently functioning non-municipal advisor firm called The Incentive Review Group, LLC (“The Incentive Review Group”). The Incentive Review Group does not provide regulated municipal advisory services as defined by the U.S. Securities and Exchange Commission (“SEC”) and is not registered with the SEC. Bradley Payne is obligated by federal securities law to serve in the capacity of fiduciary to its municipal entity clients whereas The Incentive Review Group is not. Because Bradley Payne and The Incentive Review Group will serve many of the same clients, Bradley Payne could potentially face a conflict of interest while acting in its municipal advisory clients’ best interests. If any such conflict is discovered, it will be promptly disclosed to the client. Bradley Payne believes it effectively manages potential conflicts of interest by always dealing honestly and in good faith with its clients, including a fiduciary duty to its municipal entity clients. Bradley Payne’s role and services are described in detail within this engagement letter.

License and Registration

BP’s team of advisors, including the partners, John Payne and Andy Brossart are federally licensed Municipal Advisors and hold Series 50 Municipal Advisor Qualifications. Mr. Payne and Mr. Brossart also have MSRB Series 54 Principal licenses. The City may verify Bradley Payne’s SEC registration status at: <http://www.sec.gov/edgar/searchedgar/companysearch.html>.

the City may also review Bradley Payne’s current engagements and political contributions by calendar year quarter at: <http://emma.msrb.org/MarketActivity/PoliticalContributions.aspx>.

Transactions: The City plans to issue Bonds and Notes at various times within the timeframe of this engagement. The known planned offerings are as follows:

- a) Any Bonds;
- b) One-year Note Financings required by the City;
- c) Future financings as needed by the City.

BP Transaction Fees: BP’s fees for services, which compensate BP for advisory services related to the City’s contemplated financing needs plus any out of state travel, are set forth below. All fees are contingent* upon the successful closing of the transactions, with the exception provided in Section 1 herein under “*Term of Engagement*” and have a minimum note financing fee of \$1,500 and minimum bond financing fee of \$10,000. Expenses for out-of-state travel will be added to the bond fees listed below:

- i) Negotiated Sale Limited Tax General Obligation BANs – 0.10% of Total proceeds;
- ii) Competitive Sale Limited Tax General Obligation BANs – 0.15% of Total proceeds;
- iii) Negotiated Sale Limited Tax General Obligation Bonds – 0.45% of total proceeds;
- iv) Competitive Sale Limited Tax General Obligation Bonds – 0.475% of total proceeds;
- v) Negotiated Sale Income Tax, Non-Tax Revenue or Utility Revenue Obligation Bonds – 0.475% of total proceeds;
- vi) Competitive Sale Income Tax, Non-Tax Revenue or Utility Revenue Obligation Bonds – 0.50% of total proceeds;
- vii) Bank Placements of for LTGO, Utility, Income Tax or Non-Tax Revenue Obligation – 0.45% of total proceeds;
- viii) Any unrated and privately placed or public sale economic development bonds and development projects - 0.75% - 1.00% of total project sources amount needed to be issued by the City or agreed upon Conduit issuer.

**Please see important disclosures below. Transaction based fees may create conflicts of interest.*

Estimated Aggregate Transaction Fees

BP will provide a review of all proposed and negotiated vendor fees and expenses to the City in advance of any bond and note sale. Upon request, BP's efforts will include collecting and negotiating vendor fees on the City's behalf.

Comparative Transaction Fees

At the City's request, BP will informally review the proposed aggregate transaction fees and the circumstances behind the fees to help prevent "excessive fees" as alluded to by the MSRB's proposed Rule G-42. As part of this review, upon request, BP will compare the total fees for this transaction to the fees reported in the final offering statements of several comparable transactions, considering the unique characteristics of the transactions (this review is limited to comparisons based readily available information from similar transactions).

Additional Disclosures

- a) **Compensation** – fees for municipal advisory services are typically provided in one or a combination of the following three ways:
 - i) Transaction Fees / Hourly Fees / Fixed fee
 - ✓ **Transaction "Flat" Fee** – Contingent fees are considered by the clear majority of Ohio Counties to be suitable where hours of pre-sale work may be completed but for a variety of reasons the bond sale may be cancelled prior to execution. Common reasons for cancellation include election failure or adverse market conditions. In the City's case, for example, BP and the underwriter assumed full risk for planning meetings and all related work prior to a financing outcome, thereby protecting the City from general fund liability should the issue fail. Please note: Contingent transaction fees may lead to comparatively higher fees and may conceivably cause financing team professionals to recommend financings not in the best interest of the City to generate additional fee income.
 - ✓ **Hourly Fee and Retainer** - The City has not historically paid fees on a contingency basis from bond funds. Nevertheless, BP encourages open discussion of hourly and retainer fee options at the City's request.
- a) **Affiliations & Conflicts of Interest** - As of the date of this Agreement, there are no affiliations or conflicts of interest that BP is aware of that, in its opinion, would impair its ability to render unbiased and competent advice or to fulfill its fiduciary duty. If BP becomes aware of any potential conflicts of

interest that arise after this disclosure, BP will disclose the detailed information in writing to the City in a timely manner.

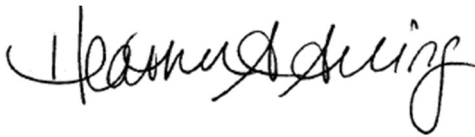
- b) **Qualifications** - BP possesses the knowledge and expertise and will make a reasonable inquiry as to the facts that are relevant in determining the basis of advice provided and a reasonable investigation to determine that BP is not forming a recommendation on materially inaccurate information. BP is a registered Municipal Advisor in good standing.
 - c) **Public Expense** - Fees paid to BP and other financing team members constitute public expense. Bond sale transaction fees are generally paid from financing proceeds and ultimately manifest themselves in the form of incrementally higher average interest rates paid over the life of the securities. While BP's services are designed to materially lower or minimize the City's overall bond financing costs through promoting and recommending best execution, they cannot be guaranteed to do so.
 - d) **Travel Expenses Borne by the City** – the City may choose to travel out-of-state for the bond rating process and bond pricing. In BP's opinion, traveling for these events enhances the overall success of the City's financings and ultimately leads to the best possible financing outcomes. **PLEASE NOTE:** Transaction related travel expenses are typically paid from financing proceeds (ultimately by the City's taxpayers). As such, travel may be best suited for officials directly involved in the City's leadership and fiscal management and, in some instances, for officials from overlapping governments. The underwriter, bond counsel or municipal advisor may pay all, or portions, of these expenses and subsequently submit such expenses to the City for reimbursement.
 - e) **Principal** - BP does not act as principal in any of the transaction(s) related to this Agreement.
 - f) **Suitability** – BP will perform due diligence that will allow it to form a reasonable basis for its recommendations. At the City's request, BP will discuss material risks, potential benefits, structures and other characteristics of recommendations with the City. BP will consider other reasonably feasible alternatives that might also serve the City's objectives.
 - g) **Recommendations** - If the City requests that BP review and evaluate recommendations made by other parties, BP will discuss the following points with the City:
 - i. the evaluation of the material risks, potential benefits, structure and other characteristics of the recommendation.
 - ii. whether BP reasonably believes that the recommendation is suitable and the basis for that belief.
 - iii. whether BP has investigated or considered other reasonably feasible alternatives to the recommendation.
- b) **BAN Risk Disclosure** - From the perspective of risk management and suitability, issuers should be aware that bond anticipation notes (BANs) resemble variable rate debt, particularly when re-issued over multiple years. Please note these pertinent disclosures:
- i) Interest rate risk – short-term interest rates can be volatile from day to day and particularly over longer periods. Issuers may be required to re-issue (roll) BANs in the future at materially higher rates and cost;
 - ii) Market access risk – many issuers plan to use bond proceeds to pay-off BANs at some point in the future, thereby locking in long-term funding. While very rare, there have been circumstances in the capital markets where access to the bond market has been unusually restricted. For example,

markets may cease to function normally during periods of war, systemic financial crisis, or other national or global calamities. Such an event can expose an issuer to default. Additionally, severe changes in the issuer's credit profile may have a similar impact.

- iii) Fees – rolling BANs, re-issuing them periodically, may create a higher fee and expense profile than issuing fixed rate bonds.
- h) **Legal and Regulatory Disclosures** - As of the date of this letter, BP is aware of no legal disclosures it should make that are material to its relationship with the City. If BP becomes aware of reasonable disclosures that arise during the term of this Agreement, BP will disclose such in writing to the City in a timely manner.
- i) **Liability Insurance** - BP carries professional errors and omissions as well as general liability insurance.

If there are any questions regarding the letter, please do not hesitate to contact me. If you agree, please acknowledge receipt and approval of this letter by signing and returning at your convenience. Thank you.

Sincerely,



Heather A. Arling
Bradley Payne, LLC

Approved by:

Timothy O. Hickin, City Administrator
City of Pataskala

Date: _____