

September 28, 2023

MASTER ARBITRAGE SERVICES CONTRACT FOR:

The City of St. Francis, Minnesota



Prepared by:

Ehlers

3060 Centre Pointe Drive

Roseville, Minnesota 55113

BUILDING COMMUNITIES. IT'S WHAT WE DO.



September 28, 2023

The City of St. Francis, Minnesota
23340 Cree Street NW
St. Francis, Minnesota 55070-0730

Re: Letter of Engagement to Retain Ehlers as Arbitrage Consulting and Monitoring Agent Related to the Arbitrage Provisions of the Internal Revenue Code of 1986 and Related Treasury Regulations

All tax-exempt Obligations (“Obligations”) issued by or on behalf of the City of St. Francis, Minnesota (“Issuer”) are subject to the arbitrage provisions of the Internal Revenue Code of 1986 and related Treasury regulations (“Tax Code). To comply with the statute and regulations the Issuer must undertake certain analyses. Ehlers & Associates, Inc. (“Ehlers”) can provide arbitrage consulting and monitoring services that comply with the Tax Code and include the necessary reports and or analyses.

This Letter of Engagement (“Letter”) is being presented to memorialize and clarify the terms of the Issuer’s engagement of Ehlers as the Issuer’s Arbitrage Consulting and Monitoring Agent. In this regard, Ehlers agrees to provide Issuer with those services described in Appendix A (“Services”). Ehlers shall be entitled to compensation by the Issuer also as described in Appendix A.

This Letter shall be effective as of the date of its execution by the Issuer and shall remain in effect for the life of each obligation defined herein as the “Term”. Notwithstanding the foregoing, this Letter may be terminated by either party upon sixty (60) days prior written notice. All outstanding Ehlers projects will be completed and invoiced prior to the deemed termination date.

To perform the engagement, Issuer agrees to provide Ehlers all documents and information as are deemed necessary to fulfill the Issuer’s reporting requirements related to the Tax Code, and within the applicable timeframe. Issuer agrees to provide Ehlers with timely and accurate information regarding pertinent cash and investment activity as well as pertinent revenue and expenditure activities for all funds related to the required service (“Arbitrage Information”).

The Issuer is obligated to pay arbitrage due within sixty (60) days of the related installment date. All installment date analysis information must be provided to Ehlers within thirty (30) days of Issuer’s receipt of any such request from Ehlers. The Issuer is ultimately responsible for the completion and filing of IRS Form 8038-T or 8038-R. Issuer, and not Ehlers, shall be responsible for payment of any arbitrage payment due and any interest or penalty for failure to make timely payments.

Ehlers shall deem all Arbitrage Information provided to it by the Issuer to be accurate and free of defect, as well as not containing any material misstatements, falsehoods, or omissions of fact. Issuer acknowledges that Ehlers shall be entitled to rely on all Arbitrage Information provided by the Issuer without further investigation as to its completeness or accuracy.

Issuer shall indemnify, hold harmless and defend Ehlers from and against any damages, costs or other liabilities (including reasonable attorneys' fees) arising from or relating to any breach of this Letter by Issuer, including, but not limited to, damages, costs and other liabilities arising out of any Arbitrage Information received and distributed by Ehlers. Further, in no event shall Ehlers' total aggregate liability under this Letter be more than the amount of fees paid by Issuer to Ehlers during the Term then in effect notwithstanding anything contained herein. In addition, Issuer acknowledges that Ehlers shall not be responsible and/or liable for any errors, misstatements or omissions associated with any arbitration report or filing form, or for the correction thereof, that was prepared or distributed by any party other than Ehlers.

This Letter constitutes the entire agreement between the parties and is intended to supersede all agreements, whether oral or written, between the parties that were entered into relative to the subject matter hereof prior to the effective date of this Letter. No amendment or modification of this Letter shall be deemed valid unless made in writing and signed by both parties.

This Letter covers the Issuer's current outstanding Obligations and any future Obligations that Ehlers is informed about. If the Issuer agrees to contract with Ehlers for Arbitrage Services, the Issuer must inform Ehlers in writing if they do not want Ehlers to provide Arbitrage services on any currently outstanding and/or future individual Obligations. The Ehlers Election Form for declining the specific obligation(s) is provided in Appendix B.

If our engagement under the terms of this Letter is acceptable, please sign this Letter in the appropriate signature block below and return a signed copy to us for our records. If, however, you do not wish to engage our services, please note that election and return a copy of this Letter to us.

Please contact me if you have any questions or would like to discuss our engagement further. Sincerely,

EHLERS & ASSOCIATES, INC.



Stephen H. Broden
Senior Arbitrage Consultant | Managing Director

SO ACCEPTED BY ISSUER

Issuer hereby accepts this Letter and engages Ehlers to provide the services noted herein and executes this Letter as of the date noted below:

By: _____ Title: _____

Name: _____ Date: _____

APPENDIX A

Arbitrage Consulting Services

Ehlers will charge Issuer a consulting fee per obligation to provide Commingled Fund Analysis, advanced Consulting & Training, IRS Audit Assistance, IRS Payments & Overpayment Recoveries, and any atypical analysis not described above. Ehlers will charge fees in accordance with the fee schedule set forth below.

Base fee

\$300 per hour

Arbitrage Reporting Services

Issuer engages Ehlers to provide the following services in connection with the preparation and distribution of Issuer's arbitration reports, preparation of IRS filing forms, recommendations in connection with all Obligations of the Issuer subject to the Tax Code and for which arbitration reports or filings are required. During the Term of the engagement, Ehlers shall provide the services hereinafter described with respect to all existing Obligations subject to the Tax Code and having arbitration requirements. Ehlers shall provide these services for and any future Obligations that Ehlers is informed about. The Issuer must inform Ehlers in writing if they do not want Ehlers to provide Arbitration services on any currently outstanding and/or future individual Obligations (see Appendix B for the Ehlers Election Form).

Ehlers agrees to provide the following services to Issuer:

1. Maintain a system for computing and tracking the arbitration liability and future arbitration computation dates, as necessary.
2. Evaluate and make recommendations on record keeping practices for those funds and accounts subject to arbitration compliance.
3. Apprise Issuer of any changes in the arbitration regulations that may occur during the term of this Agreement.
4. Issuer acknowledges that, in its sole discretion, Ehlers may contract with third parties selected by Ehlers for the performance of some of the services to be performed hereunder.

If required, Ehlers will charge Issuer a report fee per obligation to determine spending exceptions, bona fide debt service fund exemptions, rebate and yield restriction amounts for all funds related to the Obligations. Ehlers will charge fees in accordance with the fee schedule set forth below.

Base fee

\$600 per bond year

Atypical Additions to Base Fee:

Variable rate bond analysis	\$200 to \$500 per hour
IRS Form 8038-R preparation	\$500 to \$1,000 per form

Discounts to Base Fee:

Discretionary discounts	To be determined by Ehlers
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Proposal per Issue:

As shown above and on Debt Summary *

**This adjustment replaces the Base Fee with the amount listed above for each affected obligation.*

Ehlers will invoice Issuer for the amount due. The invoice is due and payable by the Issuer within 60 days of the invoice date.

Future Fee Changes

Ehlers reserves the right to adjust fees during the Term of the engagement without prior consent of the Issuer, but not more than annually. Prior to any fee adjustments, the Issuer will be notified in writing of the revised fees and their effective date.

APPENDIX B

Election Regarding Arbitrage Monitoring Services

The City of St. Francis, Minnesota
23340 Cree Street NW
St. Francis, Minnesota 55070-0730

For the following Obligation(s)

Obligation Par Amount and Legal Name

The City of St. Francis, Minnesota ("Issuer") has issued the above-referenced obligation(s) which is/are subject to the arbitrage provisions of the Internal Revenue Code of 1986 and related Treasury regulations. Issuer has elected not to retain Ehlers & Associates, Inc. ("Ehlers") to assist it in complying with the aforementioned arbitrage requirements. Ehlers shall have no liability to Issuer with respect to Issuer's actions or omissions involving the arbitrage provisions of the Internal Revenue Code of 1986 and related Treasury regulations.

Executed this ____ day of _____, 20__

By:
Title: _____

Name:
Date: _____

City of St. Francis, Minnesota

Outstanding Debt (As of 09/28/2023)

	Original Par Amount	Settlement Date	Final Maturity	Arbitrage Yield	Next Service Type	Next Service Date	Service Level	Arbitrage Provider	Budget	Notes
General Obligation										
General Obligation Capital Improvement Bonds, Series 2023A	\$ 13,000,000	8/24/2023	02/01/2053	3.98029870	Interim	08/24/2026	Reporting	Issuer	\$ 1,800	EIP Invests Bond Proceeds