

February 26, 2025

FROM: Urban Futures, Inc.
Michael Busch, Chief Strategy Officer

TO: Jennifer Ustation
Finance Director
City of Beaumont
550 E. 6th Street
Beaumont, CA 92223

RE: Engagement Letter for Refinancing of the City's Outstanding Wastewater Revenue Bonds, Seies 2018

Dear Ms. Ustation:

This letter specifies the terms of the engagement between Urban Futures, Inc., located at 1470 Maria Lane, Suite 315, Walnut Creek, CA 94596 and the City of Beaumont ("City") located at 550 E. 6th Street, Beaumont CA 92223.

This engagement between the City and Urban Futures, Inc. ("UFI") shall become effective as of the date of its acceptance as provided below.

Scope of Activities to be Performed

Municipal Advisory Services¹ will include the following:

- Assist in developing the plan of finance and related transaction timetable;
- Identify and analyze financing solutions, bond structuring alternatives, including bond rating and insurance; prepare and review preliminary cash flows;
- Advise on the method of sale, taking into account market conditions and near-term activity in the municipal market;
- Assist with negotiated sale, including advice regarding retail order periods and institutional marketing, analysis of comparable bonds and secondary market data, verify cash flow calculations, and serve as Pricing Advisor;
- Participate in staff meetings/conference calls related to the issuance of the bonds;

¹ Per Section 15B(e)(4)(A) of the Exchange Act, as amended by the Dodd-Frank Act, municipal advisory services means providing advice to or on behalf of a municipal entity or obligated person with respect to municipal financial products or the issuance of municipal securities, including advice with respect to the structure, timing, terms, and other similar matters concerning such financial products or issues.

- Prepare preliminary costs of issuance;
- Draft staff reports for and attend City Council meetings, as requested;
- Review documents and reports and provide input on legal structure of bonds;
- Assist with underwriter compensation issues and bond allocations, as appropriate;
- Assist in procuring printers, appraisers, and other vendors as necessary; and
- Plan and coordinate bond closings.

From time to time, Urban Futures Inc. may provide other non-municipal advisory services including, but not limited to placement of loans/leases, disclosure services without materiality analysis, and other administrative functions.

Independent Registered Municipal Advisor (“IRMA”)

If acting in the capacity of an Independent Registered Municipal Advisor (“IRMA”) with regard to the IRMA exemption of the SEC Rule, Urban Futures, Inc. will review all third-party recommendations submitted to Urban Futures, Inc. in writing by the City.

Term of Engagement Agreement

The commencement date of the agreement is the date of its acceptance, and the end date June 30, 2025, or the bond closing date of the subject transaction, whichever occurs first. Any extensions must be mutually agreed upon by all parties in writing.

Termination of Engagement Agreement

The City may terminate the whole or any part of this Agreement at any time and without cause by giving sixty (60) days’ written notice to Urban Futures, Inc. of such termination, and specifying the effective date thereof. Urban Futures, Inc. shall discontinue all Services affected by such termination within thirty (30) days of receipt of such notice, unless otherwise instructed by the City in writing. Urban Futures, Inc. may terminate this agreement by giving the City sixty (60) days’ written notice.

In the event Services are terminated by the City, Urban Futures, Inc. will be compensated for services provided up to the termination date.

Compensation and Out-of-Pocket Expenses

Compensation for the municipal advisory activities to be performed for this engagement is contingent upon the successful close of the bonds. For the subject transaction, the fee for municipal advisory services will be \$60,000 and a reimbursement of expenses in an amount not to exceed \$2,500. Expense reimbursements will cover the following:

- Mandatory SEC/MSRB Compliance Requirements & Reporting

- Data Services (Bloomberg, Thompson Reuters, DBC)
- Travel (mileage, airfare, hotels, etc.)

Fiduciary Duty

Urban Futures, Inc. is currently registered as a Municipal Advisor with the U.S. Securities and Exchange Commission (“SEC”) and Municipal Securities Rulemaking Board (“MSRB”). As such, Urban Futures, Inc. has a Fiduciary Duty to the City and must provide both a Duty of Care and a Duty of Loyalty that entails the following.

Duty of Care:

- 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; and
- d) undertake a reasonable investigation to determine that Urban Futures, Inc. is not forming any recommendation on materially inaccurate or incomplete information; Urban Futures, Inc. 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 investors in the City securities; and
 - iii. any information provided to the City or other parties involved in the municipal securities transaction in connection with the preparation of an official statement.

Duty of Loyalty:

Urban Futures, Inc. 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 Urban Futures, Inc. Urban Futures, Inc. will eliminate or provide full and fair disclosure (included herein) to the City about each material conflict of interest (as applicable). Urban Futures, Inc. will not engage in municipal advisory activities with the City as a municipal entity, if it cannot manage or mitigate its conflicts in a manner that will permit it to act in the City’s best interests.

Conflicts of Interest and Other Matters Requiring Disclosures

Pursuant to Municipal Securities Rulemaking Board (“MSRB”) Rule G-42, on Duties of Non-Solicitor Municipal Advisors, Municipal Advisors are required to make certain written disclosures

to clients which include, amongst other things, Conflicts of Interest and any Legal or Disciplinary events of Urban Futures, Inc. and its associated persons.

As of the date of the Agreement, there are no actual or potential material conflicts of interest that Urban Futures, Inc. is aware of that might impair its ability to render unbiased and competent advice or to fulfill its fiduciary duty. If Urban Futures, Inc. becomes aware of any material potential conflict of interest that arise after this disclosure, Urban Futures, Inc. will disclose the detailed information in writing to the City in a timely manner.

The following are potential conflicts of interest to be considered:

- Urban Futures, Inc. represents that in connection with the issuance of municipal securities, Urban Futures, Inc. may receive compensation from an Issuer or Obligated Person for services rendered, which compensation is contingent upon the successful closing of a transaction and/or is based on the size of a transaction. Consistent with the requirements of MSRB Rule G-42, Urban Futures, Inc. hereby discloses, that such contingent and/or transactional compensation may present a potential conflict of interest regarding Urban Futures, Inc.'s ability to provide unbiased advice to enter into such transaction. The contingent fee arrangement creates an incentive for Urban Futures, Inc. to recommend unnecessary financings or financings that are disadvantageous to the City, or to advise City to increase the size of the issue. This potential conflict of interest will not impair Urban Futures, Inc.'s ability to render unbiased and competent advice or to fulfill its fiduciary duty to the City;
- Urban Futures, Inc.'s fees under this agreement may be based on hourly fees of Urban Futures, Inc.'s personnel, with the aggregate amount equaling the number of hours worked by such personnel times an agreed-upon hourly billing rate. This form of compensation presents a potential conflict of interest because it could create an incentive for Urban Futures, Inc. to recommend alternatives that would result in more hours worked. This conflict of interest will not impair Urban Futures, Inc.'s ability to render unbiased and competent advice or to fulfill its fiduciary duty to the City;
- Urban Futures, Inc.'s fees under this agreement, may be a fixed amount established at the outset of the Agreement. The amount is usually based upon an analysis by City and Urban Futures, Inc. of, among other things, the expected duration and complexity of the transaction and the Scope of Services to be performed by Urban Futures, Inc. This form of compensation presents a potential conflict of interest because, if the transaction requires more work than originally contemplated, Urban Futures, Inc. may suffer a loss. Thus, Urban Futures, Inc. may recommend less time-consuming alternatives, or fail to do a thorough analysis of alternatives. This conflict of interest will not impair Urban Futures, Inc. ability to render unbiased and competent advice or to fulfill its fiduciary duty to the City;

- The fee paid to Urban Futures, Inc. increases the cost of investment to the City. The increased cost occurs from compensating Urban Futures, Inc. for municipal advisory services provided;
- Urban Futures, Inc. serves a wide variety of other clients that may from time to time have interests that could have a direct or indirect impact on the interests of another Urban Futures, Inc. client. For example, Urban Futures, Inc. serves as municipal advisor to other municipal advisory clients and, in such cases, owes a regulatory duty to such other clients just as it does to the City. These other clients may, from time to time and depending on the specific circumstances, have competing interests. In acting in the interests of its various clients, Urban Futures, Inc. could potentially face a conflict of interest arising from these competing client interests. Urban Futures, Inc. fulfills its regulatory duty and mitigates such conflicts through dealing honestly and with the utmost good faith with the City;
- Urban Futures, Inc. does not have any affiliate that provides any advice, service, or product to or on behalf of the client that is directly or indirectly related to the municipal advisory activities to be performed by Urban Futures, Inc.;
- Urban Futures, Inc. has not made any payments directly or indirectly to obtain or retain the City's municipal advisory business;
- Urban Futures, Inc. has not received any payments from third parties to Urban Futures, Inc.'s recommendation to the City of its services, any municipal securities transaction or any municipal finance product;
- Urban Futures, Inc. has not engaged in any fee-splitting arrangements involving Urban Futures, Inc. and any provider of investments or services to the City;
- Urban Futures, Inc. does not have any legal or disciplinary event that is material to the City's evaluation of the municipal advisory or the integrity of its management or advisory personnel;
- Urban Futures, Inc. does not act as principal in any of the transaction(s) related to this Agreement; and
- Randall Merritt, a Managing Principal, previously worked at Raymond James & Associates, Inc. from December 2015 until December 2023. Urban's relationships with Raymond James and all other investment banks are conducted in an arm's length manner, and any recommendations are independent of any prior employment or other relationships.

Legal Events and Disciplinary History

Urban Futures, Inc. does not have any legal events and disciplinary history on its Form MA and Form MA-I, which includes information about any criminal actions, regulatory actions, investigations, terminations, judgments, liens, civil judicial actions, customer complaints, arbitrations and civil litigation. The City may electronically access Urban Futures, Inc.'s most

recent Form MA and each most recent Form MA-I filed with the Commission at the following website: www.sec.gov/edgar/searchedgar/companysearch.html.

There have been no material changes to a legal or disciplinary event disclosure on any Form MA or Form MA-I filed with the SEC.

Recommendations

If Urban Futures, Inc. makes a recommendation of a municipal securities transaction or municipal financial product or if the review of a recommendation of another party is requested in writing by the City and is within the scope of the engagement, Urban Futures, Inc. will determine, based on the information obtained through reasonable diligence of Urban Futures, Inc. whether a municipal securities transaction or municipal financial product is suitable for the City. In addition, Urban Futures, Inc. will inform the City of:

- the evaluation of the material risks, potential benefits, structure, and other characteristics of the recommendation;
- the basis upon which Urban Futures, Inc. reasonably believes that the recommended municipal securities transaction or municipal financial product is, or is not, suitable for the City; and
- whether Urban Futures, Inc. has investigated or considered other reasonably feasible alternatives to the recommendation that might also or alternatively serve the City's objectives.

If the City elects a course of action that is independent of or contrary to the advice provided by Urban Futures, Inc., Urban Futures, Inc. is not required on that basis to disengage from the City.

Municipal Securities Rulemaking Board Rule G-10 Disclosure

Pursuant to Municipal Securities Rulemaking Board Rule G-10, on Investor and Municipal Advisory Client Education and Protection, Municipal Advisors are required to provide certain written information to their municipal entity and obligated person clients which include the following:

- Urban Futures, Inc. is currently registered as a Municipal Advisor with the U.S. Securities and Exchange Commission ("SEC") and Municipal Securities Rulemaking Board ("MSRB").
- 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.

Record Retention

Effective July 1, 2014, pursuant to the Securities and Exchange Commission (SEC) record retention regulations, Urban Futures, Inc. is required to maintain in writing, all communication and created documents between Urban Futures, Inc. and the City for 5 years.

If there are any questions regarding the above, please do not hesitate to contact Urban Futures, Inc. If the foregoing terms meet with your approval, please indicate your acceptance by executing and returning a copy of this letter.

Sincerely,



Michael Busch, Chief Strategy Officer
Urban Futures, Inc.

City of Beaumont

By: _____