

## **Scope Appendix**

**Project Title:** Support Related to the Pursuit of the Federal Renewable Energy Tax Credit as part of the Inflation Reduction Act 2022 (IRA22, Act).

### **Our Understanding:**

The Town of Munster ("Client") is in the process of developing a potential methane capture project ("The Project") for its closed landfill.

The Client is aware that it may be eligible for a Federal Tax Credit because of the Project utilizing the IRA22. The Act's "energy security" subtitle includes tax provisions providing credits and incentives for the production and consumption of clean energy, carbon emissions reduction, electric vehicle purchases and, among other items or promoting domestic energy security.

Based upon initial discussions, the Client is interested in Baker Tilly Municipal Advisors, LLC's ("BTMA" or "Baker Tilly") support of its goal to preserve, enhance, and claim an Investment Tax Credit (ITC) or Production Tax Credit (PTC) from its Project to the Client. The following outlines BTMA's proposed approach to this engagement:

### **Scope, Objectives and Approach:**

It is anticipated that this Project will be completed in phases from the initial pursuit of the IRA22 applicability through the construction of the Project. The scope of the Project includes five main phases to assist the Client with how to Determine, Preserve, Enhance and Claim the IRA 22 tax credit as outlined below:

BTMA's detailed approach/work plan can be summarized as follows:

#### **Phase 1. Preliminary Planning and Report**

- a. On a preliminary basis provide assistance with interpretation and application of the IRA 22 guidance to the Project's set of facts and circumstances.
  1. Analyze the proposed sources and uses of funds, existing Project budgets and financial model prepared by management, and other relevant documents to gain an understanding of the Project on a preliminary basis.
  2. Analyze the planned legal structure for ownership of the Project.
  3. Analyze management's expectations regarding the eligible Project costs which are considered "integral to the production of energy" and therefore eligible for ITC.
  4. Prepare a written summary which outlines our preliminary views regarding the Projects' eligibility for the ITC/ PTC and estimated ITC amounts.
  5. Attend a meeting to discuss the preliminary analysis.

#### **Phase 2. Determining Project Eligibility for an IRA22 Tax Credit**

- a. Provide assistance with interpretation and application of the IRA 22 guidance to the Project's set of facts and circumstances to the Project.
- b. Understand the Property Type versus IRS rules.
- c. Coordinate data request from Client.
- d. Analyze the Project budgets and financial model prepared by management, and other relevant documents to gain a better understanding of the Project.
- e. Analyze the planned legal structure for ownership of the Project.

- f. Analyze Project documents that establish the eligible Project costs which are considered “integral to the production of energy” and therefore eligible for ITC. This will include review of the Project’s process design, associated capitalized costs, use of any grant proceeds, timeline regarding construction and placed in service activities, and actions taken to-date that may support compliance with the IRS Begun Construction and placed in service requirements.
- g. Estimate the size of the tax credit for the Project.
- h. Confirm if 10% Domestic Content bonus applies to the Project.
- i. Confirm if 10% Energy Community bonus applies to the Project.
- j. Prepare an updated written summary which outlines our initial views regarding the Projects’ eligibility for the ITC/ PTC, estimated ITC/ PTC amounts, suggested steps to meet Begun Construction and placed in service requirements under the IRA 22 timeline requirements and an overview of the transaction structure(s) available to be utilized to monetize the ITC/ PTC. This will include review of the Client’s ability to retain and utilize portions or all of the ITC/ PTC and related tax benefits.
- k. Attend meetings as necessary.

**Phase 3. Estimation of Credit Amount and Meeting Begun Construction  
(Prevailing Wage 5x Credit Bonus Preservation)**

- a. Establish all key vendors within scope for the Project Type and the total Project budget
- b. Analyze Project plans with Client Project manager as it relates to impacts on credit amount and key action steps for preserving the tax credit.
- c. Identify key vendor(s) for which the Client can enter into binding written agreements to meet Begun Construction.
- d. Support the Client in assembling requests to vendors to allow for efficient analysis of impacts of certain design considerations as it relates to the tax credit
- e. Establish best method to meet the Begun Construction requirements
- f. Work with vendors to establish written payment terms to satisfy Begun Construction.
- g. Review Property Type sizing, as required, to the extent it pertains to tax credit considerations.
- h. Provide a brief memo to Client management documenting the action steps taken to meet Begun Construction to preserve the Tax Credit, the Project Type Eligibility, and the resulting Credit % being preserved.

**Phase 4. Enhancing the Tax Credit Earned – Pre & Post Construction**

- a. Perform a cost segregation study to establish total cost basis of Project and the Eligible Cost Basis if ITC is selected.
- b. Review Client’s own expenditures, in addition to the Project vendors, for qualifying expenditures which could qualify for tax credit.
- c. Upon construction completion, perform a site visit to complete the cost segregation study, delineate key process areas with upstream production facility that can be part of eligible basis, and document Project and on an as-built basis.
- d. From cost segregation study, categorize the depreciation lives of assets included in the study according to MACRS rules. This includes both capitalized items as well as items that may be expensed for tax purposes.
- e. Document with vendors how and when Project Type was placed in-service.
- f. Determine final tax credit amount or eligible basis for purposes of claiming the Tax Credit
- g. Issue a schedule of values showing the build up of the credit amount and the fixed asset schedule for the final Project costs.

**Phase 5. Claiming the Tax Credit - Project Workpaper File Generation**

- a. Document compliance with “begun construction” tests as required by the Internal Revenue Service (IRS)
- b. Document compliance with “placed in service” tests as required by IRS
- c. Document Project Type eligibility based up on IRS code and other IRS and Environmental Protection Agency (EPA) memoranda
- d. Document timing Tax Credit can be claimed
- e. Provide any additional information which would help support the project’s Claiming a Tax Credit in the event of an IRS audit.
- f. Provide the necessary workpapers to the Client to support its claim of the Tax Credit and assist with the preparation of the required form for purposes of ultimately claiming the credit.

**Reporting, Disclosure and Privacy Matters**

The advice we render may result in one or more positions that will be reflected on your federal tax returns. Taxpayers will not be subject to an underpayment of tax penalty if each position taken on the return has substantial authority. Positions that lack substantial authority but have a reasonable basis may be claimed on the tax return if such positions are disclosed to the IRS. Positions that lack a reasonable basis claimed on a tax return could subject taxpayers to a substantial understatement of tax penalty, even if such positions are disclosed on their returns. The higher more-likely-than-not standard for reportable transactions remains.

Regardless of disclosure, any position or transaction deemed to be a reportable transaction must meet the more-likely-than-not confidence level in order to avoid penalties. We will inform you of the level of confidence we have regarding all such positions.

Revised IRC section 7216 and the related Treasury Regulations prescribe a penalty for any tax return preparer - that uses or discloses tax return information without securing the consent of the taxpayer prior to any such use or disclosure. If you request that we provide your tax information to a third party, a specific and detailed written consent with your signature will be required to be furnished to us prior to the release of any tax information. We will bill you for the time necessary to draft the consent, obtain your signature and satisfy your request to provide tax information directly to a third party.

**Project Timing and Budget:**

Phase 1 of the Project could commence upon execution of the formal engagement letter and subject to availability of requested information from the Client. Subsequent phases, if the Client chose to proceed with its pursuit of the Determine Project Eligibility following Phase 1, would depend upon the overall timing of the project and would be formalized at the conclusion of Phase 1.

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BTMA's fees will be billed at BTMA's standard billing rates based on actual time incurred according to the rate schedule set forth below and will not exceed Fifty Thousand Dollars (\$50,000) without authorization from the Client.

Standard Hourly Rates by Job Classification  
9/1/2022

Partners / Principals / Directors	\$330.00	to	\$650.00
Managers	\$220.00	to	\$325.00
Consultants	\$150.00	to	\$250.00
Support / Municipal Bond Disclosure Specialists	\$110.00	to	\$220.00
Interns	\$110.00	to	\$135.00

- *Billing rates are subject to change periodically due to changing requirements and economic conditions. The fees billed will be the fees in place at the time services are provided. Actual fees will be based upon experience of the staff assigned and the complexity of the engagement.*

The above fees shall include all expenses incurred by BTMA with the exception of expenses incurred for mileage which will be billed on a separate line item. No such expenses will be incurred without the prior authorization of the Client. The fees do not include the charges of other entities such as rating agencies, bond and official statement printers, couriers, newspapers, bond insurance companies, bond counsel and local counsel, and electronic bidding services, including Parity<sup>®</sup>. Coordination of the printing and distribution of Official Statements or any other Offering Document are to be reimbursed by the Client based upon the time and expense for such services.

Billing Procedures:

Normally, you will receive a monthly statement showing fees and costs incurred in the prior month. Occasionally, we may bill on a less frequent basis if the time involved in the prior month was minimal or if arrangements are made for the payment of fees from bond proceeds. The account balance is due and payable on receipt of the statement.

Nonattest Services

As part of this engagement, we will perform certain nonattest services. For purposes of the Engagement Letter and this Scope Appendix, nonattest services include services that the *Government Auditing Standards* refers to as nonaudit services.

We will not perform any management functions or make management decisions on your behalf with respect to any nonattest services we provide.

In connection with our performance of any nonattest services, you agree that you will:

- > Continue to make all management decisions and perform all management functions, including approving all journal entries and general ledger classifications when they are submitted to you.
- > Designate an employee with suitable skill, knowledge, and/or experience, preferably within senior management, to oversee the services we perform.
- > Evaluate the adequacy and results of the nonattest services we perform.
- > Accept responsibility for the results of our nonattest services.
- > Establish and maintain internal controls, including monitoring ongoing activities related to the nonattest function.

Conflicts of Interest

Attachment A to the Engagement Letter contains important disclosure information that is applicable to this Scope Appendix.

We are unaware of any additional conflicts of interest related to this Scope Appendix that exist at this time.

Termination

Notwithstanding termination provisions contained in the Engagement Letter, this Scope Appendix is intended to be ongoing and applicable individually to specific services including financings, arbitrage computations, and/or continuing disclosure engagement, ("Sub-engagements") as if they are the sole subject of the Scope Appendix. As such, termination may occur for a specific Sub-engagement without terminating the Scope Appendix itself. On termination of a Sub-engagement or the Scope Appendix, all fees and charges incurred prior to termination shall be paid promptly. Unless otherwise agreed to by the Client and Baker Tilly, the scope of services provided in a Sub-engagement performed under this Scope Appendix will terminate 60 days after completion of the services for such Sub-engagement.

Project Team:

This work will be led by a cross functional Baker Tilly team, with members from our Manufacturing, Energy & Infrastructure, Real Estate and State and Local Government teams as necessary to complete the Project, based on the Property Type seeking the tax credit.

Other Disclosures:

During the course of the Agreement, Baker Tilly may interact with other Project participants (service providers, investors, lenders, funding parties, utilities, etc.) that have pre-existing client relationships with Baker Tilly. By signing this letter, the Client acknowledges the potential conflicts of interest that may arise. In the event of any such conflicts of interest, Baker Tilly shall immediately notify the Client of such circumstance.

Baker Tilly works with many clients that are involved in energy project development across a wide geographic region. The Client acknowledges by signing below that Baker Tilly is not exclusive in its relationship with the Client and that Baker Tilly may provide similar services to these separate clients.

Baker Tilly does not draft legal documents, ensuring that operating and funding agreements are consistent with the Client's intent and enforceable will be the responsibility of the Client's law firm.

Engagement-Specific Terms and Conditions:

*The following terms and conditions are in addition to, and not in lieu of, the terms and conditions included in the Engagement Letter to which this Scope Appendix is attached. Should there be any conflict between the terms of the Engagement Letter and the terms listed below, the terms listed below shall govern.*

1. Responsibilities of Client.

- a. To ensure an effective and efficient engagement, Client agrees to provide Baker Tilly with all information requested, in a timely manner, and to provide any reasonable assistance as may be required to properly perform the engagement. In performing services under this Agreement, Baker Tilly will rely upon Client personnel for the accuracy and completeness of its records and all other information supplied to us, without independent investigation or verification. Inaccuracy, incompleteness or tardiness in the delivery of information to Baker Tilly, whether or not Client personnel knew or should have known that such information was not complete, accurate or current, could have a material effect on the tax returns, our conclusions and the fee for services.

- b. US Treasury Regulations require taxpayers to disclose any tax strategy or transaction that the IRS identifies as: 1) a Listed Transaction; 2) substantially similar to a Listed Transaction; or 3) any other Reportable Transaction. In addition, certain states have similar disclosure requirements. Noncompliance with these rules may result in significant penalties. Client agrees to inform Baker Tilly of participation in any such transactions.
- c. Client agrees to file, unaltered and with appropriate disclosure, the tax returns as prepared by Baker Tilly. Client agrees that Baker Tilly assumes no responsibility and has no liability for any returns altered by Client prior to filing with the taxing jurisdiction. Client is responsible for the timely filing of the returns Baker Tilly prepares and agrees to inform us in writing of any failure to timely file the tax returns.
- d. Most tax returns require signatures, under penalty of perjury, by the taxpayer or an officer of the taxpayer affirming that the tax returns and the accompanying schedules and statements are true, correct and complete to the best of his or her knowledge. Client is responsible for understanding and agreeing with the various amounts, computations and statements made in the tax returns and accepts responsibility for the results of the tax services rendered. Baker Tilly's services may include advice and recommendations, but all decisions in connection with the implementation of such advice and recommendations shall be the responsibility of, and made by, Client. Baker Tilly will not perform any management functions or make management decisions for Client in connection with this engagement.
- e. Client is required to maintain and retain adequate documentation to support the tax returns as filed as penalties can be imposed by taxing authorities for the failure to produce adequate documentation supporting the items included in a tax return. Baker Tilly has no responsibility or liability for Client's failure to maintain adequate documentation.
- f. Client accepts and acknowledges that official IRS guidance for the Inflation Reduction Act ("IRA") has not been issued. Baker Tilly is performing the services consistent with previously defined guidelines from the Buy America legislation. Further, Baker Tilly makes no guarantees that the IRS will issue a tax credit.

2. Responsibilities of Baker Tilly.

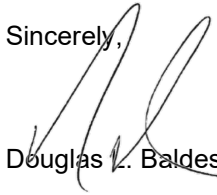
- a. Baker Tilly's services under this engagement are subject to and will be performed in accordance with Treasury Department Circular 230, the American Institute of Certified Public Accountants (AICPA) and other professional standards applicable to tax services. We disclaim all other warranties, either express or implied.
- b. Baker Tilly will perform these services on the basis of the information you have provided and in consideration of the applicable tax laws, regulations and associated interpretations as of the date the services are provided. Tax laws and regulations and/or their interpretation are subject to change at any time, and such changes may be retroactive in effect and may be applicable to advice given or other services rendered before their effective dates. Baker Tilly has no responsibility or liability for such changes occurring after the completion of this engagement.
- c. Client acknowledges and agrees that any advice, recommendations, information or work product provided to Client by Baker Tilly in connection with this engagement is for the sole use of Client and may not be relied upon by any third party. Baker Tilly and has no liability or responsibility to any third parties as a result of this engagement.
- d. Tax returns and other filings are subject to examination by taxing authorities. Baker Tilly will be available to assist Client in the event of an audit of any issue for which Baker Tilly has provided services under this engagement. Fees for these additional services will be communicated in a separate engagement letter.
- e. The services performed under this engagement do not include the provision of legal advice and Baker Tilly makes no representations regarding questions of legal interpretation. Client should consult with its attorneys with respect to any legal matters or items that require legal interpretation, under federal, state or other type of law or regulation.

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- f. Baker Tilly may utilize the services of independent contractors in providing services to Client. All such third parties are bound by the same confidentiality requirements as Baker Tilly and its employees. Client hereby consents to disclosure of confidential information necessary to the provision of the related services.
- g. Nothing in this Scope Appendix or the Engagement Letter prevents Baker Tilly from providing services to other clients.

If this Scope Appendix is acceptable, please sign below and return one copy to us for our files. We look forward to working with you on this important project.

Sincerely,



Douglas K. Baldessari, Partner

**Signature Section:**

The services and terms as set forth in this Scope Appendix are agreed to on behalf of the Client by:

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_