



DRAFT

Kentucky Municipal Energy Agency

Dear _____:

Public Financial Management (“PFM”) appreciates the opportunity to continue working with the Kentucky Municipal Energy Agency (“KyMEA”). PFM will serve as an Independent Registered Municipal Advisor (“IRMA” or “MA”) for KyMEA. The term Independent Registered Municipal Advisor shall include the meanings attached to any of the terms: municipal advisor, financial advisor, and municipal financial advisor, as they are used by the United States Securities and Exchange Commission and the Municipal Securities Rulemaking Board; or the subject of the Dodd-Frank Act. The Scope of Financial Advisory Services to be provided to KyMEA by PFM will include, but not be limited to, the following services, as requested by KyMEA on a case by case basis:

1) Ongoing Financial Advice

1. Act as the IRMA to KyMEA, as such term (IRMA or MA) is defined by the U.S. Securities Exchange Commission, in connection with all capital markets activity related to KyMEA.
2. Confer with KyMEA professionals on financial goals, objectives and opportunities.
3. Review, evaluate and recommend potential financing, refinancing and restructuring alternatives.
4. Review, evaluate and comment on KyMEA power and energy contracts and provisions which may affect KyMEA’s ability to borrow or enter financing arrangements.
5. Analyze and evaluate proposals received from banks and/or underwriters and make necessary recommendations.
6. Assist in the solicitation, evaluation, negotiation and renegotiation of letters and lines of credit, and other potential credit arrangements.
7. Provide advice as to the marketability of, and investor response to, various financial alternatives and structures.
8. Develop financial models to evaluate various alternatives.
9. Provide data and financial analysis relative to the municipal capital markets.
10. Communicate financial plans and information to stakeholders and interested parties for any necessary transaction approvals. Assist in preparing for public hearings and meetings with executive branch representatives, legislative representatives, and other governmental authorities.
11. Provide ongoing advice related to credit ratings and credit rating agency communications.
12. Provide ongoing advice related to existing and potential investors, and investor communications.
13. Communicate and work with KyMEA, its professionals and consultants, and provide routine updates on all progress and developments associated with the services rendered by PFM.

II) Transaction Processing, Pricing and Execution

1. Advise on the credit strategy for any financing transaction that will be presented to financial institutions, rating agencies, investors, and other capital markets constituencies.
2. Review security structure alternatives related to debt transactions in consideration of revenue projections, desired maturity schedule and cash flow requirements.
3. Evaluate benefits and availability of credit enhancement, if necessary.
4. If appropriate, develop credit presentations and coordinate with KyMEA's financing team for the overall presentation to rating agencies and investors.
5. Assist as needed in the procurement of other services relating to debt issuance such as printing, paying agent, registrar, escrow agent, verification agent, etc.
6. Identify debt security features and advise as to the financial consequences of provisions to be included in bond resolutions regarding security, reserve funds, flow of funds, redemption provisions, additional debt tests, etc.
7. Review the terms, conditions and structure of any proposed debt offering and provide suggestions, modifications and enhancements where appropriate and necessary to reflect current municipal market conditions and the constraints of current financial policy and fiscal capability.
8. Coordinate with KyMEA staff and other advisors on the furnishing of data for bond offering documents, it being specifically understood that PFM is not responsible for the inclusion or omission of any material in published offering documents.
9. Provide regular updates on municipal market conditions and advise on the timing for issuing debt.
10. Advise on the conditions of the credit markets at the time of sale, including volume, timing considerations, competing offerings, and general economic considerations.
11. Assist and advise in negotiations with the banking community regarding fees, pricing of debt and final terms of any security offering, and make recommendations regarding a proposed offering to obtain the most favorable financial terms based on existing market conditions.
12. Assist in the closing of the transaction including, but not limited to, providing any certificates or opinions required by legal counsel.

III) Other Advisory Activities

1. As needed, assist in the preparation of studies related to KyMEA's revenue and/or rate framework, and the financial metrics relative to other comparable issuers.
2. Provide analysis and testimony that maybe required for any revenue or rate regulatory, governing or oversight body.
3. Provide guidance on statutory and regulatory matters related to financing matters, such as changes proposed and/or implemented by Congress, the U.S. Treasury, the IRS, and other regulatory agencies. Provide guidance on post-issuance compliance.
4. Provide such other financial advisory services as requested by KyMEA.

Our understanding is that PFM's role may include a range of services; from traditional capital financing activities described above, to various analyses and evaluations of contracts, transactions, strategies and policies available to KyMEA. PFM understands that PFM's participation in any of these activities is at KyMEA's discretion, and that KyMEA reserves the right to utilize PFM on a case-by-case basis in relation

to any of its financial activities. PFM will make available the services of Michael Mace and other PFM professionals having experience and expertise relating to specific KyMEA assignments.

Fees and Expenses

PFM proposes the following compensation structure and fees for our work for KyMEA:

Transaction-Based Success Fees

In the event PFM serves as the advisor on successful debt transactions, debt placement or debt restructurings for KyMEA, PFM would be paid an additional amount that would be **CAPPED** at the following amounts per \$1,000 of par amount of debt placed or sold:

\$1.25 per \$1,000 par amount for the first \$50,000,000 of debt, plus

\$0.25 per \$1,000 par amount of the amount in excess of \$50,000,000.

Based on the expected scope of work for an individual transaction, PFM would also be willing to discuss transaction-specific fees that would be agreed to prior to the initiation of a transaction, or during the execution of a transaction, that would be lower than the capped amount based on the above formula.

Hourly or Fixed Fee Assignments

In the event PFM was requested to work on projects that were unrelated to debt transactions (such as credit solicitations, policies, studies, or price proceedings) PFM would propose to be compensated according to a project-specific fixed fee (agreed to at the outset of a project), or on an hourly basis at the following hourly rates:

Managing Director	\$425/hour
Director	\$350/hour
Senior Managing Consultant	\$300/hour
Senior Analyst	\$250/hour
Analyst	\$200/hour

Expenses

PFM will be reimbursed at actual cost for travel, meals, lodging, major document production, and other costs approved by KyMEA that are incurred in connection with PFM's financial advisory service. Appropriate documentation and third party receipts will be provided upon request. PFM will not be reimbursed for expenses related to routine administrative activities, such as: telephone and conference calls, copying, faxing, meals, computer/software costs, etc.

Investment and Swap Advisory Services

It is important to note that the fees proposed above apply only to financial advisory services and do not include investment advisory services that might be provided by our SEC-registered investment management affiliate – PFM Asset Management. KyMEA is under no obligation to utilize PFM for any investment related services. However, upon request, PFM would provide a fee proposal for investment management activity on a case by case basis. Compensation for these services would be agreed upon and memorialized in separate contracts.

Term

The term of this Agreement shall commence on _____, 2016 and expire upon thirty (30) days written notice by either party.

Confidential Information

In the performance of its work, PFM may have access to or may be provided with confidential information associated with KyMEA. PFM is willing to enter into a Non-Disclosure Agreement in any form that is acceptable to KyMEA. PFM shall maintain the information on a strictly confidential basis, and shall only use the confidential information for the purposes set forth in this Agreement. PFM shall only disclose confidential information to its employees on a strictly need to know basis, and shall inform such employees that they must comply with the confidentiality obligations set forth herein. PFM shall not disclose any confidential information to third parties except if required by law to do so, and in such event shall promptly notify KyMEA of the request for confidential information, and in any case shall notify KyMEA within a reasonable time prior to disclosing such confidential information such that KyMEA may seek a protective order or other similar restraints, and shall disclose only the minimum amount of information necessary to comply with the request. At the expiration or termination of this Agreement, PFM shall return to KyMEA all related confidential information.

Summary

PFM would be pleased to serve KkMEA as its Independent Registered Municipal Advisor. If you decide that the responsibilities and terms described above are to your satisfaction you may agree to these terms and initiate this engagement by your signature below:

By: _____

By: _____

Name: _____

Name: Michael Mace

Title: _____
For: Kentucky Municipal Energy Agency

Title: Managing Director
For: Public Financial Management

Date: _____

Date: _____

If you have questions or comments regarding this transmittal please feel free to contact me at (704) 319-7923, or by e-mail at macem@pfm.com. Thank you again for the opportunity to work with KyMEA.

Sincerely,
Public Financial Management

Michael Mace
Managing Director