



500 W. Jefferson Street  
Suite 700  
Louisville, KY 40202  
502.588.8400 phone  
800.444.1854 toll free

## MUNICIPAL ADVISOR ENGAGEMENT CONTRACT

January 18, 2019

Ms. Heather Overby  
VP of Finance & Acctg/CFO  
Kentucky Municipal Energy Agency  
1700 Eastpoint Pkwy., Ste. 220  
Louisville, Kentucky 40223

Dear Ms. Overby:

J.J.B. Hilliard, W.L. Lyons, LLC ("Municipal Advisor") appreciates the opportunity to serve as municipal advisor to Kentucky Municipal Energy Agency ("KYMEDIA" or "Client"). Upon your acceptance, this engagement letter (the "Agreement") will serve as our mutual agreement with respect to the terms and conditions of our engagement as your municipal advisor, effective on the date this Agreement is executed by Client (the "Effective Date").

### 1. **Scope of Services**

Hilliard Lyons is engaged by Client as its Municipal Advisor to provide the services with respect to the issuances of municipal securities, the structure of bank loans or leases, or other financing programs the Client may consider ("Issue(s)") [or municipal financial products ("Products")] set forth in **Appendix A** (the "Scope of Services").

### 2. **Municipal Advisor's Regulatory Duties When Serving Client**

MSRB Rule G-42 requires that Municipal Advisor make a reasonable inquiry as to the facts that are relevant to Client's determination whether to proceed with a course of action or that form the basis for and advice provided by Municipal Advisor to Client. The rule also requires that Municipal Advisor undertake a reasonable investigation to determine that it is not basing any recommendation on materially inaccurate or incomplete information. Municipal Advisor is also required under the rule to use reasonable diligence to know the essential facts about Client and the authority of each person acting on Client's behalf.

Client agrees to cooperate, and to cause its agents to cooperate, with Municipal Advisor in carrying out these regulatory duties, including providing to Municipal Advisor accurate and complete information and reasonable access to relevant documents, other information and personnel needed to fulfill such duties. In addition, Client agrees that, to the extent Client seeks to have Municipal Advisor provide advice with regard to any recommendation made by a third party, Client will provide to Municipal Advisor written direction to do so as well as any information it has received from such third party relating to its recommendation.

3. **Term of this Engagement**

The term of this Agreement begins on the Effective Date and may be terminated with or without cause by either party upon the giving of at least thirty (30) days' prior written notice to the other party of its intention to terminate, specifying in such notice the effective date of such termination.

4. **Compensation**

***Fees and expenses.*** The fees due to Municipal Advisor hereunder shall be, and expenses incurred by Municipal Advisor in connection with any services provided hereunder shall be reimbursed, as set forth in **Appendix B** ("Compensation").

5. **Required Disclosures**

MSRB Rule G-42 requires that Municipal Advisor provide you with disclosures of material conflicts of interest and of information regarding certain legal events and disciplinary history. Such disclosures are provided in **Appendix C** ("Disclosure Statement of Municipal Advisor") delivered to Client together with this Agreement.

6. **Post-Pricing Purchase of New Issue Securities [if applicable]**

In accordance with MSRB Rule G-23, when serving as a Municipal Advisor, Hilliard Lyons may not function as an underwriter for the Client's financing. Rule G-23 does not prohibit Municipal Advisor from purchasing a client's bonds from an underwriter following pricing of the bonds and Hilliard may do so.

7. **Waiver of Jury Trial**

EACH PARTY AGREES TO WAIVE ANY RIGHT TO A TRIAL BY JURY WITH RESPECT TO ANY CLAIM, COUNTERCLAIM OR ACTION ARISING OUT OF OR IN CONNECTION WITH THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THE RELATIONSHIP BETWEEN THE PARTIES. PARTIES AGREE TO WAIVE CONSEQUENTIAL AND PUNATIVE DAMAGES.

8. **Choice of Law**

This Agreement shall be construed and given effect in accordance with the laws of Kentucky.

9. **Binding Effect; Assignment**

This Agreement shall be binding upon and inure to the benefit of Client and Municipal Advisor, their respective successors and permitted assigns; provided however, neither party may assign or transfer any of its rights or obligations hereunder without the prior written consent of the other party.

10. **Entire Agreement**

This instrument, including all appendices hereto, contains the entire agreement between the parties relating to the rights herein granted and obligations herein assumed. This Agreement may not be amended, supplemented or modified except by means of a written instrument executed by both parties.

11. **Severability**

If any provision of this Agreement is, or is held or deemed to be, invalid, inoperative or unenforceable as applied in any particular case in any jurisdiction or jurisdictions because it conflicts with any provisions of any constitution, statute, rule or public policy, or for any other reason, such circumstances shall not make the provision in question invalid, inoperative or unenforceable in any other case or circumstance, or make any other provision or provisions of this Agreement invalid, inoperative or unenforceable to any extent whatever.

12. **No Third Party Beneficiary**

This Agreement is made solely for the benefit of the parties and their respective successors and permitted assigns. Nothing in this Agreement, express or implied, is intended to confer on any person, other than the parties and their respective successors and permitted assigns, any rights, remedies, obligations or liabilities under or by reason of this Agreement.

13. **Authority**

The undersigned represents and warrants that (s)he has full legal authority to execute this Agreement on behalf of Client. The following individuals have the authority to direct Municipal Advisor's performance of its activities under this Agreement:

14. **Counterparts**

This Agreement may be executed in counterparts, each of which shall be an original, but which taken together, shall constitute one and the same instrument.

**J.J.B. HILLIARD, W.L. LYONS, LLC  
MUNICIPAL ADVISOR**

By: \_\_\_\_\_

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

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

**ACCEPTED AND AGREED:  
KENTUCKY MUNICIPAL ENERGY AGENCY**

By: \_\_\_\_\_

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

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

**DATE OF ACKNOWLEDGEMENT OF  
APPENDICES A, B AND C**

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

**APPENDIX A –  
SCOPE OF SERVICES  
(Municipal financings through July 31, 2019)**

For the sake of clarity, references to “advice” or “advising” in this Scope of Services do not refer to legal advice generally or legal advice regarding the tax treatment of the proposed issue, and should not be relied upon as such. Municipal Advisor is not a law firm. Municipal Advisor shall or may undertake some or all of the following activities for or on behalf of Client with respect to the Issue(s) [or Product(s)] in carrying out this engagement, as directed by Client:

**New Issue(s)/Refunding(s).** Provide some or all of the following services with respect to Client’s new Issue(s):

1. Evaluate options or alternatives with respect to the proposed new Issue, including refunding opportunities
2. Review recommendations made by other parties to Client with respect to the new Issue/Refunding
3. Review financial and other information regarding Client, the proposed Issue and any source of repayment of or security for the Issue/Refunding
4. Consult with and/or advise Client on actual or potential changes in market place practices, market conditions, regulatory requirements or other matters that may have an impact on Client and its financing plans
5. Assist Client in establishing a plan of financing
6. Assist Client in establishing the structure, timing, terms and other similar matters concerning the Issue
7. Prepare the financing schedule
8. Provide assistance as to scheduling, coordinating and meeting procedural requirements relating to any required bond referendum, other than through cash or in-kind contributions with respect to such referendum
9. Consult and meet with representatives of Client and its agents or consultants with respect to the Issue
10. Attend meetings of Client’s governing body, as requested
11. Advise Client on the manner of sale of the Issue
12. Assist in the gathering of information with respect to financial, statistical and factual information relating to Client in connection with the preparation of the preliminary and final official statement
13. For a competitive bid where the Client has not engaged disclosure counsel to prepare the preliminary and final official statement, assist the Client in preparing the preliminary and final official statement and the bid package, obtain CUSIP numbers and provide an electronic version of the official statement to the winning underwriter
14. Make arrangements for printing, advertising and other vendor services necessary or appropriate in connection with the Issue
15. Advise Client with regard to any continuing disclosure undertaking required to be entered into in connection with the Issue, including advising on the selection of a dissemination agent
16. Assist Client in collecting and analyzing bids submitted by underwriters and in connection with Client’s selection of a winning bidder
17. Prior to the time of sale, provide Client with relevant data on comparable issues recently or currently being sold nationally and by comparable
18. Review required underwriter disclosures to Client [where applicable]
19. Assist Client in selecting legal and other professionals (such as paying agent, verification agent, trustee, escrow agent, accountant, feasibility consultant, etc.) to work on the Issue
20. Respond to questions from bidders, underwriters or potential investors
21. Arrange and facilitate visits to, prepare materials for, and make recommendations to Client in connection with credit ratings agencies, insurers and other credit or liquidity providers
22. Work with bond counsel and other transaction participants to prepare and/or review necessary authorizing documentation of Client and other documents necessary to finalize and close the Issue
23. Coordinate working group sessions, closing, delivery of the new Issue and transfer of funds

- 24.** Prepare a closing memorandum or transaction summary for Client with respect to such matters as sources and uses of funds disposition of close, debt service repayment schedule, etc.
- 25.** If requested by Client, assist and provide guidance with respect to the investment of bond proceeds. If such service are provided by Municipal Advisor, a separate schedule of fees for such services will be provided to Client, but in no case will said fees exceed fees as promulgated by the United States Treasury Department
- 26.** Arrange for the purchase of escrow securities, including but not limited to, State and Local Government Securities ("SLGS") and Open Market Securities ("OMS"), on behalf of the Issuer, as applicable for refunding bond issues

## **APPENDIX B – COMPENSATION**

Fees for the services provided by Municipal Advisor to Client under this Agreement and the manner for payment of expenses incurred by Municipal Advisor in the course of performing its services are as set forth below:

In consideration of the services rendered and the risk of the expense to be assumed by us, it is agreed that we shall be paid a fee equal to \$2.50/\$1,000 of par amount of Bonds issued during our engagement as Municipal Advisor for services rendered. This fee shall be paid to us upon closing of the financing.

## **APPENDIX C –**

### **DISCLOSURE STATEMENT OF MUNICIPAL ADVISOR**

This Disclosure Statement is provided by Hilliard Lyons (“Municipal Advisor”) to KYMEA (the “Client”) in connection with the Municipal Advisor Engagement Letter dated January 18, 2019 (the “Agreement”) and is dated as of the same date as the Agreement. This Disclosure Statement provides information regarding conflicts of interest and legal or disciplinary events of Municipal Advisor required to be disclosed to Client pursuant to MSRB Rule G-42(b) and (c)(ii).

#### **PART A – Disclosures of Conflicts of Interest**

MSRB Rule G-42 requires that municipal advisors provide to their clients disclosures relating to any actual or potential material conflicts of interest, including certain categories of potential conflicts of interest identified in Rule G-42, if applicable. If no such material conflicts of interest are known to exist based on the exercise of reasonable diligence by the municipal advisor, municipal advisors are required to provide a written statement to that effect.

**General Mitigations** – As general mitigations of Municipal Advisor’s conflicts, with respect to all of the conflicts disclosed below, Municipal Advisor mitigates such conflicts through its adherence to its fiduciary duty to Client, which includes a duty of loyalty to Client in performing all municipal advisory activities for Client. This duty of loyalty obligates Municipal Advisor to deal honestly and with the utmost good faith with Client and to act in Client’s best interests without regard to Municipal Advisor’s financial or other interests. In addition, because Municipal Advisor is a broker-dealer with significant capital due to the nature of its overall business, the success and profitability of Municipal Advisor is not dependent on maximizing short-term revenue generated from individualized recommendations to its clients but instead is dependent on long-term profitability built on a foundation of integrity, quality of service and strict adherence to its fiduciary duty. Furthermore, Municipal Advisor’s municipal advisory supervisory structure, leveraging our long-standing and comprehensive broker-dealer supervisory processes and practices, provides strong safeguards against individual representatives of Municipal Advisor potentially departing from their regulatory duties due to personal interests. The disclosures below describe, as applicable, any additional mitigations that may be relevant with respect to any specific conflict disclosed below.

**I. Compensation-Based Conflicts.** The fees due under this Agreement will be based on the size of the Issue and the payment of such fees shall be contingent upon the delivery of the Issue. While this form of compensation is customary in the municipal securities market, this may present a conflict because it could create an incentive for Municipal Advisor to recommend unnecessary financings or financings that are disadvantageous to Client, or to advise Client to increase the size of the issue. This conflict of interest is mitigated by the general mitigations described above.

**II. Other Municipal Advisor or Underwriting Relationships.** Municipal Advisor 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 Client. For example, Municipal Advisor 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 Client under this Agreement. These other clients may, from time to time and depending on the specific

circumstances, have competing interests, such as accessing the new issue market with the most advantageous timing and with limited competition at the time of the offering. In acting in the interests of its various clients, Municipal Advisor could potentially face a conflict of interest arising from these competing client interests. In other cases, as a broker-dealer that engages in underwritings of new issuances of municipal securities by other municipal entities, the interests of Municipal Advisor to achieve a successful and profitable underwriting for its municipal entity underwriting clients could potentially constitute a conflict of interest if, as in the example above, the municipal entities that Municipal Advisor serves as underwriter or municipal advisor have competing interests in seeking to access the new issue market with the most advantageous timing and with limited competition at the time of the offering. None of these other engagements or relationships would impair Municipal Advisor's ability to fulfill its regulatory duties to Client.

**III. Broker-Dealer and Investment Advisory Business.** Municipal Advisor is a broker-dealer and investment advisory firm that engages in a broad range of securities-related activities to service its clients, in addition to serving as a municipal advisor or underwriter. Such securities-related activities, which may include but are not limited to the buying and selling of new issue and outstanding securities and investment advice in connection with such securities including securities of Client, may be undertaken on behalf of, or as counterparty to, Client, personnel of Client, and current or potential investors in the securities of Client. These other clients may, from time to time and depending on the specific circumstances, have interests in conflict with those of Client, such as when their buying or selling of Client's securities may have an adverse effect on the market for Client's securities, and the interests of such other clients could create the incentive for Municipal Advisor to make recommendations to Client that could result in more advantageous pricing for the other clients. Furthermore, any potential conflict arising from Municipal Advisor effecting or otherwise assisting such other clients in connection with such transactions is mitigated by means of such activities being engaged in on customary terms through units of the Municipal Advisor that operate independently from Municipal Advisor's municipal advisory business, thereby reducing the likelihood that the interests of such other clients would have an impact on the services provided by Municipal Advisor to Client under this Agreement.

**IV. Secondary Market Transactions in Client's Securities.** Municipal Advisor, in connection with its sales and trading activities, may take a principal position in securities, including securities of Client, and therefore Municipal Advisor could have interests in conflict with those of Client with respect to the value of Client's securities while held in inventory and the levels of mark-up or mark-down that may be available in connection with purchases and sales thereof. In particular, Municipal Advisor or its affiliates may submit orders for and acquire Client's securities issued in an Issue under the Agreement from members of the underwriting syndicate, either for its own account or for the accounts of its customers. This activity may result in a conflict of interest with Client in that it could create the incentive for Municipal Advisor to make recommendations to Client that could result in more advantageous pricing of Client's bond in the marketplace. Any such conflict is mitigated by means of such activities being engaged in on customary terms through units of the Municipal Advisor that operate independently from Municipal Advisor's municipal advisory business, thereby reducing the likelihood that such investment activities would have an impact on the services provided by Municipal Advisor to Client under this Agreement.

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## **PART B – Disclosures of Information Regarding Legal Events and Disciplinary History**

MSRB Rule G-42 requires that municipal advisors provide to their clients certain disclosures of legal or disciplinary events material to its client's evaluation of the municipal advisor or the integrity of the municipal advisor's management or advisory personnel. The SEC permits certain items of information required on Form MA or MA-I to be provided by reference to such required information already filed by Municipal Advisor in its capacity as a broker-dealer on Form BD or Form U4. For the sake of consistency, and because the Municipal Advisor is (also) a broker-dealer, we refer you to our Form BD, which is filed with the SEC, but is available at a web service maintained by FINRA. The web service is named BrokerCheck, and it allows you to review any disciplinary disclosures made by us, as well as any made about an individual employed by us. The web address is <http://brokercheck.finra.org/>. On this page, click "FIRM" and insert our firm's CRD number (453) in the next blank. Then click "CHECK". The resulting web page has a link near the middle (in this sentence: **This firm has disclosure events. See detailed report for more information.**) Click on the words "detailed report" and you will receive a PDF file with our complete disclosures on individual DRPs (Disclosure Reporting Pages.) Please note that you may similarly check the individual records of our employees with whom you deal, by clicking "INDIVIDUAL" and inserting their names on the initial page of BrokerCheck.

To the extent that any disciplinary action against us as a Municipal Advisor, or our employee, is **not** reported on a DRP added to our Form BD, it would be reported to the SEC on Form MA or MA-I. Those forms are available at:

<http://www.sec.gov/cgi-bin/browse-edgar?action=getcompany&CIK=0000764107&owner=exclude&count=40&hidefilings=0> .

The most recent change in legal or disciplinary event disclosure was on September 7, 2016.

## **PART C – Future Supplemental Disclosures**

As required by MSRB Rule G-42, this Disclosure Statement may be supplemented or amended, from time to time as needed, to reflect changed circumstances resulting in new conflicts of interest or changes in the conflicts of interest described above, or to provide updated information with regard to any legal or disciplinary events of Municipal Advisor. Municipal Advisor will provide Client with any such supplement or amendment as it becomes available throughout the term of the Agreement.