

**Arbitrage Rebate Computation
Proposal For
Lexington-Fayette
Urban County Government**

\$55,925,000 Various Purpose General Obligation Refunding Bonds, Series 2014A

\$24,190,000 Sewer System Revenue Refunding Bonds, Series 2014A

\$24,245,000 Various Purpose General Obligation Bonds, Series 2014B

**\$2,900,000 Energy Conservation General Obligation Bonds, Series 2014C
(Federally Taxable – Qualified Energy Conservation Bonds – Direct Payment to the Issuer)**





TAX-EXEMPT COMPLIANCE

February 4, 2015

Mr. Jim Gray
Mayor
City of Lexington
Government Center
200 E. Main Street, 10th Floor
Lexington, KY 40507

Re: Arbitrage Rebate Computation Proposal for Lexington-Fayette Urban County Government:
\$55,925,000 Various Purpose General Obligation Refunding Bonds, Series 2014A
\$24,190,000 Sewer System Revenue Refunding Bonds, Series 2014A
\$24,245,000 Various Purpose General Obligation Bonds, Series 2014B
\$2,900,000 Energy Conservation General Obligation Bonds, Series 2014C
(Federally Taxable – Qualified Energy Conservation Bonds – Direct Payment to the Issuer)

Dear Mr. Gray:

Congratulations on the successful sale of the Bonds. AMTEC has the ability to complete rebate computations for the above referenced Lexington-Fayette Urban County Government (the “City”) Bond Issues (the “Bonds”). As you know, AMTEC is an independent consulting firm that specializes in arbitrage rebate calculations and we have the ability to complete rebate computations for the City. We do not sell investments or seek an underwriting role. As a result of our specialization, we offer very competitive pricing for rebate computations. Our typical fee averages less than \$1,000 per year, per issue and includes up to five years of annual rebate liability reporting.

We have prepared our fee and report delivery schedule for the City. Our guaranteed fee for rebate computations is \$12,000 and provides service through the required reporting dates for all of the Bond Issues. The fees are based upon the size and complexity of the issues. Please note that we have deeply discounted our fees due to our long-standing relationship with the City. Our fees are payable upon your acceptance of our rebate reports, which will be delivered shortly after the dates specified in the following tables.

AMTEC Professional Fee

\$55,925,000 Various Purpose General Obligation Refunding Bonds, Series 2014A
Delivered: May 1, 2014

Report Date	Type of Report	Period Covered	Fee
April 30, 2015	Rebate and Opinion	Closing – April 30, 2015	\$ 600
April 30, 2016	Rebate and Opinion	Closing – April 30, 2016	600
April 30, 2017	Rebate and Opinion	Closing – April 30, 2017	600
April 30, 2018	Rebate and Opinion	Closing – April 30, 2018	600
May 1, 2019	Rebate and Opinion	Closing – May 1, 2019	600
Total Fee			\$3,000

\$24,190,000 Tax-Exempt Sewer System Revenue Refunding Bonds, Series 2014A
Delivered: October 23, 2014

Report Date	Type of Report	Period Covered	Fee
October 31, 2015	Rebate and Opinion	Closing – October 31, 2015	\$ 600
October 31, 2016	Rebate and Opinion	Closing – October 31, 2016	600
October 31, 2017	Rebate and Opinion	Closing – October 31, 2017	600
October 31, 2018	Rebate and Opinion	Closing – October 31, 2018	600
October 23, 2019	Rebate and Opinion	Closing – October 23, 2019	600
Total Fee			\$3,000

\$24,245,000 Various Purpose General Obligation Bonds, Series 2014B
Delivered: December 16, 2014

Report Date	Type of Report	Period Covered	Fee
December 31, 2015	Rebate and Opinion	Closing – December 31, 2015	\$ 600
December 31, 2016	Rebate and Opinion	Closing – December 31, 2016	600
December 31, 2017	Rebate and Opinion	Closing – December 31, 2017	600
December 31, 2018	Rebate and Opinion	Closing – December 31, 2018	600
December 16, 2019	Rebate and Opinion	Closing – December 16, 2019	600
Total Fee			\$3,000

\$2,900,000 Energy Conservation General Obligation Bonds, Series 2014C (Federally Taxable – Qualified Energy Conservation Bonds – Direct Payment to the Issuer)
Delivered: December 16, 2014

Report Date	Type of Report	Period Covered	Fee
December 31, 2015	Rebate and Opinion	Closing – December 31, 2015	\$ 600
December 31, 2016	Rebate and Opinion	Closing – December 31, 2016	600
December 31, 2017	Rebate and Opinion	Closing – December 31, 2017	600
December 31, 2018	Rebate and Opinion	Closing – December 31, 2018	600
December 16, 2019	Rebate and Opinion	Closing – December 16, 2019	600
Total Fee			\$3,000

In order to continue, we are requesting the following documentation for each issue (a copy of the entire bond transcripts, either electronically or on CD, would suffice):

1. IRS Form 8038-G.
2. Arbitrage and Tax Regulatory Agreement for certification purposes. This Agreement may also be known as the Arbitrage Certificate and is usually filed adjacent to IRS Form 8038-G in the bound transcripts.
3. Closing Memorandum.
4. A listing of the bond and investment activity (including disbursements, receipts and interest earned), by date and amount, from the date of each closing through each report date. Bank statements for this period will suffice. Our calculations require tracking the cash flow of the bond proceeds for the entire computation period.

5. Robert Thomas CPA, LLC Refunding Verification Report for the \$55,925,000 Series 2014A Bonds.

AMTEC's Scope of Services

Our engagement includes, but is not limited to, the following services:

- Review of all bond documents and account statements for possible rebate exceptions;
- Computation of the rebate liability and/or the yield restricted amount, in accordance with Section 148 of the Internal Revenue Code, commencing with the date of the closing through the required reporting dates of the Bonds;
- Calculation of the bond yield. Yield calculations performed prior to the closing often do not contain all requisite figures, resulting in inaccurate calculations for rebate purposes. This effort certifies we are presenting accurate information and enables us to issue our unqualified opinion;
- Reconciliation of the sources and uses of funds from the bond documentation;
- Calculation and analysis of the yield on all investments, subject to the Regulations, for each computation period;
- Production of rebate reports, indicating the above stated information, and the issuance of the AMTEC Opinion;
- Recommendations for proactive rebate management;
- Commingled funds, transferred proceeds and yield restriction analyses, if necessary;
- Preparation of IRS Form 8038-T and any accompanying documentation, should a rebate payment be required;
- We will discuss the results of our Reports with you and your auditors and provide our continued support in the event of an IRS inquiry; and
- We guarantee the completeness and accuracy of our work.

The City agrees to furnish AMTEC with the required documentation necessary to fulfill its obligation under the scope of services. The City will make available staff knowledgeable about the bond transactions, investments and disbursements of bond proceeds.

The City agrees to pay AMTEC its fee after it has been satisfied that the scope of services, as outlined under the Proposal, has been fulfilled. AMTEC agrees that its fee is all-inclusive and that it will not charge the City for any expenses connected with this engagement. The City has the option to terminate this Agreement within 30 days of notifying AMTEC of its intent.

The parties have executed this Agreement on Sept. 10, 2015.

Lexington-Fayette Urban County Government

Consultant: American Municipal Tax-Exempt
Compliance Corporation

By: Jim Gray
Jim Gray
Mayor

By: Heather E. Place
Heather E. Place
Assistant Vice President