

INVESTMENT ADVISORY SERVICES AGREEMENT

THIS AGREEMENT, entered into as of the 11th day of January in the year of 2013, by and between LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT, a municipal corporation (hereinafter the "Client" or "LFUCG"), and PFM ASSET MANAGEMENT LLC, a Delaware limited liability company with an office in Harrisburg, Pennsylvania (hereinafter the "Advisor").

WITNESSETH

WHEREAS, the Client desires to avail itself of the experience, sources of information, advice, assistance and facilities available to the Advisor and to have the Advisor undertake certain duties and responsibilities and to perform certain investment advisory services on behalf of the Client; and

WHEREAS, the Advisor is willing to provide such investment advisory services on the terms and conditions hereinafter set forth in this Agreement;

NOW, THEREFORE, in consideration of the premises and mutual covenants herein contained, the parties hereto, intending to be legally bound, agree as follows:

1. SERVICES OF ADVISOR.

The Advisor will serve as an investment advisor to the Client regarding in the following areas:

(a) Investment Policy Review and Update - Taking into consideration the Client's cash requirements, risk tolerances and investment objectives, the Advisor will make recommendations regarding permitted investments, maximum maturities and portfolio diversification. The resulting policy will provide sufficient guidance for the personnel that make day-to-day investment decisions and contain appropriate controls and reporting requirements. The policy will also conform to current "best practices" for government investment policies.

As part of this task, the Advisor will provide guidance to the Client on efficient ways to staff the investment operation to achieve the objectives and requirements of the Investment Policy.

(b) Development of a Broker/Dealer Questionnaire – The Advisor will assist the Client to develop a Request for Information (RFI) to use for the selection and annual due diligence of broker/dealers. The questionnaire will include requests for information on firm registration, regulatory censure, credit standing, experience, assigned representatives and understanding of the Client’s investment policies.

(c) Creation of a Daily Cash Balance Model – The Advisor will work with the Client’s finance, accounting and information technology staff to develop a process for computing the daily cash balance for each of the Client’s funds. The process is expected to include the daily download of “due to” and “due from” data from the Client’s PeopleSoft general ledger system into an Excel based model. The model will start with the Client’s June 30, 2012 balances and compute a daily cash position for each business day. When complete, the Advisor will deliver the model to the Client so that the Client can operate and maintain the database.

2. COMPENSATION.

(a) Upon completion of services performed hereunder, the Advisor will invoice the Client for an agreed upon sum not to exceed \$12,500. The Advisor will invoice the Client in two installments; \$5,000 upon satisfactory completion of the tasks described in subsections 1(a) and 1(b) above, and \$7,500 upon completion of the task described in subsection (c) above and acceptance by the Client. The Client agrees to pay the Advisor within thirty (30) days of receipt of each invoice.

(b) In addition to the foregoing fees, the Advisor shall be reimbursed for reasonable out-of-pocket expenses, including the expense of reasonable and necessary travel, meals and lodging incurred in the performance of services. Such reimbursement shall be based upon the Client’s adopted travel expense policies and guidelines for its employees. Any extraordinary costs or expenses for which the Advisor seeks reimbursement shall be approved, in writing, in advance.

(c) If and to the extent that the Client shall request the Advisor to render services other than those to be rendered by the Advisor hereunder, such additional services shall be compensated separately on terms to be agreed upon between the Advisor and the Client.

3. EXPENSES.

(a) The Advisor shall furnish at its own expense all necessary administrative services, office space, equipment, clerical personnel, telephone and other communication facilities,

investment advisory facilities, and executive and supervisory personnel for its consulting services.

(b) Except as expressly provided otherwise herein, the Client shall pay all of its own expenses including, without limitation, taxes, commissions, fees and expenses of the Client's independent auditors and legal counsel.

4. REGISTERED ADVISOR; DUTY OF CARE.

The Advisor hereby represents it is a registered investment advisor under the Investment Advisers Act of 1940. The Advisor shall immediately notify the Client if at any time during the term of this Agreement it is not so registered or if its registration is suspended. The Advisor agrees to perform its duties and responsibilities under this Agreement with reasonable care. The federal securities laws impose liabilities under certain circumstances on persons who act in good faith. Nothing herein shall in any way constitute a waiver or limitation of any rights which the Client or the Advisor may have under any federal securities laws.

5. ADVISOR'S OTHER CLIENTS.

The Client understands that the Advisor performs investment and advisory services for various other clients which may include investment companies, commingled trust funds and/or individual portfolios. The Client agrees that the Advisor, in the exercise of its professional judgment, may give advice or take action with respect to any of its other clients which may differ from advice given or the timing or nature of action taken with respect to the Client.

6. TERM.

This Agreement may be terminated by the Client in the event of any material breach of its terms by providing the Advisor with notice by certified mail, return receipt requested, and providing at least ten (10) days to cure. This Agreement may be terminated by the Client at any time and for any reason, on not less than thirty (30) days' written notice to the Advisor. The Advisor may terminate this Agreement immediately upon any material breach of its terms by the Client or by providing the Client with notice by certified mail, return receipt requested, and providing at least ten (10) days to cure.

7. FORCE MAJEURE.

The Advisor shall have no liability for any losses arising out of the delays in performing or inability to perform the services which it renders under this Agreement which result from events beyond its control, including interruption of the business activities of the Advisor or other

financial institutions due to acts of God, acts of governmental authority, acts of war, terrorism, civil insurrection, riots, labor difficulties, or any action or inaction of any carrier or utility, or mechanical or other malfunction.

8. DISCIPLINARY ACTIONS.

The Advisor shall promptly give notice to the Client if the Advisor shall have been found to have violated any state or federal securities law or regulation in any criminal action or civil suit in any state or federal court or in any disciplinary proceeding before the Securities and Exchange Commission or any other agency or department of the United States, any registered securities exchange, the Financial Industry Regulatory Authority ("FINRA"), or any regulatory authority of any State based upon the performance of services as an investment advisor.

9. INDEPENDENT CONTRACTOR.

The Advisor, its employees, officers and representatives, shall not be deemed to be employees, agents, partners, servants, and/or joint ventures of the Client by virtue of this Agreement or any actions or services rendered under this Agreement.

10. BOOKS, RECORDS AND REPORTS.

The Advisor shall maintain appropriate records of all its activities hereunder. The Advisor shall provide the Client with a treasury management report and other supporting documents. The treasury management report shall be in the format and manner that is mutually agreed upon by the Advisor and the Client.

11. THE ADVISOR'S BROCHURE.

The Advisor warrants that it has delivered to the Client the Advisor's current Securities and Exchange Commission Form ADV, Part 2A (brochure) and Part 2B (brochure supplement). The Client acknowledges receipt of such brochure and brochure supplement prior to the execution of this Agreement.

12. INDEMNIFICATION; HOLD HARMLESS.

The Advisor agrees to defend, indemnify and hold harmless the Client, its elected and appointed officials, employees, agents, boards, assigns, volunteers, and successors in interest from any and all losses resulting from negligent or willful acts of the Client or its employees, agents, owners, principals, licensees, assigns, and subcontractors or consultants of any tier, or arising from any errors or omissions of the Advisor. Such losses include, but are not limited to, claims, liens, demands, causes of action, judgments, penalties, interest, court costs, legal fees, and

litigation expenses that arise or are incurred as a result of personal injury or death (including employees of the Client) or property damage (including property of the Client).

The above agreement to defend includes: (1) investigating, handling, responding to, providing a defense for, and defending all such claims, liens, demands, and causes of action; (2) paying all reasonable expenses related thereto; and (3) using attorneys approved in writing by the Client, which approval shall not be unreasonably withheld. This Indemnification and Hold Harmless Provision shall in no way be limited by any financial responsibility or insurance requirements, and shall survive the termination of this Agreement.

13. INSURANCE.

The Advisor shall procure and maintain for the duration of this Agreement the following or equivalent insurance policies at no less than the limits shown below and cause its subcontractors to maintain similar insurance with limits acceptable to the Client in order to protect the Client against claims for injuries to persons or damages to property which may arise from or in connection with the performance of the work hereunder by the Advisor.

<u>Coverage</u>	<u>Limits</u>
General Liability (Insurance Services Office Form CG 00 01)	\$1 million per occurrence, \$2 million aggregate or \$2 million combined single limit
Commercial Automobile Liability (Insurance Services Office Form CA 0001)	combined single, \$1 million per occurrence
Professional Liability	\$1 million per occurrence, \$2 million aggregate
Worker's Compensation	Statutory
Employer's Liability	\$500,000.00

The policies above shall contain the following conditions:

- (a) All Certificates of Insurance forms used by the insurance carrier shall be properly filed and approved by the Department of Insurance for the Commonwealth of Kentucky. The Client shall be named as an additional insured in the General Liability Policy and Commercial Automobile Liability Policy using the Kentucky DOI approved forms.
- (b) The General Liability Policy shall be primary to any insurance or self-insurance retained by the Client.

- (c) The General Liability Policy shall have a Professional Liability endorsement (including Errors and Omissions) for any services performed pursuant to this Agreement, and/or a separate Professional Liability Policy shall be obtained unless it is deemed not to apply by the Client.
- (d) The Professional Liability policy shall be maintained for a minimum of three years beyond the completion date of the project, to the extent commercially available. If not commercially available, the Advisor shall notify the Client and obtain similar insurance that is commercially available and acceptable to the Client.
- (e) The Client shall be provided at least 30 days advance written notice via certified mail, return receipt requested, in the event any of the required policies are canceled or non-renewed.
- (f) Said coverage shall be written by insurers acceptable to the Client and shall be in a form acceptable to the Client. Insurance placed with insurers with a rating classification of no less than Excellent (A or A-) and a financial size category of no less than VIII, as defined by the most current Best's Key Rating Guide shall be deemed automatically acceptable.

Renewals - After insurance has been approved by the Client, evidence of renewal of an expiring policy must be submitted to the Client, and may be submitted on a manually signed renewal endorsement form. If the policy or carrier has changed, however, new evidence of coverage must be submitted in accordance with the requirements of this Section 13.

Right to Review, Audit and Inspect - The Advisor understands and agrees that the Client may review, audit and inspect any and all of its records and operations to insure compliance with the requirements of this Section 13.

Default - The Advisor understands and agrees that the failure to comply with any of these insurance, safety, or loss control provisions shall constitute default and that the Client may elect at its option any single remedy or penalty or any combination of remedies and penalties, as available, including but not limited to purchasing insurance and charging the Advisor for any such insurance premiums purchased, or suspending or terminating the work.

14. MODIFICATION.

This Agreement shall not be changed, modified, terminated or discharged in whole or in part, except by an instrument in writing signed by both parties hereto, or their respective successors or assigns.

15. SUCCESSORS AND ASSIGNS.

The provisions of this Agreement shall be binding on the Advisor and its respective successors and assigns, provided, however, that the rights and obligations of the Advisor may not be assigned without the consent of the Client.

16. NOTICE

Written notices required under this Agreement shall be sent by regular mail, certified mail, overnight delivery or courier, and shall be deemed given when received at the parties' respective addresses shown below. Either part must notify the other party in writing of a change in address.

Client's Address

Lexington-Fayette Urban County Government
Government Center
200 East Main Street
Lexington, KY 40507
Attn: Commissioner of Finance & Administration

Advisor's Address

PFM Asset Management LLC
One Keystone Plaza, Suite 300
N. Front & Market Streets
Harrisburg, PA 17101
Attn: Barbara L. Fava

With a copy to:

PFM Asset Management LLC
Two Logan Square, Suite 1600
18th & Arch Streets
Philadelphia, PA 19103-2770
Attn: Controller

17. APPLICABLE LAW.


This Agreement shall be construed, enforced, and administered according to the laws of the Commonwealth of Kentucky. The Advisor and the Client agree that, should a disagreement arise as to the terms or enforcement of any provision of this Agreement, each party will in good faith attempt to resolve said disagreement prior to filing a lawsuit.

18. EXECUTION AND SEVERABILITY.

The invalidity in whole or in part of any provision of this Agreement shall not void or affect the validity of any other provision. Each party to this Agreement represents that the person or persons signing this Agreement on behalf of such party is authorized and empowered to sign and deliver this Agreement for such party.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their authorized representatives as of the date set forth in the first paragraph of this Agreement.

PFM ASSET MANAGEMENT LLC

By:  _____

Name: Barbara L. Fava

Title: Managing Director

**LEXINGTON-FAYETTE URBAN COUNTY
GOVERNMENT**

By: _____

Name: _____

Title: _____