

## ECONOMIC INCENTIVE AGREEMENT

**THIS ECONOMIC INCENTIVE AGREEMENT** (hereinafter the "Agreement") is made and entered into as of the 17<sup>th</sup> day of November, 2023 (the "Effective Date"), by and between **KEENELAND ASSOCIATION, INC.**, a Kentucky corporation with its principal office located at 4201 Versailles Road, Lexington, Kentucky 40510 (hereinafter the "Company") and the **LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT**, an urban county government of the Commonwealth of Kentucky pursuant to Chapter 67A of the Kentucky Revised Statutes, 200 East Main Street, Lexington, Kentucky 40507 (hereinafter "LFUCG").

### RECITALS

**WHEREAS**, the equine industry is an important economic driver in Fayette County; and

**WHEREAS**, the Company has had a long standing presence in Fayette County and is internationally recognized as a pre-eminent Thoroughbred horse sale and racing venue; and

**WHEREAS**, the Lexington-Fayette Urban County Government recognizes the important tourism and economic impact that Company has on Fayette County and its residents; and

**WHEREAS**, the Company is undertaking major facilities improvements at a cost estimated at \$92.6 million; and

**WHEREAS**, these improvements will ensure the long term viability of the racing and sales venue and will allow the Company to more readily compete for the hosting of significant future events, such as the Breeder's Cup World Championships; and

**WHEREAS**, Company is in the process of seeking state sales tax incentives under Kentucky's Tourism Development Incentive Program as a designated Kentucky Tourism Development Act Project, and the Kentucky Enterprise Initiative Act as a qualifying economic development project which has the support of LFUCG; and

**WHEREAS**, Company has committed to the hiring and retention of additional full time and part time employees in Fayette County for at least the period of time provided in this Agreement; and

**WHEREAS**, LFUCG recognizes that the location of this tourism development project will be of significant benefit to Fayette County, both economic and through improvement of infrastructure; and

**WHEREAS**, LFUCG finds that the provision of economic incentives towards the Project, as further provided herein, is in the public interest; and

**WHEREAS**, the Company is agreeable to accepting the funding provided pursuant to this Agreement with the understanding that its use is limited to offsetting costs directly related to the project as defined herein and as further restricted through the terms of this agreement.

## STATEMENT OF AGREEMENT

**NOW, THEREFORE**, in consideration of the mutual promises and covenants set forth herein, the receipt and sufficiency of which are acknowledged, the parties hereby agree as follows:

1. **Incorporation of Recitals.** The above recitals are incorporated herein as if fully stated.
2. **Term.** This Agreement shall remain in effect until the tenth anniversary of the completion of the project, as further defined and described in Exhibit "B", which is attached hereto and incorporated herein by reference (hereinafter the "Project"), unless terminated by LFUCG in writing for breach of the conditions under Section 3.b. at an earlier time. Company shall notify LFUCG in writing when the Project is complete.
3. **Economic Development Incentive.**
  - a. **Incentive.** In exchange for Company's agreement to comply with the terms set forth herein, and subject to the funding conditions set forth in Section 3.b. below, LFUCG shall provide Company with an economic development incentive, in the form of infrastructure reimbursement, up to One Million Dollars (\$1,000,000.00) in total (the "Incentive").
  - b. **Incentive Conditions.**
    - i. **Conditions Precedent.** LFUCG shall be under no obligation to pay Company any funding under this Agreement until such time as Company has done each of the following:
      1. Provided LFUCG satisfactory evidence that sufficient financing is in place to complete the Project;
      2. Obtained preliminary approval from the Kentucky Tourism Development Finance Authority as a Kentucky Tourism Project that qualifies for a state sales tax incentive under the Kentucky's Tourism Development Incentive Program as a designated Kentucky Tourism Development Project; and
      3. Obtained approval from the State under the Kentucky Enterprise Initiative Act as a qualifying economic development project.
    - ii. **Conditions Subsequent.** Company agrees that during the Term of this Agreement, it shall perform, observe, and comply with each of the following:
      1. **Maintain Operations in Lexington-Fayette County.** Company shall maintain operations at the site, as further described in Exhibit "A" which is attached hereto and incorporated herein by reference (hereinafter the "Project Site"), for a period of ten (10) years following the completion of the Project. If the Company fails to do so the Incentive provided (reduced on a pro-rated basis for any period of compliance) shall be immediately due and payable to LFUCG.

- c. Incentive Payment. The payment of funds under this Agreement shall be on a reimbursable basis upon Company providing reasonable evidence to LFUCG of eligible expenses incurred. For the purpose of this Agreement, "eligible expenses" shall mean expenses related to the development of infrastructure, which must serve the public and not be solely utilized by Company, at the Project Site, including but not limited to sanitary sewer, storm water sewer, parking, sidewalks, multi-use paths, and roads. No funds will be awarded for reimbursement of eligible expenses incurred prior to the execution date of this Agreement.
- d. Incentive Repayment. In the event that the Company (i) fails to complete the Project before the fifth anniversary of the execution date of this Agreement or (ii) relocates from the Project Site to a site outside Fayette County, or (iii) ceases its operations in Fayette County at any time within ten (10) years of the completion of the Project, the entire amount of the Incentive provided to the Company (reduced on a pro-rated for any period of compliance) shall become immediately due and payable to LFUCG.

**4. Company's Obligations.**

- a. Project Completion. Pursuant to the terms and conditions of the Agreement, Company shall complete the Project.
- b. Reporting. On or before January 31<sup>st</sup> of each calendar year during the Term of this Agreement, Company shall provide LFUCG with an annual certification of the following information as of the preceding December 31<sup>st</sup>: (i) the number of full-time and part-time jobs maintained as of such date; (ii) the aggregate real and personal property improvements made prior to such date; and (iii) a written certification of compliance with the terms and conditions of this Agreement signed by an officer of Company.

**5. Company's Representations, Warranties, and Covenants.**

- a. Company agrees to provide LFUCG with all of the filings that it is providing the Commonwealth of Kentucky (Tourism and Economic Development Cabinets) within seven (7) days of such filings.
- b. Registration; Compliance; Authority to Sign. Company is lawfully registered or authorized to do business in the Commonwealth of Kentucky and Lexington-Fayette County and shall at all times comply with any and all applicable federal, state, and local laws, ordinances, and regulations. LFUCG may request proof that Company has timely filed federal, state, or local tax forms which shall be provided by Company on a timely basis. The person signing this Agreement on behalf of Company is fully authorized to do so.
- c. Records. Company shall keep and make available to LFUCG any records related to this Agreement such as are necessary to support its performance hereunder and shall be made available to LFUCG upon request. These records are understood by the parties to primarily consist of the documents referenced in sections 3(c), 4(b), and 5(a) of this Agreement. Company understands and agrees that this Agreement and any related documents may be subject to

disclosure under the Kentucky Open Records Act and will comply with any reasonable request by LFUCG to provide assistance with such a request.

- d. Access. Company shall allow LFUCG any necessary reasonable access to monitor its performance under this Agreement during regular business hours and upon LFUCG providing Company with reasonable notice.
- e. Equal Opportunity; Fairness Ordinance. Company shall provide equal opportunity in employment for all qualified persons, and shall (a) prohibit discrimination in employment because of race, color, creed, national origin, sex, age, sexual orientation, gender identity, or handicap, (b) promote equal employment through a positive, continuing program of equal employment, and (c) cause any subcontractor or agency receiving funds provided pursuant to this Agreement to do so. This program of equal employment opportunity shall apply to every aspect of its employment policies and practices. Company agrees to comply with LFUCG's Fairness Ordinance (Ordinance No. 201-99) and all sources of applicable law, including those specified in any Exhibit attached to this Agreement and incorporated herein by reference.
- f. Sexual Harassment. Company must adopt or have adopted a written sexual harassment policy, which shall, at a minimum, contain a statement of current law; a list of prohibited behaviors; a complaint process; and a procedure which provides for an internal investigation of all complaints, in accordance with the law. The policy shall be given to all employees and clients and shall be posted at all locations where Company conducts business. The policy shall be made available to LFUCG upon request.
- g. Indemnification. Company will defend, indemnify and hold harmless LFUCG and its elected and appointed officials, employees, agents, volunteers, and successors in interest (the "LFUCG Indemnified Parties") from and against any third-party claims, demands, losses, damages, settlements, judgments, causes of action, costs, expenses or liabilities whatsoever (including without limitation attorneys' fees and litigation expenses) (collectively, "Losses") arising out of or resulting from any failure by Company to perform or observe in full any covenant, agreement or condition to be performed or observed by Company under this Agreement unless the Losses are caused in whole or in part by the negligence or intentional misconduct of any LFUCG Indemnified Party; provided, however, Company shall have no obligation to indemnify any LFUCG Indemnified Party for Losses arising out of or resulting from any suit, action or other proceeding challenging the lawfulness or validity of this Agreement. Company understands that LFUCG is a political subdivision of the Commonwealth of Kentucky and acknowledges and agrees that LFUCG is unable to provide indemnity or otherwise save, hold harmless, or defend Company in any manner.
- h. Insurance. Company shall maintain its real property, buildings, and other fixed assets located at the Project Site in good condition, subject only to normal wear and tear, and make all necessary and proper repairs, renewals, and replacements, and shall comply with all material provisions of its agreements in order to prevent loss or forfeiture. During the Term of this Agreement, Company shall purchase and maintain in full force and effect the following

insurance policies: General Liability (\$1 million per occurrence, \$2 million aggregate or \$2 million combined single limit); Commercial Automobile Liability (combined single, \$1 million per occurrence); (if applicable) Professional Liability (\$1 million per occurrence, \$2 million aggregate); Worker's Compensation (Statutory); and Employer's Liability (\$1 million).

**6. Miscellaneous Provisions.**

- a. Contractual Relationship Only. In no event shall the parties be construed, held or become in any way for any purpose the employee of the other party, or partners, associates or joint ventures in the conduct of their respective endeavors or otherwise.
- b. No Assignment. Neither party may assign any of its rights and duties under this Agreement without the prior written consent of the other party.
- c. No Third Party Rights. This Agreement does not create a contractual relationship with or right of action in favor of a third party against either the Company or LFUCG.
- d. Severability. If any term or provision of this Agreement shall be found to be illegal or unenforceable, this Agreement shall remain in full force and such term or provision shall be deemed stricken.
- e. Amendments. By mutual agreement, the Parties may, from time to time, make written changes to any provision hereof. Company acknowledges that LFUCG may make any such material changes only upon approval of its legislative authority, the Lexington-Fayette Urban County Council, and the signature of its Mayor.
- f. Entire Agreement. This Agreement shall constitute the entire agreement between the parties and no representations, inducements, promises or agreements, oral or otherwise, which are not embodied herein shall be effective for any purpose. This Agreement shall replace any previous agreement between the parties on the same subject matter.
- g. Waiver. The waiver by either party of any breach of any provision of this Agreement shall not constitute a continuing waiver or waiver of any subsequent breach by either party of either the same or another provision of this Agreement.
- h. Kentucky Law and Venue. This Agreement shall be governed in all respects by the laws of the Commonwealth of Kentucky and venue for all actions shall lie in Fayette County, Kentucky.

- i. Notice. Any written notice required by the Agreement shall be delivered by certified mail, return receipt requested, to the following:

For Company:  
Keeneland Association, Inc.  
4201 Versailles Road  
Lexington, Kentucky 40510  
Attn: Shannon B. Arvin, President and CEO  
With a copy to:  
Stoll Keenon Ogden, PLLC  
c/o Sarah Reeves  
300 W. Vine St., Ste. 2100  
Lexington, KY 40507

For LFUCG:  
Lexington-Fayette Urban County Government  
200 East Main Street  
Lexington, Kentucky 40507  
Attn: Kevin Atkins, Chief Development Officer

**IN WITNESS WHEREOF**, the parties certify that they have been duly authorized to execute, deliver and perform this Agreement, and have executed it as of the date first herein written.

**LEXINGTON-FAYETTE URBAN  
COUNTY GOVERNMENT**

BY: *Linda Gorton*  
LINDA GORTON, MAYOR

ATTEST:

*Deputy*  
*Marckenzie Stock*  
URBAN COUNTY COUNCIL CLERK

**KEENELAND ASSOCIATION, INC.**

BY: *Shannon B. Arvin*  
SHANNON B. ARVIN, its President and CEO

COMMONWEALTH OF KENTUCKY )  
)  
COUNTY OF FAYETTE )

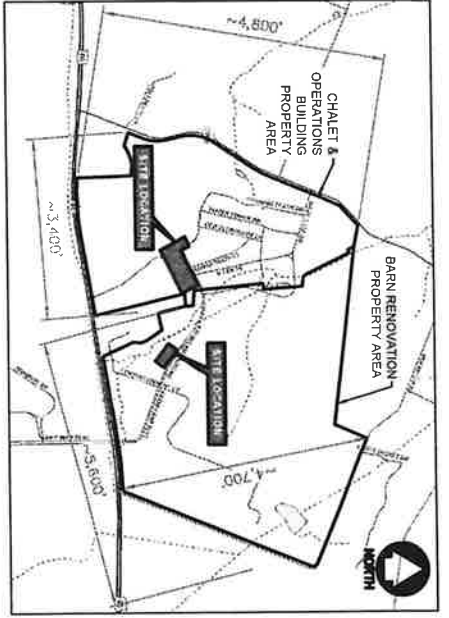
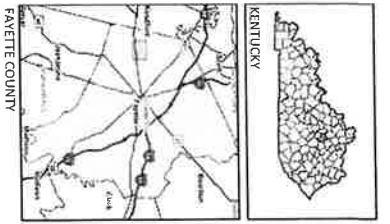
The foregoing Agreement was subscribed, sworn to and acknowledged before me by Shannon B. Arvin, as President and CEO of Keeneland Association, Inc., on this the 18<sup>th</sup> day of October, 2023.



My commission expires: 6/9/26

*Sharon K. Atkins*  
NOTARY PUBLIC, STATE AT LARGE, KY

**EXHIBIT A**  
**The Site**



LAYOUT MAP  
NO SCALE

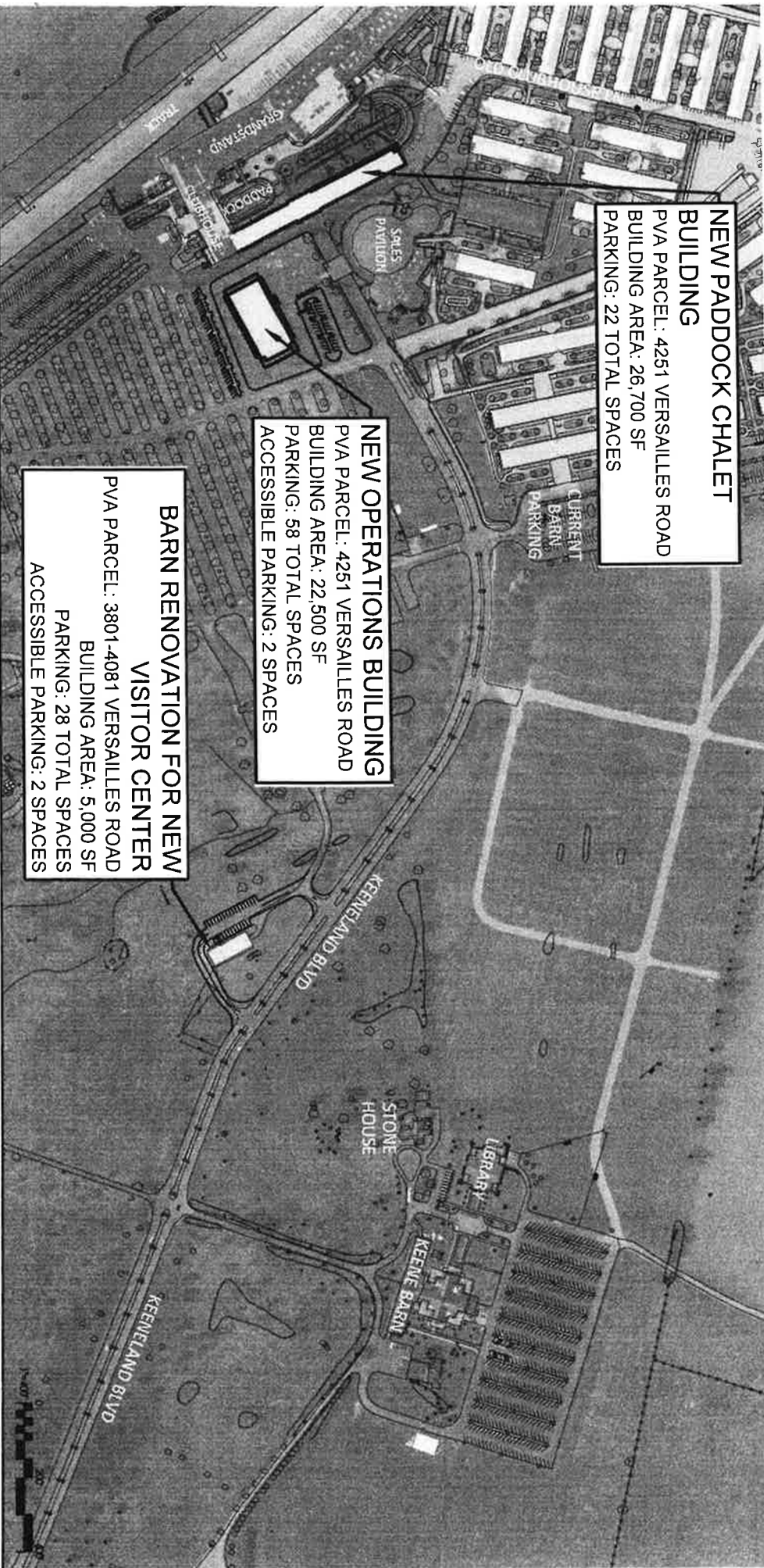
**SITE STATISTICS**

- PROPERTY AREA:
- PADDOCK CHALET & OPERATIONS BLDG: APPROX. 262 ACRES
- BARN RENOVATION: APPROX. 448 ACRES
- AREA OF PROPOSED SITE IMPROVEMENTS: 7.16 ACRES
- AREA OF NEW BUILDINGS: 49,200 SF
- BUILDING HEIGHTS:
- PADDOCK CHALET: 3 STORIES, 54'-0" FT HEIGHT
- OPERATIONS BUILDING: 2 STORIES, 40'-0" FT HEIGHT

**NEW PADDOCK CHALET BUILDING**  
 PVA PARCEL: 4251 VERSAILLES ROAD  
 BUILDING AREA: 26,700 SF  
 PARKING: 22 TOTAL SPACES

**NEW OPERATIONS BUILDING**  
 PVA PARCEL: 4251 VERSAILLES ROAD  
 BUILDING AREA: 22,500 SF  
 PARKING: 58 TOTAL SPACES  
 ACCESSIBLE PARKING: 2 SPACES

**BARN RENOVATION FOR NEW VISITOR CENTER**  
 PVA PARCEL: 3801-4081 VERSAILLES ROAD  
 BUILDING AREA: 5,000 SF  
 PARKING: 28 TOTAL SPACES  
 ACCESSIBLE PARKING: 2 SPACES



23.310.000  
 10-10-2023  
 1"=400'

Keeneland Visitor Center, Paddock Chalet & Operations Building  
 Board of Adjustment Site Plan - Conditional Use





**EXHIBIT B**  
**The Project**

# Keeneland Expansion Project

## Founded by Horsemen

Since opening in October 1936, Keeneland has been unique in the Thoroughbred industry. Only at Keeneland are world-class racing and industry-leading sales united under one mission-driven entity. Today, Keeneland continues to be guided by its original mission, taking a leadership role in the industry to improve safety, promote integrity and strengthen the sport of racing.

## A Global Leader in the Thoroughbred Industry

Keeneland is the world's largest and most prominent Thoroughbred auction house and hosts world-class racing twice annually during its boutique Spring and Fall meetings. Owners, trainers, riders and fans from all over the world travel to Lexington each year to participate at Keeneland.

Its April and October race meets offer 40 graded stakes races worth over \$10 million and include 10 Breeders' Cup "Win-and-You're-In" events. Its thoroughbred auctions include 4 different sales in January, April, September, and November each year which generate over \$500 million in total sales and include over 50 countries being represented by buyers and sellers.

## A Commitment to Reinvestment

Keeneland's mission to perpetuate the sport of racing continues more than eight decades after its founding, as profits from Keeneland racing and sales are returned to the industry and community through initiatives such as:

- **Racing purses** – Over the past 7 years, nearly \$40 million has been contributed by Keeneland sales above what is required per horsemen agreements to fund one of the richest purse structures in North America.
- **Global market development** – Keeneland is committed to the growth of the Thoroughbred industry and the buying bench at its auctions and actively travels to numerous foreign countries and invests hundreds of thousands of dollars annually to expand the marketplace.
- **Industry initiatives** – Keeneland proudly supports safety initiatives and equine organizations and is an advocate for Thoroughbred aftercare to improve the health of the industry. In the past 5 years, Keeneland has contributed nearly \$1.5 million to the Thoroughbred Aftercare Alliance alone.
- **Fan development** – Keeneland is committed to the growth of the industry's fans and future participants. Each race meet creates racing fans of all ages, exemplified

by the 10,000 members of the Keeneland Kids Club which exceeds. Enthusiastic crowds underscore Keeneland's commitment to fan development.

- **Local community** – Proudly serving as a leader in Central Kentucky, Keeneland is committed to the community. This community activism began with Keeneland founders and continues to this day. Keeneland has donated millions to local charities, as well as to health and educational programs. Intended as a gathering place for the local community, Keeneland hosts hundreds of charitable and private events annually.

## **Project Description, Location, and Timetable**

Keeneland is planning to invest in a significant expansion of their facilities in Lexington, Kentucky so that they may better meet demand for premium experience access at the track and continue to drive increased visitorship to Lexington. As currently contemplated, the Keeneland Expansion Project ("Project") is anticipated to cost approximately \$92.6 million and will include the development of a new Paddock Chalet Building with premium guest experience offerings, the relocation of Keeneland's back-of-house operations, grandstand upgrades near the finish line, and the development of a dedicated visitor's center to receive guests at the property but away from the main racing areas.

The Project plans include a brand-new Paddock Chalet Building with over 100,000 square feet of space and capacity to host up to 1,657 additional guests each day in premium areas with dining options, bars, event spaces, and rooftop access. With a fully seated capacity of 936, the Paddock Chalet building will offer a truly elevated experience across several different areas within the building. Each area will have various different features and levels of service, allowing many more patrons to enjoy a premium experience at the track while also creating additional opportunity for Keeneland to host lifetime celebrations and other entertainment events.

In order to make room for this amenity, which will also serve as a main entrance to the racetrack and overlooking the paddock, Keeneland will be required to relocate its existing space utilized for racetrack operations to a new Operations Building, which will be strategically located adjacent to both the existing sales pavilion and the new Paddock Chalet Building. The addition of a 42,000 square foot Operations Building will free up critical space for visitors to enjoy the track, both at the site of the new Paddock Chalet Building and within the trackside grandstands.

Keeneland's Project plans also include several construction projects to improve the experience for those race fans sitting trackside. The seating within the grandstand and nearest the finish lines should, by most standards, be "premium seating" similar to seats on the 50-yard line at a football game or center-court at a basketball game. There are not

sufficient amenities in these areas to adequately serve patrons. To help, Keeneland plans to cut an opening in the exterior wall outside of the third-floor dining area to provide enhanced food and beverage service to these areas.

Each year, Keeneland welcomes visitors to its race meets and sales. Keeneland hosts a race meet in October and April each year as well as four horse sales throughout each year. It is important to Keeneland's mission that it continues to welcome new visitors to its grounds, both during and outside these 61 days of organized activity, and that it has a quality experience to offer them while they are on the property. Keeneland does not currently have a location dedicated to visitors; however, it plans to work with professionals and other industry participants on phases to develop a state-of-the-art visitor experience, including interactive opportunities for visitors to learn more about the horse and our sport. Within the next three years, Keeneland plans to begin this iterative process by starting with the renovation of Keeneland's pony barn. This 5,400 square foot Visitor's Center will be located away from the main track along Keeneland Blvd. to receive visitors, buses, and include amenities to improve their time spent on the property.

At an estimated total development cost of \$92.6 million, the Project represents a serious undertaking and investment in the future of the track and the tourism industry of the Commonwealth. Hoping to break ground in early 2024, the projected construction schedule should allow usage of the new and improved amenities in time for the Spring meet in 2026.