

LEASE

Dated as of October 1, 2018

by and between

LEXINGTON CENTER CORPORATION

as Lessor

and

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT

as Lessee

relating to

\$120,000,000*

Kentucky Bond Development Corporation
Industrial Building Refunding and Improvement Revenue Bonds, Series 2018
(Lexington Center Corporation Project)

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LEASE

THIS LEASE made as of October 1, 2018 by and between LEXINGTON CENTER CORPORATION (the “Lessor”), a Kentucky nonprofit corporation, and LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT (the “Urban County Government” or the “Lessee”), a political subdivision of the Commonwealth of Kentucky.

Recitals

WHEREAS, the Lessor is organized and operated as an agency and instrumentality of the Urban County Government pursuant to Chapter 58 of the Kentucky Revised Statutes (the “Act”) in the acquisition and financing of any “public project” (within the meaning of the Act), and may pursuant to the Act, upon the authorization and direction of the Urban County Government, issue its bonds, notes or other obligations on behalf of the Urban County Government for the acquisition of one or more public projects and lease or sublease such public projects to the Urban County Government for rentals sufficient to pay the principal of, interest, and premium, if any, on the borrowing and pledge such rentals to secure the payment of the borrowing; and

WHEREAS, the Kentucky Bond Development Corporation, (the “Issuer”), is a nonprofit corporation organized and existing under the laws of the Commonwealth of Kentucky (the “State”) pursuant to Sections 273.161 through 273.390, inclusive, of the Kentucky Revised Statutes, Section 58.180 of the Kentucky Revised Statutes and an Interlocal Cooperation Agreement (the “Interlocal Agreement”) dated as of September 19, 2014 among certain public agencies of the State, including the Lessee; and

WHEREAS, the Issuer has been formed to act as a constituted authority of public agencies under the terms of the Interlocal Agreement to create a system for funding or financing various governmental purposes; and

WHEREAS, the Issuer is specifically authorized and empowered by the Interlocal Agreement and Sections 103.200 to 103.285 of the Kentucky Revised Statutes (“the Act”) to issue its revenue bonds to assist in the financing of “buildings” or “industrial buildings,” as those terms are defined in Section 103.200 of the Kentucky Revised Statutes, including any related financing costs, reserve funds, capitalized interest and other related costs and contingencies with respect thereto; and

WHEREAS, the Interlocal Agreement provides that, in order to provide funding for such system of financing such purposes, the Issuer may issue revenue bonds or notes which may be secured by a trust indenture by and between the Issuer and a corporate trustee; and

WHEREAS, by its authorizing resolution (the “2018 Authorizing Resolution”), the Lexington-Fayette Urban County Council, based on the advice of the Financial Advisor to the Lessor, and at the request of the Lessor, authorized and directed the Issuer to issue not to exceed \$120,000,000* aggregate principal amount of its Refunding and Improvement Revenue Bonds, Series 2018 (the “Series 2018 Bonds”) pursuant to the Act and other applicable provisions of law in one or more series on a parity with each other, for the purpose of making a loan to the Lessor to (i) pay the costs of the expansion and renovation of the Lessor’s arena and convention facilities (the “Improvement Project”), (ii) pay a portion of the principal of, premium and accrued interest on the Corporation’s outstanding Mortgage Revenue Refunding Bonds, Series 2008A (the “2008A Bonds”), the Issuer’s outstanding Industrial Building Revenue Bonds, Series 2015 (Lexington

Center Corporation Project) (the “2015 Bonds”), and Industrial Building Revenue Bonds, Series 2016 (Lexington Center Corporation Project) (the “2016 Bonds,” and together with the 2008A Bonds and the 2015 Bonds, the “Prior Bonds”), the proceeds of which were used to finance portions of the Lessor’s arena and convention facilities (collectively, the “Prior Projects”), and (iii) providing a reasonable debt service reserve for the Series 2018 Bonds, and paying other normal and reasonable costs of issuing the Series 2018 Bonds (collectively, the foregoing items (ii) through (iii) are referred to as the “Refunding and Improvement Projects”); and

WHEREAS, to provide security and a source of payment for the Series 2018 Bonds, the 2018 Authorizing Resolution further authorized and directed the Lessor and the Urban County Government to enter into one or more leases or subleases respecting the Improvement Project and the Prior Projects between the Lessor, as lessor, and the Urban County Government, as lessee, including this Lease, whereby the Lessor will lease, sublease and rent the Leased Premises (as hereinafter defined), to the Urban County Government in consideration of rentals sufficient, if this Lease is renewed for the successive annual renewal terms, to pay the principal of, premium, if any, and interest on the Series 2018 Bonds and other Parity Obligations (as hereinafter defined) that may be issued and outstanding from time to time on a parity as to security and source of payment with the Series 2018 Bonds pursuant to the Loan Agreement hereinafter identified; and

WHEREAS, pursuant to the 2018 Authorizing Resolution and in connection with the issuance of the Series 2018 Bonds, the Issuer is simultaneously herewith entering into a Trust Indenture of even date herewith (the “Indenture”) with The Huntington National Bank, Lexington, Kentucky, as Trustee (the “Trustee”) to secure the Series 2018 Bonds; and

WHEREAS, pursuant to the 2018 Authorizing Resolution and in connection with the issuance of the Series 2018 Bonds, the Issuer is simultaneously herewith entering into a Loan Agreement of even date herewith (the “Loan Agreement”) with the Lessor to loan to the Lessor the proceeds of the Series 2018 Bonds for the purposes set forth in the 2018 Authorizing Resolution.

NOW, THEREFORE, in consideration of the premises and the further consideration hereinafter provided, the parties hereto agree as follows:

Section 1. Lease and Sublease of Lessor’s Interest in Leased Premises; Lease Term; Non-Disturbance. The Lessor does hereby lease, sublease and rent to the Lessee, and the Lessee does hereby lease, sublease and rent from the Lessor, all of the Lessor’s right, title and interest in and to all land and improvements comprising the Improvement Project and the Prior Projects in which the Lessor has any right, title and interest, including but not limited to the Lessor’s leasehold interest and estate under any other lease or sublease of the land and improvements comprising the Improvement Project and the Prior Projects, all as more particularly described in Exhibit A hereto (collectively hereinafter referred to as the “Leased Premises”). This Lease shall be for (1) an initial term effective as of the date hereof and expiring on June 30, 2019, (ii) a subsequent term commencing as of July 1, 2019 and expiring on June 30, 2020 and (iii) successive annual renewal terms continuing automatically thereafter, unless the Lessee elects to terminate this Lease at the end of any then current term thereof by at least thirty (30) days’ prior written notice to the Lessor, commencing on July 1 of each year and ending on June 30 of the next succeeding year, until June 30, 2049. The Lessor shall do nothing to interfere with the Lessee’s quiet and exclusive possession

of the Leased Premises throughout the term of this Lease, provided there be no Event of Default (as hereinafter defined).

Section 2. Risk as to Title and Condition of Leased Premises. The Lessee is familiar with the state of title to the Leased Premises and leases the Leased Premises subject to all conditions affecting the same. The Lessee assumes all risks, if any, resulting from any present or future, latent or patent defects therein, or from the failure of the Leased Premises to comply with any legal requirements applicable thereto. The Lessor has made no representations as to the state of title or condition of the Leased Premises or their suitability for use and occupancy by the Lessee, and the Lessor leases the Leased Premises to the Lessee “as is.”

Section 3. Rental Payments; Covenants of Further Assurance. During the term of this Lease, the Lessee shall pay to or for the account of the Lessor as rent payments (the “Rental Payments”) in amounts and at the times sufficient to (i) pay the principal of, interest, and premium, if any, on the Series 2018 Bonds and any additional parity obligations issued and outstanding under the Loan Agreement (collectively the “Parity Obligations”), including additional bonds issued under the Indenture (such additional bonds, together with the Series 2018 Bonds, hereinafter referred to as the “Bonds”), when and as the same become due (whether at stated maturity upon redemption, or by acceleration), and (ii) make all other deposits required to be made by the Lessor under the Loan Agreement, including but not limited to deposits sufficient to fully fund, and replenish whenever appropriate, the required debt service reserve established in the Indenture for the Bonds, unless and until the same are paid by the Lessor from other revenues or assets of the Lessor specifically provided therefor under the Loan Agreement and Indenture. In order to provide additional assurance that Rental Payments shall be completely sufficient for all intended purposes, Lessee further agrees and covenants to pay all Rental Payments directly to the Trustee (for the account of the Lessor) on or prior to the date on which the respective payment on the Bonds or Parity Obligations or other deposit is required to be made by the Lessor under the Loan Agreement. The Lessee shall be entitled to and shall receive as a credit for any Rental Payments, amounts on deposit in the Bond Fund established under the Indenture, the Revenues (as defined in the Indenture) being the expected source of payment of the Bonds.

In order to better secure, warrant, protect and assure the full and timely payment of the Bonds and Parity Obligations by the Lessor, the Lessee specifically covenants and agrees to (i) appropriate and pay over to the Trustee such Rental Payments, in such amounts, and as and when directed by the Trustee, as may be necessary to fund all required deposits to the Bond Fund and the Debt Service Reserve Fund (each as defined in the Indenture) at the times established under the Indenture, and (ii) undertake and perform, promptly upon receipt of such direction from the Trustee, all governmental actions, including the adoption of budget amendments and other legislative actions necessary for the lawful appropriation, transfer and remittance of the Rental Payments to the Trustee.

Section 4. Insurance. The Lessor shall continuously during the term of this Lease insure against such risks and in such amounts with respect to the Leased Premises as are generally insured against with respect to properties of like size and character, including at least, but not limited to (i) hazard insurance to the extent of the full insurable value of the Leased Premises (recognizing that certain portions thereof may not be exposed to certain

risks) for loss or damage by fire, with standard extended coverage, vandalism, and malicious mischief endorsements, and (ii) public liability insurance with reference to the Leased Premises, in amounts that are customary for persons engaged in similar activities.

All required insurance policies shall be with insurance companies qualified to do business in the Commonwealth of Kentucky, shall name the Lessee and the Trustee as additional insureds as their interests may appear, and may be written with exceptions and exclusions comparable to those in similar policies carried by others with respect to properties of similar size, character, and other respects to the Leased Premises. The Lessor shall provide the Lessee and the Trustee with certificates of the respective insurers, specifying that the required insurance is in force and effect and shall not expire or be cancelled or materially changed except upon thirty (30) days' prior written notice to the Lessee, the Lessor, and the Trustee. The required insurance may be in the form of blanket insurance policies and may be provided by so-called umbrella coverage. All insurance claims may be adjusted by the Lessor alone, and all insurance proceeds for loss or damage to the Leased Premises shall be payable to the Lessee for application to the repair or restoration of the Leased Premises and the excess, if any, shall in the sole discretion of the Lessor be deposited to the credit of the Construction Fund established under the Indenture (which shall be reactivated if necessary) or may be utilized by the Lessor for any lawful purpose it determines including payment when due at maturity or by optional redemption of principal of, premium, if any, and interest on the Bonds or Parity Obligations.

Section 5. Maintenance. The Lessor shall, during the term of this Lease, at its own expense, maintain the Leased Premises in good condition, repair, and working order and shall pay all utility charges and other costs incurred in the operation, maintenance, use, and occupancy of the Leased Premises and, at its own expense, make or cause to be made from time to time all necessary repairs, renewals, and replacements thereof, ordinary wear and tear and obsolescence excepted. If destruction, total or partial, ensues so as to make the Leased Premises or any portion thereof untenable for the purposes intended, such destruction shall not operate as a surrender or cancellation of this Lease and shall not relieve the Lessee from any obligations hereunder. The Lessee shall not be obligated to repair or restore the Leased Premises to the condition which existed prior to such destruction, except to the extent that the Lessee in its sole discretion determines repairs or restorations.

Section 6. Modifications and Improvements. The Lessee may, at its own cost and expense, remodel the Leased Premises or make modifications or improvements thereon or, thereto from time to time as it, in its discretion, may deem to be desirable for its uses and purposes.

Section 7. Assignment of Lessor's Interest. As security for the payment of the principal of and interest on the Bonds and Parity Obligations, the Lessor hereby assigns to the Issuer and the Trustee all of the Lessor's right, title, and interest under this Lease. This assignment shall entitle the Issuer and the Trustee to enforce any obligation and to exercise any remedy of the Lessor under this Lease. Except for the assignment provided herein, the Lessor shall not grant, convey, assign, or otherwise dispose of the Leased Premises or its interest in this Lease during the term hereof nor shall it create any lien, encumbrance, or charge thereon.

Section 8. Assignment and Subleasing by the Lessee. The Lessee may assign its interest in this Lease or sublet the Leased Premises or portions thereof without the consent of the Lessor or the Trustee, provided, however, that the Lessee shall nevertheless remain primarily liable for the payment of the rentals due under this Lease and for the full performance and observance of all the obligations of the Lessee under this Lease. The Lessee shall provide the Lessor and the Trustee with a copy of any assignment made by the Lessee of its interest in this Lease or any sublease of the Leased Premises or any portion thereof within thirty (30) days after the delivery of any such assignment or sublease. The Lessee shall make collateral assignments of any and all subleases of all or any of the Leased Premises or any portion of any thereof, and all rental income generated by any such sublease, to the Trustee as additional security for the Bonds.

Section 9. Obligations of Lessee Unconditional. The obligations of the Lessee to make the Rental Payments shall be absolute and unconditional and shall not be subject to any diminution by right of set-off, counterclaim, recoupment, or otherwise. During the term of this Lease, the Lessee shall not suspend or discontinue any rental payments due hereunder and, except as otherwise provided in Section 1 or Section 13 hereof, shall not terminate this Lease for any cause, including, without limiting the generality of the foregoing, defect in title to the Leased Premises, any acts or circumstances which may constitute failure of consideration, eviction or constructive eviction, destruction or damage to or condemnation of the Leased Premises, commercial frustration of purpose, or any failure of the Lessor to perform and observe any obligation or condition arising out of or connected with this Lease.

Section 10. Events of Default. The occurrence of any, of the following events will constitute an Event of Default hereunder:

(a) Failure by the Lessee to pay Rental Payments in the amounts and at the times provided in this Lease; or

(b) Failure by the Lessee to perform any other obligation on its part to be performed or observed pursuant to this Lease for a period of thirty (30) days after written notice by the Lessor or the Trustee to the Lessee specifying such failure and requesting that it be remedied; provided, however, that if such failure be such that it cannot be corrected within such period, it shall not constitute an Event of Default hereunder if corrective action is instituted by the Lessee within such period and diligently pursued until such failure is corrected; or

(c) The dissolution or liquidation of the Lessee; or failure by the Lessee promptly to lift any execution, garnishment, or attachment of such consequence as will impair its ability to carry out its obligations under this Lease; or if the Lessee becomes insolvent or bankrupt, or makes an assignment for the benefit of its creditors, or consents to the appointment of a trustee or receiver for the Lessee or for the greater part of its properties; or a trustee or receiver is appointed for the Lessee or for the greater part of its properties without its consent and is not discharged within forty-five (45) days; or bankruptcy, reorganization, or liquidation proceedings are commenced by or against the Lessee, and if commenced against the Lessee are consented to buy it or remain undismissed for forty-five (45) days.

Section 11. Remedies Upon Event of Default. Whenever any Event of Default shall have occurred and be continuing, the Lessor, the Issuer or the Trustee may (i) declare all rental payments due under Section 3 hereof during the current renewal period to be immediately due and payable, whereupon the same shall be immediately due and payable; or (ii) re-enter and take possession of the Leased Premises without terminating this Lease and sublease the Leased Premises for the account of the Lessee, holding the Lessee liable for the difference between the rent and other amounts payable by any sublessee in such subleasing and the rentals and other amounts payable by the Lessee under this Lease; provided, however, that until the Lessor, the Issuer or the Trustee has entered into a firm agreement for the subleasing of the Leased Premises, the Lessee may at any time pay all accrued Rental Payments due under Section 3 hereof, exclusive of any accelerated basic rentals, and fully cure all defaults, whereupon the Lessee shall be restored to its use, occupancy, and possession of the Leased Premises; or (iii) have access to and inspect, examine, and make copies of the books and records of the Lessee insofar as they relate to the Leased Premises or the Event of Default and the remedying thereof; or (iv) take whatever action at law or in equity as may appear necessary or desirable to collect the Rental Payments then due and thereafter to become due or to enforce performance and observance of any obligation of the Lessee under this Lease; or repair the Leased Premises in order to better sublease or re-let the Leased Premises, and the costs and expenses of such repair will become a debt due by the Lessee to the Lessor, the Issuer or the Trustee, and the Lessee will be entitled to reimbursement for such costs and expenses from the first revenues of such sublease or re-letting.

Section 12. Payment of Attorneys' Fees and Other Expenses. Upon an Event of Default by the Lessee, the Lessee shall pay to the Lessor, the Issuer or the Trustee upon demand therefor all costs and expenses, including reasonable attorneys' fees, lawfully incurred by the Lessor, the Issuer or the Trustee in enforcing this Lease or in obtaining possession of the Leased Premises.

Section 13. Option and Right to Purchase Leased Premises.

(a) The Lessor hereby grants to the Lessee an option to purchase the Leased Premises at any time during the term of this Lease; provided that Lessor's grant to Lessee shall not be effective except upon the exercise by Lessee of its option to purchase all of the Lessor's right, title and interest in and to the Leased Premises pursuant to paragraph (c) below and the payment by Lessee directly to the Issuer, the Trustee and the holders of any Parity Obligations of the amount necessary to effect the exercise of such option.

(b) Upon the full payment and retirement of all Bonds and Parity Obligations, or provision for the full payment and retirement thereof pursuant to the Indenture and instruments securing any Parity Obligations, and in accordance with paragraph (c) below, this Lease shall automatically terminate, and the grant and assignment by the Lessor to the Lessee of the option to acquire the Leased Premises shall be effective immediately without further action on the part of any person.

(c) The Lessor hereby grants and assigns to the Lessee the option to acquire all of the Lessor's right, title and interest in and to the Leased Premises, free and clear of the lien of the Indenture and this Lease and of other encumbrances, by giving to the Lessor, the Issuer and the

To the Lessee: Lexington-Fayette Urban County Government
Lexington-Fayette Government Building
200 East Main Street
Lexington, Kentucky 40507
Attention: Mayor

To the Trustee: The Huntington National Bank
525 Vine Street, 14th Floor
Cincinnati, Ohio 45202
Attention: Corporate Trust Services Department

The parties may by notice designate any further or different addresses to which subsequent notices or other communications shall be sent.

Section 15. Amendment. No amendment to this Lease shall be binding upon either party hereto until such amendment is reduced to writing and executed by both parties hereto. No amendment to this Lease shall be effective without the prior written consent of the Issuer and the Trustee, except as may be provided in the Indenture.

Section 16. Binding Effect. This Lease shall be binding upon the parties hereto and upon their respective successors and assigns.

Section 17. Severability. If any clause, provision, or section of this Lease be ruled invalid or unenforceable by any court of competent jurisdiction, the invalidity, or unenforceability of such clause, provision, or section shall not affect any of the remaining clauses, provisions, or sections hereof.

Section 18. Governing Law. This Lease shall be governed by and construed in accordance with the laws of the Commonwealth of Kentucky.

IN WITNESS WHEREOF, the parties hereto have caused this Lease to be executed by their officers thereunto duly authorized as of date first above written.

LEXINGTON CENTER CORPORATION

By: _____
President

ATTEST:

Secretary

(SEAL)

**LEXINGTON-FAYETTE URBAN COUNTY
GOVERNMENT**

By: _____
Mayor

ATTEST:

Clerk of the Urban County Council

ACKNOWLEDGMENTS

COMMONWEALTH OF KENTUCKY)
) SS:
COUNTY OF FAYETTE)

The foregoing instrument was acknowledged before me on _____, 2018 by _____ and _____, the President and Secretary, respectively, of the Lexington Center Corporation, party thereto, on behalf of the Corporation.

My commission expires: _____

NOTARY PUBLIC, STATE AT LARGE,
KENTUCKY

(SEAL)

COMMONWEALTH OF KENTUCKY)
) SS:
COUNTY OF FAYETTE)

The foregoing instrument was acknowledged before me on _____ by _____ and _____, the Mayor and Clerk of the Urban County Council, respectively, of the Lexington-Fayette Urban County Government, party thereto, on behalf of the Urban County Government.

My commission expires: _____

NOTARY PUBLIC, STATE AT LARGE,
KENTUCKY

(SEAL)

Drafter's Certificate

This instrument was prepared by:

Dirk M. Bedarff, Esq.
Dinsmore & Shohl LLP
50 East RiverCenter Blvd., Suite 1150
Covington, Kentucky 41011

EXHIBIT A

Leased Premises

12727134.1