



# LEXINGTON CENTER®

December 15, 2016

Dr. Eric N. Monday  
Executive Vice President for  
Finance and Administration  
University of Kentucky  
107 Main Building  
Lexington, KY 40506-0032

RE: Lease Agreement between the University of Kentucky ("UK") and  
the Lexington Center Corporation ("LCC")

Dear Dr. Monday:

This letter, when executed by all of the undersigned ("Letter"), will set forth the principal terms with respect to a lease which will succeed the current lease between UK and LCC dated May 21, 1998, as amended by Letter Agreements dated November 7, 2000; July 13, 2001 and August 21, 2003 (collectively, the "Existing Lease"), for the use of Rupp Arena, including the interior bowl of Rupp Arena; the mezzanine and concourse areas surrounding the bowl area of Rupp Arena, including hospitality rooms located therein; the entry ways and exits to and from Rupp Arena; all parking lots controlled by LCC in the vicinity of Rupp Arena (as hereafter described); Club Suites (as hereinafter defined); and team dressing rooms (collectively, the "Facilities"). This Letter is meant to be an expression of our good faith intention to consummate a Lease at the earliest possible time, but is not intended to be legally binding except as otherwise expressly noted herein.

1. Definitive Lease Agreement. As soon as reasonably practicable after the execution of this Letter, the parties shall commence to negotiate a definitive lease ("Lease") relating to UK's lease of the Facilities. The Lease shall include the terms summarized in this Letter and such other conditions, covenants, indemnities and other terms that are customary for leases of this kind and are not inconsistent with this Letter. The parties agree that to the extent a specific term or condition is not described or addressed in this Letter, the terms and conditions of the Existing Lease shall form the basis of the parties' good faith negotiations as to the other terms and conditions of the Lease.

2. Specific Terms and Conditions of Lease. The following specific terms and conditions will be contained in and set forth in the Lease:

## Lexington Center Corporation

430 West Vine Street • Lexington, KY 40507-1654 • (859) 233-4567 • Fax (859) 253-2718  
www.lexingtoncenter.com • www.rupparena.com • www.lexingtonoperahouse.com

(a) Term: The term of the Lease shall begin upon the expiration of the current term of the Existing Lease (through the University of Kentucky 2017-2018 men's basketball season) and shall remain in effect for fifteen (15) years (through the University of Kentucky 2033 Spring Commencement) ("Term").

(b) Rent. UK shall pay LCC rent in the amount of \$1,900,000.00 annually ("Base Rent"), inclusive of any per ticket bond or other fee required to be collected by LCC in connection with events held at Rupp Arena. The Base Rent less \$300,000.00, shall increase by 2.4% each year and the increased amount shall become the new Base Rent each year.

(c) Annual Events for which UK shall lease the Facilities in consideration of payment of the Base Rent:

- (i) Twenty-Two (22) UK men's and women's basketball games, with a minimum of sixteen (16) UK men's basketball games;
- (ii) Three (3) additional UK athletic events, currently assigned as Big Blue Madness, Men's Blue/White Basketball Scrimmage and Tip-Off Dinner; and
- (iii) Three (3) University of Kentucky events currently assigned as commencement.

(individually a "UK Event", collectively, the "UK Events")

In addition to the twenty-eight (28) UK Events identified in Paragraph 2(c)(i-iii) above, UK, subject to the availability of the Facilities, may request dates to conduct additional events at the Facilities. If agreed to by LCC, the rent for each such additional date shall be based on the per game rate paid by UK during the last year of the Existing Lease term, increased each year at an annual rate of 2.4%.

Except as otherwise agreed in the parties' reasonable discretion, UK may occupy the Facilities for a seven (7) hour period on the date of each UK Event. The specific dates for each UK Event shall be established annually on or before August 1 or the release of the basketball conference schedule, whichever is later, preceding the basketball season by mutual agreement of the parties. UK shall continue to use its best efforts to release the pre-conference schedule as soon as those dates are determined.

Subject to availability, UK may conduct a minimum of twenty-two (22) private practice sessions for UK team or UK team opponent at Rupp Arena ("Practice Sessions") each year at no additional cost to UK beyond the Base Rent and other charges described herein. The Practice Sessions will be scheduled by mutual agreement of the parties, exercising good faith.

(d) Media Rights. As used herein, the term "Facility-Media Rights" shall mean the exclusive sales and marketing rights currently held by LCC, with exceptions as set forth herein, to existing or new on-site permanent signage at or within the Facilities; temporary

signage and other promotional and sponsorship rights for UK Events, and all other events not specifically excluded herein at or within the Facilities; at-UK Events hospitality (other than concessions described in 2(1) below); at-UK Events impact (such as product or sampling displays that do not interfere with normal pedestrian traffic-flow or otherwise pose a safety hazard in the reasonable determination of LCC; and any other at-UK Event sponsor-related or promotional rights to programs, products and signage, including sideline signage rights, at the Facilities that are hereafter described or that may be subsequently agreed to by the parties. For the consideration of an annual payment of \$4,750,000.00 ("Media Rights Fee"), LCC exclusively grants unto UK the Facility-Media Rights. During any year that the annual gross revenues from the sales or marketing of the Facility-Media Rights exceed \$7,250,000.00, LCC shall receive 25% of the Facility-Media Rights revenues which exceed \$7,250,000.00.

Notwithstanding the foregoing, LCC retains control of the temporary signage, digital media and other sponsorship and promotional rights for events sponsored by the Kentucky High School Athletics Association. LCC agrees that these retained media rights for this event shall only be marketed by LCC personnel (or by the non-UK Event sponsor) and shall not be handled by third-party contractors on behalf of LCC. Further, as a result of non-UK Event sponsor requirements, performer requirements or other conditions connected with a non-UK Event held in Rupp Arena, LCC may suspend or stop the display of any of the temporary signage or digital media during the non-UK Event. LCC shall so notify UK of such requirements or conditions. Under no circumstance may UK prevent LCC from hosting such non-UK Events under these circumstances, nor shall LCC's meeting such requirements be considered a default under the Lease.

LCC shall use its best efforts to cause its current media rights holder to terminate all advertising/signage/promotional/sponsorship contracts already executed which have terms that extend beyond the existing Venue-Media Rights Agreement expiration date. Any such contracts that cannot be terminated shall be assigned to UK. However, no new sponsorships will be sold which extend beyond the current lease term. Additionally, LCC will immediately provide a list of sponsors who have contracts that extend beyond the current lease.

It is understood that LCC shall retain control of all media rights within the Lexington Convention Center, including entryways and portals thereto; Triangle Park; the Opera House; the roof tops and exterior walls of any of LCC's properties or Facilities (including Rupp Arena); the underbelly or upshot of the four-sided ceiling-suspended scoreboard within Rupp Arena ("Lexi"); concession product or Naming Rights Sponsor (as defined below) advertising within the concession stand or concession kiosk areas for products sold in such concession stands and kiosks located within the Facilities; changes to the playing floor of Rupp Arena for all non-UK Events; and all social media and internet rights associated with non-UK Events. It is further understood that the rights relating to the entryways, portals, roof tops and exterior walls of LCC's properties may be used for Naming Rights Sponsor or by LCC for the promotion of events held at LCC-owned facilities, and the sponsorship is marketed by LCC personnel and shall not be handled by third-party contractors on behalf of LCC. UK agrees that, during UK Events, UK will promote, through video signage and audio public announcements, upcoming events to be held at LCC's facilities; such promotion shall be based on availability and shall be

reasonably consistent with promotions currently in place within Rupp Arena for upcoming events to be held at LCC's facilities at the date of signature of this LOI.

Except as otherwise provided herein, UK shall be responsible for the costs and expenses relative to the graphics on any electronic signage (specifically excepting the underbelly of Lexi and the one prominent area in the East concourse of Rupp Arena), or permanent signage including changes thereto, and on any temporary signage. All other expenses and costs of whatever kind, including production costs and charges relating to the video boards, electronic and permanent signage, message boards, public address systems and all other equipment related thereto (collectively, the "Equipment") shall be the responsibility of LCC, which shall maintain, repair and, if necessary, replace, in order that the Equipment remain fully functional for its intended purposes before, during and after all UK events at the Facilities.

(e) Naming Rights for Lexington Convention Center. Subject to UK's prior approval, which approval may not unreasonably be withheld, and the conditions set forth herein, LCC shall have the right to license or market the naming of LCC's complex or facility commonly known as the Lexington Convention Center ("Convention Center"). The Convention Center title sponsor's name ("Naming Rights Sponsor"), shall be incorporated into signage within the Facilities, excluding Rupp Arena, except for the underbelly or upshot of Lexi and in one prominent area in the East concourse of Rupp Arena, the exact location of which shall be determined by the parties, acting reasonably and in good faith and shall be broadly displayed throughout the interior and exterior of the Convention Center facilities, provided, however, such title sponsor's name shall not be visible in any other area inside Rupp Arena or the concourse area of Rupp Arena. The Naming Rights Sponsor shall not have category exclusivity within the Facilities and shall be the primary name of the sponsoring company and not a sub-name or sub-brand. Notwithstanding anything herein to the contrary, the parties agree that the current name of the arena – "Rupp Arena" – shall not be changed, although the name "Rupp Arena" may be associated with or combined with the name of the Convention Center, such as "Rupp Arena at ABC Center".

(f) Parking. All parking controlled by LCC in the vicinity of the Facilities that is not required by LCC in order to fulfill LCC's existing obligations to provide parking (Hyatt Regency-related parking, LCC employee and director parking, etc.) ("Available Parking") shall be made available for purchase annually (for a lump sum amount based on market rates for comparable parking spaces in the area) by UK for certain UK events as determined by UK ("Parking Charge"). The parties shall cooperate in good faith and shall use their best efforts to determine LCC's and UK's respective parking allocations for UK Events, but once allocated to UK, UK may allocate its parking as it deems appropriate. The details of the time for and frequency of payment of the Parking Charges shall be determined in the Lease. LCC shall be responsible for the management and operations of the parking during UK Events.

(g) Programs, Novelties/Merchandise Sales. UK shall have the exclusive right to distribute and market programs, novelties and merchandise within designated areas of the Facilities during all UK Events. UK shall pay to LCC, a commission equal to fifteen (15%)

percent of the gross revenues of all sales of programs, novelties and merchandise during the UK Event. The details as to reporting of sales and payment dates will be determined in the Lease.

(h) Additional Seats. For each UK Event, and any NCAA event held in Rupp Arena for which UK receives an allocation of tickets, LCC shall have the right to purchase nine (9) pairs (side-by-side) of additional seats (eighteen (18) additional seats in all) in lower arena locations in addition to and comparable to the current fifty-six (56) existing seat locations allocated to LCC in the Existing Lease. Notwithstanding the above, two pair (side by side) of such additional seats shall be located in the first or second row of the east end zone seating currently used by the press with specific seat locations to be selected by LCC in its sole discretion. The cost for said additional seats shall be the face value of the ticket, without required contribution or other surcharge amounts. Tickets to all UK Events shall be for the exclusive use of LCC. No re-sale, marketing or promotional use of such tickets will be made.

UK shall have the right to purchase from LCC, at face value, ten (10) pairs of tickets to any ticketed non-UK Event held at Rupp Arena. The details of this right shall be determined in the Lease.

(i) Additional Available Seating Allocation. Due to recent renovations to the “press row” seating arrangements within Rupp Arena, additional seating has become available. Except as otherwise stated below, during any UK Event, UK shall have the exclusive right to the seating within the camera platform area which is accessed at the Section 211 or 216 vomitories. LCC shall retain without charge six (6) seats in such camera platform area for the sole use of LCC staff and technicians.

(j) UK Dressing Room. UK shall have the exclusive occupancy and use of its dressing room area including all team spaces (i.e. locker room, coaches’ offices, lounge space, dining area, training room, aquatherapy spaces, showers and restrooms recently renovated and currently used by the UK men’s basketball team) and associated storage space commonly known and designated as the UK Dressing Room. However, UK’s access to the UK Dressing Room may be reasonably restricted by LCC during non-UK Events.

(k) Required Alterations/Construction. LCC shall be required to construct the following facilities or make the following alterations to the existing Facilities (collectively, the “Construction”):

(i) Four individual UK entertainment or club suites (“Club Suites” – designated as Club Suites 1, 2, 3 and 4) the design, size, location and access to which shall be determined by mutual agreement of the parties. As part of its Facility-Media Rights, UK shall control all marketing rights within the Club Suites, including, but not limited to the naming of the Club Suites, UK shall have exclusive use and control (including catering rights, inclusive of food, alcoholic and non-alcoholic beverages) of the Club Suites during all UK Events. LCC shall receive eight (8) complimentary tickets to each of Club Suites 2, 3 and 4 during UK Events. LCC shall have use of Club Suites 2, 3 and 4 during all non-UK

Events. Club Suite No. 1 shall be designated by UK for the exclusive use of UK, but the designated exclusive Club Suite shall only be available for use by UK during UK Events and for UK use at other times when scheduled with LCC; provided, however, should such UK use generate out of pocket costs for LCC, UK shall reimburse LCC at the same rate schedule referenced herein. LCC shall maintain Club Suites Nos. 2, 3 and 4 in first class condition throughout the Term. UK shall be solely responsible for the upkeep and maintenance of Club Suite No. 1.

(ii) Removal of all bench seats and replacement with chair-back seats within Sections 228 through 234 and Sections 211 through 217 in the upper portion of Rupp Arena. It is anticipated that the installation of chair-back seats in substitution of the bench seats shall result in fewer seats in the upper portion of Rupp Arena in order to comply with architectural requirements and applicable building codes and other laws and regulations.

LCC agrees to expend no more than the total sum of \$15,000,000.00 to pay for the design and completion of said Construction (\$12 million for the Club Suites and \$3 million for the bench seat replacement) Each Club Suite shall be delivered in move-in condition, including installation of all furniture, fixtures and equipment. Any renovation or re-furbishing of Club Suite No. 1 shall be the sole responsibility of UK. The timing of the design and completion of the Construction shall be dependent on other construction occurring within the Facilities. Each party agrees to act in good faith with regard to the anticipated costs of the Construction and the Construction schedule and, if necessary, to make reasonable and appropriate adjustments to the Base Rent if said Construction is not completed prior to the beginning of the Term.

(1) Concessions During UK Events. Other than sales of food and drink within the Club Suites during UK Events, LCC shall control the operation and staffing of all food and beverage concessions at UK Events and shall retain all revenues from said concession sales. LCC and UK shall cooperate in good faith to maintain and improve the fan experience with regard to concessions, including providing product pricing, quality and service at the concession areas, which is consistent with other like venues in the SEC.

If at any time during the Term of the Lease, UK, at its sole discretion, agrees that alcohol beverages may be sold by LCC at UK Events through LCC's concessions, then UK and LCC agree to negotiate in good faith with regard to an appropriate division of revenues from the sale of alcoholic beverages at UK Events.

Notwithstanding the foregoing, at such time as the existing exclusive non-alcoholic beverage pouring rights contract and any exclusive food vendor contract expires, UK, subject to LCC's approval, which shall not unreasonably be withheld (and as part of its Facility-Media Rights), shall control the selection of the exclusive pouring rights vendor associated with the sale of non-alcoholic beverages within the Facilities and the selection of any exclusive food vendors within the Facilities. LCC shall have the right to review and approve the wholesale prices paid for food and non-alcoholic drink sold by the exclusive vendors at concession areas

within the Facilities. If a situation develops whereby the non-UK Event sponsor requirements or other conditions connected with a non-UK event held in Rupp Arena create conflicts with UK's non-alcoholic beverage pouring rights sponsor, UK's exclusive food sponsors or UK's Facility-Media Rights, UK and LCC will work together in good faith to resolve such conflict. Under no circumstance will UK prevent LCC from hosting such non-UK event, nor shall LCC's meeting such requirements be considered a default under the Lease.

(m) Support Personnel. LCC agrees to provide personnel, materials, equipment and services which UK may require at each UK Event and Practice Session and UK shall pay LCC its cost of personnel (1.5 x gross wages) plus LCC's customary charges for materials, equipment and services, which charges shall not exceed the charges for the same or similar materials, equipment and services provided to any other tenant or customer of LCC. A schedule of request for such personnel and material shall be delivered by UK to LCC on or before September 1 of each year. In the event LCC is requested to provide services or materials on a date that has not been scheduled by UK, UK shall pay LCC for same at a rate of 1-1/2 times LCC's actual costs for same.

(n) Insurance. UK shall, at its sole cost and expense, procure and maintain the following types and limits of insurance, containing the additional insured endorsements and cancellation clause set forth herein. At a minimum, said insurance coverage shall be in effect from 12:01 a.m. on the first day of the Term of the Lease through the end of the Term. UK shall deliver certificates of insurance evidencing the following coverage and endorsements on or before:

(i) Commercial General Liability Policy with broad form coverage in the occurrence form providing coverage against claims for bodily injury or death, property damage, personal injury liability and advertising liability occurring in or upon or resulting from UK's use or occupancy of the Facilities. Such insurance shall be primary and not require contribution from any of the Additional Insureds' other insurance coverages, and shall afford immediate defense and indemnification, as additional insureds, to LCC to the limit of not less than TEN MILLION AND NO/100 (\$10,000,000.00) DOLLARS each occurrence;

(ii) Automobile Liability Insurance (broad form coverage) with limits of not less than THREE MILLION AND NO/100 (\$3,000,000.00) DOLLARS for bodily injury and property damage, in combined or equivalent split limits, for each single accident. Insurance shall cover liability arising out of UK's use of vehicles in connection with this Lease, including owned, leased, hired, borrowed and/or non-owned autos, as each may be applicable;

(iii) Worker's Compensation Insurance as required by law; and

(iv) Professional Liability (E&O), with a limit of FIVE MILLION AND NO/100 (\$5,000,000.00) DOLLARS per each occurrence, with broad form coverage in the occurrence form providing coverage against claims for injury or

property damage resulting from UK or its subcontractors' actions undertaken pursuant to the rights granted UK hereunder. Such insurance shall be primary.

All insurance policies provided by UK in satisfaction of this Section 2(n), other than Worker's Compensation Insurance and Professional Liability insurance, shall include the following additional insured endorsement language:

LEXINGTON CENTER CORPORATION, LEXINGTON  
FAYETTE URBAN COUNTY GOVERNMENT AND THEIR  
OFFICERS, DIRECTORS, AGENTS AND EMPLOYEES  
ARE NAMED AS ADDITIONAL INSURED.  
("ADDITIONAL INSUREDS")

These insurance policies must be with insurers licensed in the Commonwealth of Kentucky and with a minimum AM Best Rating of A- Financial Strength VII . All of these required policies must include a Waiver of Subrogation in favor of the Additional Insureds and provide coverage to the Additional Insureds on a primary and non-contributory basis. With respect to the required commercial general liability coverages and the automobile liability coverages, each can be combined with excess/umbrella coverages that meet the minimum limits. To the extent that LCC has concerns about a particular certificate of insurance, LCC, upon request, may inspect relevant policy documents at the UK's offices. However, if LCC exercises this option, LCC shall agree not to disclose any material details of the policy documents.

Should any of the above-described policies be cancelled before the expiration date thereof, UK will promptly provide written notice to LCC as soon as UK becomes aware of the cancellation. If requested by LCC, UK shall immediately obtain substitute insurance, and evidenced by an appropriate certificate, within ten (10) days of the cancellation, but in no event later than the move-in date. Failure to comply with the insurance requirements herein shall be considered a material breach of the Lease.

The parties agree and understand that the specified coverage or limits of insurance in no way limit the liability of UK. UK shall maintain, with respect to each such policy or agreement, evidence of such insurance coverage and endorsement required by the Lease.

(o) Established Rules and Regulations. UK recognizes that LCC, during its normal operations at the Facilities, will establish certain reasonable rules and regulations applicable to all users thereof. Accordingly, UK agrees that it will use its best efforts to cause its servants, agents, employees, licensees, patrons and guests to abide by such reasonable rules and regulations as are established by LCC from time-to-time. Notwithstanding the foregoing, UK shall have control of the Facilities for all UK Events and shall provide and supervise and be responsible for the actions of all ushers, security guards, attendants and other UK personnel or contractors in order to exercise such control.

(p) Reimbursement of Funds. UK shall, upon execution of this Letter, pay to LCC the sum of \$1,093,750.00, equal to one-half (1/2) of the coal severance tax funds that were



granted to LCC by the Commonwealth of Kentucky and which have been reimbursed to the Commonwealth of Kentucky by LCC.

3. Maintenance of Facilities. Between the execution of this Letter and execution of the Lease, LCC shall maintain all of the Facilities in good condition and working order and continue to operate the Facilities in accordance with the ordinary course of business and consistent with past practice.

4. Governing Law. This Letter shall be governed by and construed in accordance with the internal laws of the Commonwealth of Kentucky, without giving effect to any choice or conflict of law provision or rule (whether of the Commonwealth of Kentucky or any other jurisdiction) that would cause the application of laws of any jurisdiction other than those of the Commonwealth of Kentucky

5. Expenses of the Parties. Except as otherwise specifically set forth herein, each party will bear its own expenses in connection with the Lease, including, without limitation, the costs and expenses of all attorneys and consultants.

6. Confidentiality. This Letter may only be disclosed following its execution by all parties hereto and the parties shall discuss and coordinate in advance with respect to any such disclosure.

7. Counterparts. This Letter may be executed in counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one agreement.

8. Assignment. UK shall not assign or subcontract this Lease in whole or in part without providing LCC with a copy of the assignment or subcontract agreement and obtaining its prior written consent. Any attempted assignment without consent shall be void. Notwithstanding the foregoing, UK may use third-party partners, vendors and contractors for the performance of its Facility-Media Rights and programs, novelties/merchandising rights following notice to LCC. Any such arrangement or contract with a third party shall not relieve UK of its obligations under this Lease, including payment of any sums when due hereunder.

Upon your acceptance of this Letter, the parties will immediately begin the preparation of the definitive lease agreement pursuant to which the Lease can be consummated.

If you are in agreement with the terms set forth above and desire to proceed with the proposed Lease on that basis, please sign this Letter in the space provided below, and return an executed copy to William B. Owen, President, at Lexington Convention Center, 430 West Vine Street, Lexington, Kentucky 40507.

Very truly yours,

LEXINGTON CENTER CORPORATION

By: W. Brent Rice  
W. Brent Rice, Board Chairman

By: William B. Owen  
William B. Owen, President

**AGREED AND ACCEPTED:**

UNIVERSITY OF KENTUCKY

By: Eric N. Monday  
Dr. Eric N. Monday  
Executive Vice President for Finance and Administration

Date: 12-15-16

By: Mitch Barnhart  
Mr. Mitch Barnhart  
Director of Athletics

Date: 12-15-16