

**Lexington Center Corporation**  
**Request for Proposals for Underwriting Services and**  
**Solicitation for Direct Loan or Private Placement Agent Services**  
**Dated January 20, 2017**  
**Due February 20, 2017**

The Lexington Center Corporation (“LCC” or the “Corporation”) is requesting proposals from qualified investment banking firms to provide underwriting services and/or private placement services to finance the construction of a new 400,000+ square foot convention center, ballroom and meeting space in downtown Lexington, Kentucky. Respondents may respond to provide one or both services. LCC reserves the right to reject any and all proposals in its sole discretion and may conduct additional negotiations with one or more respondents at its discretion.

### **Background**

Located at 430 West Main Street in downtown Lexington, which is minutes from Bluegrass Airport, the University of Kentucky campus, and Lexington’s iconic Thoroughbred horse farms, Lexington Center and Rupp Arena opened in 1976 and are home to the National Champion University of Kentucky men’s basketball program. The 23,500-seat arena, affectionately referred to by some as “the Cathedral of College Basketball” is named for the legendary Adolph Rupp, head coach from 1930 to 1972 and one of the all-time winningest coaches in men’s college basketball. Few experiences in all of sports can match that of experiencing a U.K. men’s home basketball game at Rupp Arena.

As one of the region’s most popular multi-use entertainment, convention, and shopping complex, Lexington Center stands ready to meet the demands of even the most discerning presenter. Indeed, its location at the intersection of Interstates 64 and 75 and within a day’s drive of 75% of the US population, conveniently places Lexington Center at the heart of one of America’s most traveled crossroads. And one that affords touring casts and crews, meeting planners, exhibitors and visitors alike the warm hospitality for which Lexington and Kentucky are so famous.

Lexington Convention Center currently has 130,000 square feet of elegant and versatile banquet, exhibition and meeting space of which 66,000 square feet is dedicated exhibition space. The Convention Center and two attached convention hotels occupy a common corner, within easy walking distances to shopping, dining and entertaining destinations.

Lexington Center Corporation also oversees the upkeep and operations of the adjacent Triangle Park designed by the noted New York landscape architect, Robert L. Zion and the historic Opera House performing arts center one block north.

### **The Proposed Project**

The new plan includes over 400,000+ square foot space including exhibition hall (100,000+ sq feet), enhanced ballrooms and meeting space along W. Main St.; and repurposed retail space at the ground level. The project will be constructed in phases so as to create minimal impact to existing business commitments.

According to Brent Rice, LCC Board Chairman, “The amount of space in this new plan is driven by recommendations made by three different studies dating back as far as 1986.” He

continued “The new Lexington Convention Center will have the same magnitude of impact as the original Civic Center had in Lexington in 1976”.

Studies dating back to 1986 consistently call for larger exhibit and meeting room space for Lexington to sustain and grow its position as a convention and meeting destination. The existing exhibit hall cannot be expanded due to its orientation to Main St, Rupp Arena and the Mary Todd Lincoln House. The plan calls for a new exhibit hall to be constructed west of and adjacent to Rupp Arena.

The proposed convention center plan does not include any additional renovations to Rupp Arena which is already undergoing a \$15 million video/audio/tech upgrade. Some parts of the first, second and third levels of the Shops at Lexington Center and existing meeting rooms will be repurposed for retail and other uses.

### **Project Contributions**

Of the projected \$270 million project cost the Lexington Center Corporation has \$70 million of commitments from state and local government and will need an estimated \$200 million to construct the project, exclusive of debt service reserves and capitalized interest, if any.

House Bill 303 of the 2016 Regular Session of the Kentucky General Assembly (the “Budget Bill”) authorized the issuance of \$60 million of State General Fund supported lease appropriation supported obligations for the benefit of the Lexington Center Corporation for a term of up to 30-years. The State’s lease payment obligations are to be funded in part by ½% of the 2 ½% total increase in the transient room tax authorized in House Bill 56 of the 2016 Regular Session, while the remaining 2% is available to support the additional obligations of LCC to renovate existing convention center and construct the new facility. Additionally, the Lexington Fayette Urban County Government (“LFUCG”) has issued \$10 million in which have been contributed to the project, bringing the total government support to \$70 million.

The Commonwealth of Kentucky has indicated its desire to provide funds on a last in basis.

### **Existing Debt**

The Lexington Center Corporation has outstanding \$12,195,000 of its 2008 Series A Bonds maturing October 1, 2017 through October 2021. Remaining debt service is approximately \$2.7 million per year. Of the 2008 Series A Bonds, \$9,950,000 are callable at par beginning October 1, 2017. These bonds are secured by annual lease payments of the LFUCG, the original two (2) percent of the transient room tax as well as the general revenues of LCC. No appropriations of LFUCG have been needed to pay debt service on the outstanding bonds. The bonds are insured by Assured Guaranty and rated A1 by Moody’s.

LCC has outstanding bonds that were bank purchased, to fund the previously referenced \$15 million in improvements to Rupp Arena, secured by the operating revenues of the Corporation. The bonds amortize monthly commencing November 2019 and are callable at any time. Those bonds are generally secured by revenues, including the transient room tax, on a subordinate basis to the 2008 Series A Bonds.

### **Historical Revenues and Expense Summary**

Lexington Center Corporation has an operating budget in excess of \$20 million per year and sources of revenue are derived from: building rental payments, equipment rental and service fees, media and display advertising and attendance based revenues, which includes but not limited to parking, concessions, and bond ticket fees. Non-operating revenues include the

original 2% dedicated transient room tax plus the additional 2.5% now authorized by HB 56 that became effective in July of 2016 and supplemented by Tourism funds provided by the Lexington Convention and Visitors Bureau. The transient room tax is levied by the LFUCG, but is required by law to be applied to LCC.

Please see Historical Revenue and Expense Summary Tables below:

**Table 1**

<b>LEXINGTON CENTER CORPORATION</b>				
<b>HISTORICAL NON-OPERATING REVENUES &amp; DEBT SERVICE</b>				
<b>FISCAL YEAR</b>	<b>2% TRANSIENT TAX COLLECTIONS</b>	<b>LEXINGTON CVB</b>	<b>LFUCG APPROPRIATIONS</b>	<b>DEBT SERVICE</b>
2016	\$ 3,575,362	\$ 548,000	\$ -	\$ 2,720,791
2015	\$ 3,139,245	\$ 648,000	\$ -	\$ 2,682,371
2014	\$ 2,920,577	\$ 830,000	\$ -	\$ 2,681,935
2013	\$ 2,822,084	\$ 938,157	\$ -	\$ 3,347,728
2012	\$ 2,636,992	\$ 948,000	\$ -	\$ 3,397,728
2011	\$ 2,865,728	\$ 948,000	\$ -	\$ 3,397,728
2010	\$ 2,473,631	\$ 948,000	\$ -	\$ 3,397,728
2009	\$ 2,380,612	\$ 948,000	\$ -	\$ 3,510,003
2008	\$ 2,492,219	\$ 948,000	\$ 50,000	\$ 3,559,006
2007	\$ 2,391,477	\$ 948,000	\$ 675,000	\$ 4,072,801
2006	\$ 2,303,685	\$ 948,000	\$ 75,000	\$ 3,455,301
2005	\$ 2,267,434	\$ 948,000	\$ -	\$ 3,262,131
2004	\$ 2,006,200	\$ 948,000	\$ -	\$ 3,061,179
2003	\$ 2,004,202	\$ 948,000	\$ 343,000	\$ 3,193,760
2002	\$ 1,895,398	\$ 948,000	\$ 343,700	\$ 3,068,836
2001	\$ 1,580,027	\$ 948,000	\$ 554,000	\$ 2,865,159

Table 2

<b>LEXINGTON CENTER CORPORATION</b>			
<b>HISTORICAL OPERATING REVENUES &amp; EXPENSES</b>			
<b>FISCAL YEAR</b>	<b>OPERATING REVENUES</b>	<b>OPERATING EXPENSES</b>	<b>NET OPERATING REVENUES BEFORE DEPRECIATION EXPENSE</b>
2016	\$ 16,461,201	\$ 14,841,552	\$ 1,619,649
2015	\$ 15,926,923	\$ 14,623,104	\$ 1,303,819
2014	\$ 14,603,070	\$ 13,685,906	\$ 917,164
2013	\$ 14,554,865	\$ 13,237,965	\$ 1,316,900
2012	\$ 14,964,003	\$ 12,455,464	\$ 2,508,539
2011	\$ 12,322,259	\$ 12,257,773	\$ 64,486
2010	\$ 12,635,637	\$ 12,303,462	\$ 332,175
2009	\$ 12,375,112	\$ 11,965,980	\$ 409,132
2008	\$ 12,471,430	\$ 11,817,248	\$ 654,182
2007	\$ 12,564,269	\$ 11,017,300	\$ 1,546,969
2006	\$ 10,935,086	\$ 10,700,221	\$ 234,865
2005	\$ 11,297,210	\$ 10,237,919	\$ 1,059,291
2004	\$ 9,203,359	\$ 9,476,261	\$ (272,902)
2003	\$ 9,167,871	\$ 9,011,575	\$ 156,296
2002	\$ 7,837,039	\$ 7,886,466	\$ (49,427)
2001	\$ 8,982,467	\$ 8,060,234	\$ 922,233

**Anticipated Future Available Revenues:**

With the implementation of the increase in the local transient room taxes revenues are expected to roughly double to approximately \$6.4 million annually. Additionally, recent improvements to Rupp Arena, such as the new center hung scoreboard, the proposed new convention facilities and continued support from the Lexington Convention and Visitors Bureau when all combined are expected to produce revenues available for debt service of almost \$14 million, which includes a letter of intent to enter into a new lease agreement with the University of Kentucky through the spring of 2033. .

Facility revenues are dependent upon final lease and contract negotiations over the course of the coming months.

**Kentucky Bond Development Corporation (Issuer)**

The Issuer is a constituted authority of public agencies formed to act under the terms of an Interlocal Cooperation Agreement dated September 19, 2014 (the "Interlocal Agreement") to create a system of funding or financing for various governmental purposes including, but not limited to, the provisions of Section 103.200 et seq. of the Kentucky Revised Statutes (the "Act"). The Issuer is specifically authorized and empowered by the Interlocal Agreement and the Act to issue its revenue bonds to assist in the financing of "buildings" or "industrial buildings," as those terms are defined in the Act, including any related financing costs, reserve funds, capitalized interest and other related costs and contingencies with respect thereto.

## Underwriting Services

The Lexington Center Corporation desires to sell its obligations to fund the project on a negotiated sale and/or private placement basis through the Kentucky League of Cities Bond Development Corporation.

Please be specific and concise in responding to the following questions regarding your firm's capabilities to provide underwriting services to the Corporation. Please limit your response to 20 pages or less:

1. Please list your firm's primary contact(s) for this engagement. Also list the principal members of the team (quantitative, underwriter, backup) to be assembled for this proposed transaction. In a separate attachment, please provide brief biographies of each team member. (NOTE: Biographies will not be counted against the 20-page limit.)
2. Please indicate whether you wish to be considered for senior managing underwriter, co-senior or co-manager.
3. Please list similar special tax revenue bond and/or convention center transactions for your firm has been involved in the past five years. Please describe your firm's and staff's role in the underwriting and marketing of these transactions and how that applies to the Lexington Center transaction.
4. The Corporation is evaluating a number of possible paths to funding the project, for example refunding the 2008 Series A Bonds into the new trust estate or establishing a springing lien once the 2008 Series A bonds are retired, other senior/subordinate structures etc. LCC solicits your firm's ideas on how to best optimize the financing package while limiting or eliminating the credit exposure of LFUCG (Aa2/AA) that exists through the current lease or a General Obligation lease structure. Please describe in detail your proposed structure, including projected debt service numbers, coupons and yields by maturity and bond covenants. Also provide any recommendations regarding interim (publicly offered) and permanent financing approaches that might reduce capitalized interest expense, if any.
5. Please provide your opinion as to how many ratings will be needed to market the bonds under your proposed structure. Please specify from which rating agency(s) the Authority should seek a rating and what level should the Authority expect. Also, please indicate the potential credit impact on LFUCG's credit rating utilizing your firm's proposed structure.
6. Please indicate whether you believe bond insurance would provide a pricing benefit to your proposed structure. If so, please estimate the amount of the expected benefit?
7. Please detail your firm's expected compensation package including all management fees and expenses, as well as, proposed takedown by maturity. Please indicate your firm's preference for underwriter's counsel and proposed fees.
8. Assumptions:
  - Project fund deposit: \$226.3 million
  - Dated date: November 15, 2017
  - Principal date: November 1,
  - Optional redemption: November 1, 2027 @ Par
  - Insurance: Optional
  - Debt Service Reserve: Fully funded at max annual debt service or surety bond
  - Capitalized interest: If applicable.

### **Direct Loan/Private Placement Services**

As opposed to a public sale, the Corporation may consider the direct sale or private placement for all or a portion of the funding requirement on an interim basis through the issuance of a bond anticipation note to a qualified investor or lender to address construction risk, revenue risk, credit risk, refunding of any existing debt or other considerations which may make it desirable to pursue such a path to achieve the desired goal of constructing the facility in an expeditious manner.

If your firm is interested in preparing a non-binding proposal or term sheet to purchase a Bond Anticipation Note or provide a direct loan, please answer the following questions:

1. What is your firm's proposed credit limit and maximum maturity?
2. Please provide your proposed rate setting formula.
3. Please describe the credit approval process and timing.
4. Please describe your proposed term out provisions in the event that LCC is unable to refinance the note when due?
5. Does your proposal require a rating by one of the national rating agencies?
6. Please identify lender's counsel and their proposed fees.
7. Please detail any upfront or other fees necessary to complete the borrowing.
8. Please describe the advantages and risks of your proposal to LCC.

### **Bond Counsel and Continuing Disclosure**

LCC has engaged Dinsmore & Shoal as Bond Counsel and Disclosure Dissemination Agent to update LCC's filings and material event notices and to ensure future timely filing of their financial statements and material event notices. Current disclosures may be viewed at:

<http://emma.msrb.org/IssueView/IssueDetails.aspx?id=MS213669>

### **Submission of Questions and Responses**

Please submit any questions to Tom Howard, Commonwealth Economics at the email address below not later than February 1, 2017 with a copy to Neal Werner at the email addresses below.

Please submit five (5) hard copies and one electronic copy of your proposal by 4:00 p.m. February 20, 2017 to:

Neal Werner, Director of Business Affairs  
Lexington Center Corporation  
430 West Main Street  
Lexington, Kentucky 40507  
[nwerner@lexingtoncenter.com](mailto:nwerner@lexingtoncenter.com)

Please provide an e-mail copy of your response to LCC's Independent Registered Municipal Advisor:

F. Thomas Howard, Partner  
Commonwealth Economics Partners LLC  
[thoward@commonwealthecon.com](mailto:thoward@commonwealthecon.com)

## Disclaimer

LCC reserves the right to reject all proposals, to negotiate individually with the proposers, and to select a vendor based upon the best interests of LCC, which best interests may not be based exclusively upon pricing.

LCC reserves the right to withdraw the RFP at any time at its sole discretion. LCC reserves the right to amend the RFP to correct errors or oversights, or to supply additional information as shall become available, at any time prior to the opening of responsive submissions.

LCC reserves the right to eliminate any mandatory, non-material specification or requirements that cannot be met by any of the prospective proposers.

LCC reserves the right to conduct contract negotiations with the next most responsible and responsive proposer in the event it is unsuccessful in negotiations with the initially selected proposer.

LCC reserves the right to request and require clarification at any time during the procurement process and/or require correction of mathematical or other apparent errors and/or to determine a proposer's compliance with the requirements of the RFP.