

ASTANA, LLC

March 31st, 2021

Mayor Linda Gorton  
Lexington-Fayette Urban County Government  
200 E. Main Street  
Lexington, Kentucky 40507

Re: **Letter of Inducement**  
**Lexington-Fayette Industrial Revenue Bond Application**

Dear Mayor Gorton:

This letter is submitted as Astana, LLC's "letter of inducement" in support of its Lexington-Fayette Industrial Revenue Bond Application filed herewith.

Astana, LLC, on behalf of itself and its affiliates<sup>1</sup> (collectively, "***Astana***"), requests the Lexington-Fayette Urban County Government ("***LFUCG***") agree to issue up to \$39 million of tax abatement industrial revenue bonds to complete the Project's (defined below) capital stack and break ground by this summer. This amount includes the estimated cost for the Project plus a cushion for cost overruns. The bonds will not be a source of direct financing for the Project but are essential because the tax savings and associated increased cash flow will be available to service conventional debt and makes conventional financing of the project feasible.

Infill development and redevelopment at the epicenter of larger cities often is cost-prohibitive for a private developer to undertake without state and local financial assistance. The industrial revenue bond program is a common and proven mechanism used to provide support to economic development projects located within downtown urban footprints and elsewhere.

#### **A. The Project**

In 2019, Astana began to develop plans for a multi-use entertainment project that would help bridge the geographical gap between Lexington's revitalized West-End Distillery District and the Central Bank Center. The project site is located in the Speigle Heights neighborhood at the East-End of Lexington's Distillery District and will result in significant improvements to the blighted property that sits adjacent to Manchester Music Hall. As currently envisioned, the Speigle Heights Redevelopment Project (the "***Project***") will be anchored by a 120 to 125-room

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<sup>1</sup> The Project will be developed primarily by Astana, LLC which will develop and initially own the hotel until the Bonds are issued. Some of the surrounding parcels that will comprise associated elements of the Project (retail and parking) are owned currently by two affiliated companies -- New Circle Investments, LLC and New Octagon, LLC, which will develop those portions of the Project.

hotel, multiple event spaces totaling 11,150 square feet, up to 8,500 square feet of restaurant space with a rooftop bar, a spa, and/or a locally inspired microbrewery. The Project has been approved for state incentives under the Tourism Development Act incentive program, but a financial gap remains in the capital stack.

Astana’s Application and attachments provide additional detail of the Project’s design elements.

**B. Benefits to the Community**

The Project is estimated to create 97 new full-time jobs.

Astana is proposing, as part of the industrial revenue bond issue, to make “hold harmless” payments in lieu of taxes (“PILOT” payments) to the Fayette County School District (the “*School District*”) at a rate of \$0.51 per \$100 of the Project’s new assessed fair cash value estimated at roughly \$29.5 million. There would be no abatement of occupational license taxes due to LFUCG or the School District.

Over the 40-year period, this bond proposal would allow the Project to generate an estimated \$5.6 million in occupational tax revenues to LFUCG, \$38.2 million in local transient room tax revenues, and \$9.1 million in PILOT payments to the School District.

**Figure 1**

<b>Speigle Heights Redevelopment Project</b>				
<b>Estimated LFUCG Tax Revenues Generated from Project with IRB</b>				
<b>Construction &amp; Operations</b>				
	<b>Tax Rate</b>	<b>Construction (One-Time)</b>	<b>Operations (40-Year Total)</b>	<b>Total</b>
<b>LFUCG Tax Revenues</b>				
PILOT to Fayette County School District*	-	-	\$9,087,478	\$9,087,478
Occupational Tax	2.25%	\$228,537	\$5,365,038	\$5,593,574
Transient Room Tax	8.50%	-	\$38,240,636	\$38,240,636
<b>Total LFUCG Tax Revenues</b>		<b>\$228,537</b>	<b>\$52,693,152</b>	<b>\$52,921,689</b>

\*Assumes a PILOT equal to a maximum Tier I property tax rate of 0.51% (Fayette County).

**C. Impact of the Project on Public Services**

The Project is designed to have a low impact on public services, and there is sufficient water, natural gas and electricity available to fully serve the Project. The Project design includes a number of green building sustainable design initiatives that serve to minimize the Project’s

Mayor Linda Gorton  
March 31st, 2021  
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water and energy consumption, including (i) reducing the Project's landscape water requirements through use of native plants; (ii) reducing water consumption by installation of toilets, urinals, lavatory faucets, showerheads, and appliances that are low-flow Water Sense labeled; and (iii) optimizing energy performance and reducing energy consumption by (a) using occupancy control sensors, energy recovery ventilation and high-efficiency HVAC systems, (c) installing LED lighting, and occupancy control sensors and implementing daylight harvesting, and (d) installing high-efficiency domestic water heating systems.

We have enclosed a draft bond inducement resolution for your consideration which is consistent with the estimated and projections detailed in this letter.

We appreciate the opportunity to partner with the LFUCG on this Project. Should you have any additional questions, please do not hesitate to contact me.

Very truly yours,



Nik Feldman

TJE:do  
Enclosure

**LEXINGTON-FAYETTE INDUSTRIAL REVENUE BOND  
APPLICATION FORM**

**PROJECT INFORMATION:** The information to be considered for preliminary approval or inducement of Industrial Revenue Bonds will include the following factors:

- #1 The need for the project within the community should be clearly demonstrated.
- #2 The need for tax advantaged bond financing of the project should be clearly demonstrated.
- #3 The effect of tax advantaged bond financing of this project on existing businesses within the community should be clearly demonstrated.
- #4 The proposed industrial development project should meet all local zoning and building code requirements.
- #5 The bonds should be a sound investment. The stronger the evidence that the bond issue is financially sound, the more likely the request will be approved.

**LEXINGTON-FAYETTE INDUSTRIAL REVENUE BOND  
APPLICATION FORM**

**APPLICANT/SPONSOR INFORMATION** *(Proposed owners or user of the project.)*

1. Applicant's/Sponsor's Legal Name: Astana LLC  
Street: 3576 Briar Hill Rd  
City/County: Lexington, Kentucky  
Zip Code: 40516  
Telephone Number: (410) 491-8090  
Contact Person: Nik Feldman  
Brief description of present business: Astana LLC was formed in 2020 for the purpose of being the owner of the Speigle Heights Redevelopment Project.

2. Business Organization: Corporation \_\_\_\_\_  
Limited Partnership \_\_\_\_\_  
Non-Profit\* \_\_\_\_\_  
Sole Proprietorship \_\_\_\_\_  
Other Limited Liability Company

\*If your organization has a non-profit status under IRC §501(c)(3), please complete Attachment A.

Date and state of incorporation, if appropriate: March 20, 2020; Commonwealth of Kentucky

3. Project Representatives: Nik Feldman

Name, Address and Telephone Number: Nik Feldman, [REDACTED]

Person in charge of project: Nik Feldman

Applicant's/Sponsor's attorney: Dentons, Bingham, & Greenbaum LLP (Contact: Jake Michul)

Applicant's/Sponsor's investment broker: N/A

Applicant's/Sponsor's accountant, CPA/Auditor: Dean Dorton (Contact: David Smith)

Applicant's/Sponsor's regular bank(s) of business: [REDACTED]

Lender for the project(s): [REDACTED]

Mortgage banker: Webanco (Contact: [REDACTED])

Project bond counsel: Stoll Keenon Ogden PLLC (Contact: Tim Eifler)

Project underwriter: [REDACTED]

Project architect: EOP Architects (Contact: Rick Ekhoft)

Property manager: Astana LLC & [REDACTED]

**INFORMATION ON PROJECT MANAGEMENT**

4. Is the proposed project owner, and/or applicant, and/or user, a subsidiary or direct or indirect affiliate of any other organization? **(If so, indicate name of related organization and relationship.)**

See attached section titled "Organization Documents."

5. Management: List all owners, officers, directors and partners of applicant. Also, list all stockholders having 20% or more interest in applicant (complete all categories for each person). If the applicant is a publicly held corporation, please provide the latest proxy statement indicating stock ownership. **(Use separate page if necessary.)**

See below.

Name (First Middle & Last): Nicholas Feldman

Office Held: Manager, Astana LLC

Partner: Hank Morris, Project Manager

Home Address (Include zip code): [REDACTED]

Ownership: 100%

6. If any of the above persons own more than 50% of the applicant, please list all other companies, partnerships, or associations in which such persons have more than 50% interest. **(Use separate page if needed.)** See attached section titled "Organization Documents.

7. Have any of the persons listed in Items 4 - 6 ever been charged with, or convicted of, any criminal offenses, other than a minor motor vehicle violation?

Yes \_\_\_\_\_ No X **(If yes, furnish details in a separate attachment)**

8. Have any of the persons listed in Items 4 - 6 been subject to any disciplinary action, past or pending, by any administrative, governmental, or regulatory body?

Yes \_\_\_\_\_ No X **(If yes, furnish details in a separate attachment)**

9. Has the applicant or management of applicant been informed of any current or ongoing investigation of the applicant with respect to possible violations of state or federal securities or anti-trust laws?

Yes \_\_\_\_\_ No X (If yes, furnish details in a separate attachment)

10. Has the applicant or any person listed in Items 4 - 6 above or any concern in which any person(s) listed in Items 4 - 6 currently or previously have an ownership interest been party to a bankruptcy, been in receivership or adjudicated as bankrupt?

Yes \_\_\_\_\_ No X (If yes, furnish details in a separate attachment)

11. Has the applicant or any person listed in Items 4 - 6 above been denied a business related license or had it suspended or revoked by any administrative, governmental, or regulatory agency?

Yes \_\_\_\_\_ No X (If yes, furnish details in a separate attachment)

12. Is the applicant or any person listed in Items 4 - 6 currently disbarred, suspended, or disqualified from contracting with any federal, state, or municipal agency?

Yes \_\_\_\_\_ No X (If yes, furnish details in a separate attachment)

13. Describe applicant's development experience, years in business, and property manager's experience.

See attached section titled "Organization Documents."

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14. List any similar projects undertaken by the applicant/sponsor in the past five years:

<u>Name</u>	<u>Location</u>	<u># Units</u>
See attached section titled "Organization Documents."		

#### **INFORMATION ON PROJECT:**

15. Location of proposed project:

Street address: 941, 903 (Suites 120 – 180), 904, 910, 920, 922, 926, 930, 962, 964  
Manchester Street, Lexington, Kentucky 40508

16. Project Site:

(Land)

- a. Indicate approximate size, in acres or square feet, of project site:

2.35 Acres (941 Manchester Street @ 1.13 Acres + Other Units @ 1.22 acres)

b. Indicate in detail, the present use of the project site:

See attached section titled "Application Responses."

(Buildings)

c. Does the project consist of the construction or acquisition of a building or buildings?

New construction YES  
Acquisition YES

Indicate the number and size of buildings in number of stories and square feet per story.

See attached section titled "Application Responses."

d. Does the project consist of additions and/or renovations to existing buildings?

Yes X No \_\_\_\_\_ (If yes, indicate nature of expansion and/or renovation.)

See attached section titled "Application Responses."

## 17. Site Control

a. If applicant now owns project site, indicate:

1) Date of purchase: Multiple dates: 10/9/19, 11/1/19, 1/15/20

2) Purchase price: \$3,273,000

3) Balance of existing mortgage: [REDACTED]

4) Holder of mortgage: Wesbanco (Contact: [REDACTED])

b. If the applicant is not now the owner of the project site, does applicant have an option/contract to purchase the site and any buildings on the site?

Yes \_\_\_\_\_ No \_\_\_\_\_

If not presently owned by the applicant, identify the owner and:



- 1) Date option/contract agreement signed with owner: \_\_\_\_\_
- 2) Purchase price under option/contract: \_\_\_\_\_
- 3) Expiration date of option/contract: \_\_\_\_\_
- 4) Earnest money deposit on option/contract: \_\_\_\_\_
- 5) Other: \_\_\_\_\_

c. If the applicant is not the owner of the project site, does the applicant now lease the site or any buildings on the site? Yes \_\_\_\_\_ No \_\_\_\_\_ **(If yes, provide copy of lease.)**

d. Is there a relationship legally or by virtue of common control between the applicant or proposed user of the project and the seller of the project?

Yes \_\_\_\_\_ No \_\_\_\_\_ **(If yes, describe this relationship using an attachment if necessary.)**

18. Zoning and Infrastructure

a. Do proposed uses of project comply with all governmental zoning and subdivision regulations? Yes  X  No \_\_\_\_\_ **(If no, explain action to be taken to comply.)**

b. Is adequate capacity and/or accessibility for utilities, sewerage, and drainage available to site?

Yes  X  No \_\_\_\_\_ Describe any special needs.

19. Has construction work on this project begun?

Yes \_\_\_\_\_ No  X  **(If yes, complete the following):**

- |    |                        |           |          |                  |
|----|------------------------|-----------|----------|------------------|
| a. | Site clearance         | Yes _____ | No _____ | % complete _____ |
| b. | Foundations            | Yes _____ | No _____ | % complete _____ |
| c. | Footings               | Yes _____ | No _____ | % complete _____ |
| d. | Steel                  | Yes _____ | No _____ | % complete _____ |
| e. | Masonry work           | Yes _____ | No _____ | % complete _____ |
| f. | Other (describe below) | Yes _____ | No _____ | % complete _____ |



23. Credit Enhancement: See attached sections titled "Bond Request Summary" (discussing that credit enhancement is not relevant for tax abatement bonds) and "Lender Letter."
24. Have any of the above expenditures already been made by the applicant? (Provide detail)  
Yes X No \_\_\_\_\_
25. Describe why tax-exempt financing is essential for this project.  
See attached section titled "Bond Request Summary."
26. Have any of the above expenditures been incurred but not paid by the applicant?  
Yes \_\_\_\_\_ No X (If yes, indicate particulars on an attached sheet)
27. Refinancing: Will any of the funds to be borrowed from the Lexington-Fayette Urban County Government be used to repay or refinance an existing mortgage or outstanding loan?  
Yes \_\_\_\_\_ No X (If yes, provide details on an attached sheet)

**LOCAL IMPACT**

28. Has the Lexington-Fayette Urban County Government issued bonds on behalf of your company? Yes \_\_\_\_\_ No X
29. Does your company have existing operations and employees in Lexington-Fayette County? Yes \_\_\_\_\_ No X
30. Will the project include closing any of the applicant's current operations in Lexington-Fayette County?  
Yes \_\_\_\_\_ No X
31. Will the project include reducing the applicant's current employment?  
Yes \_\_\_\_\_ No X
32. Describe the impact of the project on the provision of public utilities and services to the project site, including the current availability of services and the need for additional services.  
See attached section titled "District Improvement Initiative."  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

33. Local Benefit: Describe the project's impact on existing license fees, occupational license fees and property tax revenues and other tax revenues to the Urban County Government and other tax revenues.  
See attached section titled "Application Responses."  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

34. Does this bond issue anticipate the use of the eminent domain power by the Urban County Government? Yes \_\_\_\_\_ No X  
If yes, please explain:  
\_\_\_\_\_  
\_\_\_\_\_

**EMPLOYMENT IMPACT**

35. Current number of employees working for applicant None

36. Current number of employees working for applicant that are Women  
None

37. Current number of employees working for applicant that are minorities  
None

38. Nature and number of jobs to be created by this loan:  
Skilled \_\_\_\_\_ Semi Skilled \_\_\_\_\_ Unskilled \_\_\_\_\_ Total See attached section titled "Application Responses."

39. Number of new jobs available to women See attached section titled "Application Responses."

40. Number of new jobs available to minorities See attached section titled "Application Responses."

41. The Central Kentucky Jobs Center offers training programs, referral services, and technical assistance in the development of training programs. Are you willing to use these services and/or technical assistance?  
Yes X No \_\_\_\_\_  
If no, please explain:  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

42. Are there any equal employment opportunity charges pending against your company?  
Yes \_\_\_\_\_ No X

If yes, please explain:

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43. Describe in specific, verifiable terms the Applicant's plan to address affirmative action, the hiring of local (Fayette County) labor, and the hiring of the unemployed in both construction and permanent jobs for the project:

See attached section titled "Application Responses" and attached section titled "District Improvement Initiative."

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### ECONOMIC IMPACT

44. List all businesses in the Lexington-Fayette County area that provide the same services or products as the proposed project:

See attached section titled "Application Responses."

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45. Provide evidence that there is a sufficient market to support the project without negatively impacting existing businesses:

See attached section titled "Application Responses."

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### CONVENTIONAL FINANCING

46. Is non-tax free conventional financing available? Yes \_\_\_\_\_ No X

47. If yes, specify: Interest Rate: \_\_\_\_\_ Years: \_\_\_\_

Reasons for not using conventional financing:

See attached section titled "Bond Request Summary." Tax-free conventional financing is available but not for the purpose of obtaining a property tax abatement. The requested bonds are the only source of the abatement.

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### ENVIRONMENTAL IMPACT

48. Describe the environmental impact of the construction and operation of the proposed project:

It is anticipated that the construction and operation of the Project will not have an adverse environmental impact. See attached section titled "Green Building initiatives."

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49. Are there any environmental regulations charges pending against your company?  
Yes \_\_\_\_\_ No X

If yes, please explain:

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**IN WITNESS WHEREOF**, the undersigned being duly authorized so to do, have signed this application.

(Corporation)

Astana LLC (Kentucky Limited Liability Company)  
Corporate Name

Attest:

By: \_\_\_\_\_  
Secretary

  
By: Nik Feldman, Manager  
President

(Partnership)

Witness:

\_\_\_\_\_

\_\_\_\_\_  
Name

By: \_\_\_\_\_  
General Partner

(Individual)

Witness:

\_\_\_\_\_

\_\_\_\_\_  
Business Name

By: \_\_\_\_\_

**In addition to the Industrial Revenue Bond Application Form, the following ADDITIONAL INFORMATION must be submitted:**

- The letter of inducement, addressed to the Mayor, describing the project, estimating the benefits to the community, and describing the impact of the project on public services.**
- Site plan including existing land use information (zoning, net and gross acreage, etc.).
- Management plan.
- Marketing plan.
- A letter from an underwriter, bond purchaser or a credit enhancer is needed which indicates that the bond is satisfactory subject to further review.
- Underwriter's or private purchaser' letter of intent to buy bonds.
- Evidence of any guarantee provided to bond purchasers.
- Project description and Time Schedule.
- Sources and uses of fund.
- Ten-Year Pro Forma.
- Organization documents.
- Appraisal of the project(s).
- An independent audit and certified financial statement or reviewed financial statement of the applicant(s) for the most current complete year, prepared and certified by an independent certified public accounting firm; audited statements prepared by an independent certified public accounting firm for the last three complete years are preferred, and may be requested by the Review Committee or the Urban County Council.
- A letter from the proposed purchaser of the bonds, confirming its intent to purchase the issue and giving evidence of the purchaser's financial ability to purchase the bonds; the financial statements of the purchaser(s) for the last three complete years, either audited or prepared by an independent certified public accountant, may be requested by the Review Committee or the Urban County Council.
- Letters from at least two (2) institutional lenders stating whether or not conventional financing is available, and if available, upon what terms, including interest rates and other relevant data. The letters should also state the terms and conditions under which the lender evaluated the proposed project.



**ATTACHMENT A**

**TO BE COMPLETED BY 501(c)(3) NON-PROFIT ORGANIZATIONS**

1. Describe the activities in IRC §501 (c) (3) for under which your organization qualifies for tax exemption:

N/A

2. Will the bond proceeds be used for the charitable activities for which your organization's §501(c)(3) status was granted? Explain.

N/A

3. Does the organization currently have other projects financed by §501(c)(3) bonds? N/A

\_\_\_\_\_ Yes    \_\_\_\_\_ No

4. Will the organization own 100% of the property(ies) to be financed by bond proceeds? N/A

\_\_\_\_\_ Yes    \_\_\_\_\_ No

# **APPLICATION RESPONSES**

**CONFIDENTIAL**

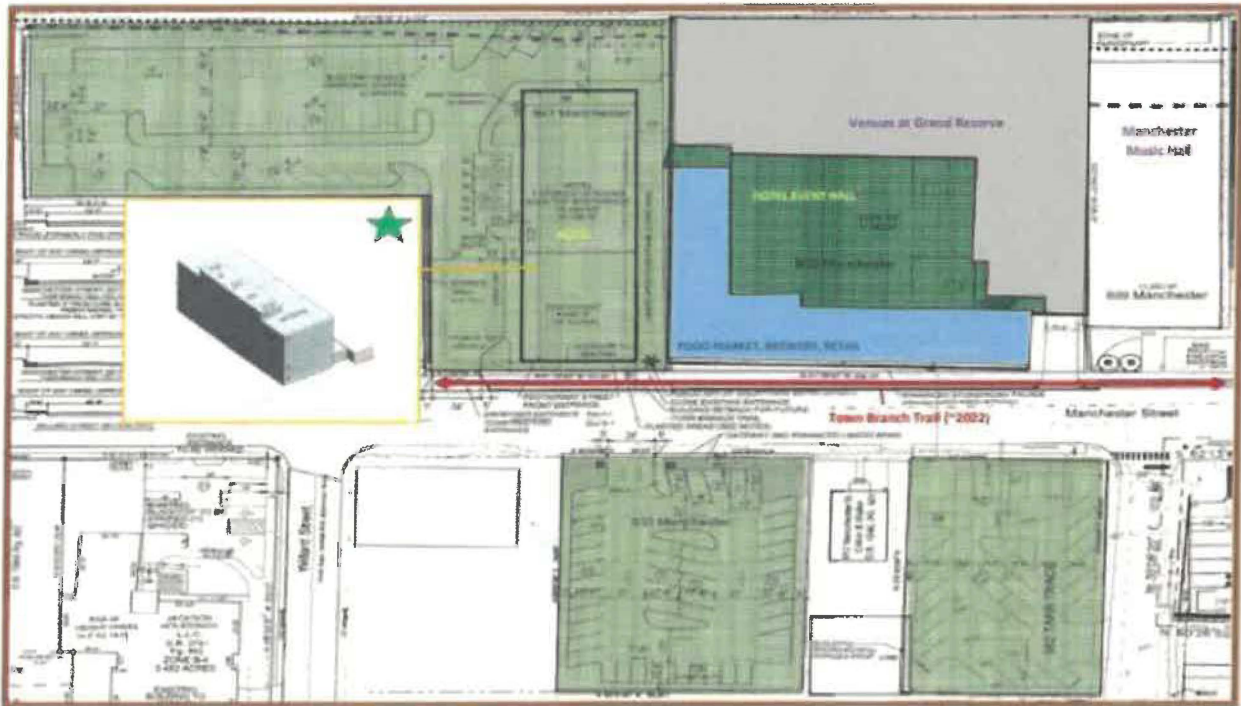
**CONFIDENTIAL**

**LEXINGTON-FAYETTE INDUSTRIAL REVENUE BOND APPLICATION FORM  
RESPONSES<sup>1</sup>**

**Question #16 (b):** Indicate in detail, the present use of the project site.

Response:

The following figure provides an overview of the parcels and buildings included in the Project.



As shown, the Applicant owns parcels on the north and south side of Manchester Street. The following figure shows the existing structures from the western end of the Project site. As shown (from left to right), there is the existing parking lot and storage building (941 Manchester Street) and a previously used building (903 Manchester Street).

<sup>1</sup> Information and content used in these responses include findings from [REDACTED] and information provided by the Applicant.



The next figure shows the existing structures from the eastern end of the Project site. The dark gray building houses the Manchester Music Hall, a standing room only concert venue that is adjoined to 903 Manchester Street but is not part of the Project or owned by the Applicant. Adjacent to the lightning bolt sign is the entrance to Manchester Coffee Co., which is a popular café and a current tenant of 903 Manchester Street. 903 Manchester Street also offers a vacant storefront space, which was previously leased by an art gallery.



**Source:**

**Developer**

**Question #16 (c):** Indicate the number and size of buildings in number of stories and square feet per story.

Response:

The elements of the to-be-constructed Manchester Hotel (941 Manchester Street) and the redevelopment of 903 Manchester Street (Suites 120 – 180) are listed below.

- “Manchester Hotel”, a six-floor, 120-125 key luxury, boutique hotel that will offer the following amenities:
  - Rooftop Bar & Restaurant (8,000 – 8,500 SF)
  - Fitness center
  - Lobby and lounge area (2,000 SF)
  - Open-air courtyard (2,500 SF)
  - Views of downtown Lexington
- Renovated 903 Manchester Street building (45,000 SF), including:
  - Event space (11,150 SF)
  - Spa (3,500 SF)
  - Microbrewery (3,935 SF)

**Source:**

**Developer**

**Question #16 (d):** Does the project consist of additions and/or renovations to existing buildings?

Response:

Yes. The existing storage building will be demolished and superseded by a wider, six-story structure. The 903 Manchester Street building (Suites 120 – 180) will be redeveloped and repurposed for a mix of existing and new uses.

**Source:**

**Developer**

**Question #22 (a): Description of Cost.**

Response:

Uses	PSF	Per Key	%	Total
Acquisition Costs	52	26,784	9%	3,348,000
Hard Costs	348	180,772	60%	22,596,551
FF&E	84	43,522	15%	5,440,250
Soft Costs	65	34,058	11%	4,257,221
Working Capital	7	3,600	1%	450,000
Financing Costs <i>(Contr. Loan)</i>	5	2,680	1%	335,000
Carry Costs	15	7,542	3%	942,759
<b>Total Uses</b>	<b>575</b>	<b>298,958</b>	<b>100%</b>	<b>37,369,781</b>

*Source:*

*Developer*

**Question #33: Local Benefit:** Describe the project's impact on existing license fees, occupational license fees and property tax revenues and other tax revenues to the Urban County Government and other tax revenues.

Response:

Over the 40-year period, this IRB proposal would allow the Project to generate additional tax revenues to the Lexington Fayette County Urban Government (“LFUCG”) estimated to be \$5.6 million in occupational tax revenues, \$38.2 million in local transient room tax revenues, and \$9.1 million in PILOT payments to the School District.

Speigle Heights Redevelopment Project Estimated LFUCG Tax Revenues Generated from Project with IRB Construction & Operations				
	Tax Rate	Construction (One-Time)	Operations (40-Year Total)	Total
<b>LFUCG Tax Revenues</b>				
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\*Assumes a PILOT equal to a maximum Tier 1 property tax rate of 0.51% (Fayette County).

*Source:*

*Developer, Counsel, and Consultants*

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**Question #38:** Nature and number of jobs to be created by this loan.

Response:

The Project's investment is estimated to generate 250 direct construction jobs and approximately \$10.2 million of direct construction wages. Ongoing employment at the Project is expected to support an additional 97 direct jobs and \$238.4 million of direct wages over the 40 years. These jobs will include a variety of skilled, semi-skilled, and unskilled labor for both construction and ongoing operations.

**Source:**

***Developer, Counsel, and Consultants***

**Question #39:** Number of new jobs available to women.

Response:

All available jobs will be available to women.

**Source:**

***Developer***

**Question #40:** Number of new jobs available to minorities.

Response:

All available jobs will be available to minorities.

**Source:**

***Developer***

**Question #43:** Describe in specific, verifiable terms the Applicant's plan to address affirmative action, the hiring of local (Fayette County) labor, and the hiring of the unemployed in both construction and permanent jobs for the project.

Response:

The Project is looking to maintain a strong positive impact within the local Lexington economy. It will carefully consider the potential construction team and tenants and prioritize those which tend to hire locally and that implement a fair and equal hiring process.

**Source:**

***Developer***

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**5**

**Question #44:** List all businesses in the Lexington-Fayette County area that provide the same services or products as the proposed project.

Response:

The following table details the Project’s competitive set, sorted by distance from the Project site. Factors considered were location relative to the Project and Central Bank Center in downtown Lexington, room count, level of quality, brand, onsite amenities and their level of group demand stemming from Central Bank Center events.

Property	Distance from Site (miles)	# of Rooms	Chainscale	Open Date
Hilton Lexington Downtown	0.6	366	Upper Upsc	Nov-82
Hyatt Regency Lexington	0.6	366	Upper Upsc	Apr-77
Residence Inn Lexington City Center	0.8	119	Upscale	Jan-20
Lexington Marriott City Center	0.8	218	Upper Upsc	Jan-20
21c Museum Hotel by MGallery Lexington	0.8	88	Upper Upsc	Mar-16
SpringHill Suites Lexington Near The University Of Kentuck	0.9	108	Upscale	Dec-03
The Sire Hotel Lexington, Tapestry Collection by Hilton	0.9	42	Upscale	Jun-87
The Campbell House Lexington, Curio Collection by Hilton	1.5	250	Upper Upsc	Jun-51
Marriott Lexington Griffin Gate Resort & Spa	3.0	409	Upper Upsc	Sep-81
Embassy Suites by Hilton Lexington/UK Coldstream	3.1	230	Upper Upsc	May-99
<b>Total/Average</b>		<b>2,196</b>	<b>--</b>	<b>Dec-93</b>

Source: Smith Travel Research

The following figure shows a map of the relevant competitive hotel set in Lexington.



Source:

Market and economic impact data and analysis based on the [REDACTED]

**CONFIDENTIAL**

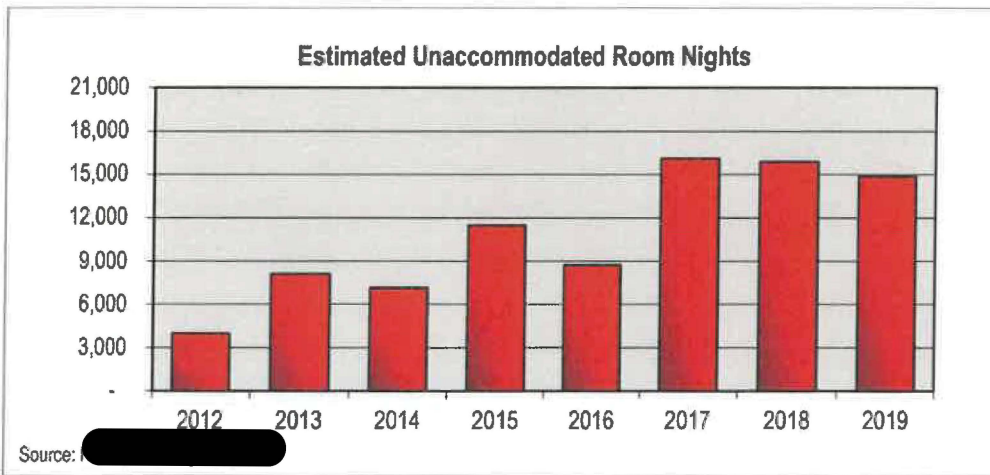


**Question #45:** Provide evidence that there is a sufficient market to support the project without negatively impacting existing businesses.

Response:

Unaccommodated demand is defined as demand that would have been captured by the market but was not due to a lack of available or quality rooms. This demand is therefore deferred to later dates, accepts lesser- preferred accommodations, moves just outside the competitive set, moves its business to another area, or cancels plans altogether. Therefore, as new properties are added to the market, it is expected that this demand will be accommodated by the new supply. This suggests that when new hotels are added, they do not cannibalize existing market demand, but instead accommodate previously uncaptured demand.

The following figure shows the estimate of unaccommodated room nights over the past eight years.



As previously mentioned, an unaccommodated room night is a night when a traveler seeking accommodations within the market must either cancel their stay or settle for accommodations of lesser quality because the desired facilities have no vacancies. The number of estimated unaccommodated room nights is determined in any month when occupancy is higher than 66 percent.

The 21c Museum Hotel by MGallery Lexington opened in March 2016. Since 2017, unaccommodated room night demand for the competitive set has remained above 14,500 room nights. Demand grew inorganically due to a new, high-quality property entering the market. This implies that new hotels are needed (in non-pandemic times) to absorb excess demand.

*Source:*

*Market and economic impact data and analysis based on the*

**DISTRICT IMPROVEMENT  
INITIATIVE**

**CONFIDENTIAL**

## Synopsis

### Distillery District Designation & Town Branch Path Formation

The Lexington Distillery District Improvements Program Feasibility Study is a comprehensive report that analyzes the objectives, purposes, and goals for Lexington deciding to implement:

- 1) Designation of The Distillery District;
- 2) Rezoning of The Distillery District to allow for major improvements and flexible use; and
- 3) Creation of the Town Branch Trail along Manchester Street, (as opposed to along any other 11 roadway-spokes that connect urban to suburban Lexington).

Listed below are a several excerpts from the report that analyze how district-designation and path- formation could help Lexington's city planners achieve their objectives. In bullets are explanations of how the Speigle Heights Project specifically accomplishes the planners' desired outcomes.

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"The ultimate restoration and repair of the Manchester Street Corridor, Town Branch Creek, and the neighborhoods that define the Distillery District will occur through an evolving series of public and private initiatives that shape the character and quality of the District's public realm and provide required improvements, services, and amenities over many years" (page 4). It adds that in consideration of installing a path along Manchester Street, city planners wanted to know how the path would introduce more civic space, improve outreach from the larger Lexington community to these neighborhoods, and help stabilize the day-to-day lives of local residents.

- Lexington resolved that public investments would spur private ones, together improving the neighborhood's infrastructure and expanding its residents' socio-economic mobility. The Speigle Heights Project is the second desired input – private investment.

In a townhall meeting, Speigle Heights and Irishtown residents voice their support to city planners desire to build a path along Manchester Street. "The neighborhood participants acknowledge that the project has potential to provide benefits to the neighborhood. Various enhancements [they felt and hoped] it would include were improved pedestrian access, removal of existing abandoned houses, neighborhood cleanup, increased employment opportunities for residents, development that includes places where residents can patronize, park improvements, and preservation of important historic elements" (page 22).

- The Speigle Heights Project's hotel will replace a windowless, empty, and unsightly 30-foot storage-unit container. Storefronts that currently sit vacant will be occupied by a microbrewery, salon and spa. This project will address residents' hope that abandoned structures will be removed and vacant spaces.
- Many illicit activities currently occur in the vacant lots surrounding the development site. With more commercial activity, these streets will be active and more frequently patrolled. This would address residents' desire to have their neighborhood cleaned up.

## Synopsis

### Distillery District Designation & Town Branch Path Formation

- Residents voiced a need for increased employment opportunities. The predominant skillsets of Speigle Heights residents are in service, construction, and repair, according to the most recent census. The Speigle Heights Project would bring stabilization to the neighborhood in the form of labor.
- “Residents expressed hope that developments would include more places for them to shop and dine conveniently” (page 22). Currently there is only one retail outlet in the East End Distillery District. This project will introduce multiple dining concepts and leisure activities, at both low and high price points. Residents also expressed a desire for more public space. The Speigle Heights Project will provide an open public-seating area adjoined to the Town Branch Trail, as well as a public-access to the hotel’s rooftop. The developer will install public art, as well as a crosswalk with motion-detecting beacons so residents can safely cross over to the Town Branch Trail.

The Purpose and Intent subsection of the report states that the path is to “enhance district connectivity while remaining sensitive to neighborhood concerns” (page 6). The report further highlights how investment in the trail would open up opportunities for others to “fill the gap by integrating the Manchester Street corridor with Rupp Arena, the Arts & Entertainment Districts, and Town Branch Commons... the bikeway trail should promote mixed- use development and create an enhanced sense of vibrancy along the corridor” (page 24).

- The future Town Branch Park and revive West End Distillery District are mostly scrapyards and impound lots with neighborhoods nestled between. City planners realized the East End Distillery District would likely remain this way unless they created a more inviting atmosphere, catapulted off the Town Branch Park along the Trail. The Speigle Heights Project is the realization of the city’s investment, bridging both the geographical and economics gaps. Patrons will be able to access nightlife in the West End or attend events at Central Bank Center, walking less than five minutes in either direction.

“Designers should also consider the differences between the mixed-use industrial Distillery District and a traditional commercial District so that proposed designs retain the industrial character of the area that make it unique rather than transform it into a typical commercial center” (page 19).

- The Speigle Heights Project considers and capitalizes on these suggestions. The Project’s retail, dining, and event space are all contained within a historic warehouse sitting atop foundations of the first bourbon distilleries in Lexington. The hotel will be built with a brick exterior, resembling a rickhouse. The interior design will pay homage to Lexington’s unique culture tied to bourbon production and thoroughbred racing. The hotel will also be the most energy efficient building in the Distillery District, as outlined in a separate report produced by EOP Architects and Barrett Partners.

# **GREEN BUILDING INITIATIVE**

**CONFIDENTIAL**



February 10, 2020

Tony Barrett  
Barrett Partners, Inc.  
Planning and Landscape Architecture  
209 E High Street, Suite 201  
Lexington, KY 40507

**Green Building Initiatives**

Manchester Street Hotel  
941 Manchester Street  
Lexington, Kentucky

Mr. Barrett,

This letter is in response to your request for an accounting of green building initiatives that are currently planned for the proposed hotel at 941 Manchester Street. The project is very early in the design phase; however, sustainable design features currently under consideration for the facility include:

1. Development is located in area of building density, diverse uses, public transit and existing infrastructure. This promotes conservation of existing green space, walkability, transportation efficiency and reduction of vehicle distance traveled.
2. Include bicycle racks and facilities to promote bicycling and transportation efficiency and reduce vehicle distance traveled. Improve public health by encouraging utilitarian and recreational physical activity.
3. Designate several parking spaces as preferred parking for green vehicles. Provide access to electric vehicle charging stations.
4. Site design will include a reduction in storm water run-off from the site to Town Branch Creek and provide water quality interventions for much of the new parking areas to treat storm water run-off prior to discharge from the site.
5. An illustrative sign in the parking area will provide public education regarding storm water management and the direct positive impact of the site design on the adjacent Town Branch Creek.
6. Reduce pollution from construction activities by controlling soil erosion, waterway sedimentation, and airborne dust.
7. Protect the health of populations by ensuring that the site is assessed for environmental contamination and that any environmental contamination has been remediated.
8. Minimize effects on microclimates and human and wildlife habitats by reducing heat islands.
9. Install cutoff rated exterior lighting fixtures to increase night sky access, improve nighttime visibility, and reduce the consequences nighttime light pollution for wildlife and people.

10. Provide outdoor places of respite on site for occupants, staff, and visitors with the health benefits of the natural environment.
11. Reduce the project's landscape water requirement through use of native plants to minimize water and maintenance requirements.
12. Reduce water consumption by installing toilets, urinals, lavatory faucets, showerheads and appliances that are low-flow WaterSense labeled.
13. Optimize energy performance by using occupancy control sensors, energy recovery ventilation and high efficiency HVAC systems to reduce energy consumption.
14. Use LED lighting, occupancy control sensors and daylight harvesting to reduce lighting energy consumption.
15. Install high efficient domestic water heating systems to reduce energy consumption.
16. Do not use chlorofluorocarbon (CFC)-based refrigerants in new heating, ventilating, air-conditioning, and refrigeration (HVAC&R) systems.
17. Provide for storage and collection of recyclables.
18. Reduce construction and demolition waste disposed of in landfills and incineration facilities by recovering, reusing, and recycling materials.
19. Encourage the use of products and materials for which life-cycle information is available and that have environmentally, economically, and socially preferable life-cycle impacts.
20. Contribute to the comfort and well-being of building occupants by establishing minimum standards for indoor air quality.
21. Reduce concentrations of chemical contaminants that can damage air quality, human health, productivity, and the environment. Develop and implement an indoor air quality management plan for the construction and preoccupancy phases of the building.
22. Provide quality views through direct line of sight to the outdoors via vision glazing for 75% of all regularly occupied floor areas.
23. Provide spaces that promote occupants' well-being, productivity, and communications through effective acoustic design for HVAC background noise, sound isolation, reverberation time, and sound reinforcement.

These are some of the sustainable green building design and construction initiatives currently planned for the Manchester Street Hotel and site. Not all may end up being used and other sustainable features may be added as the design develops. EOP Architects is experienced in sustainable design and was responsible for the first LEED Certified building designed and constructed in Kentucky as well as the first LEED Certified hotel. The Manchester Street Hotel will evaluate pursuing LEED certification, but it is too early in the design process to make that final determination. Whether the project pursues LEED certification or not the hotel will be designed and constructed as a sustainable green building.

Sincerely,



Richard Polk, AIA, LEED AP  
Principal / EOP Architects

# **SITE PLAN**

**CONFIDENTIAL**





THREE WAYS LOT  
D.B. 3342, PG. 742

**941 Manchester,**  
49,121 GSF / 1.13 Acres

DAVIS BROOK  
D.B. 3430, P.

BRITISH BOND  
D.B. 2105, Pg. 118

YOUNG  
MAG NHT  
#2000

FOUND  
DC #2070

FOUND  
DC #2020

MANCHESTER REALTY, L  
D.B. 3317, PG. 702  
**903 Manchester, Suites 120-180**  
19,699 GSF / 0.45 Acres

SUITE 110  
11,243.59 sq ft

SUITE 120  
12,700.23 sq ft

SUITE 150  
3,965.96 sq ft

SUITE 170  
1,476.96 sq ft

SUITE 180  
5,086.11 sq ft

COMMON AREA

MANCHESTER REALTY, LLC  
D.B. 3318, PG. 212



33

S 32° 01' 00" E 200' 0"

11,243.59

42670

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**MANAGEMENT & MARKETING  
PLAN EXAMPLE #1**

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**LENDER LETTER**

**CONFIDENTIAL**

# **PROJECT DESCRIPTION AND TIME SCHEDULE**

**CONFIDENTIAL**



# Speigle Heights Redevelopment Project

· LEXINGTON, KENTUCKY

In 2020 , Astana , LLC and affiliates (the “ Developer ” ) began to develop plans for a multi - use entertainment project that would help bridge the geographical gap between Lexington ’ s revitalized West -End Distillery District and the Central Bank Center . The project site is located in the Speigle Heights neighborhood at the East-End of Lexington’s Distillery District and will result in significant improvements to the blighted property that sits adjacent to Manchester Music Hall . The cost to undertake the Speigle Heights Redevelopment Project ( the “ Project ” ) is significant as it will involve developing a 120 to 125-room hotel , multiple event spaces totaling 11,150 square feet, up to 8,500 square feet of restaurant space with a rooftop bar, a spa , and /or a locally inspired microbrewery . As currently envisioned , this Project will cost approximately \$34.1 million (excluding land acquisition costs ) and would be completed by late 2022 and be ready to open by early 2023.

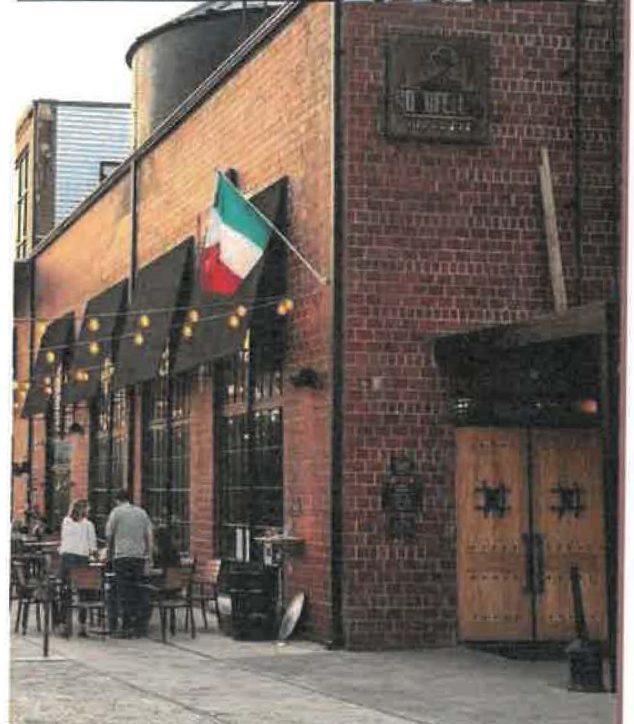
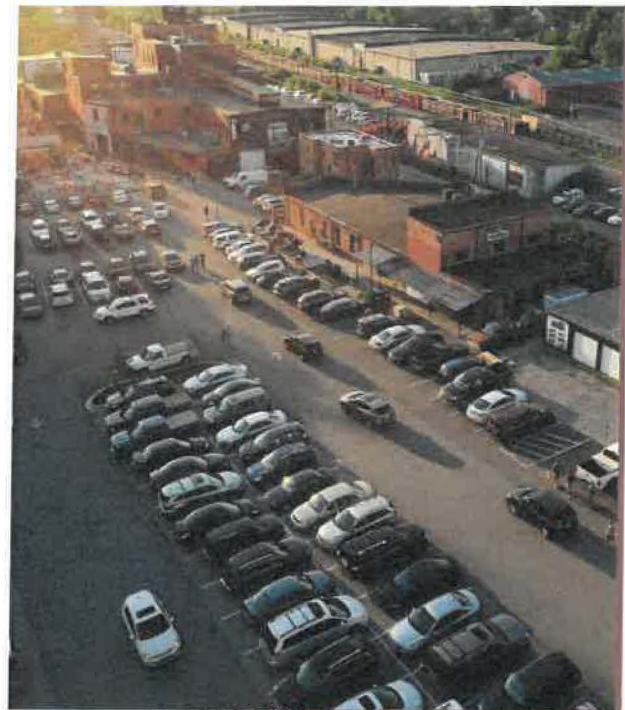
These types of impactful projects often require some level of financial support at both the state and local levels to realize their full potential . There are several programs that can be utilized to help bridge the financial gap. The Tourism Development Act ( “ TDA ” ) is a state incentive program that allows a proposed project to receive a state sales tax rebate over a 10-year period . The Developer has successfully applied and been approved for this state incentive program , but financial gap still remains in the capital stack . The Project now is seeking support from the Lexington - Fayette Urban County Government ( “ LFUCG ” ) to complete its capital stack and break ground by this summer.

The proposed Project is in a Tax Increment Financing ( “ TIF ” ) Development Area that was created by LFUCG to incentivize projects in this area but was never activated. Because the TIF Development Area has since been dissolved without any participation , one way that LFUCG can provide additional support to the Project would be to utilize Industrial Revenue Bonds ( “ IRBs ” ) as an economic development tool to abate a portion of the new property taxes that otherwise would be generated by the Project . An IRB structure would free up Developer funds as additional capital for the Project and allow the Project to move forward as currently envisioned . The Developer requests that LFUCG issue an IRB to finance and locally incentivize this important Project so that its benefits will be realized as soon as possible and in conjunction with the opening of the new, expanded Central Bank Center.

# HOTTEST NEIGHBORHOOD, PRIME LOCATION

- **The Distillery District** is a historically significant urban neighborhood that is being revitalized by Lexington civic leaders and dynamic visionaries who re-zoned the centrally located area from industrial to multi-use. Over the past five years, the neighborhood has quickly evolved into Lexington's most vibrant arts and entertainment destination. Spanning a half-mile stretch of Manchester Street, the Distillery District serves as a prime example of a strategically designed and masterfully executed urban development plan made possible by collaborative public-private effort and compelling vision.
- **The West-End Distillery District** is less than half a mile west of the Property, further from downtown, and is home to Lexington's newest and most popular entertainment destination - The Distillery. It contains several breweries and restaurants, three bourbon distilleries, and multiple bars, but currently lacks more casual all-day dining, retail, event spaces, music, and lodging.
- **The East-End Distillery District**, which will be anchored by the Hotel and bridge the geographical gap between the West-End and Downtown with vital, multifaceted upscale development. To-date, the East-End includes a concert hall, event venues, a café, and an art gallery. Next fall an upscale townhome development called Distillery Heights will be fully completed one block away from the property.

Other high-profile additions planned for East-End over the next three years include the hotel, rooftop bar, upscale retail and all-day dining restaurants, a spa, additional event space, co-working office space, and likely another microbrewery and/or distillery.







TOWN BRANCH PARK & TRAIL







# **SOURCES AND USES OF FUNDS**

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# **TEN-YEAR PRO FORMA**

**CONFIDENTIAL**

# **ORGANIZATION DOCUMENTS**

**CONFIDENTIAL**

## Developer Biography

### New Circle Investments

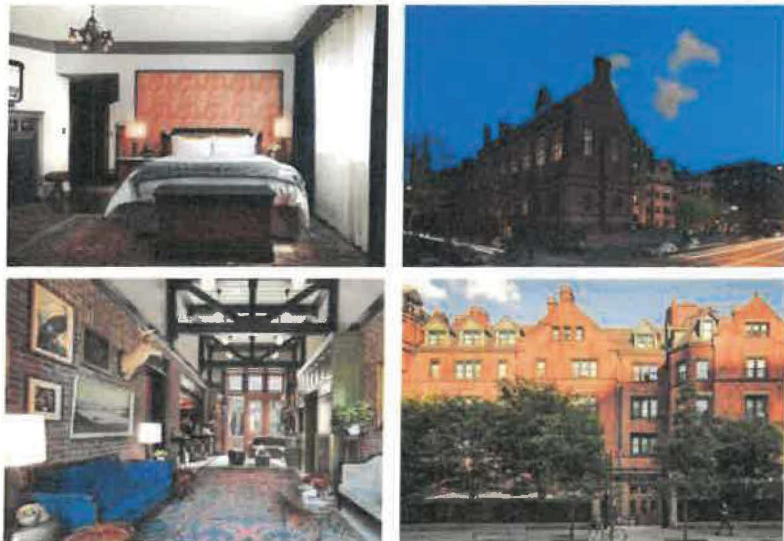
New Circle Investments (“NCI”) is a value-add hospitality development company that was established in Spring 2019 by Nik Feldman and Hank Morris. The mission of NCI is to invest in Kentucky-based projects with a long-term strategic outlook guided by the principals of community awareness, dedication, and reinvestment. Among NCI’s core clients and partners are many locally-rooted individuals and families that too have invested in the growth of Lexington’s civic centers, entertainment, and tourism, and that equally take pride “investing in a project with potential for profound, everlasting and positive change.”

The Spiegel Heights Project is the first of three planned community-revitalization projects throughout Kentucky within the developer’s pipeline, though considering the significantly higher property taxes assessed within Lexington’s downtown area, this is the only development for which the sponsor relies heavily upon on urban economic enhancements in order to gain debt financing comfort.

### Nik Feldman – Co-Founder, Acquisitions & Capital Markets

Nik Feldman spent many summers in Lexington growing up. For many years he envisioned returning to invest in the community he has now come to call home. Prior to his return to Lexington, Mr. Feldman was the sole Director of Acquisitions and Portfolio Strategy for the Brodsky Organization, a Manhattan-based multifamily developer / family-office fund with over 9,000 apartments, 150 retail shops, and a hallmark boutique hotel under management. During his tenure at Brodsky, Mr. Feldman executed on the development of some of the highest profile projects in New York City, and facilitated the purchase, sale, financing, and ownership-transition of over \$1 billion worth of strategic assets. Among the most notable projects Mr. Feldman managed were the City Point Brooklyn, Pacific Park Barclays Center, Enclave at the Cathedral of Saint John the Divine, and The High Line Hotel.

The High Line Hotel is a similar product-type to the one proposed at the Speigle Heights Development. The High Line Hotel was designed in a historic overlay of Chelsea and built in tandem with the city’s construction of The High Line, a 1.5 mile elevated linear park and walking path. Representative photos are included to the right. Similarly, the Speigle Heights Hotel will be locally-inspired, elegant, and urbane, and serve as an emblematic symbol of The East End Distillery District and Town Branch Park & Trail.



IMAGES: BRODSKY / HIGH LINE HOTELS - GENERAL THEOLOGICAL RESEARCH

Prior to his role at the Brodsky Organization, Mr. Feldman was an associate in Cushman & Wakefield’s Global Hospitality Practice, where he specialized in structured finance and investments sales. Among his clients included some of the world’s largest private equity funds, publicly-traded REITs, and sovereign

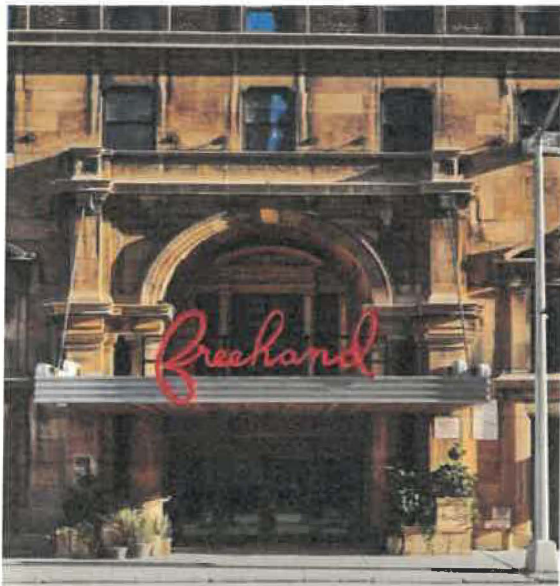
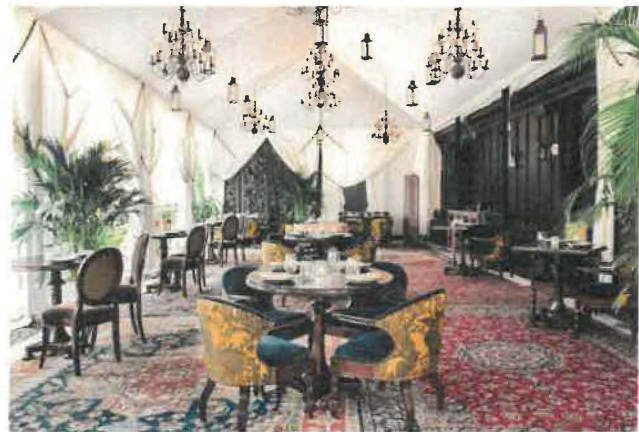
## Developer Biography

wealth funds. As the lone junior member under three managing directors, Nik was one of the top associate producers in the entire firm with over \$2 billion of transactional volume. Nik Feldman graduated from The School of Hotel Administration at Cornell University.

Hank Morris – Co-Founder, Development & Operations

Prior to co-founding NCI, Hank Morris served as the Vice President of Real Estate Development and Hotel Operations at Life House Hotels. As Life House's first employee, Hank was instrumental to the company's inception and growth that included securing >\$40MM in venture funding and developing /operating 27 Life House and Life Hospitality hotels. Hank oversaw the due diligence, conceptualization, architecture & engineering, design, permitting, entitlements, construction, furniture procurement and pre-opening of Life House's hotel and restaurant development portfolio that included a mix of ground-up, adaptive re-use and renovation projects. In addition to leading the company's Development team, in his last year with the company, Hank oversaw Hotel Operations and Guest Experience for all Life House-brand properties.

Prior to Life House, Hank was a Development Associate at the Sydell Group, where he was responsible for overseeing the holistic development of several large-scale hotels and award-winning restaurants including Freehand New York (396 rooms), The Line DC (220 rooms), the NoMad Hotel Bar (NYC), Spoken English (Washington DC), Brothers & Sisters (Washington DC), A Rake's Progress (Washington DC), The Broken Shaker (NYC), The George Washington Bar (NYC), Smile To Go (NYC), and Simon & The Whale (NYC). Hank has also previously held positions with Shangri-La Hotels, Sunstone Hotel Investors, as well as a number of independent hotels, and is also a graduate of The School of Hotel Administration.





Applicant's experience includes the holistic development (managing the design, development, permitting, entitlements, construction, FF&E procurement, and pre-opening scope) for the following completed projects:

Freehand Hotel	New York City	396 Keys
The Line Hotel	Washington D.C.	200 Keys
Life House Ocean Drive	Miami	82 Keys
Life House Lower Highlands	Denver	19 Keys
Life House South of Fifth	Miami	26 Keys
Life House Little Havana	Miami	33 Keys
Life House Nantucket	Miami	17 Keys
Life House Collins Park	Miami	52 Keys
Kayak Miami Beach	Miami	50 Keys
Life House Ocean Drive	Miami	82 Keys

+ 5 other unopened/unannounced "Life House" hotels in various stages of design, development and construction

Nomad Hotel Bar	New York City	Restaurant & Bar
Spoken English	Washington D.C.	Restaurant & Bar
Brothers & Sisters	Washington D.C.	Restaurant & Bar
A Rake's Progress	Washington D.C.	Restaurant & Bar
The Broken Shaker	New York City	Restaurant & Bar
The George Washington	New York City	Restaurant & Bar
Smile To Go	New York City	Restaurant & Bar
Simon & The Whale	New York City	Restaurant & Bar
Terras	Miami	Rooftop Bar & Lounge
Layla	Miami	Restaurant & Bar
Mama Joon	Miami	Restaurant & Bar
Pretty Swell	Miami	Restaurant & Bar
Parcela	Miami	Restaurant & Bar
Wildflower	Denver	Restaurant & Bar

Major Asset Management

The High Line Hotel	New York City	60 Keys
Enclave at the Cathedral of Saint John the Divine	New York City	428 Apartments
Bridge Tower E 60th	New York City	90 Apartments
City Point	Brooklyn, NY	689 Apartments
One Columbus	New York City	723 Apartments, 3 Retail
102-116 Eighth Avenue	New York City	102 Apartments, 10 Retail

Ownership Structure:

**Astana, LLC** - Provider of all capital to the Project. Nik Feldman is currently 100% sole member.

**New Circle Investments, LLC** - Owns Suites 120, 150, 170, and 180 at 903 Manchester Street, as well as 904 and 910 Manchester Street and 962 and 964 Tarr Trace. These lots will eventually be conveyed to Astana, LLC.

**New Octagon, LLC** - Owns the parking lots across the street at 922, 926, and 930 Manchester Street. These lots will eventually be conveyed to Astana, LLC.

**Commonwealth of Kentucky  
Michael G. Adams, Secretary of State**

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Michael G. Adams  
Secretary of State  
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Michael G. Adams  
Secretary of State  
P. O. Box 718  
Frankfort, KY 40602-0718  
(502) 564-3490  
<http://www.sos.ky.gov>

**Articles of Organization  
Limited Liability Company**

**KLC**

For the purposes of forming a limited liability company in Kentucky pursuant to KRS Chapter 275, the undersigned organizer hereby submits the following Articles of Organization to the Office of the Secretary of State for filing:

**Article I:** The name of the company is

**ASTANA LLC**

**Article II:** The street address of the company's initial registered office in Kentucky is

**300 West Vine Street, Suite 1200, Lexington, KY 40507**

and the name of the initial registered agent at that address is **1400, LLC**

**Article III:** The mailing address of the company's initial principal office is

**3725 Bowman Mill Road, Lexington, KY 40513**

**Article IV:** The limited liability company is to be managed by **Managers**

Executed by the Organizer on Friday, March 20, 2020

Name of Organizer: **Jake K Michul**

Signature of individual signing on behalf of Organizer:  
**Jake K Michul**

I, **1400, LLC**, consent to serve as the Registered Agent on behalf of the limited liability company.

Signature of Registered Agent or individual signing on behalf of the company serving as Registered Agent:

P Branden Gross

Commonwealth of Kentucky  
Alison Lundergan Grimes, Secretary of State

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Alison Lundergan Grimes  
Secretary of State  
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Alison Lundergan Grimes  
Secretary of State  
P. O. Box 718  
Frankfort, KY 40602-0718  
(502) 564-3490  
<http://www.sos.ky.gov>

Certificate of Authority  
Foreign Business Entity

FBE

Pursuant to the provisions of KRS Chapter 14A and KRS Chapter 275 the undersigned hereby applies for authority to transact business in Kentucky on behalf of the entity named below and, for that purpose, submits the following statements:

1. The entity is a **profit** limited liability company.
2. The name of the entity is **New Circle Investments LLC**.
3. The name of the entity to be used in Kentucky is **New Circle Investments LLC**.
4. The state or country under whose law the entity is organized is **Delaware**.
5. The date of organization is **4/23/2019**.
6. The mailing address of the entity's principal office is **3725 Bowman Mill Rd, Lexington, KY 40513**.
7. The street address of the entity's registered office in Kentucky is **3725 Bowman Mill Rd, Lexington, KY 40513** and the name of the registered agent in that office is **Nicholas Feldman**.
8. The names and business addresses of the entity's representatives:
9. I certify that, as of the date of filing of this application, the above-named entity validly exists under the laws of the jurisdiction of its formation.
10. This application will be effective on filing.

Signature of Authorized Representative:  
**Nicholas Feldman**

I, **Nicholas Feldman**, consent to serve as the Registered Agent on behalf of the business entity.

Signature of Registered Agent or individual signing on behalf of the company serving as Registered Agent:

Nicholas Feldman

**Commonwealth of Kentucky**  
**Alison Lundergan Grimes, Secretary of State**

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Alison Lundergan Grimes  
Secretary of State  
P. O. Box 718  
Frankfort, KY 40602-0718  
(502) 564-3490  
<http://www.sos.ky.gov>

**Articles of Organization**  
**Limited Liability Company**

**KLC**

For the purposes of forming a limited liability company in Kentucky pursuant to KRS Chapter 275, the undersigned organizer hereby submits the following Articles of Organization to the Office of the Secretary of State for filing:

**Article I:** The name of the company is

**New Octagon Limited Liability Company**

**Article II:** The street address of the company's initial registered office in Kentucky is

**300 W Vine St Ste 1200, Lexington, KY 40507**

and the name of the initial registered agent at that address is **Jake Michul**

**Article III:** The mailing address of the company's initial principal office is

**414 Plunkett Street, Lexington, KY 40508**

**Article IV:** The limited liability company is to be managed by **Members**

Executed by the Organizer on Wednesday, September 04, 2019

Name of Organizer: **Nicholas Feldman**

Signature of individual signing on behalf of Organizer:  
**Nicholas Feldman**

I, **Jake Michul**, consent to serve as the Registered Agent on behalf of the limited liability company.

Signature of Registered Agent or individual signing on behalf of the company serving as Registered Agent:

Jake Michul

# **BOND REQUEST SUMMARY**

**CONFIDENTIAL**

**Astana LLC**

**Bond Request Summary**

This summary addresses the various questions in the Lexington-Fayette Industrial Revenue Bond Application ("**App.**") that relate to traditional industrial revenue bonds ("**IRBs**") as opposed to the tax abatement IRBs requested by Astana LLC, on behalf of itself and its affiliates<sup>1</sup> (collectively, "**Astana**"). The purpose of this summary is to identify the differences between these two types of revenue bonds and provide a general summary of the mechanics and operation of tax abatement revenue bonds.

As further explained herein, tax abatement IRBs are a form of economic development incentive. The purpose of Astana's request for IRB financing of its project is to obtain a state and local property tax abatement on the project during the term of the IRBs. The IRBs are not a source of direct funding for the project and are not "tax-exempt financing." (App., question #25, referring to bonds on which the interest is exempt from federal income tax). They nevertheless are essential for the project because the tax savings and associated increased cash flow to service conventional debt makes conventional financing of the project feasible. (*Id.*) The IRBs "wrap around" conventional financing of the project.

The IRBs will not be sold to the public or to a financial institution but will instead be purchased by Astana or an affiliated company. There is no need for an underwriter, credit enhancement or a guarantee. (App., Additional Information to Be Submitted).

With the IRBs, conventional financing for the project will be available from South Central Bank. A letter from South Central Bank confirming the need for the IRBs to allow financing also is included with the Application.

**I. Traditional Bond Financing Property Distinguished from Property Tax Abatement Bond Financing**

The Kentucky Industrial Revenue Bond Act (KRS §§ 103.200 to 103.285, the "**Act**") permits local governments such as counties and cities to issue debt instruments called bonds to finance certain types of projects. Generally, the types of projects financed can be divided into two categories: (a) projects that benefit the public at large, i.e., "public projects," and (b) projects that benefit a private entity, but are seen as economically desirable, i.e., "private projects." An example of a public project would be a county's financing of a new road or drainage or sewer system improvements. An example of a private project would be the construction of a new distillery, hospital, manufacturing facility, hotel or other qualifying project that would provide jobs for local residents and improve the economic condition of the area in which the private project is located. Astana's project (the "**Project**") would be classified as a private project given

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<sup>1</sup> The Project will be developed primarily by Astana, LLC which will develop and initially own the hotel until the Bonds are issued. Some of the surrounding parcels that will comprise associated elements of the Project (retail and parking) are owned currently by two affiliated companies -- New Circle Investments, LLC and New Octagon, LLC, which will develop those portions of the Project.

that the assets financed would directly benefit Astana and indirectly benefit the public at large. See *District Improvement Initiative* (pg. 23 of the application).

The tax abatement IRB structure results in a reduction of a portion of the real and tangible personal property taxes otherwise payable by Astana to local and state government as a result of the existence of the Project. Kentucky law provides that real and tangible personal property held by a county or city is exempt from property tax (with the exception of an economically insignificant state leasehold tax). By transferring title in the Project to the Lexington-Fayette Urban County Government (“*LFUCG*”) and leasing the Project back from the LFUCG over a period of years, there would be a reduction in Astana’s property taxes during the term of the lease over the forty years following the issuance of the bonds (the maximum term of an industrial revenue bond issue allowed under Kentucky law). See KRS §§ 103.285 (fee title exempt); 132.020(1)(f)1. (low state tax on leasehold interest); 132.200(7) (leasehold interest exempt from local tax); and 103.210(3). See also *Owens-Illinois Labels, Inc. v. Comm.*, 27 S.W.3d 798 (Ky. App. 2000)(special state tax rate and local exemption apply only while bond issue is outstanding).

Tax abatement IRBs differ in many respects from a normal bond financing. Some of the major differences are:

**Traditional Bond Financing**

The bonds are sold to the public to finance the construction of the facility

An Offering Statement is prepared and distributed to potential investors

An underwriter is retained to sell the bonds and is allowed to purchase the bonds at a substantial discount

Astana would obtain a rating from a rating service and may consider credit enhancement (bond insurance, a letter of credit from a bank, etc.)

The underwriter would set the interest rates on the bonds at levels necessary to ensure the underwriter could sell the bonds to investors

**Property Tax Abatement Financing**

The bonds are sold to Astana or an affiliate and the construction of the facility is financed using other means

No Offering Statement is prepared given that the bonds are purchased by Astana or an affiliated entity

No underwriter is retained, thus avoiding the substantial expense of underwriter’s compensation

No rating for the bonds would be obtained

Astana and its affiliate would select a nominal interest rate for the bonds and no interest expense or income would be recognized by the entities



**Traditional Bond Financing**

**Property Tax Abatement Financing**

on a consolidated basis

Put simply, the tax abatement IRBs are not sold to the public but would be held by Astana or an affiliated entity. This approach is normally used because selling the bonds to the public is less attractive than using traditional bank financing. For example, the costs of preparing an offering document and paying an underwriter to buy the bonds are often substantial, an expense totally avoided by an affiliate financing structure. Last, the interest rates payable on publicly sold taxable bond issuances do not offer significant savings over traditional taxable financings.

The requested IRBs would contain the following features typical of all bond financings implemented for property-tax savings:

- Astana and the LFUCG enter into discussions regarding the proposed development of the Project.
- The Urban County Council would adopt a Resolution approving the Project generally and agreeing to issue bonds to finance the Project at the appropriate time in the future (a “bond inducement resolution”).
- Astana may agree to pay the local school system payments in lieu of taxes in exchange for the LFUCG’s agreement to issue the bonds and hold nominal title to the Project.
- After the Urban County Council’s approval of the Project, Astana may begin constructing the facility (typically Astana would not enter into any formal agreements or contracts regarding the construction of the project until the Project is approved by the Urban County Council).
- Astana would construct the facility and pay for the facility using a source of funds other than the bonds (cash on hand, traditional bank financing, etc.). Astana would then obtain permanent financing, grant the necessary security interests to the permanent lender and record a mortgage and UCC-1s.
- The Urban County Council would adopt a Resolution or Ordinance authorizing the issuance of the bonds, approving their sale to the affiliate, approving the various required legal documents to which the LFUCG is a party and authorizing its officials to take any other actions necessary to finalize the bond financing (a “bond ordinance”).

- Once the Project is completed, the LFUCG would issue the bonds, which would be purchased by Astana or its affiliate pursuant to a “Bond Purchase Agreement,” and Astana would transfer nominal title in the Project to the LFUCG, subject to the preexisting liens of the permanent lender.<sup>2</sup>
- The LFUCG would transfer the proceeds of the bond sale to Astana to reimburse Astana for the cost of constructing the facility in exchange for Astana’s agreement to execute a “Lease Agreement” leasing the project from the LFUCG over a term of years and to pay lease payments to the LFUCG equal to the debt service owed by the LFUCG for the bonds.
- In the Bond Purchase Agreement, the LFUCG would pledge and assign its right to receive interest payments from Astana and the obligation to pay interest payments to bondholders to the affiliate (purchaser of the bonds). Thus, after the bonds are issued, the LFUCG would have no real involvement in the processing of debt service payments and the lease payments would be made between Astana and its affiliate. Astana would make all payments of principal and interest directly to its affiliate for the life of the bonds. Astana could decide the frequency and amount of its debt service payments (monthly, semiannually, etc.)
- The Lease Agreement and the Bond Purchase Agreement would permit Astana and its affiliate to make the required debt service payments through book entries so long as the affiliate owns the bonds.
- Once the up to forty-year term has expired, the lease agreement would require the LFUCG to transfer title in the Project to Astana upon the payment and discharge of the bonds in exchange for a nominal payment such as \$10.00.
- The Lease Agreement would contain a provision allowing Astana to purchase the Project and discharge the bonds on any date before the bonds’ scheduled maturity if Astana deems it necessary.

**II. Tax Abatement IRBs are Not a General Obligation of the Issuer and Do Not Implicate the Debt and Lending of Credit Restrictions in the Kentucky Constitution**

Bonds issued pursuant to the Act are not a general obligation of the LFUCG. For any bonds issued pursuant to the Act, (i) the costs of acquiring, constructing, installing, and equipping the Project will be paid out of the proceeds of the bonds, such proceeds to be supplemented by contributions of Astana as may be necessary to complete the Project; (ii) none of the bonds will

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<sup>2</sup> The bond financing also requires review by the Kentucky State Local Debt Officer. See KRS 103.2101(1) (requiring review of projects authorized by KRS 103.200(1)(k), (l), (m) and (n) and certain projects identified in (1)(b)).

be general obligations of the LFUCG; (iii) neither the bonds nor the interest thereon shall constitute or give rise to any pecuniary liability whatsoever of the LFUCG or any charge against its general credit or taxing power; (iv) the bonds and the payment of interest thereon will be secured and payable solely by a pledge of amounts to be paid by Astana under the Lease Agreement; and (v) no part of said costs will be payable out of any general funds, assets, properties, or other contributions of the LFUCG.

KRS 103.230(2) mandates that the sole source of repayment of the bonds are the rents under the Lease Agreement with Astana and are not a debt of the LFUCG as follows:

The bonds shall be payable **solely** from the revenue derived from the building, and **shall not constitute an indebtedness of the city or county within the meaning of the Constitution**. It shall be plainly stated on the face of each bond that it has been issued under the provisions of KRS 103.200 to 103.280 and that it does not constitute an indebtedness of the city or county within the meaning of the Constitution. (Emphasis added).

The Courts and Attorney General have held and determined multiple times that bonds issued pursuant to the Act are not general obligations of the issuing city or county and give no rise to any pecuniary liability whatsoever of such city or county or any charge against its general credit or taxing power. See generally, Massey v. City of Franklin, 384 S.W.2d 505 (Ky. 1964); Gregory v. Lewisport, 369 S.W.2d 133 (Ky. 1963); Norvell v. Danville, 355 S.W.2d 689, 692 (Ky. 1962) (“Simply stated, ... the City of Danville does not lend its credit to Junction City or to the private corporation leasing the property, because no indebtedness of the City of Danville is created.”); Bennett v. City of Mayfield, 323 S.W.2d 573, 576 (Ky. 1959) (“As is held generally, and by this court specifically, revenue bonds of this character are not regarded as creating an indebtedness of the municipality within the meaning of the debt limit provisions of the Constitution. Upon the same reasoning, the transaction may be held not to constitute a lending of credit.”); Faulconer v. City of Danville, 232 S.W.2d 80, 84 (Ky. 1950) (“It is expressly stated in the statute, ordinance and bonds, that they do not constitute an obligation of the city. Nor is there any lending of credit in other form .... The public treasury cannot be opened under the present statute, ordinance or contracts. The city's hand collects and dispenses the rents.”). See also Ky. Atty. Gen'l Op. No. 79-439, 1979 Ky. AG LEXIS 192 (August 21, 1979) (“Such bond issues have been held to not violate § 179, Kentucky Constitution, such that the city does not lend its credit” and “the cases cited above hold that no such ‘indebtedness’ is involved in the issuance of such bonds in connection with the conventional aspects thereof.”); Ky. Atty. Gen'l. Op. No. 80-320, 1980 Ky. AG LEXIS 639 (June 10, 1980) (“Under KRS 103.230(2) the bonds are payable solely from the revenue derived from the building, and this shall not constitute a debt of the city or county within the meaning of the constitution. See Sections 157 and 158, Kentucky Constitution.”).

## II. Examples

Tax abatement IRBs are a common economic development incentive for a variety of projects. Examples of other projects incentivized with tax abatement IRBs include the following:

<b>Company</b>	<b>Issuer</b>	<b>Amount</b>	<b>Project</b>
Bardstown Bourbon Company	Nelson County	\$ 54,600,000	Distillery and bourbon whses.
Bluegrass Generating Station, LLC	Oldham County	\$ 200,000,000	Electricity generation
Brown-Forman Corp./Old Forester	Lou./Jeff. County Metro Govt.	\$ 35,000,000	Distillery
Brown-Forman Corp./Woodford Reserve	Woodford County	\$ 180,000,000	Distillery and bourbon whses.
Churchill Downs Inc.	Lou./Jeff. County Metro Govt.	\$ 250,000,000	Racetrack upgrades
Duke Energy North America, LLC	Marshall County	\$ 250,000,000	Electricity generation
Florida Tile, Inc.	Anderson County	\$ 15,000,000	Tile plant expansion
Foothills Generating Company, LLC	Lawrence County	\$ 133,958,414	Electricity generation
Fritz Winter North America LP	City of Franklin	\$ 200,000,000	Iron foundry
Heaven Hill Distilleries, Inc.	Nelson County	\$ 78,500,000	Bourbon whses.
Jim Beam Brands	Nelson County	\$ 245,000,000	Distillery and bourbon whses.
KY Fresh Harvest, LLC	Lincoln County	\$ 19,000,000	Greenhouses
Lakeshore Equipment Company	City of Midway	\$ 50,000,000	Distribution center
Maker's Mark Distillery	Marion County	\$ 692,000,000	Distillery and bourbon whses.
Nucor Corporation	Meade County	\$ 2,500,000,000	Steel plant
Pizza Wholesale of Lexington, Inc.	City of Paris	\$ 13,900,000	Offices and dist. center
Riverside Generating Company, LLC	Lawrence County	\$ 170,968,909	Electricity generation
Tractor Supply Company	City of Franklin	\$ 54,000,000	Distribution center

**BOND INDUCEMENT RESOLUTION**

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