



THIS LEASE AGREEMENT, made and entered into this 31st day of Oct 1996, by and between KENTUCKY-AMERICAN WATER COMPANY, hereinafter referred to as either "OWNER or "LESSOR", and WILLIAM C. McCONATHY of Fayette County, Kentucky, hereinafter referred to as "LESSEE."

WITNESSETH:

NOW, THEREFORE, for and in consideration of the covenants hereinafter contained, the LESSOR does hereby lease unto LESSEE, and LESSEE does hereby hire from LESSOR, for the term and upon the conditions hereinafter stated, that certain tract or parcel of land located in Fayette County, Kentucky, adjacent to that portion of OWNER's Jacobson Reservoir, which is located generally south of Richmond Road, said tract being more particularly identified as follows, to-wit:

A portion of that tract of land purchased by OWNER from C. J. Graves, located on the Delong Pike and bounded on the south by land of Bert Abrams, now or formerly; on the north and west by Jacobson Reservoir, on the east by land of A. D. and F. W. Skinner, now or formerly, and the Delong Pike. The above land contains fifty-six and seven-tenths (56.7) acres more or less.

The term of this lease and the specific covenants and conditions with respect thereto are as follows, to-wit:

1. The LESSEE agrees to pay to LESSOR as rent for the 56.7 acres tract hereinabove described and hereby let, the sum of \$95 per month, payable in advance on the first day of each and every month during the term of this lease.
2. The term of this lease shall be for one (1) year commencing on the date hereof, and so on from year to year until one of the parties shall give the other ninety (90) days notice in writing of his intention to terminate the lease at the end of the first year or any subsequent year.
3. It is expressly agreed and understood between the parties hereto that the property herein leased shall not include any portion of the OWNER's reservoir or any of the land adjacent thereto and within twenty (20) feet of the high water mark.
4. All land now in grass is to remain in grass during the entire term of this lease.

5. The LESSEE agrees to have all brush on the land herein leased cut **not** later than August 15 of each year during the term of the lease and, should LESSEE fail to have all weeds and briars cut by said date, the OWNER reserves the right to enter upon said premises and to cut or have cut such weeds and briars and to render an **account** covering the cost thereof to LESSEE, which account LESSEE shall promptly pay. Failure of LESSEE to pay such account will constitute a violation of this lease.
6. LESSEE covenants and agrees to take good care of said premises and improvement thereon and, at the expiration of this lease or any part thereof, to return the same, together with the improvements thereon, in as good condition as when received by him, ordinary wear and tear and destruction by the elements excepted. It is hereby agreed and understood that LESSEE will keep all fences on the leased premises in good condition at LESSEE's expense and make all necessary repairs or improvements to any buildings on said land at his expense.
7. OWNER shall have the right to enter upon said land at any and all times for the purpose of inspection so that any matter or situation which would tend to pollute OWNER's reservoir may be properly removed and LESSEE shall remove such matter or situation within twenty-four (24) hours after receiving notice from OWNER to do so. If for any reason said notice is not complied with by LESSEE, the OWNER may enter upon the leased premises and remove such objectionable matter or situation at LESSEE's expense and such entering shall not be deemed a breach of the lease, nor shall OWNER be liable to LESSEE by reason thereof.
8. OWNER shall have the right, if it should at any time, determine that it needs or requires any portion of the leased land, after giving notice to LESSEE, to enter upon and take possession of the leased premises or any part thereof, but LESSEE will be allowed as compensation therefore such portion of the rent required to be paid as the amount of land repossessed by OWNER bears to the whole number of acres leased to LESSEE. OWNER shall have the right to enter upon any of the leased premises at any time for the purpose of laying, installing, maintaining, operating, repairing, replacing or removing pipelines or pole lines or wires in, on or above the leased premises.

9. No hunting or fishing privileges will be allowed and LESSEE binds himself so far as it is within his power to prevent any hunting, fishing or trespassing upon the land leased by him.
10. LESSEE agrees not to commit any nuisance or to permit any nuisance to be committed upon the leased premises. Hogs shall not be raised or kept on the leased premises. Other livestock may be grazed in all fields which do not have rainfall runoff into the waters of Jacobson Reservoir.
11. LESSEE agrees that, by November 15, 1996, he will have constructed a fence dividing the farm into segmented fields so that grazing of livestock will be restricted in the fields where rainfall runoff from the grazed fields will not enter the waters of Jacobson Reservoir.
12. The OWNER agrees that, if in the first 10-year period of this lease, the OWNER finds need to cancel this lease for a cause that is not the result of a breach of the contract by the LESSEE, then the OWNER will reimburse the LESSEE the cost of the fence (to be constructed as required in Item 11) prorated in increments of 10% of the original construction cost for each remaining year in the first 10-year period. Upon completion of the fence, the total cost of the fence is to be furnished to the OWNER; the total cost of the completed fence is not to exceed \$4,000.
13. Any and all manure or decaying matter of any kind will be disposed of in such manner as OWNER shall direct. No distillery slop or commercial garbage shall be brought upon the leased premises under any circumstances whatsoever.
14. No stock which may die on the leased premises shall be skinned or buried on OWNER's watershed; LESSEE shall immediately, upon the death of any livestock upon his leased premises, haul same beyond the limits of the watershed of OWNER's reservoir.
15. If LESSEE shall fail to keep and perform any of the covenants, agreements and conditions of the lease on his part to be kept and performed, OWNER may enter upon the premises and have and repossess the same, together with all appurtenances, as if the within lease had never been made, and thereupon, the within lease and everything therein contained to be done on the part of LESSOR shall cease and terminate and be utterly

void, without prejudice to the right of LESSOR to recover all damages occurred by the default of the LESSEE in the performance of any of the covenants, agreements and conditions of this lease.

16. If any of the improvements on the leased premises shall be destroyed or materially damaged by fire or the elements during the term of the lease, OWNER shall not be under any obligation to restore the same, and LESSEE shall have no right to claim any abatement in the rent agreed to be paid by him; but in the event of any such damage to said property, LESSEE shall have the right to terminate this lease by giving OWNER written notice thereof within thirty (30) days from the date of such destruction or damage, and upon the surrender of the possession of said premises to LESSOR and the payment of such portion of the rental thereof which has accrued to the date of such surrender, this lease shall terminate and cease.
17. LESSEE agrees to assume all the responsibility for the occupancy of said premises during the term hereof and agrees to indemnify and hold OWNER harmless from any liability arising from the use of said premises by LESSEE during the term thereof.
18. This lease is subject to any and all franchise provisions, both city and county, which OWNER is, at any time, obligated to observe and perform, as well as rules and regulations of the State Department of Health and Fayette County-City of Lexington Board of Health.
19. LESSEE agrees to keep the premises and any buildings thereon in neat, orderly and clean condition and to cut grass and weeds in yards and lots when needed. The LESSEE may not assign this or sublet any part of the leased premises without the written consent of the OWNER.
20. This lease supercedes the lease agreement in its entirety, dated January 1, 1985, between Kentucky-American Water Company and William McConathy.
21. Anything in this lease to the contrary notwithstanding, this lease and LESSEE's rights hereunder are subject and subordinate to (i) the lien of the Indenture dated as of May 1, 1968, as supplemented and amended, from LESSOR to The Fidelity Bank (now First Union National Bank) of Philadelphia, Pennsylvania, Trustee, securing LESSOR's general mortgage bonds in various series, and (ii) any rights of creditors in the leased property

which may now exist or be created by existing or future financing arrangements made by the LESSOR; and in accordance with said Indentures this lease shall be subject to termination by a trustee in bankruptcy or in reorganization proceedings (including reorganization proceedings under any federal bankruptcy law or similar statutory proceedings), lawfully appointed, or by the trustee or by any receiver appointed in any action or proceeding or foreclosure under either of the Indentures or for the enforcement of the rights of the trustee or of the bondholders under either of the Indentures if, during the continuance in the event of default under either of the Indentures, such trustee or such receiver shall have entered upon and taken possession of LESSOR's property mortgaged under either of the Indentures.

WITNESS:

KENTUCKY-AMERICAN WATER COMPANY:

Patricia Ballard

By:

[Signature]

WITNESS:

WILLIAM C. McCONATHY:

Sam Saxon

By:

William C M Conathy

Deed Book 946

Page # 82

THIS LEASE AGREEMENT, made and entered into this the 28 day of March, 1968, by and between LEXINGTON WATER COMPANY, a corporation duly organized and existing under and by virtue of the laws of the State of Kentucky, having its principal office and place of business at 167 North Upper Street, Lexington, Kentucky, party of the first part (hereinafter sometimes called "Company"), and FAYETTE COUNTY, a political subdivision of the Commonwealth of Kentucky, and the CITY OF LEXINGTON, a municipal corporation, hereinafter collectively called the, party of the second part (hereinafter sometimes called "Lessee"),

W I T N E S S E T H:

THAT, WHEREAS, the party of the first part is a public utility engaged generally in providing a pure water supply to the City of Lexington and surrounding areas in Fayette County and has been so engaged for a great number of years, and

WHEREAS, in connection with the provision of its service to its service area, Company has heretofore constructed, maintained and operated certain impounding reservoirs located in Fayette County, Kentucky, including a certain **impounding** reservoir known and designated as Reservoir No. 4 located on U. S. 25 approximately four miles east of the City of Lexington, said Reservoir No. 4 being located both generally north and south of said U. S. 25, and

WHEREAS, Company, in protecting the water shed to said Reservoir No. 4 and the purity and potability of water collected and stored therein, has heretofore acquired and has owned for many years certain farm lands adjacent thereto, including those tracts more particularly described on Exhibit A annexed hereto and made a part hereof, said tracts lying generally north of U. S. 25 and adjacent to said Reservoir No. 4, and

WHEREAS, a great need exists for the establishment and maintenance of a public park and public recreational facilities in the City of Lexington and in Fayette County, Kentucky, within the service area of Company, and the parties hereto have reached an agreement under the terms of which Company will, subject to the terms and conditions of this agreement, lease, let and demise unto the Lessee, the lands described in Exhibit A annexed hereto for the purpose of providing through the facilities of second party a public park and recreational facilities principally for citizens and residents of the City of Lexington and Fayette County, Kentucky,

NOW, THEREFORE, in consideration of the sum of Ten (\$10.00) Dollars cash in hand paid, and other good and valuable considerations, including the covenants and agreements herein-after set forth, to be kept and performed by the Lessee, its successors and assigns, Company has demised and leased and by these presents does hereby lease, let and demise upon the Lessee, and the Lessee does hereby rent, take and hire, upon

and subject to the **terms** and conditions hereinafter contained, those certain tracts or parcels of land located generally north of U. S. 25 approximately four miles east of the City of Lexington, containing 386.272 acres, more or less, which lands are more particularly described and bounded as set forth in Exhibit A annexed hereto and made a part hereof, the specific term of said lease and the terms and conditions thereof being as follows, to-wit:

1. TERM: The **term** of this lease shall be **for** a period of twenty-five (25) years beginning on the 1st day of March, 1968 and terminating on the 28th day of February, 1993 unless this lease shall be sooner terminated in accord with the further provisions of this agreement, in which event this lease shall be deemed to have expired upon such termination. The Lessee shall have the option and right to renew this lease upon the same terms and conditions for one additional twenty-five (25) year period beginning on the 1st day of March, 1993 and terminating on the 28th day of February, 2018. In the event Lessee desires to exercise its option to renew this lease, Lessee must notify Company of its election to exercise its option to renew by notice in writing delivered to Company in the manner and **form** hereinafter provided for notices not less than six (6) months prior to the expiration of the original term of **this lease**.

Company during the term of this lease shall be the sum of Ten (\$10.00) Dollars per year, which sum shall be due and payable on or before the 1st day of March in each year of the term hereof.

3. DEFINITIONS: The term defined in this paragraph shall have the meanings herein specified for all purposes of this lease and of all leases or other instruments supplemental hereto or amendatory hereto, now or hereafter entered into between the parties hereto, unless the context expressly or by necessary implication otherwise requires:

(a) "Demised Premises" shall mean and include all of the land hereby leased to the Lessee, together with the buildings and improvements now thereon or which may hereafter be constructed by Lessee thereon, but excluding all property and property rights specifically excepted from this lease and the Lessee's facilities;

(b) "Lessee's Facilities" shall mean all personal property, buildings or improvements constructed or owned by Lessee and used or intended for use in connection with the recreational activities to be provided by Lessee upon the leased premises;

(c) "company's Premises" shall mean the land, buildings and improvements thereon and the water area owned by Company in Fayette County not included as a part of the demised premises and all buildings or improvements which may be constructed thereon by Company;

(d) "Reservoir No. 4" shall mean the water area to the high water mark, the dam and all other related facilities constructed or maintained by Company in Fayette County in the general area of the demised premises for the purpose of creating and maintaining a water supply to meet the requirements of its customers in its service area;

(e) "Recreation" or "Recreational" shall mean and include picnicking, hiking, golf and other sports or games (excluding hunting, shooting of firearms or trapping), community art, theater, club and dancing activities and all types of playground activities and, immediately upon the vesting in possession in Lessee hereunder of any rights of any type or description in and to that portion of the water area of Reservoir No. 4 included within the description contained in Exhibit A annexed hereto, said terms shall include boating, fishing and other water sports, provided, however, that in the event boating activities are conducted upon such water, no motor boats of any description shall be permitted.

4. USE OF PREMISES: Lessee agrees that the demised premises have been leased to it and accepted by it solely for the purpose of establishing recreational facilities for the use and benefit of the public in the City of Lexington and in Fayette County, Kentucky, subject only to the following conditions:

as to the precise location of each recreational facility before any such facility is constructed. Lessee shall, within 180 days from date of execution of this lease agreement, furnish and submit to Company a proposed master plan for the development of the leased premises for recreational purposes, which development plan shall include a general description of the type, nature and location of recreational facilities to be developed by the Lessee upon the leased premises. No facility shall be constructed upon the leased premises until the Company shall approve in writing the master plan submitted by the Lessee, provided, however, that Company shall notify the Lessee of its approval or rejection of the master plan within ninety (90) days from date of its submission to Company.

(b) After the master plan submitted by Lessee to Company has been approved by Company, Lessee shall give written notice to Company of its intention to proceed with the development or construction of each facility and shall submit to Company a detailed plan and specification for the proposed development and a plat or description of the area to be developed. Company shall have ninety (90) days from the receipt of such plans and specifications

within which to notify Lessee in writing of its approval or rejection of approval of the specific development or construction of such facility. Company shall not unreasonably withhold its approval with respect to any such proposed facility or development.

(c) No permanent residence, overnight motels, trailer parks or other quarters shall be established or permitted except that permanent camp sites for boy scouts, girl scouts or other such organized groups may be established with Company's approval, if adequate toilet and sanitary facilities are installed therewith pursuant to the regulations of the Kentucky State Board of Health and any county or city sanitary or health ordinances or rules and regulations, and except that Lessee may, with the Company's approval, establish one or more caretaker's houses.

(d) No hunting, shooting or firearms or trapping shall be conducted or permitted on the demised premises; nor shall the Lessee sell or permit the sale or use of live fish bait consisting of fish belonging to the carp or rough fish family as defined and specified by the State of Kentucky, stock the waters within the demised premises with any fish belonging to the carp or rough fish

family as so defined, nor shall Lessee permit, upon the water area included within the demised premises, the use of boats having motive power or ice skating of any kind.

(e) No water shall be taken from the reservoir upon or adjacent to the demised premises or streams or tributaries thereto by the Lessee, nor shall Lessee permit any such taking of water, unless the written consent of Company shall have been first obtained. Any water taken with the approval of Company shall be paid for at the rates then in effect as approved by the Kentucky Public Service Commission.

(f) No recreational activities shall be permitted by Lessee on any lands or properties of Company not a part or portion of the demised premises.

(g) Lessee agrees that the sale, distribution or use of alcoholic beverages of any kind on or about the demised premises is prohibited and shall not be permitted.

(h) No use shall be made, nor shall any activity be conducted, upon the demised premises which, in the determination of Company is not compatible with the operation of a water supply facility or may cause any pollution hazard to the water, lands or facilities

maintained by Company within, adjacent to or in the general area of the demised premises. Lessee covenants and agrees that in the event Company shall determine that any facility or activity upon the demised premises constitutes a pollution hazard to the lands, waters or facilities of Company, including the demised premises, Lessee will take immediate action to remove such facility or to cause such activity to be discontinued. In the event such facility has not been removed or such activity discontinued within ten (10) days from date of such notice by Company to Lessee, then and in that event Company shall have the right to immediately cause this lease to be terminated by the delivery or service of a notice of termination upon Lessee, in which event Company shall be entitled to be restored to its former possession of the demised premises and Lessee shall forthwith vacate the same without necessity of further notice or court procedure.

(i) No trees or shrubs shall be cut or otherwise removed from the demised premises without the prior written consent of Company being first obtained with respect thereto.

5. CHARGES: Lessee shall pay when due and, upon demand, exhibit to Company receipts evidencing payment of all of the following charges which, during the term of this lease,

shall be levied, assessed or imposed by any governmental authority or otherwise become due upon or with respect to or in connection with the possession, occupancy, operation, alteration, maintenance, repair and use of the demised premises, the Lessee, or the ownership of the demised premises by Company:

Real property taxes and other taxes, assessments and other governmental charges provided for in paragraph (a) below;

All premiums upon insurance provided for in paragraphs 6 and 7 hereinafter contained;

Expenses of occupying, operating, altering, maintaining, supervising, policing, repairing and restoring the demised premises;

Other expenses and charges not excluded by any provision of this lease;

(a) Lessee shall pay all real estate and property taxes caused by or arising out of the exercise by Lessee of any of its rights under this lease. Company will pay all other real estate and personal property taxes assessed against the demised premises. Lessee shall also pay any assessment or governmental charges included but not limited to assessments for public improvements which are assessed, levied, confirmed or imposed upon or in respect of the possession and use of the demised premises by Lessee under this lease, including any increase in the assessment of the demised premises by reason of or in connection with the erection or construction thereon of improvements by Lessee.

(b) If Company shall receive any statement or notice relative to any tax assessment or charge for which Lessee is liable under subparagraph (a) above or declaring any such tax or assessment to be due, Company shall promptly after receipt thereof deliver the same to Lessee and Lessee, upon such receipt of any notice or statement declaring any such tax or assessment to be due, shall promptly forward to Company its check or draft, payable to Company, for the amount of such tax shown to be due.

(c) Anything contained in this lease to the contrary notwithstanding, Lessee shall have the right to contest the amount or validity of any tax included in subparagraph (a) above by appropriate legal proceedings, which proceedings shall be conducted promptly at Lessee's expense and free of all expense to Company; provided, however, that Company shall, at the request of the Lessee, join in any such proceeding mentioned herein or permit such proceeding to be brought in its name but shall not be subjected to any liability for the payment of any costs or expenses in connection therewith and Lessee will indemnify and save harmless the Company from such costs and expenses.

6. LESSEE'S FACILITIES: At any time and from time to time during the term of this lease, Lessee may install, maintain, change, alter and replace on the demised premises such facilities as Lessee may deem necessary or desirable in connection with the recreational uses of the demised premises, subject only to the requirements of this lease and Company's

approval as hereinabove provided. Notwithstanding the fact that Lessee's facilities may be installed in such a manner that, but for the agreement of Company herein contained, the same would form a part of the demised premises, Lessee's facilities shall nevertheless be and remain at all times the property of the Lessee.

Lessee may remove all or any part of Lessee's facilities at any time and from time to time during the term of this lease. Lessee shall remove all of Lessee's facilities on or before the date of termination of this lease; provided, however, that if this lease is terminated prior to its full term of 25 years, then Lessee shall have six (6) months after the date of such termination within which to complete said removal unless said facility is a pollution hazard, in which event the same shall be removed immediately. Lessee shall repair all damage to the leased premises caused by construction, installation or removal of the Lessee's facilities. Any of Lessee's facilities not removed upon termination of this lease, as in this paragraph provided, shall be deemed to have been abandoned and the same shall thereupon become the property of Company, unless Company shall by written notice to Lessee require the removal of the same from the demised premises, in which event Lessee shall within a reasonable time after receipt of such notice remove the same, and upon Lessee's failure to do, Company may remove the same and Lessee shall pay to Company the expense of such removal.

Lessee shall be responsible for procuring and paying for all municipal and other governmental permits and authorizations of the various state, county and municipal departments

and governmental subdivisions having jurisdiction necessary or advisable in connection with the construction, maintenance, changes or alterations of Lessee's facilities. Company shall join in the application, at no expense to Company, for such permits or authorizations whenever such action is necessary.

All work done in connection with any of Lessee's facilities shall be done in a good and workmanlike manner and in compliance with restrictions, zoning regulations, statutes and rules and regulations of governmental authorities having jurisdiction and in compliance with the valid and applicable building laws, ordinances, orders, rules and regulations and in further accord with the requirements of all federal, state and municipal authorities. The cost of such work shall be paid or secured so that the demised premises shall be at all times free and clear of all liens for labor and materials supplied or claimed to have been supplied for the construction, maintenance, operation and removal of such facilities upon the demised premises.

Workmen's compensation coverage covering all persons employed in connection with the work and with respect to whom death or bodily injury claims could be asserted against Company, Lessee or the demised premises and general liability insurance for the mutual benefit of Lessee and Company with limits of not less than \$200,000 in the event of bodily injury to any person, not less than \$1,000,000 in the event of bodily injury to any number of persons in any one accident and not less than \$100,000 with respect to damage to property in any

one accident, shall be maintained at all times when any work is in process in connection with Lessee's facilities without cost or expense to Company, and duly authenticated copies of such policies shall be delivered to Company prior to the commencement of any such work.

Company shall not be responsible to the Lessee for any loss or damage occurring to Lessee's facilities or the demised premises.

7. INSURANCE: During the term of this lease, Lessee shall at its sole cost and expense keep the demised premises and the Lessee's facilities insured for the benefit of Company and Lessee, as their interest may appear, against loss or damage by fire and other risks now or hereafter embraced by "extended coverage" in such amounts as Company and Lessee may from time to time mutually agree upon. Any loss under any policy of insurance issued in accord with this paragraph shall be payable to Lessee and Company as their interest may appear.

During the term of this lease, Lessee will indemnify and save Company harmless against and from any and all claims, liability, damages, suits, proceedings and judgments and expenses connected therewith, including court costs and attorneys' fees, for damage to any property of Company, of Lessee or of any third person as well as for injuries to any person, including death, in any way arising out of or connected with or caused by the demised premises, leased facilities or activities permitted upon the demised premises or facilities

by the negligence of the Company, its agents, its employees or otherwise. As an incident to the aforementioned indemnity, Lessee shall, during the term of this lease, at its sole cost and expense, maintain public liability insurance, on forms and in companies reasonably satisfactory to Company, against claims for personal injury, death or property damage occurring upon, in or about the demised premises, such insurance to afford protection to the limit of not less than \$300,000 in respect to injuries or death to a single person and not less than \$1,000,000 in respect to any one accident, and to the limit of not less than \$100,000 in respect to property damage for any one accident, but the providing of such insurance shall not relieve Lessee of its primary liability hereunder to so indemnify and save Company harmless under the indemnity agreements herein, Company may, at its option and by notice in writing to Lessee, require such increase in the limits of liability of such insurance at any time during the term of this Lease, and within thirty (30) days of receipt of such notice, Lessee shall secure such increased limits. Policies for such insurance shall be for the mutual benefit of Company and Lessee, as their interest may appear.

Lessee shall procure renewals of all insurance policies not less than ten (10) days before the expiration thereof and all policies of insurance executed pursuant to the provisions of this paragraph shall contain an agreement by the insurer that such policy shall not be cancelled without at least ten (10) days prior written notice to Company.

Prior to the beginning of the term of this lease and at all times thereafter, Lessee shall cause to be furnished to Company copies of all policies of insurance procured and furnished

by Lessee under the terms and provisions of this paragraph.

8. MAINTENANCE AND POLICING OF PREMISES: During the term of this lease, Lessee shall at its own cost and expense, keep and maintain the demised preinises and Lessee's facilities in good order and in a neat, clean and **safe** condition, and will not create or permit to continue any condition on the demised premises or Lessee's facilities which shall, in the opinion of Company, be hazardous to the reservoirs maintained by Company or the water therein and its use for public water supply purposes.

Lessee shall at all times during the tenn of this lease, to the satisfaction of Company, supervise and police the use 04 the demised premises for the purpose of insuring compliance with the recreational use restrictions contained in this lease, maintaining law and order and preventing disturbances, rowdyism and activities which Company may deem a nuisance, preventing damage to or trespass upon the demised premises, and insuring the continued maintenance of the demised premises (including all fencing, interior and exterior, end all improvements now located thereon) and Lessee's facilities in a neat, clean and safe condition. Lessee shall preserve and protect the reservoirs of Company from pollution or other injury hazardous to its use for water supply purposes.

Company and its sgents shall hseve the right to inspect the tienised premises and lease facilities and records at all reasonable times for the purpose of insuring the compliance with the provisions of this paragraph and Company shall have the power to require Lessee to take any action to remedy conditions or to discontinue or change any use, practice,

condition or rule deemed by Company to be unsafe, undesirable or in violation of Lessee's duties and obligations under this paragraph. Upon the failure of Lessee to take such action, Company may, at its option either enter upon the demised premises and take the appropriate action, in which event Lessee shall immediately upon demand pay Company reasonable costs and expenses in connection therewith, or, at its option, cancel and terminate this lease forthwith and retake possession of the demised premises, in which event Lessee shall surrender and deliver Company to its former possession without necessity of further notice. Company shall be under no duty to make such inspections or to require any such discontinuance or change.

Company shall not be required to furnish any services or utilities or make any repairs or alterations in or to the demised premises, Lessee hereby assuming the full and sole responsibility for the condition, operation, repair, replacement, maintenance and management of the demised premises, including the obligation to comply with and to maintain the demised premises in compliance with this lease, all laws and all requirements of all governmental authorities applicable to the demised premises and to the use thereof, and all requirements of the insurance companies with which Lessee maintains insurance required by this lease.

9. DAMAGE OR CESTRUCTTON: In event of damage to or destruction of the demised premises or Lessee's facilities by fire or otherwise during the term of this lease, Lessee shall promptly at its sole cost and expense repair, restore and rebuild the same as nearly as possible to the condition such were in immediately prior to said damage or destruction. or, in the case of Lessee's facilities, with such changes or

alterations as may be made at Lessee's election and in conformity with this lease, provided however, that Lessee may elect not to rebuild Lessee's facilities so long as the property covered by said facilities is returned to its original condition as of the date of execution of this lease. Terms and provisions of this lease with respect to construction of Lessee's facilities upon the demised premises shall be applicable to work required to be done under this paragraph. All insurance money recovered by Company on account of such damage or destruction shall be applied by Company first to the repair and restoration of the demised premises. If within sixty (60) days from date of such damage or destruction Lessee has not begun to comply with the provisions of this paragraph relating to the demised premises, or, having commenced has not proceeded with due diligence, Company may, after ten (10) days written notice to Lessee, enter upon the premises and proceed with such work and Lessee shall, upon demand from Company, pay to Company the cost of such work.

10. CONDEMNATION OR SALE: If during the term of this lease the whole or any part of the demised premises shall be taken by condemnation or otherwise as a result of the exercise of the power of eminent domain, Company shall be entitled to and shall receive the total amount of any award made with respect to the demised premises or the portion thereof so taken, Lessee hereby waiving in favor of Company all claims with respect to its leasehold interest, costs of removing

Lessee's facilities and consequential or other damages except-
ing only the value of Lessee's facilities actually taken by
said condemnation. Company shall pay over to the Lessee only
the amount of said award, if any, specifically made with respect
to the value of Lessee's facilities or any portion thereof
taken. If, and to the extent that, any portion of the award
shall be made to the Lessee or to any person claiming through
or under the Lessee, the Lessee hereby irrevocably assigns to
Company all of the right, title and interest of the Lessee
and of any such person in and to any and all such awards.

If during the term of this lease, the whole or
substantially the whole of the demised premises shall be sold
to governmental authorities or taken by condemnation or other-
wise as a result of the exercise of the power of eminent domain
said sale or condemnation to include a sale or condemnation
of a substantial portion of the water supply, treatment and
distribution properties of the Company), this lease and all
right, title and interest of the Lessee hereunder shall cease
and terminate as of the date of vesting of title to the demised
premises in the purchasing or condemning governmental authority,
or the date upon which said governmental authority shall have
the right to possession of the demised premises, whichever
shall be the earlier date.

If during the term of this lease, a part or portion
of the demised premises shall be so taken or condemned and
said partial taking does not interfere with the continued
recreational use by Lessee of the remaining portion of the

demised premises, then this lease shall continue as to the said remaining portions of the demised premises but shall terminate as to the portion so condemned and Company shall in no way be liable or obligated to Lessee for such partial taking, except as it may be obligated to pay over some portion of the award to Lessee for the value of Lessee's facilities actually taken in accord with the provisions hereinabove contained.

If during the term of this lease the whole or any part of the demised premises shall be taken or condemned by a competent authority for its temporary use or occupancy or for a limited period, this lease shall not terminate or be terminated by reason thereof, except only to the extent that the Lessee may be prevented from using the demised premises or performing or observing all of its obligations hereunder and Company shall have no obligations with respect to the Lesser on account of such temporary condemnation, except for its obligations as hereinabove provided, to pay over to Lessee the amount of any award made for such taking specifically attributed to the temporary restriction upon the use of Lessee's facilities.

Notwithstanding all other provisions of this lease, however, Company shall have during the term of this lease the absolute right to use any portion of the demised premises which Company deems necessary for the installation, construction, operation, repair, renewal or replacement of its mains, pumps, valves, pole lines and other operating

facilities, provided, however, that in event such facilities are so located as to damage or destroy then existing facilities of the Lessee, Company shall repair or replace such facilities of the Lessee so as to return the same to the same condition as prior to such construction.

Company shall have the further right to grant to other public utilities such easements as Company deems advisable over and across the demised premises, provided said easements and facilities constructed pursuant thereto do not damage or destroy then existing facilities of the Lessee, and, upon the granting of said easements by Company, the rights created by this lease shall be subordinate to the rights so granted by such easements.

11. MISCELLANEOUS TERMS AND COVENANTS: (a) Anything in this lease to the contrary notwithstanding this lease and Lessee's rights hereunder are subject to all incidents of the use by Company of its reservoirs and other facilities for public water supply or allied purposes, including but not limited to Company's right to withdraw all or any portion of the water therefrom, Company's right to raise the water level in the reservoir if deemed necessary by Company to increase the storage capacity thereof, and Company's right to enter upon the demised premises at any time for the purpose of taking any action required for such purpose. Lessee shall engage in no activity, nor shall it permit any

activity, hereunder that in any way interferes with said purposes and the Company shall be under no duty to maintain the water in the reservoir at any particular level (or to maintain any water whatever therein) or to do any other act with respect to the condition or use of the reservoir or the surrounding areas.

(b) it is understood by the parties hereto that a portion of the demised premises is now subject to a certain lease between Company and Lake Ellerslie Fishing Club, dated March 15, 1965, a copy of which agreement has been furnished to Lessee, under terms of which said Fishing Club has certain rights to use a portion of the demised premises. Upon sixty (60) days written notice from Lessee to Company stating that it is prepared to proceed immediately with the recreational development of land or water area leased by Company to said Fishing Club and included within the boundaries of the demised premises, Company shall proceed to terminate such rental agreement upon the expiration of its current term (March 15, 1970) and upon such termination, possession thereof shall be immediately delivered to Lessee. Company shall not be liable to the Lessee by reason of any refusal by such tenant under said rental agreement to give up possession of such property, nor shall Company have any obligation except in cooperation with and at the expense of Lessee

to take such action as may be required to put Lessee in possession of said lands.

(c) Anything in this lease to the contrary notwithstanding, this lease and Lessee's rights hereunder are subject and subordinate to:

(1) The lien of a certain mortgage indenture dated as of December 1, 1937, as supplemented and amended, from Company to Chemical Bank and Trust Company (now Chemical Bank New York Trust Company) and Howard B. Smith (now Richard G. Pintard) securing company's first mortgage bonds in various series;

(2) Any rights of creditors in the demised premises which may now exist or may hereafter be created by existing or future financing arrangements made by Company, the right to further incumber said property being hereby specifically reserved to Company, it being the understanding of the parties hereto that the lease hereby granted shall be and hereafter always remain subject and subordinate to the rights of creditors of Company, whether under mortgages, indentures or otherwise; and

(3) In accordance with this subordination, this lease shall be subject to termination by a trustee in bankruptcy or in reorganization proceedings (including reorganization proceedings under any federal bankruptcy

law or similar statutory proceeding), lawfully appointed, or by the trustee or by any receiver appointed in any action or proceeding or foreclosure under the present indenture or otherwise or for the enforcement of the rights of the trustee or of the bondholders if, during the continuance in the event of default such trustee or such receiver shall have entered upon and taken possession of Company's property mortgaged or subject thereto.

(3) Lessee shall not sublet the whole or any part of the demised premises or assign this lease or Lessee's leasehold estate without the prior written consent of the Company.

12. TERMINATION PROVISIONS: (a) If Lessee fails to perform any of the terms, covenants or conditions of this lease, including, without limiting the generalities of the foregoing, the payment of all amounts due and payable hereunder and the supervision, policing, maintenance, repairing and restoring of the demised premises as herein provided, said failure shall constitute an event of default. If such an event of default shall occur and shall be continuing for thirty (30) days after the service or' written notice of such event or' default by Company upon Lessee, then this lease shall cease and come to an end all at the date specified in said notice, which date shall not be less than thirty (30) days after delivery

of said notice, and Lessee will then quit and surrender the demised premises to the Company; provided, however, that in case of a default which is capable of being cured, but which cannot with due diligence be cured within a period of thirty (30) days, the time for curing of said default can be extended with written approval of Company for such reasonable period as may be necessary to complete the same with all due diligence.

(b) If any effective regulations now existing or hereafter adopted by the Department of Health of the State of Kentucky or any other governmental agency, or any present or future law of the State of Kentucky, shall make any of the recreational uses of the demised premises unlawful, then this lease shall be modified without the necessity for further action by the parties hereto so as to exclude said illegal use from the permitted recreational uses of the demised premises. Upon any of the originally intended recreational uses being declared unlawful in accord with the foregoing sentence, the Lessee may, at its election, and upon not less than six (6) months written notice to Company, terminate this Lease, the date of such termination to be specified in said notice and to be not earlier than six (6) months from the date of such notice.

(c) It is mutually agreed and understood by Company and Lessee that this lease is predicated upon the

demised premises being used and useful to the Company in its operation as a water utility and that this lease for recreational purposes is dependent upon and only compatible with said demised premises being so considered as used and useful to Company by the appropriate state regulatory body. It is further mutually agreed that if it is determined that all or any part of the demised premises is not property which is used and useful to Company in its operation as a water utility, such determination to be made by the appropriate state regulatory body and, if the proceedings in which said determination is made shall become final and binding upon Company, then this lease shall cease and come to an end as to any part of the demised premises so determined not to be used and useful property to Company within sixty (60) days after delivery by Company to Lessee of written notice of said final determination, provided, however, that Lessee shall within said sixty (60) day period have the option to continue to lease that part of the demised premises so determined not to be used and useful property to Company upon the payment of an annual rental to be then mutually agreed upon by Company and Lessee. In the event that Company and Lessee cannot reach a satisfactory agreement as to such annual rental, the Lessee shall have an option to purchase that part of the demised premises so determined not to be used and useful property to Company, which option may be exercised by Lessee by

the service of a written notice of the exercise thereof upon Company within said sixty (60) day period. If Lessee exercises this option to purchase, the purchase price shall be: (1) An amount to be then mutually agreed upon by Company and Lessee, or (2) In the event Company and Lessee cannot within thirty (30) days reach an agreement as to price, then the purchase price shall be the then full fair market value of that portion of the demised premises (excluding Lessee's facilities thereon) so determined not to be used and useful to Company as established by three (3) independent, impartial and qualified real estate appraisers engaged in the real estate business in Fayette County, Kentucky, one such appraiser to be selected by Company, one by the Lessee and the third by the two (2) appraisers so selected.

(d) Lessee covenants and agrees that it will, within one (1) year from the commencement of the term of this lease, prepare and deliver to Company a master plan for the complete recreational development of the demised premises, together with a specific schedule of completion dates for each separate project, it being understood that the entire demised premises will be developed in a reasonable and prudent manner by Lessee for recreational purposes for the use and benefit of the general public of the City of Lexington and Fayette County, Kentucky. Lessee shall have the right to amend said master plan from time to time

during the term of this lease, but hereby covenants and agrees to make all reasonable efforts to complete the recreational development of the demised premises in accord with its master plan and completion schedule within the shortest period of time feasible for Lessee.

(e) Lessee, upon termination of this lease for any reason whatever, shall comply with the provisions of this agreement and surrender to Company immediate and peaceable possession of the demised premises in good order, condition and repair. Upon failure of Lessee to surrender possession of the demised premises in accord with this agreement upon the date that this lease terminates, Lessee shall become liable to pay rent for the demised premises beginning on the date said termination becomes effective and continuing until Lessee shall have surrendered possession of the demised premises in an amount equal annually to twelve (12%) percent of the then fair market value of the demised premises, said rentals to be payable monthly in advance, the fair market value of the demised premises to be determined as provided in subparagraph (c) above for the determination thereof in the event of a sale of a portion of the demised premises to Lessee. In the event rentals become due under this subparagraph of this agreement, and in the further event Lessee fails to appoint an appraiser to determine the fair market value of the demised premises

within ten (10) days following notice by Company to Lessee of the appointment of Company's appraiser, then and in that event Company's appraiser shall proceed to determine the fair market value of said property and such determination by Company's appraiser acting alone shall be binding upon Lessee and Company with respect to the amount of rentals due under this subparagraph.

(f) The rights and remedies given to Company in this lease are distinct, separate and cumulative remedies and no one of them, whether or not exercised by Company, shall be deemed to be an exclusion of any of the others provided herein or provided by law or equity. In event of a breach or a threatened breach by Lessee of any of the terms, covenants, conditions or agreements hereof or upon the occurrence of an event of default, Company shall have the right to invoke any remedy allowed by law or in equity, including the right of injunction to restrain any breach or threatened breach, as if re-entry, summary proceedings, termination or other specific remedies, indemnity or reimbursement were not herein authorized.

(g) Lessee hereby expressly waives service of any notice of re-entry or to institute legal proceedings to that end. Lessee hereby further waives any and all rights under any statute, law or decision now or hereafter in force and effect to recover or regain possession of the demised premises or to reinstate or redeem this Lease in the event that Lessee