

OFFICIAL TERMS AND CONDITIONS OF BOND SALE

\$37,065,000*

**LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT (KENTUCKY)
GENERAL OBLIGATION BONDS**

\$31,000,000[†]

**Taxable General Obligation
Pension Funding Bonds
Series 2012A**

\$6,065,000[†]

**Various Purpose
General Obligation Refunding Bonds
Series 2012B**

SALE: TUESDAY, JUNE 5, 2012 AT 11:00 A.M., E.D.T.

BIDS SUBMITTED THROUGH PARITY[®]

Notice is hereby given that electronic bids will be received by Lexington-Fayette Urban County Government until 11:00 a.m., E.D.T. on Tuesday, June 5, 2012 (or at such later time and date announced by noon, E.D.T. on the day preceding the Bid Opening via the **PARITY[®]** system or the Thomson Municipal News wire) for the purchase of (i) approximately \$31,000,000[†] Taxable General Obligation Pension Funding Bonds, Series 2012A (the "Series 2012A Bonds"); and (ii) approximately \$6,065,000[†] Various Purpose General Obligation Refunding Bonds, Series 2012B (the "Series 2012B Bonds" and, together with the Series 2012A Bonds, the "Series 2012 Bonds"). The Series 2012 Bonds are more fully described in the Preliminary Official Statement dated May 31, 2012, available at www.i-dealprospectus.com. Prior to opening the bids, the Lexington-Fayette Urban County Government reserves the right to change the principal amount and terms related to the Series 2012 Bonds, cancel the sale, or change the sale date. Such notice of change will be posted on **PARITY[®]** or i-dealprospectus.com. Electronic bids must be submitted through **PARITY[®]** as described herein and no other form of bid or provider of electronic bidding services will be accepted. Bids will be opened and acted upon later that same day. This Notice has been duly advertised in *The Courier-Journal*, published in Louisville, Kentucky; the *Lexington Herald-Leader*, published in Lexington, Kentucky; and *The Bond Buyer*, published in New York City, New York.

*Preliminary; subject to change.

[†]Preliminary; subject to Permitted Adjustment. See "Bidding Conditions and Restrictions" herein.

BIDDING PARAMETERS TABLE¹

Series 2012A Bonds

INTEREST		PRICING	
Dated Date:	Date of Delivery	Max. Aggregate Bid Price:	102.5% ²
Anticipated Delivery Date:	June 21, 2012	Min. Aggregate Bid Price:	98.5% ²
Interest Payment Dates:	April 1 and October 1		
First Interest Payable:	October 1, 2012		
Coupon Multiples:	1/8, or 1/10 or 1/20 of 1%		
Maximum Coupon:	6.00%		
Minimum Coupon:	N/A		
		PROCEDURAL	
		Sale Date:	June 5, 2012 ³
		Bid Submission:	PARITY only
Optional Redemption:	Bonds maturing on and after October 1, 2023 are callable on and after October 1, 2022 at 100%.	All or None?	Yes
Post-bid Permitted Adjustment - Principal Increases Aggregate:	5%	Bid Award Method:	Lowest TIC
Post-bid Permitted Adjustment - Principal Reductions Aggregate:	5%	Bid Confirmation:	Fax Signed PARITY screen
Term Bonds:	Any two or more consecutive maturities may be designated term bonds; Must have sinking fund payments equal to date and amount shown on amortization schedule.	Awarding of Bid:	On the sale date by the LFUCG or its official designees
		Insurance:	May be purchased by the bidder at its option and cost. Insurer has no right to require changes in transaction documents.
		Good Faith Deposit:	\$620,000; as more fully described on page 9, section (H).

¹ If numerical or date references contained in the body of this Official Terms and Conditions of Bond Sale conflict with the Bidding Parameters Tables, the Bidding Parameters Tables of this Official Terms and Conditions of Bond Sale shall control. Consult the body of this Official Terms and Conditions of Bond Sale for a detailed explanation of the items contained in the Bidding Parameters Tables, including interpretation of such items and methodologies used to determine such items.

² Minimum bid amount of the Series 2012A Bonds will be \$30,535,000. Maximum bid amount of the Series 2012A Bonds will be \$31,775,000.

³ Subject to change before the Sale Date as provided in this Official Terms and Conditions of Bond Sale.

Series 2012B Bonds

INTEREST		PRICING	
Dated Date:	Date of Delivery	Max. Aggregate Bid Price:	110% ⁴
Anticipated Delivery Date:	June 21, 2012	Min. Aggregate Bid Price:	98.5% ⁴
Interest Payment Dates:	January 1 and July 1		
First Interest Payable:	January 1, 2013		
Coupon Multiples:	1/8, or 1/10 or 1/20 of 1%		
Maximum Coupon:	5.00%		
Minimum Coupon:	N/A		
		PROCEDURAL	
		Sale Date:	June 5, 2012 ⁵
		Bid Submission:	PARITY only
Optional Redemption:	Bonds maturing on and after July 1, 2022 are callable on and after July 1, 2021 at 100%.	All or None?	Yes
Post-bid Permitted Adjustment - Principal Increases Aggregate:	10%	Bid Award Method:	Lowest TIC
Post-bid Permitted Adjustment - Principal Reductions Aggregate:	10%	Bid Confirmation:	Fax Signed PARITY screen
Term Bonds:	Any two or more consecutive maturities may be designated term bonds; Must have sinking fund payments equal to date and amount shown on amortization schedule.	Awarding of Bid:	On the sale date by the LFUCG or its official designees
		Insurance:	May be purchased by the bidder at its option and cost. Insurer has no right to require changes in transaction documents.
		Good Faith Deposit:	\$121,300; as more fully described on page 9, section (H).

⁴ Minimum bid amount of the Series 2012B Bonds will be \$5,974,025. Maximum bid amount of the Series 2012B Bonds will be \$6,671,500.

⁵ Subject to change before the Sale Date as provided in this Official Terms and Conditions of Bond Sale.

STATUTORY AUTHORITY, SECURITY AND PURPOSE OF ISSUE

Statutory Authority. Authority for the issuance of the Series 2012A Bonds is provided by Sections 66.011 through 66.191 of the Kentucky Revised Statutes and Ordinance No. 64-2012 (the “Series 2012A Ordinance”) adopted by the Lexington-Fayette Urban County Council (the “Urban County Council”) on May 17, 2012. Authority for the issuance of the Series 2012B Bonds is provided by Sections 66.011 through 66.191 of the Kentucky Revised Statutes and Ordinance No. 65-2012 (the “Series 2012B Ordinance” and together with the Series 2012A Ordinance, the “Authorizing Ordinance”) adopted by the Urban County Council on May 17, 2012. The Series 2012 Bonds are general obligation bonds and constitute a direct indebtedness of the Lexington-Fayette Urban County Government.

Security. The Series 2012 Bonds are secured by the Lexington-Fayette Urban County Government's ability to levy and its pledge to levy an ad valorem tax on all property within the Lexington-Fayette County in a sufficient amount to pay the principal of and interest on the Series 2012 Bonds when due.

Purpose of Issue.

(a) *The Series 2012A Bonds.* The Series 2012A Bonds are being issued for the purpose of (i) funding certain unfunded liabilities to the Policemen's and Firefighters' Retirement Fund of the Lexington-Fayette Urban-County Government (the “Series 2012A Project”), based on computations set forth in an actuarial report dated July 1, 2011, prepared by Cavanaugh Macdonald Consulting, LLC; and (ii) paying certain costs related to the issuance of the Series 2012A Bonds.

(b) *The Series 2012B Bonds.* The Series 2012B Bonds are being issued to (i) advance refund all or a portion of the outstanding principal amount of the \$4,570,000 Lexington-Fayette Urban County Government General Obligation Bonds, Series 2002C (the “Series 2002C Prior Bonds”) and the \$9,640,000 Lexington-Fayette Urban County Government General Obligation Bonds (Day Treatment Center, Multi-Use Facility and Expansion Area Boulevard Projects), Series 2004C (the “Series 2004C Prior Bonds” and, together with the Series 2002C Prior Bonds, the “Prior Bonds”); and (ii) pay the costs of issuance of the Series 2012B Bonds.

BOND MATURITIES, PRIOR REDEMPTION PROVISIONS AND PAYING AGENTS

The Series 2012 Bonds shall be dated their date of initial delivery, bearing interest from such date of initial delivery, and shall be payable on the dates and in the amounts as set forth below:

Series 2012A Bonds

Year (Oct. 1)	Amount [†]		Year (Oct. 1)	Amount [†]
2013	\$1,250,000		2023	\$1,510,000
2014	1,260,000		2024	1,560,000
2015	1,275,000		2025	1,610,000
2016	1,290,000		2026	1,660,000
2017	1,310,000		2027	1,720,000
2018	1,335,000		2028	1,780,000
2019	1,360,000		2029	1,845,000
2020	1,390,000		2030	1,910,000
2021	1,425,000		2031	1,985,000
2022	1,465,000		2032	2,060,000

[†]Preliminary; subject to Permitted Adjustment. See “Bidding Conditions and Restrictions” herein.

Series 2012B Bonds

Year (July 1)	Amount ^{††}		Year (July 1)	Amount ^{††}
2013	\$ 80,000		2019	\$765,000
2014	85,000		2020	775,000
2015	85,000		2021	795,000
2016	215,000		2022	805,000
2017	215,000		2023	820,000
2018	755,000		2024	670,000

^{††}Preliminary; subject to Permitted Adjustment. See “Bidding Conditions and Restrictions” herein.

Optional Redemption

Series 2012A Bonds. The Series 2012A Bonds maturing October 1, 2023 and thereafter are subject to optional redemption prior to maturity, commencing October 1, 2022, in whole or in part, in such order of maturity as shall be designated in writing by the Lexington-Fayette Urban County Government and by lot within any maturity, at the election of the Lexington-Fayette Urban County Government upon 45 days' written notice to the Series 2012A Paying Agent and Registrar (as hereinafter defined) at a redemption price equal to the par amount thereof, plus accrued interest to the date of redemption.

Series 2012B Bonds. The Series 2012B Bonds maturing July 1, 2022 and thereafter are subject to optional redemption prior to maturity, commencing July 1, 2021, in whole or in part, in such order of maturity as shall be designated in writing by the Lexington-Fayette Urban County Government and by lot within any maturity, at the election of the Lexington-Fayette Urban County Government upon 45 days' written notice to the Series 2012B Paying Agent and Registrar (as hereinafter defined) at a redemption price equal to the par amount thereof, plus accrued interest to the date of redemption.

Notice of Redemption

Series 2012A Bonds. At least thirty (30) days before the redemption date of any Series 2012A Bonds, the Series 2012A Paying Agent and Registrar shall cause a notice of such redemption either in whole or in part, signed by the Series 2012A Paying Agent and Registrar, to be mailed, first class, postage prepaid, to all registered owners of the Series 2012A Bonds to be redeemed at their addresses as they appear on the registration books kept by the Series 2012A Paying Agent and Registrar, but failure to mail any such notice shall not affect the validity of the proceedings for such redemption of Series 2012A Bonds for which such notice has been sent. Each such notice shall set forth the date fixed for redemption, the redemption price to be paid and, if less than all of the Series 2012A Bonds being payable by their terms on a single date then outstanding shall be called for redemption, the distinctive number or letters, if any, of such Series 2012A Bonds to be redeemed.

Series 2012B Bonds. At least thirty (30) days before the redemption date of any Series 2012B Bonds, the Series 2012B Paying Agent and Registrar shall cause a notice of such redemption either in whole or in part, signed by the Series 2012B Paying Agent and Registrar, to be mailed, first class, postage prepaid, to all registered owners of the Series 2012B Bonds to be redeemed at their addresses as they appear on the registration books kept by the Series 2012B Paying Agent and Registrar, but failure to mail any such notice shall not affect the validity of the proceedings for such redemption of Series 2012B Bonds for which such notice has been sent. Each such notice shall set forth the date fixed for redemption, the redemption price to be paid and, if less than all of the Series 2012B Bonds being payable by their terms on a single date then outstanding shall be called for redemption, the distinctive number or letters, if any, of such Series 2012B Bonds to be redeemed.

Paying Agent and Registrar

Series 2012A Bonds. U.S. Bank National Association, Louisville, Kentucky has been appointed Paying Agent and Registrar for the Series 2012A Bonds (the "Series 2012A Paying Agent and Registrar").

Series 2012B Bonds. The Bank of New York Mellon Trust Company, N.A., Louisville, Kentucky has been appointed Paying Agent and Registrar for the Series 2012B Bonds (the "Series 2012B Paying Agent and Registrar").

BIDDING CONDITIONS AND RESTRICTIONS

The terms and conditions of the sale of the Series 2012 Bonds are as follows:

(A) Bids may be made for the entire issue of either or both of the Series 2012A Bonds and/or the Series 2012B Bonds. Electronic bids for the Series 2012 Bonds must be submitted through PARITY® system and no other form of bid or provider of electronic bidding services will be accepted. Subscription to the PARITY® Competitive Bidding System is required in order to submit an electronic bid. The Lexington-Fayette Urban County Government will neither confirm any subscription nor be responsible for the failure of any prospective bidders to subscribe. For the purposes of the bidding process, the time as maintained by PARITY® shall constitute the official time with respect to all bids. To the extent any instructions or directions set forth in PARITY® conflict with the terms of the Official Terms and Conditions of Bond Sale, this Official Terms and Conditions of Bond Sale shall prevail. Electronic bids made through the facilities of PARITY® shall be deemed an offer to purchase in response to the Notice of Bond Sale and shall be binding upon the bidders as if made by signed, sealed written bids delivered to the Lexington-Fayette Urban County Government. The Lexington-Fayette Urban County Government shall not be responsible for any malfunction or mistake made by or as a result of the use of the electronic bidding facilities provided and maintained by PARITY®. The use of PARITY® facilities are at the sole risk of the prospective bidders. The successful bidder(s) must confirm such bid by a signed PARITY® Bid Form and a signed statement of reoffering prices, both delivered by fax to the Secretary-Treasurer of the Lexington-Fayette Urban County Government, c/o Jane Driskell, Commissioner of Finance, Lexington-Fayette Urban County Government, 200 East Main Street, Third Floor, Lexington, Kentucky 40507 (Fax: (859) 258-3385), no later than one hour after being notified by the Lexington-Fayette Urban County Government of being the winning bidder(s), the original of each of which must be received by the Lexington-Fayette Urban County Government on the following business day at the address shown above. Failure to deliver this written confirmation does not relieve the bidder(s) of the obligation to purchase the applicable series of Series 2012 Bonds

(B) Bidders for the Series 2012A Bonds are required to bid for the entire issue of Series 2012A Bonds at a minimum or maximum price within the limitations set forth in the Bidding Parameters Table. Bidders for the Series 2012B Bonds are required to bid for the entire issue of Series 2012B Bonds at a minimum or maximum price within the limitations set forth in the Bidding Parameters Table.

(C) Interest rates for the Series 2012 Bonds must be in multiples within the limitations set forth in the Bidding Parameters Table. All Series 2012 Bonds of the same series and maturity shall bear the same and a single interest rate from the date thereof to maturity.

(D) The determination of the best purchase bid for the Series 2012A Bonds shall be made on the basis of all bids submitted for exactly \$31,000,000 principal amount of Series 2012A Bonds offered for sale hereunder. The Lexington-Fayette Urban County Government may adjust the principal amount of Series 2012A Bonds which may be

awarded to such best bidder upward or downward within the limitations set forth in the Bidding Parameter Table. In the event of such Series 2012A Bonds Permitted Adjustment, no rebidding or recalculation of a submitted bid will be required or permitted. If the principal amount of any maturity of the Series 2012A Bonds is revised after the award, the interest rate and reoffering price (as a percentage of principal) for each maturity and the Underwriter's Discount on the Series 2012A Bonds as submitted by the successful bidder shall be held constant. The "Underwriter's Discount" shall be defined as the difference between the purchase price of the Series 2012A Bonds submitted by the bidder and the aggregate of the prices at which the Series 2012A Bonds will be offered to the public, calculated from written information which must be provided by the successful bidder, divided by the par amount of the Series 2012A Bonds bid.

The determination of the best purchase bid for the Series 2012B Bonds shall be made on the basis of all bids submitted for exactly \$6,065,000 principal amount of Series 2012B Bonds offered for sale hereunder. The Lexington-Fayette Urban County Government may adjust the principal amount of Series 2012B Bonds which may be awarded to such best bidder upward or downward within the limitations set forth in the Bidding Parameter Table. In the event of such Series 2012B Bonds Permitted Adjustment, no rebidding or recalculation of a submitted bid will be required or permitted. If the principal amount of any maturity of the Series 2012B Bonds is revised after the award, the interest rate and reoffering price (as a percentage of principal) for each maturity and the Underwriter's Discount on the Series 2012B Bonds as submitted by the successful bidder shall be held constant. The "Underwriter's Discount" shall be defined as the difference between the purchase price of the Series 2012B Bonds submitted by the bidder and the aggregate of the prices at which the Series 2012B Bonds will be offered to the public, calculated from written information which must be provided by the successful bidder, divided by the par amount of the Series 2012B Bonds bid.

(E) Bidders have the option of specifying that all of the Series 2012A Bonds or the Series 2012B Bonds, respectively, maturing in any two or more consecutive years may, in lieu of maturing in each of such years, be combined to comprise one or more maturities of such Series 2012A Bonds or Series 2012B Bonds, respectively, scheduled to mature in the latest of such year and be subject to mandatory sinking fund redemption at par in each of the years and in the principal amounts of such term Series 2012A Bonds or Series 2012B Bonds, respectively, scheduled in the year of maturity of the term Series 2012A Bonds or Series 2012B Bonds, respectively, which principal amount shall mature in that year.

(F) The successful purchaser(s) shall pay the CUSIP Service Bureau charge with respect to the applicable series of the Series 2012 Bonds purchased. CUSIP identification numbers will be printed on the Series 2012 Bonds at the expense of the Lexington-Fayette Urban County Government. Improper imprintation or the failure to imprint CUSIP numbers shall not constitute cause for a failure or refusal by the purchaser(s) to accept delivery of and pay for the applicable series of the Series 2012 Bonds in accordance with the terms of any accepted proposal for the purchase of such series of the Series 2012 Bonds.

(G) The Lexington-Fayette Urban County Government will provide to the successful purchaser(s) a Final Official Statement in accordance with SEC Rule 15c2-12. A final Official Statement will be provided in Electronic Form to the successful purchaser(s), in sufficient time to meet the delivery requirements of the successful bidder under SEC and Municipal Securities Rulemaking Board Delivery Requirements, at no cost to the purchaser(s).

(H) Bids need not be accompanied by a certified or bank cashier's good faith check, but the successful bidder for the Series 2012A Bonds will be required to wire transfer to the order of the Lexington-Fayette Urban County Government an amount equal to \$620,000 and the successful bidder for the Series 2012B Bonds will be required to wire transfer to the order of the Lexington-Fayette Urban County Government an amount equal to \$121,300, by the close of business on the day following the award. These respective good faith amounts will be forfeited as liquidated damages in the event of a failure of the successful bidder(s) to take delivery of the applicable series of Series 2012 Bonds, when ready. The respective good-faith amount will be applied (without interest) to the purchase price upon delivery of the applicable series of Series 2012 Bonds. The successful bidder(s) shall not be required to take delivery and pay for the applicable series of Series 2012 Bonds, unless delivery is made within 45 days from the date the applicable bid is accepted.

(I) The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Series 2012 Bonds. They will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered Series 2012 Bond certificate will be issued for each maturity of the Series 2012 Bonds of each series, each in the aggregate principal amount of such maturity, and will be deposited with DTC. Purchases of the Series 2012 Bonds under the DTC system must be made by or through securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations (the "Direct Participants"), which will receive a credit for the Series 2012 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2012 Bond (a "Beneficial Owner") is in turn to be recorded on the records of Direct Participants or securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant (the "Indirect Participants"). Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2012 Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2012 Bonds, except in the event that use of the book-entry system for the Series 2012 Bonds is discontinued. The successful bidder(s) may also elect to notify the Financial Advisor within twenty-four (24) hours of the award that standard bond certificates be issued. In the event that certificated Series 2012 Bonds are to be issued at the election of a successful bidder(s), the costs of printing such Series 2012 Bond Certificates shall be borne by such bidder.

(J) The Series 2012B Bonds are offered for sale subject to the principal and interest on the Series 2012B Bonds not being subject to Federal or Kentucky income taxation or Kentucky ad valorem taxation on the date of their delivery to the successful bidder and the Series 2012A Bonds are offered for sale subject to the principal and interest on the Series 2012A Bonds not being subject to Kentucky income taxation or Kentucky ad valorem taxation on the date of their delivery to the successful bidder, all in accordance with the final approving legal opinions of Peck, Shaffer & Williams LLP, Covington, Kentucky, which opinions will be qualified in accordance with the section hereof on TAX TREATMENT.

(K) Bidders are advised that Civic Finance Advisors, LLC and Morgan Keegan and Company, Inc. (or its successor in interest) (together, the "Financial Advisor") are as appointed co-Financial Advisors in connection with the issuance of the Series 2012 Bonds. Their respective fees for services rendered with respect to the sale of the Series 2012 Bonds are contingent upon the issuance and delivery thereof.

(L) As required by the Code, the purchaser(s) of the Series 2012 Bonds will be required to certify to the Lexington-Fayette Urban County Government as to certain of their activities regarding any reoffering to the public of the Series 2012 Bonds, including any reoffering prices. This information from the purchaser(s) of the Series 2012 Bonds shall also be made available to the Financial Advisor immediately after the sale of the Series 2012 Bonds.

(M) Unless bids for the Series 2012 Bonds are rejected, each series of the Series 2012 Bonds will be awarded on an all or none basis on the sale date to the bidder whose bid result in the lowest true interest rate for the respective series of Series 2012 Bonds to be calculated as that rate (or yield) that, when used in computing the present worth of all payments of principal and interest on the respective series of Series 2012 Bonds (compounded semi-annually from the date of the Series 2012 Bonds), produces an amount equal to the purchase price of the respective series of Series 2012 Bonds, exclusive of accrued interest. For purposes of calculating the true interest cost, the principal amount of any Term Bonds scheduled for mandatory sinking fund redemption as part of the Term Bond shall be treated as a serial maturity in such year for the applicable series of Series 2012 Bonds. In the event that two or more bidders offer to purchase the respective series of Series 2012 Bonds at the same lowest true interest rate, the Mayor, upon the advice of the Commissioner of Finance shall determine (in their sole discretion), which of the bidders shall be awarded the respective series of Series 2012 Bonds. The Lexington-Fayette Urban County Government expressly reserves the right: (1) to waive any informalities, (ii) to reject all bids, any incomplete bid or any bid not fully complying with all of the requirements set forth herein, and (iii) to solicit new bids or proposals for the sale of the Series 2012 Bonds or otherwise provide for the public sale of the Series 2012 Bonds if all bids are rejected or the winning bidder defaults, such action to be consistent with Kentucky law.

(N) Additional information, including the Preliminary Official Statement, the Official Terms and Conditions of Bond Sale and the Official Bid Form, may be obtained from the Financial Advisors: (i) Civic Finance Advisors, LLC, 333 West Vine Street,

Suite 1610, Lexington, KY 40509, Telephone: (855) 211-1525, Attention: Chris Bowling; and (ii) Morgan Keegan & Company, Inc., 489 East Main Street, Lexington, Kentucky 40507, telephone (859) 232-8211, Attn: Bob Pennington; or at www.idealprospectus.com. Further information regarding PARITY® may be obtained from PARITY®, 1359 Broadway - 2nd Floor, New York, NY 10018, Telephone: (800) 850-7422.

(O) The Lexington-Fayette Urban County Government expects to award the bid no later than 3:00 p.m. E.D.T. on June 5, 2012.

CONTINUING DISCLOSURE

In accordance with the Securities and Exchange Commission Rule 15c2-12 (the "Rule") and so long as the Series 2012 Bonds are outstanding the Lexington-Fayette Urban County Government (the "Obligated Person") will agree pursuant to a Continuing Disclosure Certificate to be dated as of June 21, 2012, to be delivered on the date of delivery of the Series 2012 Bonds, to cause the following information to be provided:

(i) to the Municipal Securities Rulemaking Board ("MSRB"), certain annual information and operating data, including audited financial statements, generally consistent with the information contained in **Appendix B** of this Official Statement (the "Annual Financial Information"); such Annual Financial Information to be supplied by reference to the Obligated Person's Comprehensive Annual Financial Report ("CAFR") which will be provided within nine months of the end of the fiscal year ending on June 30; provided that the audited financial statements may not be available by such date, but will be supplied immediately upon delivery thereof by the auditors for the Obligated Person;

(ii) to the MSRB, in a timely manner, not in excess of ten business days after the occurrence of the event, notice of the occurrence of the following events with respect to the Series 2012 Bonds:

- (a) Principal and interest payment delinquencies;
- (b) Non-payment related defaults, if material;
- (c) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (d) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (e) Substitution of credit or liquidity providers, or their failure to perform;
- (f) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the

tax status of the security, or other material events affecting the tax-exempt status of the security;

(g) Modifications to rights of security holders, if material;

(h) Bond calls, if material, and tender offers (except for mandatory scheduled redemptions not otherwise contingent upon the occurrence of an event);

(i) Defeasances;

(j) Release, substitution or sale of property securing repayment of the securities, if material;

(k) Rating changes;

(l) Bankruptcy, insolvency, receivership or similar event of the obligated person (Note: For the purposes of this event, the event is considered to occur when any of the following occur: The appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person);

(m) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

(n) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

(iii) to the MSRB, notice of a failure (of which the Obligated Person has knowledge) of an Obligated Person to provide the required annual financial information on or before the date specified in its written continuing disclosure undertaking.

As required by the Rule, the Continuing Disclosure Certificate provides that the information to be filed with the MSRB described in the preceding paragraph is to be filed in an electronic format as prescribed by the MSRB, accompanied by identifying information as prescribed by the MSRB. An MSRB rule change approved by the Securities and Exchange Commission established a continuing disclosure service of the MSRB's Electronic Municipal

Market Access system ("EMMA") for the receipt of, and for making available to the public, continuing disclosure documents and related information to be submitted pursuant to continuing disclosure undertakings (such as the Continuing Disclosure Certificate) entered into on or after July 1, 2009, consistent with the Rule. In general, all continuing disclosure documents and related information are to be submitted to the MSRB's continuing disclosure service through an Internet-based electronic submitter interface (EMMA Dataport) or electronic computer-to-computer data connection, accompanied by certain identification information, in portable document format (PDF) files configured to permit document to be saved, viewed, printed and retransmitted by electronic means and must be word-searchable.

The Continuing Disclosure Certificate provides bondholders with certain enforcement rights in the event of a failure by the Obligated Person to comply with the terms thereof; however, a default under the Continuing Disclosure Certificate does not constitute a default under the Authorizing Legislation. The Continuing Disclosure Certificate may be amended or terminated under certain circumstances in accordance with the Rule as more fully described therein. Holders of the Series 2012 Bonds are advised that the Continuing Disclosure Certificate, copies of which are available at the office of the Lexington-Fayette Urban County Government, should be read in its entirety for more complete information regarding its contents.

For purposes of this transaction with respect to events as set forth in the Rule:

- (a) there are no debt service reserve funds applicable to the Series 2012 Bonds;
- (b) there are no credit enhancements applicable to the Series 2012 Bonds;
- (c) there are no liquidity providers applicable to the Series 2012 Bonds; and
- (d) there is no property securing the repayment of the Series 2012 Bonds.

The Lexington-Fayette Urban County Government is already providing ongoing market disclosure as required by Rule 15c2-12 pursuant to agreements entered into in connection with other outstanding securities and has complied with requirements of Rule 15c2-12. The Lexington-Fayette Urban County Government is in compliance in all material respects with all previous undertakings with regard to Rule 15c2-12 to provide annual financial information or notices of material events pursuant to Rule 15c2-12.

TAX TREATMENT

Series 2012A Bonds

In the opinion of Bond Counsel for the Series 2012A Bonds, based upon an analysis of existing laws, regulations, rulings and court decisions, interest on the Series 2012A Bonds is includable in gross income for Federal income tax purposes. Furthermore, Bond Counsel for the Series 2012A Bonds is of the opinion that interest on the Series 2012A Bonds is exempt from income taxation and the Series 2012A Bonds are exempt from ad valorem taxation by the Commonwealth of Kentucky and any of its political subdivisions.

A form of the opinion of Bond Counsel for the Series 2012A Bonds is set forth in **Appendix D-1** to the Preliminary Official Statement.

If, prior to the delivery of the Series 2012A Bonds, any event shall occur which alters the tax treatment of the Series 2012A Bonds, the purchaser of the Series 2012A Bonds shall have the privilege of voiding the purchase contract by giving immediate written notice to the Lexington-Fayette Urban County Government, whereupon the amount of the good faith deposit of the purchaser of the Series 2012A Bonds will be returned to such purchaser, and all respective obligations of the parties will be terminated.

Series 2012B Bonds

In the opinion of Bond Counsel for the Series 2012B Bonds, based upon an analysis of existing laws, regulations, rulings and court decisions, interest on the Series 2012B Bonds will be excludible from gross income for Federal income tax purposes. Bond Counsel for the Series 2012B Bonds is also of the opinion that interest on the Series 2012B Bonds will not be a specific item of tax preference under Section 57 of the Code for purposes of the Federal individual or corporate alternative minimum taxes. Furthermore, Bond Counsel for the Series 2012B Bonds is of the opinion that interest on the Series 2012B Bonds is exempt from income taxation and the Series 2012B Bonds are exempt from ad valorem taxation by the Commonwealth of Kentucky and any of its political subdivisions.

A copy of the opinion of Bond Counsel for the Series 2012B Bonds is set forth in **Appendix D-2** to the Preliminary Official Statement.

The Code imposes various restrictions, conditions, and requirements relating to the exclusion from gross income for Federal income tax purposes of interest on obligations such as the Series 2012B Bonds. The Lexington-Fayette Urban County Government has covenanted to comply with certain restrictions designed to ensure that interest on the related issues of Series 2012B Bonds will not be includable in gross income for Federal income tax purposes. Failure to comply with these covenants could result in interest on the Series 2012B Bonds being includable in income for Federal income tax purposes and such inclusion could be required retroactively to the date of issuance of the Series 2012B Bonds. The opinion of Bond Counsel assumes compliance with these covenants. However, Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Series 2012B Bonds may adversely affect the tax status of the interest on the Series 2012B Bonds.

Certain requirements and procedures contained or referred to in the Series 2012B Bond documents and other relevant documents may be changed and certain actions (including, without limitation, defeasance of the Series 2012B Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. Bond Counsel expresses no opinion as to any Series 2012B Bonds or the interest thereon if any such change occurs or action is taken or omitted upon the advice or approval of bond counsel other than Peck, Shaffer & Williams LLP.

Although Bond Counsel for the Series 2012B Bonds is of the opinion that interest on the Series 2012B Bonds will be excludible from gross income for Federal income tax purposes and that interest on the Series 2012B Bonds is excludible from gross income for Kentucky income tax purposes, the ownership or disposition of, or the accrual or receipt of interest on, the Series 2012B Bonds may otherwise affect a Holder's Federal, state or local tax liabilities. The nature and extent of these other tax consequences may depend upon the particular tax status of the Holder or the Holder's other items of income or deduction. Bond Counsel expresses no opinions regarding any tax consequences other than what is set forth in its opinion and each Holder or potential Holder is urged to consult with tax counsel with respect to the effects of purchasing, holding or disposing the Series 2012B Bonds on the tax liabilities of the individual or entity.

For example, although Bond Counsel is of the opinion that interest on the Series 2012B Bonds will not be a specific item of tax preference for the federal alternative minimum tax, corporations are required to include all tax-exempt interest in determining "adjusted current earnings" under Section 56(c) of the Code, which may increase the amount of any alternative minimum tax owed by such corporation. Receipt of tax-exempt interest, ownership or disposition of the Series 2012B Bonds may result in other collateral federal, state or local tax consequence for certain taxpayers. Such effects include, without limitation, increasing the federal tax liability of certain foreign corporations subject to the branch profits tax imposed by Section 884 of the Code, increasing the federal tax liability of certain insurance companies, under Section 832 of the Code, increasing the federal tax liability and affecting the status of certain S Corporations subject to Sections 1362 and 1375 of the Code, increasing the federal tax liability of certain individual recipients of Social Security or Railroad Retirement benefits, under Section 86 of the Code and limiting the amount of the Earned Income Credit under Section 32 of the Code that might otherwise be available. Ownership of any Series 2012B Bonds may also result in the limitation of interest and certain other deductions for financial institutions and certain other taxpayers, pursuant to Section 265 of the Code. Finally, residence of the holder of Series 2012B Bonds in a state other than Kentucky or being subject to tax in a state other than Kentucky, may result in income or other tax liabilities being imposed by such states or their political subdivisions based on the interest or other income from the Series 2012B Bonds.

The Lexington-Fayette Urban County Government has not designated the Series 2012B Bonds as "qualified tax-exempt obligations" within the meaning of Section 265 of the Code.

If, prior to the delivery of the Series 2012B Bonds, any event shall occur which alters the tax-exempt status of the Series 2012B Bonds, the purchaser of the Series 2012B Bonds shall have the privilege of voiding the purchase contract by giving immediate written notice to the Lexington-Fayette Urban County Government, whereupon the amount of the good faith deposit of the purchaser of the Series 2012B Bonds will be returned to such purchaser, and all respective obligations of the parties will be terminated.

[Remainder of page intentionally left blank]

These Official Terms and Conditions of Bond Sale have been duly executed and delivered for and on behalf of the Lexington-Urban County Government, by its Mayor.

/s/ Jim Gray

Mayor, Lexington-Fayette Urban County
Government