NEW ISSUES - BOOK-ENTRY **See "BOND INSURANCE" and "RATINGS"**

In the opinion of Stoll Keenon Ogden PLLC, Bond Counsel, assuming continuing compliance by the Kentucky Economic Development Finance Authority, Louisville Arena Authority, Inc., and other contractually-bound parties with certain covenants in the financing documents herein described and subject to the limitations and exceptions set forth under the caption "TAX TREATMENT," (i) interest on the Series 2017A Bonds is excluded from gross income for federal and Kentucky income tax purposes and (ii) is not an item of tax preference for purposes of application of the federal alternative minimum tax to individuals and corporations. Bond Counsel is further of the opinion that interest on the Series 2017B Bonds (i) is not excluded from gross income for federal income tax purposes and, (ii) under the Constitution and laws of the Commonwealth of Kentucky and official interpretations thereof, is exempt from income taxation by the Commonwealth. The principal of the Bonds is, in the opinion of Bond Counsel, exempt from ad valorem taxation by the Commonwealth of Kentucky and its political subdivisions. See "TAX TREATMENT" herein.

louisville arena authority

$377,765,000
KENTUCKY ECONOMIC DEVELOPMENT FINANCE AUTHORITY
$202,125,000 Louisville Arena Project Refunding Revenue Bonds, Series 2017A (Louisville Arena Authority, Inc.)
and
$175,640,000 Louisville Arena Project Refunding Revenue Bonds, Taxable Series 2017B (Louisville Arena Authority, Inc.)

Dated: Date of Issuance **Due**: December 1 as shown on the inside cover page

The Louisville Arena Project Refunding Revenue Bonds, Series 2017A (the "Series 2017A Bonds") and the Louisville Arena Project Refunding Revenue Bonds, Taxable Series 2017B (the "Series 2017B Bonds" and together with the Series 2017A Bonds, the "Bonds") are special and limited obligations of the Kentucky Economic Development Finance Authority (the "Issuer") issued pursuant to certain resolutions of the Issuer and a Bond Trust Indenture as described herein between the Issuer and Regions Bank, as Trustee (the "Trustee"). The Bonds are being issued by the Issuer, at the request of Louisville Arena Authority, Inc. (the "Corporation"), pursuant to a Bond Resolution adopted on September 28, 2017 (the "Resolution"), to (i) refund the Issuer's outstanding (a) Louisville Arena Project Revenue Bonds, Series 2008A (Louisville Arena Authority, Inc.), consisting of Subseries 2008A-1 Fixed Rate Bonds and Subseries 2008A-2 Capital Appreciation Bonds, (b) Louisville Arena Project Revenue Bonds, Taxable Series 2008B (Louisville Arena Authority, Inc.) and (c) Louisville Arena Project Revenue Bonds, Taxable Subordinate Series 2008C (Louisville Arena Authority, Inc.) (collectively, the "Prior Bonds"), previously issued by the Issuer to finance a portion of the costs of the acquisition, development, construction, and installation of the KFC Yum! Center (the "Arena"); (ii) fund a debt service reserve fund, as described herein; (iii) provide certain working capital funds as described herein; (iv) fund a renovation and replacement fund as described herein; and (v) pay expenses and costs incurred in connection with the issuance of the Bonds.

The sources of payment of principal of and interest and any premium on the Bonds are (i) certain tax increment revenues (the "TIF Revenues") payable by the Commonwealth of Kentucky (the "State") derived from the State sales tax and State property tax receipts in an approximately two-square mile district within the Louisville/Jefferson County Metro Government ("Metro Louisville") and from State income tax receipts derived from the Arena, (ii) annual payments from Metro Louisville, (iii) certain annual payments under a lease agreement between the University of Louisville Athletic Association, Inc. ("ULAA") and the Corporation, and (iv) revenues derived from the operation of the Arena. The Arena is managed by AEG Management Louisville, LLC under a management agreement with the Corporation.

The Bonds will mature on the dates and in the amounts set forth on the inside cover page, will be issued in denominations of $5,000 or any integral multiple thereof, and will pay interest on each June 1 and December 1, commencing June 1, 2018. The Bonds will be subject to optional, extraordinary and mandatory bond sinking fund redemption prior to maturity, as described herein.

The Bonds will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Bonds. Individual purchases of the Bonds will be made in book-entry form and individual purchasers of the Bonds will not receive certificates representing their interests in the Bonds purchased. Purchases of the Bonds may be made only in book-entry form by credit on the books of DTC as described herein.

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by Assured Guaranty Municipal Corp. (the "Bond Insurer").

ASSURED GUARANTY® MUNICIPAL

The Bonds are special and limited obligations of the Issuer and do not constitute a debt, general obligation, pledge of faith and credit or liability of the Issuer, the Commonwealth of Kentucky or of any agency or political subdivision thereof, including Metro Louisville, within the meaning of the Constitution or statutes of the Commonwealth of Kentucky, and the Bonds are payable solely from the funds and property pledged therefor. The Issuer has no taxing power.

The Bonds are offered when, as and if issued by the Issuer and received by the Underwriters, subject to prior sale and to the approval of legality by Stoll Keenon Ogden PLLC, Louisville, Kentucky, and to the approval of certain matters for the Corporation by Frost Brown Todd LLC, Louisville, Kentucky; for the Issuer by Stites & Harbison, PLLC; for the Trustee by Rubin & Hays, Louisville, Kentucky; and for the Underwriters by Dinsmore & Shohl LLP, Covington, Kentucky. It is expected that the Bonds will be available for delivery in definitive form through DTC on or about December 20, 2017.

BofA Merrill Lynch **Siebert Cisneros Shank & Co., L.L.C.**

Cabrera Capital Markets, LLC	**Citigroup**	**Drexel Hamilton, LLC**
Goldman Sachs & Co. LLC	**Morgan Stanley**	**PNC Capital Markets LLC**
Raymond James		**RBC Capital Markets**
Stifel		**Wells Fargo Securities**

Dated December 6, 2017

$377,765,000
Kentucky Economic Development Finance Authority
Louisville Arena Project Refunding Revenue Bonds Series 2017
(Louisville Arena Authority, Inc.)

Composed of:
$202,125,000 Series 2017A Term Bonds

Year (December 1)	Amount	Interest Rate	Yield [1]	CUSIP+
2041	$47,340,000	4.000%	3.920%	49127KBU3
2045	96,015,000	5.000	3.490	49127KBV1
2047	58,770,000	5.000	3.390	49127KBW9

[1] Yield to optional redemption date.

$175,640,000 Taxable Series 2017B Bonds

Year (December 1)	Amount	Interest Rate	Yield	CUSIP+
2021	$3,705,000	2.967%	2.967%	49127KBX7
2022	4,165,000	3.217	3.217	49127KBY5
2023	4,650,000	3.349	3.349	49127KBZ2
2024	5,225,000	3.549	3.549	49127KCA6
2025	5,765,000	3.621	3.621	49127KCB4
2026	6,335,000	3.721	3.721	49127KCC2
2027	6,985,000	3.821	3.821	49127KCD0
2028	7,640,000	3.921	3.921	49127KCE8
2029	8,330,000	4.021	4.021	49127KCF5
2030	9,065,000	4.121	4.121	49127KCG3
2031	9,840,000	4.171	4.171	49127KCH1
2032	10,665,000	4.191	4.191	49127KCJ7
2033	11,470,000	4.225	4.225	49127KCK4
2034	12,380,000	4.255	4.255	49127KCL2
2035	13,345,000	4.305	4.305	49127KCM0
2036	14,360,000	4.355	4.355	49127KCN8
2037	15,435,000	4.405	4.405	49127KCP3
2038	16,575,000	4.435	4.435	49127KCQ1
2039	9,705,000	4.455	4.455	49127KCR9

REGARDING THIS OFFICIAL STATEMENT

No dealer, broker, salesman or other person has been authorized by the Issuer, the Corporation, Metro Louisville, the State, ULAA, the Bond Insurer or the Underwriters to give any information or to make any representations, other than those in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of any offer to buy, nor shall there be any sale of, the Bonds by any person in any jurisdiction in which it is unlawful to make such offer, solicitation or sale. The information and descriptions in this Official Statement do not purport to be comprehensive or definitive. Statements regarding specific documents (including the Bonds), instruments and statutes are descriptions of selected provisions of and subject to the detailed provisions of such documents, instruments and statutes, respectively, and are qualified in their entirety by reference to the full text of each such document, instrument or statute. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer, the Corporation, Metro Louisville, the State, ULAA or the Bond Insurer since the date hereof. This Official Statement does not constitute a contract between the Issuer, the Corporation or any one or more of the purchasers or registered owners of the Bonds.

The Underwriters have provided the following sentence for inclusion in this Official Statement: The Underwriters have reviewed the information in this Official Statement in accordance with, and as a part of, their respective responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

Certain statements included or incorporated by reference in this Official Statement constitute “forward-looking statements.” The achievement of certain results or other expectations contained in such forward-looking statements involves known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. See “INVESTMENT CONSIDERATIONS — Forward-Looking Statements.”

KENTUCKY’S NAME IS ON THE BONDS FOR THE BENEFIT AND CONVENIENCE OF OTHER ENTITIES WITHIN THE STATE. HOWEVER, THE ONLY SECURITY THAT IS PLEDGED FOR THE BONDS IS THE REVENUES AND ASSETS IDENTIFIED IN THIS OFFICIAL STATEMENT. THE GENERAL ASSEMBLY OF THE COMMONWEALTH OF KENTUCKY DOES NOT INTEND TO APPROPRIATE ANY STATE FUNDS TO FULFILL THE FINANCIAL OBLIGATIONS REPRESENTED BY THE BONDS.

Assured Guaranty Municipal Corp. (the “Bond Insurer”) makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, the Bond Insurer has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding the Bond Insurer supplied by the Bond Insurer and presented under the heading “Bond Insurance” and “APPENDIX J – Specimen Municipal Bond Insurance Policy”.

Purchase of the Bonds involves risk. Prospective investors should read this entire Official Statement prior to making an investment decision. See “INVESTMENT CONSIDERATIONS” for certain factors that prospective purchasers should consider prior to purchasing any of the Bonds.

The Bonds have not been registered under the Securities Act of 1933, as amended, or any state securities law and will not be listed on any stock or other securities exchange. The Bond Indenture has not been qualified under the Trust Indenture Act of 1939, as amended. Neither the Securities and Exchange

Commission nor any other federal, state, municipal or other governmental entity will have passed upon the accuracy or adequacy of this Official Statement or, except the Issuer, approved the Bonds for sale.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITERS MAY OFFER AND SELL THE BONDS TO CERTAIN DEALERS AT PRICES LOWER THAN THE OFFERING PRICES STATED ON THE COVER PAGE HEREOF AND SAID OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITERS WITHOUT NOTICE.

PARTICIPANTS

Kentucky Economic Development Finance Authority

Jean R. Hale	Chairman
Dorsey G. Hall	Assistant Secretary-Treasurer
Tucker Ballinger	Member
Don Goodin	Member
Joe Kelly	Member
Chad Miller	Member
Secretary William Landrum	Ex Officio Member

Louisville Arena Authority, Inc. Board of Directors

Scott Cox, Chairman
William Summers V, Vice-Chairman
Larry Bond
Jack Dulworth
Leslie Geoghegan
Raymond Guillaume
Michael Houlihan
Alice Houston
Deborah King
Darrin McCauley
Stuart Ray
Joe Reeves
Steve Rowland
Jeffrey Spalding
Lindy Street
David Yates (ex-officio)

Bond Counsel

Stoll Keenon Ogden PLLC

Louisville Arena Authority Counsel

Frost Brown Todd LLC

Arena Consultant

Conventions, Sports & Leisure International, LLC

TIF Consultant

Commonwealth’s Office of the State Budget Director

Financial Advisor

J.J.B. Hilliard, W.L. Lyons, LLC

TABLE OF CONTENTS

OFFICIAL STATEMENT SUMMARY

The following Summary is subject in all respects to more complete information contained in this Official Statement

The Issuer	The Kentucky Economic Development Finance Authority (the "Issuer"), is a public body politic and corporate, and an agency, instrumentality and political subdivision of the Commonwealth of Kentucky (the "State") pursuant to Chapter 154 of the Kentucky Revised Statutes (the "Act").
Issue and Date	The Issuer's Louisville Arena Project Refunding Revenue Bonds, Series 2017A (Louisville Arena Authority, Inc.) (the "Series 2017A Bonds") and Louisville Arena Project Refunding Revenue Bonds, Taxable Series 2017B (Louisville Arena Authority, Inc.) (the "Series 2017B Bonds," and, together with the Series 2017A Bonds, the "Bonds") will be special limited obligations of the Issuer payable from payments by or made on behalf of the Louisville Arena Authority, Inc. (the "Corporation"), including the payment of TIF Revenues, as described herein, Metro Revenues, as described herein, and Arena Revenues, including Category A Arena Revenues and Category B Arena Revenues, as described herein, derived from the use and operation of the KFC Yum! Center (the "Arena"). The Bonds will be dated as of the date of their delivery. See "THE BONDS – General" and "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS."
The Arena	The Arena is an approximately 720,000 square-foot, 22,000 seat multi-use arena located in downtown Louisville, Kentucky. The Arena opened in 2010, is managed by AEG, as hereinafter defined, is home to the University of Louisville men's and women's basketball programs, and hosts a variety of other events, including concerts, sporting events, family shows and meetings. See "THE ARENA AND ARENA REVENUES."
Authority for Issuance	The Bonds are being issued under the authority of Chapter 154 of the Kentucky Revised Statutes, and are authorized by the Bond Resolution adopted by the Issuer on September 28, 2017 (the "Resolution").
Purpose of the Issue	To (i) refund the Issuer's outstanding (a) Louisville Arena Project Revenue Bonds, Series 2008A (Louisville Arena Authority, Inc.), consisting of Subseries 2008A-1 Fixed Rate Bonds and Subseries 2008A-2 Capital Appreciation Bonds, (b) Louisville Arena Project Revenue Bonds, Taxable Series 2008B (Louisville Arena Authority, Inc.) and (c) Louisville Arena Project Revenue Bonds, Taxable Subordinate Series 2008C (Louisville Arena Authority, Inc.) (collectively, the "Prior Bonds"); (ii) fund a debt service reserve fund; (iii) provide certain working capital funds, as described herein; (iv) fund a renovation and replacement fund; and (v) pay expenses and costs incurred in connection with the issuance of the Bonds. See "PLAN OF FINANCE" and "SOURCES AND USES OF FUNDS."
Amounts and Maturities	See table on inside cover page.
Interest Payment Dates	Interest on the Bonds will be payable on June 1 and December 1 of each year, commencing June 1, 2018.
Redemption	The Series 2017A Bonds maturing on December 1, 2041 and December 1, 2045, are subject to redemption at the option of the Corporation on or after December 1, 2027. The Series 2017A Bonds maturing on December 1, 2047, are subject to redemption at the option of the Corporation on or after December 1, 2022. Optional redemptions may be in whole or in part, at any

time (less than all of a single maturity to be selected by lot in such manner as the Trustee may determine), at a redemption price equal to the principal amount thereof, plus accrued interest thereon, without premium.

The Series 2017B Bonds maturing on or before December 1, 2027 are subject to redemption at the option of the Corporation, in whole or in part on any date, at a redemption price (the "Make-Whole Premium Redemption Price") equal to the greater of (i) 100% of the principal amount of the Series 2017B Bonds to be redeemed, or (ii) the sum of the present values of the remaining scheduled payments of principal and interest on the Series 2017B Bonds to be redeemed (exclusive of interest accrued to the date fixed for redemption) discounted to the date of redemption on a semiannual basis (assuming a 360-day year consisting of twelve 30-day months) at the Comparable Treasury Yield (described herein) plus 35 basis points, plus in each case, accrued and unpaid interest on the Series 2017B Bonds being redeemed to the date fixed for redemption. See "THE BONDS - Redemption Provisions." The Series 2017B Bonds maturing on or after December 1, 2028, are subject to redemption at the option of the Corporation on or after December 1, 2027, at a redemption price equal to the principal amount thereof, plus accrued interest thereon, without premium.

Trustee

Principal of, premium, if any, and interest on the Bonds will be paid by Regions Bank, an Alabama banking corporation, as Trustee.

Security for Payment

The Bonds will be secured by the TIF Revenues, the Metro Revenues and the Arena Revenues pledged under the Bond Indenture, funds and accounts created by the Bond Indenture (other than the Rebate Fund), the Operations and Maintenance Fund created under the Loan Agreement and the Mortgage and Security Agreement, as hereinafter defined, from the Corporation to the Trustee, and the principal of and interest and any premium on the Bonds will be paid from three principal revenue sources: (1) TIF Revenues, which are tax increment revenues derived and paid by the State from a tax increment district in downtown Louisville/Jefferson County Metro Government ("Metro Louisville") ($11,235,066 paid in calendar year 2017); (2) Metro Revenues, as described herein, appropriated by Metro Louisville in the amount of $10,800,000 annually; and (3) net Arena Revenues transferred to the Arena Revenue Fund, divided into Category A Arena Revenues and Category B Arena Revenues, as further described herein, paid by the Corporation, in the projected amount of $8,062,000 for calendar year 2018, which revenues are derived from various sponsorship agreements, management and operating contracts and Arena operations. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" and "APPENDIX A – Arena Consultant's Report - Operating Information Regarding Corporation."

Flow of Funds

TIF Revenues will be deposited in the TIF Revenue Fund, Metro Payments will be deposited in the Metro Revenue Fund and Arena Revenues received by the Trustee will be deposited in the Arena Revenue Fund, each fund as further described herein. TIF Revenues and Metro Revenues will be received for deposit by the Trustee annually, Category A Arena Revenues will be received by the Trustee for deposit throughout the year and Category B Arena Revenues will be received for deposit on May 15 and November 15 of each year.

On or before the third Business Day preceding December 1 of each year for (i) through (v) below and on or before the third Business Day preceding June

1 of each year for (i) through (vi) below, amounts will be transferred from the TIF Revenue Fund, the Metro Revenue Fund and the Arena Revenue Fund (in that order) and deposited in the following Funds: (i) the amount required to pay debt service on the next December 1 or June 1, as applicable, to the Senior Interest Fund and the Senior Bond Sinking Fund, (ii) the amount, if any, required to restore the amount in the Senior Reserve Fund to the Senior Reserve Fund Requirement, (iii) the amount, if any, required to pay any reimbursement obligation due to the provider of the Series 2017 Liquidity Reserve Policy in the Liquidity Reserve Fund, (iv) the amount required to pay debt service on Subordinate Bonds, if any are issued in the future, on the next December 1 or June 1, as applicable, to the Subordinate Interest Fund and the Subordinate Bond Sinking Fund (in that order), (v) the amount, if any, required to restore the amount in the Subordinate Reserve Fund to the Subordinate Reserve Fund Requirement and (vi) all remaining amounts to the Excess Net Cash Flow Fund (June 1 only, TIF Revenues, Metro Revenues and Arena Revenues remaining on December 1 after the deposits in (i) through (v) will be retained in the respective revenue funds until the following June 1). Separate accounts will be maintained in the Excess Net Cash Flow Fund for TIF Revenues, Metro Revenues and Arena Revenues. Amounts may be transferred from the Metro Revenue Account and the Arena Revenue Account of the Excess Net Cash Flow Fund to the Renovation and Replacement Fund described herein (no TIF Revenues will be deposited in the Renovation and Replacement Fund).

See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" for a further description of the application by the Trustee of amounts to be deposited in and disbursed from the Funds and Accounts.

Reserve Fund

The Bond Indenture creates the "Senior Reserve Fund." There will be deposited, upon the issuance of the Bonds, and on each subsequent December 1 and June 1 that Senior Bonds are outstanding, amounts sufficient to maintain the Senior Reserve Fund Requirement (the "Senior Reserve Fund Requirement"). Such amount shall be equal to the least of (i) the maximum annual debt service on all Senior Bonds outstanding; (ii) an amount equal to 10% of the proceeds of the Senior Bonds within the meaning of Internal Revenue Code of 1986, as amended (the "Code"), and (iii) an amount equal to 125% of the average annual debt service on all Senior Bonds outstanding.

Excess Net Cash Flow Fund

The Bond Indenture creates the "Excess Net Cash Flow Fund." Amounts will be deposited into the Excess Net Cash Flow Fund from the TIF Revenue Fund, the Metro Revenue Fund and the Arena Revenue Fund on each June 1.

Amounts in the Excess Net Cash Flow Fund may be transferred to the Renovation and Replacement Fund, the Senior Interest Fund, the Senior Bond Sinking Fund, the Senior Reserve Fund, the Subordinate Interest Fund, the Subordinate Bond Sinking Fund and the Subordinate Reserve Fund (in that order), all as further described herein and in the Bond Indenture. Amounts in the Excess Net Cash Flow Fund Arena Revenue Account may also be transferred to the Corporation for deposit in the Operation and Maintenance Account, upon the written request of the Corporation, so that an amount equal to the Minimum Operating Cash Balance, described herein, will then be on deposit in the Operation and Maintenance Account.

The Corporation, by Written Instruction to the Trustee, may request the Trustee to transfer any moneys held within the Excess Net Cash Flow Fund to the Redemption Fund for redemption of Bonds. Moneys for each such transfer shall first be transferred from the TIF Revenue Account, then from the Metro Revenue Account and then from the Arena Revenue Account.

Renovation and Replacement Fund

The Bond Indenture creates the "Renovation and Replacement Fund." Amounts will be deposited into the accounts of the Renovation and Replacement Fund from the Metro Revenue Account and the Arena Revenue Account of the Excess Net Cash Flow Fund, as described herein. TIF Revenues cannot be deposited to the Renovation and Replacement Fund or used to pay costs other than the principal of and interest on outstanding bonds. The purpose of the Renovation and Replacement Fund is to provide reasonable reserves for renovations, renewals, replacements, improvements, additions, extraordinary repairs and contingencies in the operation of the Arena. Moneys held within the Renovation and Replacement Fund may be disbursed by the Trustee upon submission of a written request by the Corporation. The Trustee will first disburse amounts from the Metro Revenue Account and then from the Arena Revenue Account. Transfers may also be made from the Renovation and Replacement Fund to the Debt Service Funds and the Senior Reserve Fund and the Subordinate Reserve Fund, as described herein and in the Bond Indenture.

Operation and Maintenance Account

The Operation and Maintenance Account is maintained by the Corporation under the Loan Agreement. Amounts in the Operation and Maintenance Account will be used by the Corporation to pay Operating Expenses and will be, following a written demand from the Trustee, transferred to the Trustee for the payment of debt service and to restore the amount in the Senior Reserve Fund to the Senior Reserve Fund Requirement. On May 15 and November 15 of each year the Corporation will pay to the Trustee the moneys on deposit in the Operations and Maintenance Account that exceed the Minimum Operating Cash Balance.

Bond Insurance

Concurrently with the issuance of the Bonds, Assured Guaranty Municipal Corp. (the "Bond Insurer") will issue its municipal bond insurance policy for the Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as APPENDIX J to this Official Statement. See "BOND INSURANCE."

The Bond Insurer also will issue a municipal bond debt service reserve insurance policy (the "Series 2017 Senior Reserve Fund Surety") in the amount of $15,593,881.50 equal to 50% of the Senior Reserve Fund Requirement for the Bonds. The Series 2017 Senior Reserve Fund Surety will be available to pay scheduled principal of and interest on the Bonds in the event that other available funds are not sufficient for that purpose. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS - Funds and Accounts; Application of Revenues — Senior Reserve Fund" "BOND INSURANCE" and "INVESTMENT CONSIDERATIONS — Bond Insurance."

Liquidity Reserve

The Bond Insurer will further issue a $10 million Series 2017 Liquidity Reserve Policy to make cash available to the Corporation under certain circumstances (the "Series 2017 Liquidity Reserve Policy"), effective as of the date of issuance of the Bonds. Under the terms of the Series 2017 Liquidity Reserve Policy, the Bond Insurer will make funds available to the Corporation to draw (each a "Draw") for the purpose of funding a shortfall in available moneys for debt service through December 1, 2024. See "BOND

	INSURANCE - The Series 2017 Liquidity Reserve Policy" and "INVESTMENT CONSIDERATIONS — Bond Insurance."
Investment Considerations	There are a number of factors associated with owning the Bonds that prospective investors should consider prior to purchasing the Bonds. For a discussion of these factors, see "INVESTMENT CONSIDERATIONS."
Tax Status	The delivery of the Bonds is subject to the opinion of Stoll Keenon Ogden PLLC, Bond Counsel, to the effect that under existing law, assuming continuing compliance with certain covenants and the accuracy of certain representations: (i) With respect to the Series 2017A Bonds: (a) interest on the Series 2017A Bonds is excluded from gross income for federal income tax purposes, and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, (b) interest on the Series 2017A Bonds is exempt from income taxation and ad valorem taxation by the State and all political subdivisions thereof; (ii) With respect to the Series 2017B Bonds: (a) interest on the Series 2017B Bonds is included in gross income for federal income tax purposes, (b) interest on the Series 2017B Bonds is exempt from income taxation and ad valorem taxation by the State and all political subdivisions thereof. See "TAX TREATMENT" herein for information concerning assumptions and conditions as to compliance with the Code upon which the foregoing opinion with respect to the Series 2017A Bonds is based and for a description of certain provisions of the Code that may affect the tax treatment of interest on the Series 2017A Bonds.
Legal Matters	Stoll Keenon Ogden PLLC, will act as Bond Counsel. Certain legal matters will be passed upon by Stites & Harbison, PLLC, counsel to the Issuer, Frost Brown Todd LLC, general counsel to the Corporation and for the Underwriters by their counsel, Dinsmore & Shohl LLP.
Ratings	Moody's Investors Service, Inc. ("Moody's") and S&P Global Ratingxs, a business unit of Standard & Poor's Financial Services LLC ("S&P") are expected to assign ratings of "A2" (stable outlook) and "AA" (stable outlook), respectively, to the Bonds with the understanding that a municipal bond insurance policy for the Bonds will be issued by Assured Guaranty Municipal Corp. (the "Bond Insurer"). Moody's and S&P have assigned underlying ratings of "Baa3" (stable outlook) and "A-" (stable outlook), respectively, to the Bonds. For a discussion of these ratings, see the section herein captioned "RATINGS."
Information	Information regarding the Bonds is available by contacting the Louisville Arena Authority, Inc. at One Arena Plaza, Louisville, Kentucky 40202, (502) 690-9000, or Regions Bank, the Trustee, at 150 4th Avenue North, Suite 900, Nashville, Tennessee 37219 ATTN: Corporate Trust Department. This Official Statement will be posted to the Municipal Securities Rulemaking Issuer's Electronic Municipal Market Access ("EMMA") online repository system.

OFFICIAL STATEMENT

$377,765,000
Kentucky Economic Development Finance Authority
Louisville Arena Project Refunding Revenue Bonds Series 2017
(Louisville Arena Authority, Inc.)

Composed of:

$202,125,000 Series 2017A Bonds and
$175,640,000 Taxable Series 2017B Bonds

INTRODUCTION

Purpose of this Official Statement

This Official Statement, including the cover page and the appendices hereto, sets forth certain information in connection with the offering by the Kentucky Economic Development Finance Authority (the "Issuer") of its Louisville Arena Project Refunding Revenue Bonds, Series 2017A (the "Series 2017A Bonds") and the Louisville Arena Project Refunding Revenue Bonds, Taxable Series 2017B (the "Series 2017B Bonds" and together with the Series 2017A Bonds, the "Bonds").

The Bonds are being issued pursuant to the Bond Trust Indenture, dated as of December 1, 2017 (the "Bond Indenture"), by and between the Issuer and Regions Bank, as trustee (the "Trustee"). Capitalized terms used as defined terms in this Official Statement and not otherwise defined are used as defined in APPENDIX F — "Summaries of Certain Bond Documents — Definitions of Certain Terms."

The Issuer

The Issuer is a public body politic and corporate and an agency, instrumentality and political subdivision of the Commonwealth of Kentucky (the "State") affiliated with the Cabinet for Economic Development of the State created, organized, existing and given authority under Sections 154.1-010, 154.10-010 through 154.10-035 and 154.20-035 of the Kentucky Revised Statutes ("KRS"), as amended, and Resolution 92-1 adopted on October 13, 1992 by the Kentucky Economic Development Partnership (collectively the "Act"), and is authorized to issue revenue bonds as provided in the Act to finance the costs of economic development projects. See "THE ISSUER."

The Corporation

Louisville Arena Authority, Inc. (the "Corporation") is a Kentucky non-stock, nonprofit corporation created on January 12, 2006 for the purpose of creating, financing, developing and overseeing the construction, management and operation of a multi-use arena and related improvements now known as the KFC Yum! Center (the "Arena") located at One Arena Plaza, in the central business district of Metro Louisville.

The Corporation has been determined to be a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Code"). Members of the Board of Directors are appointed by the Governor of the State (ten members) and by the Metro Louisville Mayor (five members). See "THE PRINCIPAL PARTICIPANTS - The Corporation."

Plan of Finance

The Bonds are being issued by the Issuer, at the request of the Corporation to (i) refund the Issuer's outstanding (a) Louisville Arena Project Revenue Bonds, Series 2008A (Louisville Arena

Authority, Inc.), consisting of Subseries 2008A-1 Fixed Rate Bonds and Subseries 2008A-2 Capital Appreciation Bonds, (b) Louisville Arena Project Revenue Bonds, Taxable Series 2008B (Louisville Arena Authority, Inc.) and (c) Louisville Arena Project Revenue Bonds, Taxable Subordinate Series 2008C (Louisville Arena Authority, Inc.) (collectively, the "Prior Bonds"), previously issued by the Issuer to finance a portion of the costs of the acquisition, development, construction, and installation of the Arena; (ii) fund a debt service reserve fund; (iii) provide certain working capital funds, as described herein; (iv) fund a renovation and replacement fund; and (v) pay expenses and costs incurred in connection with the issuance of the Bonds. See "PLAN OF FINANCE" and "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS."

The Arena

The Arena, known as the KFC Yum! Center because of its naming rights relationship with YUM! Brands, is a 721,762 square-foot, 22,090 seat multi-use arena located on a site bounded by Main Street, River Road, Third Street and Second Street in downtown Metro Louisville (the "Arena Site"). The Arena opened in October of 2010 and is the home of the men's and women's basketball programs of the University of Louisville (the "University") pursuant to the Lease Agreement, dated as of July 3, 2008, which has been amended by the First Amendment to Lease Agreement dated as of July 20, 2017 (collectively, the "Lease Agreement"), between the Corporation and the University of Louisville Athletic Association, Inc. ("ULAA"). The Arena also serves as a venue for concerts and other public events on a regular basis. See "THE ARENA AND ARENA REVENUES - Description of the Arena."

The Arena is managed on behalf of the Corporation by AEG Management Louisville, LLC, and as to certain sections of the Management Agreement, Anschutz Entertainment Group, Inc. (collectively, "AEG"), a Delaware limited liability company. AEG is a wholly owned subsidiary of the Anschutz Company. Anschutz Company is one of the leading sports and entertainment presenters in the world and owns, controls or is affiliated with a collection of companies including over 100 of the world's preeminent sports and entertainment facilities. In 2016, the Arena ranked 59th in the world by ticket sales (a figure which excludes athletic events).[1] See "THE ARENA AND ARENA REVENUES - Management and Operations."

Security and Sources of Payment for the Bonds

The Bonds will be secured by the Bond Indenture, including the funds held thereunder by the Trustee, and the principal of and interest on the Bonds will be paid from three principal revenue sources. Under the TIF Contract, as hereinafter defined, between the State and the Corporation, certain tax increments, which are further described herein (the "TIF Revenues"), are to be paid annually by the State to the Trustee and applied to the payment of debt service on the Bonds. Under Ordinance No. 131, Series 2017 of Metro Louisville, adopted on August 10, 2017, "guaranteed payments" of $10,800,000 (the "Metro Revenues") are to be made annually by Metro Louisville directly to the Trustee under a Second Amended and Restated Memorandum of Agreement, effective as of date of delivery of the Bonds, between Metro Louisville and the Corporation. Under the Loan Agreement dated as of December 1, 2017 between the Issuer and the Corporation (the "Loan Agreement"), the Corporation will pledge Arena Revenues, described herein, to the Trustee.

To secure its obligations under the Loan Agreement, the Corporation will assign to the Trustee, as security for the Bonds, all of the material agreements relating to the operation of the Arena under an Assignment of Operating Agreements dated as of December 1, 2017 (the "Assignment of Operating Agreements"). Additionally, the Corporation will enter into (i) the Irrevocable Assignment of TIF Revenues and TIF Contract dated as of December 1, 2017 from the Corporation to the Trustee (the "TIF Assignment"), (ii) the Irrevocable Assignment of Metro Revenues and Memorandum of Agreement dated

[1]Source: https://www.pollstarpro.com/files/Charts2016/2016YearEndWorldwideTicketSalesTop200ArenaVenues.pdf

as of December 1, 2017 from the Corporation to the Trustee (the "Metro Assignment"), and (iii) a Mortgage and Security Agreement, dated as of December 1, 2017, in favor of the Trustee (the "Mortgage"). See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS — General."

THE BONDS ARE SPECIAL AND LIMITED OBLIGATIONS OF THE ISSUER AND DO NOT CONSTITUTE A DEBT, GENERAL OBLIGATION, PLEDGE OF FAITH AND CREDIT OR LIABILITY OF THE ISSUER, THE STATE OR OF ANY AGENCY OR POLITICAL SUBDIVISION THEREOF, INCLUDING METRO LOUISVILLE, WITHIN THE MEANING OF THE CONSTITUTION OR STATUTES OF THE STATE, AND THE BONDS ARE PAYABLE SOLELY FROM THE FUNDS AND PROPERTY PLEDGED THEREFOR. THE ISSUER HAS NO TAXING POWER.

TIF Revenues

The TIF Revenues, which are available to pay debt service on the Bonds and any Subordinate Bonds that are permitted to be issued under the Bond Indenture, will be paid by the State directly to the Trustee, in accordance with the requirements of KRS Sections 65.490 through 65.499 (the "TIF Act"), the Third Amended and Restated Grant Contract, dated as of June 26, 2008, as amended by the Fourth Amended and Restated Grant Contract, dated as of September 15, 2011, as further amended by the Fifth Amended and Restated Grant Contract, dated as of January 15, 2014, as further amended by the Sixth Amended and Restated Grant Contract, effective as of the date of delivery of the Bonds (the "TIF Contract") and the TIF Assignment. The TIF Revenues are required to be paid on the later of (i) September 30 of each calendar year, or (ii) 90 days after the Corporation submits a request for payment of the Increment, as defined herein, for successive calendar years continuing automatically until the earliest of (A) the date no Bonds are Outstanding (and certain other indebtedness is paid in full), (B) December 31, 2054, or (C) upon election by the State to terminate the TIF Contract at the end of any calendar year (upon 60 days' prior written notice). The TIF Revenues will be derived from incremental State sales taxes and State property taxes derived from an approximately two-square mile tax increment district (the "TIF District") created by Metro Louisville for the benefit of the Arena. The TIF District generally includes Metro Louisville's central business district, as well as the Arena Site and adjacent development areas, but is subject to certain excluded areas.

If Bonds are outstanding, prior to the State exercising any termination rights under the TIF Contract, the Trustee must consent to the termination. The TIF Contract requires that once the Bonds are eligible for redemption, "Excess Revenues" must be used to redeem Bonds at least once every thirty-six (36) months. "Excess Revenues" are revenues of the Corporation in excess of the Corporation's operating expenses, capital expenditures and regularly scheduled debt service on the Bonds. If the Corporation takes the position that the use of revenues to redeem the Bonds will jeopardize the Arena operations, the Corporation must present an alternative payment plan to the Capital Projects and Bond Oversight Committee (the "CPBO Committee") (a joint legislative committee comprised of members of the Kentucky Senate and the Kentucky House of Representatives) for approval. See "THE TIF DISTRICT AND TIF REVENUES" for a general description and a map of the TIF District. See "THE PRINCIPAL PARTICIPANTS - The State" and APPENDIX B — "Certain Information Relating to TIF Revenues." See also "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS - Funds and Accounts; Application of Revenues - TIF Revenue Fund."

Metro Louisville Payments

Louisville/Jefferson County Metro Government ("Metro Louisville") will pay the Metro Revenues to the Trustee for deposit in the Metro Revenue Fund on November 1 of each year any Bonds are Outstanding. The Metro Revenues will be available to pay debt service on the Bonds and to make deposits into the Senior Reserve Fund, and the Renovation and Replacement Fund. Metro Revenues will not be available to pay Operating Expenses of the Arena. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" for a description of the application by the Trustee of the Metro

Revenues. See also APPENDIX D - Comprehensive Annual Financial Report, Metro Louisville, Fiscal Year Ended June 30, 2016.

Arena Revenues

General. Arena revenues derived from Arena operations are referred to herein as "Category A Arena Revenues", "Category B Arena Revenues" and, collectively, as "Arena Revenues". Category A Arena Revenues consist of contractually-obligated revenues secured through multi-year agreements, such as naming rights and sponsorships. Category B Arena Revenues consist of all other revenues generated in connection with the Arena, and are subject to annual variation.

Category A Arena Revenues. Category A Arena Revenues will be deposited in the Arena Revenue Fund created under the Bond Indenture and applied in accordance with the requirements of the Bond Indenture. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Projected Debt Service Coverage Ratios" herein for information regarding projected Category A Arena Revenues.

The principal sources of Category A Arena Revenues will be payments received by the Corporation under naming rights and sponsorship agreements.

Category B Arena Revenues. Category B Arena Revenues will be deposited in the Operations and Maintenance Account maintained by the Corporation under the Loan Agreement and applied to the payment of Operating Expenses. To the extent amounts in the Operations and Maintenance Account exceed the Minimum Operating Cash Balance, such amounts will be transferred on each May 15 and November 15 to the Trustee for deposit to the Arena Revenue Fund, to be applied in accordance with the requirements of the Bond Indenture.

The principal sources of Category B Arena Revenues will be payments received by the Corporation under a Lease Agreement with ULAA, the anchor tenant of the Arena, and payments received under a Management Agreement with AEG, the manager of the Arena from concerts and other events held at the Arena.

See also "THE PRINCIPAL PARTICIPANTS — ULAA" and "THE ARENA AND ARENA REVENUES," "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS," APPENDIX A — "Arena Consultant's Report." and APPENDIX E - Comprehensive Annual Financial Report, ULAA for Fiscal Year Ended June 30, 2016.

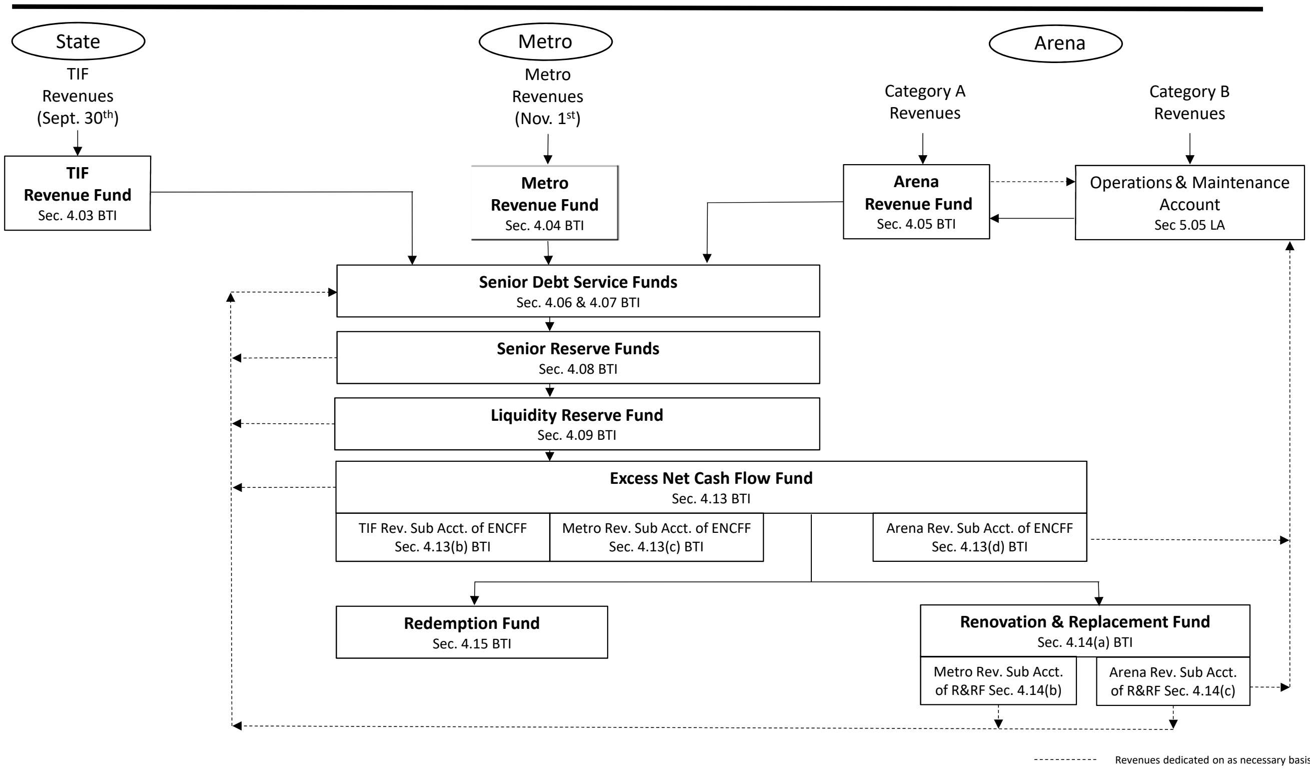
Flow of Funds

TIF Revenues from the State will be remitted by the State directly to the Trustee and deposited in the TIF Revenue Fund. Metro Payments from Metro Louisville will be remitted by Metro Louisville directly to the Trustee and deposited in the Metro Revenue Fund. Arena Revenues will be remitted by the Corporation periodically to the Trustee and deposited in the Arena Revenue Fund. As described above, TIF Revenues and Metro Revenues will be received for deposit by the Trustee annually. Category A Arena Revenues will be received for deposit throughout the year and Category B Revenues will be received for deposit on each May 15 and November 15.

On the third Business Day preceding December 1 and June 1 of each year, amounts will be transferred first from the TIF Revenue Fund, the Metro Revenue Fund and the Arena Revenue Fund (in that order) and deposited in the following Funds in the following order: (i) the amount required to pay debt service on the next December 1 or June 1, as applicable, to the Senior Interest Fund and the Senior Bond Sinking Fund, (ii) the amount, if any, required to restore the amount in the Senior Reserve Fund to the Senior Reserve Fund Requirement, including any payment of a Reimbursement Obligation under the Series 2017 Series Reserve Fund Surety, (iii) the amount, if any, required to pay any Reimbursement Obligation due to the provider of the Series 2017 Liquidity Reserve Policy in the Liquidity Reserve Fund,

(iv) if any Subordinate Bonds are then outstanding, the amount required to pay debt service on the next December 1 or June 1, as applicable, to the Subordinate Interest Fund and the Subordinate Bond Sinking Fund (in that order), (v) if any Subordinate Bonds are then outstanding, the amount, if any, required to restore the amount in the Subordinate Reserve Fund to the Subordinate Reserve Fund Requirement and (vi) all remaining amounts to the Excess Net Cash Flow Fund (June 1 only), TIF Revenues, Metro Revenues and Arena Revenues remaining on December 1 after the deposits in (i) through (v) will be retained in the applicable revenue fund until the following June 1. Separate accounts will be maintained in the Excess Net Cash Flow Fund for TIF Revenues, Metro Revenues and Arena Revenues. Amounts may be transferred from the Metro Revenue Account and the Arena Revenue Account of the Excess Net Cash Flow Fund to the Metro Revenue Account and the Arena Revenue Account, respectively, of the Renovation and Replacement Fund (no TIF Revenues will be deposited in the Renovation and Replacement Fund). See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS” for a further description of the application by the Trustee of amounts to be deposited in and disbursed from the Funds and Accounts.

Summary of Flow of Funds



Bond Insurance, Series 2017 Senior Reserve Fund Surety and Series 2017 Liquidity Reserve Policy

Concurrently with the issuance of the Bonds, Assured Guaranty Municipal Corp. (the "Bond Insurer") will issue its municipal bond insurance policy for the Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as APPENDIX J to this Official Statement. See "BOND INSURANCE."

The Bond Insurer also will issue a municipal bond debt service reserve insurance policy (the "Series 2017 Senior Reserve Fund Surety") in the amount of $15,593,881.50 equal to fifty percent (50%) of the Senior Reserve Fund Requirement for the Bonds. The Series 2017 Senior Reserve Fund Surety will be available to pay scheduled principal of and interest on the Bonds in the event that other available funds are not sufficient for that purpose. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS - Funds and Accounts; Application of Revenues — Senior Reserve Fund" "BOND INSURANCE" and "INVESTMENT CONSIDERATIONS — Bond Insurance."

The Bond Insurer will further issue a $10 million Series 2017 Liquidity Reserve Policy to make cash available to the Corporation under certain circumstances (the "Series 2017 Liquidity Reserve Policy"), effective as of the date of issuance of the Bonds. Under the terms of the Series 2017 Liquidity Reserve Policy, the Bond Insurer will make funds available to the Corporation to draw (each a "Draw") for the purpose of funding a shortfall in available moneys for debt service through December 1, 2024.

Draws under the Series 2017 Liquidity Reserve Policy will be made before draws on the Series 2017 Senior Reserve Fund Surety for payment of principal of and interest on the Bonds. See "BOND INSURANCE – The Series 2017 Liquidity Reserve Policy" and "INVESTMENT CONSIDERATIONS — Bond Insurance."

Arena Consultant's Report

Conventions, Sports & Leisure International, LLC (the "Arena Feasibility Consultant") has issued its report entitled "Feasibility Study: KFC Yum! Center Refinancing" (the "Arena Consultant's Report"), analyzing certain Arena financial information and projections. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS - Projected Debt Service Coverage Ratios" and APPENDIX A — "Arena Consultant's Report."

Investment Considerations

There are risks associated with the purchase of the Bonds. See the information under "INVESTMENT CONSIDERATIONS" for a discussion of certain of these risks.

Continuing Disclosure

The Corporation will enter into a continuing disclosure undertaking for the benefit of the Bondholders to provide certain information annually and to provide notice of certain events to certain information repositories. Metro Louisville and ULAA will enter into separate continuing disclosure undertakings for the benefit of Bondholders to provide certain annual information. The forms of the continuing disclosure undertakings are attached as APPENDIX G. See "Forms of Continuing Disclosure Agreements."

Miscellaneous

Brief descriptions of the Issuer, the Corporation, the Bond Insurer, Metro Louisville, ULAA, certain provisions of the Bonds, the Bond Indenture, the Loan Agreement, the Mortgage, the Assignment of Operating Agreements, the Series 2017 Bond Insurance Policy, the Series 2017 Senior Reserve Fund Surety, and the Series 2017 Liquidity Reserve Policy are included in this Official Statement. The descriptions and summaries of the various entities and documents hereinafter set forth do not purport to be comprehensive or definitive, and reference is made to each document for the complete details of all terms and conditions set forth therein. All statements herein are qualified in their entirety by reference to each such document. All such descriptions are further qualified in their entirety by reference to the documents. Copies of such documents will be available in reasonable quantities upon request to the Trustee.

Information regarding the Bonds is available by contacting the Louisville Arena Authority, Inc., One Arena Plaza, Louisville, KY 40202, (502) 690-9000, or Regions Bank, 150 4th Avenue North, Suite 900, Nashville, Tennessee 37219, Attention: Corporate Trust Department, Telephone: (615) 770-4359. This Official Statement will be posted to the Municipal Securities Rulemaking Board's Electronic Municipal Market Access ("EMMA") online repository system.

THE ISSUER

Except for the information under this heading and "LITIGATION - Issuer", the Issuer has not participated in the preparation of this Official Statement and assumes no responsibility as to the accuracy or completeness of any information in this Official Statement.

The Issuer is a public body corporate and politic and an agency, instrumentality and political subdivision of the State created pursuant to Chapter 154, Section 154.020 of the KRS as the Kentucky Development Finance Authority and reorganized as the Kentucky Economic Development Finance Authority under Section 154.20-010 to 154.20-150 of the Kentucky Revised Statutes ("KRS"). The Issuer is governed by a board of seven directors, including the Secretary of the Finance and Administration Cabinet as an ex officio member, who are appointed by a board known as the Kentucky Economic Development Partnership, which is in turn appointed by the Governor from lists of candidates submitted to the Governor by organizations representing various business and labor interests in the State. The Issuer has the power to cooperate with local development agencies in their efforts to promote the expansion of business and job opportunities in the State, and to issue revenue bonds under KRS Chapters 103 and 154.

The Bonds are special and limited obligations of the Issuer and do not constitute a debt, general obligation, pledge of faith and credit or liability of the Issuer, the State or of any agency or political subdivision thereof, including Metro Louisville, within the meaning of the Constitution or statutes of the State, and the Bonds are payable solely from the funds and property pledged therefor. The Issuer has no taxing power. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS."

THE PRINCIPAL PARTICIPANTS

The State

The State, which made a grant in 2007 of $75,000,000 to fund costs of the acquisition of the Arena site and demolition and relocation of certain facilities that then existed on the Arena site, will make payments of TIF Revenues to the Trustee pursuant to the TIF Assignment. The TIF Revenues are comprised primarily of the incremental State sales taxes and State property tax derived from the TIF District, pursuant to the TIF Contract. The amount annually contributed by the State will be 80% of the annual property tax increment above the base year amount collected within the TIF District and 80% of the annual State sales taxes increment above the base year collected within the TIF District during a calendar year. The base year for the TIF is calendar year 2005. See "THE TIF DISTRICT AND TIF REVENUES" and APPENDIX B - "Certain Information Relating to TIF Revenues."

Metro Louisville

Metro Louisville is a public body corporate and politic, duly created and existing as a political subdivision of the State under the Constitution and laws of the State. Metro Louisville was formed in January 2003 by the merger of Jefferson County and the City of Louisville and is governed by an elected Mayor and a 26-member elected council. Metro Louisville is located in the north-central part of Kentucky on the south bank of the Ohio River and encompasses more than 385 square miles. It is located in the geographic center of the Ohio River Valley region at a focal point where railroads, highways and the Ohio River converge, offering excellent accessibility to all major markets. Metro Louisville, the largest municipality in the State, is a commercial, industrial, medical, educational, cultural and financial center for the greater metropolitan area. Metro Louisville's Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2016, is attached as APPENDIX D and contains certain financial and statistical information with respect to Metro Louisville.

The Corporation

The Corporation is a Kentucky non-profit, non-stock corporation organized on January 12, 2006. By letter dated March 14, 2007, the Internal Revenue Service determined that the Corporation was a tax exempt organization described under Section 501(c)(3) of the Code. The Corporation also received a private letter ruling dated May 14, 2008 from the Internal Revenue Service concluding that certain activities to be undertaken by the Corporation at the Arena did not constitute unrelated trade or business activities. Under its Bylaws, the Corporation is organized and operated for the purpose of creating, designing, financing, developing and overseeing the construction, financing and operation of the Arena.

The formation of the Corporation was a direct result of the recommendations of the Louisville Arena Task Force, formed in May 2005 by the Kentucky Governor, and including various public officials and local business leaders. The Task Force was directed by executive order to consider the need, use and benefit to the community of an arena and to analyze various sites, arena governance and financing alternatives. The Task Force issued its report on September 30, 2005 and endorsed a new arena in downtown Louisville and the creation of the Corporation.

The Corporation's Board of Directors (identified page iii of this Official Statement) is comprised of 15 voting members and two non-voting members serving staggered terms on an unpaid, volunteer basis. The Mayor of Metro Louisville has the power to appoint (but not remove) five persons to the Board. The Governor of the State has the power to appoint (but not remove) ten persons to the Board.

The Corporation has no full-time staff. It has contracted with AEG for all staff and management assistance pursuant to the Management Agreement.

Prior to the fiscal year ending December 31, 2016 financial statements of the Corporation were audited by Crowe Horwath LLP, Louisville, Kentucky. As permitted by Kentucky law, the State's Auditor of Public Accounts audited the Corporation's financial statements for its fiscal year ending December 31, 2016. Those financial statements are included in this Official Statement as APPENDIX C, together with certain unaudited financial information for the period ended September 30, 2017.

ULAA

ULAA is a Kentucky not-for-profit corporation organized in 1984 for the purpose of promoting the intercollegiate athletic activities of the University. ULAA has been determined to be a tax-exempt organization described under Section 501(c)(3) of the Code. ULAA's mission is to provide quality intercollegiate athletic programs through a comprehensive sports program. In addition, ULAA is committed to achieving athletic excellence for the University's student-athletes, maintaining NCAA compliance, ensuring full implementation of gender equity plans and offering a wide variety of sports and recreational outlets for the University community, alumni and visitors. ULAA's audited financial statements for the year ended June 30, 2016 are attached as APPENDIX E.

Pursuant to the Lease Agreement, ULAA is the primary tenant of the Arena, with priority use by the University's men's and women's basketball programs. The University is a State-supported University and its men's and women's basketball programs are considered among the most successful collegiate basketball programs in the country. See "THE ARENA AND ARENA REVENUES" and APPENDIX A - "Arena Consultant's Report - Agreement between the Louisville Arena Authority and the University of Louisville." See also "THE ARENA – Primary Tenant" for a description of the provisions of the Lease Agreement. See also "INVESTMENT CONSIDERATIONS" for a summary of recent events involving the men's basketball program of the University and ULAA.

THE TIF DISTRICT AND TIF REVENUES

Historical TIF Performance

For the 2016 calendar year (received in 2017), the TIF District contributed $11,235,066 to the Corporation, with $10,497,784 coming from state sales tax payments and $737,282 coming from state property tax payments. The TIF District historical performance since the 2012 tax year is as follows:

Tax Year	Fiscal Year Received	Sales Tax Received	Property Tax Received	Total TIF Revenue Received	Percentage Change of Total
2012	2013	$5,177,216	$488,978	$5,666,194	-
2013	2014	6,841,392	569,518	7,410,910	30.8%
2014	2015	7,536,662	572,650	8,109,273	9.4
2015	2016	9,699,186	598,159	10,297,345	27.0
2016	2017	10,497,784	737,282	11,235,066	9.1

The chart below depicts the derivation of the State sales tax portion of the TIF Revenues, being eighty percent of the difference between the total tax revenue and the base tax revenue, as well as the percentage change in the total tax revenue generated in each year.

Year Received	Total Sales Tax Revenue	Percentage Change of Total	Base Sales Tax	Incremental Sales Tax	TIF Revenue Received
2013	$23,899,649	-	$17,428,129	$6,471,520	$5,177,216
2014	25,979,869	8.7%	17,428,129	8,551,740	6,841,392
2015	26,848,907	3.3	17,428,129	9,420,778	7,536,622
2016	29,552,112	10.1	17,428,129	12,124,983	9,699,186
2017	30,550,360	3.4	17,428,129	13,122,231	10,497,784

The chart below depicts the derivation of the state property tax portion of the TIF Revenues, being eighty percent of the difference between the total tax revenue and the base tax revenue, as well as the percentage change in the total tax revenue generated in each year.

Year Received	Total Property Tax Revenue	Percentage Change of Total	Base Property Tax	Incremental Property Tax	TIF Revenue Received
2013	$2,140,697	-	$1,529,475	$611,222	$488,978
2014	2,241,373	4.7%	1,529,475	711,898	569,518
2015	2,245,288	0.2	1,529,475	715,813	572,650
2016	2,277,174	1.4	1,529,475	747,699	598,159
2017	2,451,077	7.6	1,529,475	921,602	737,282

The chart below depicts the historical breakdown of TIF Revenues derived from four economic categories, or segments, of TIF Revenues related to state sales taxes – hotels, restaurants, fifty largest (top fifty) non-hotel or restaurant tax remitters (businesses), and all other tax remitters (businesses).

	Segments of Sales Taxes				
	2012	2013	2014	2015	2016
Hotels	$4,508,580	$5,095,041	$4,914,115	$5,878,165	$6,852,177
Restaurants	4,503,091	4,907,607	5,229,070	5,521,445	5,805,567
Top Fifty	9,604,214	10,669,800	10,285,470	10,744,283	10,551,397
Other	5,283,765	5,307,422	6,420,252	7,408,339	7,341,219

The information set forth in each of the foregoing tables was provided by Commonwealth's Office of the State Budget Director. See APPENDIX B for the State's projections as to TIF Revenues to be received and a description of the methodology and assumptions underlying those projections.

Boundaries of the District; Exemptions

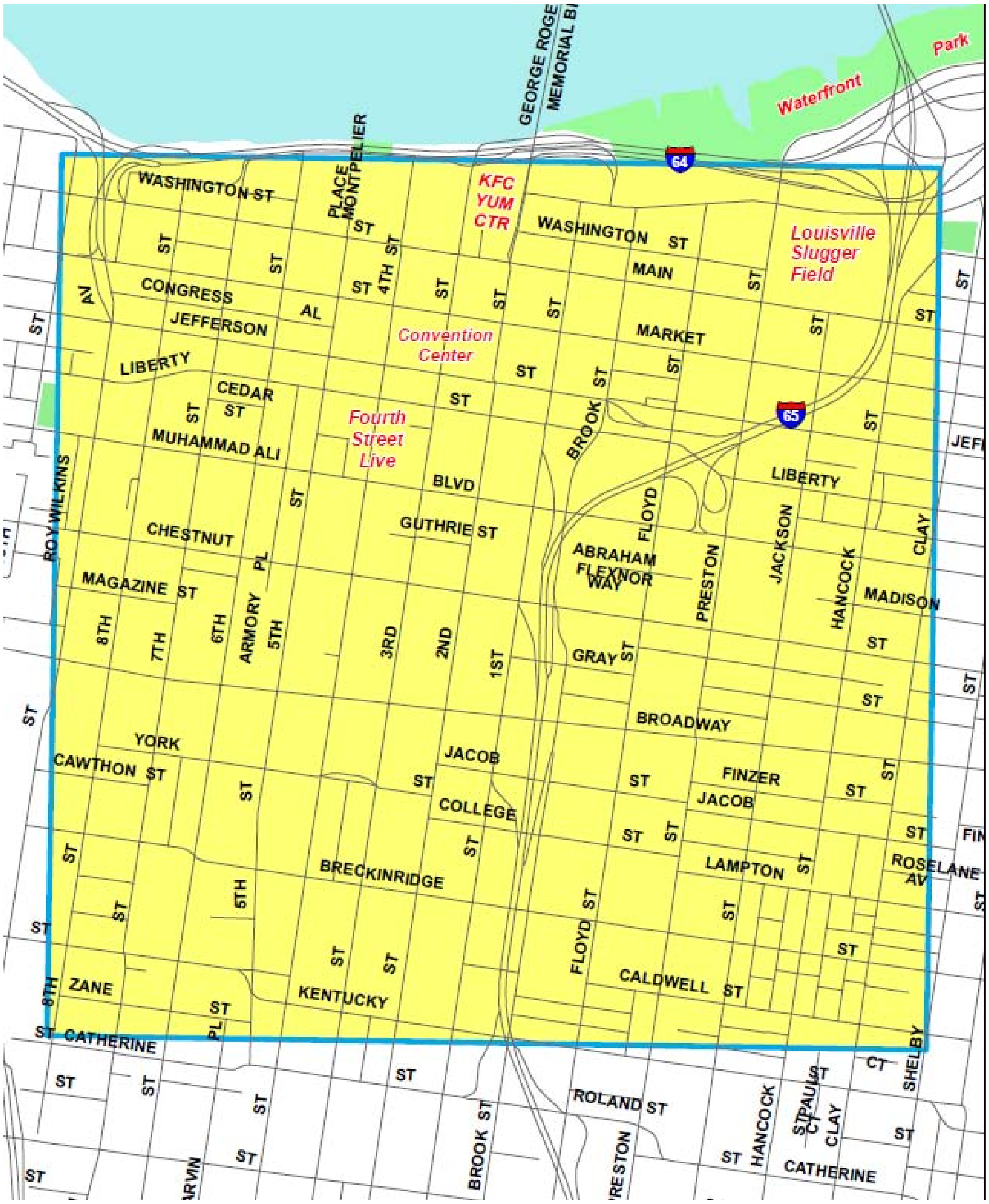
The TIF District is an approximately two-square mile area designated as the "Development Area" by Ordinance No. 226, Series 2006, adopted by Metro Louisville Government on December 7, 2006 and as subsequently amended and revised (including by Ordinance No. 179, Series 2007, Ordinance No. 75, Series 2008 and Ordinance No. 179, Series 2013 (the "2013 Metro Ordinance," and, collectively, the "Ordinance").

The TIF District roughly encompasses a major portion of the Metro Louisville central business district. Its northern boundary is the Ohio River, just south of which lie the KFC Yum! Center and Main Street. The southern boundary roughly follows Kentucky Street. The eastern boundary includes portions of Clay Street. The western boundary is roughly Roy Wilkins Avenue. The TIF District was originally six-square miles in size and was activated in 2009. TIF Revenue payments began in 2010. In the 2016 tax year (paid in 2017), $11,235,066 of TIF Revenues were paid and deposited with the trustee for the Prior Bonds.

With the consent of the State, Metro Louisville and the Bond Insurer, in 2014 the size of the TIF District was reduced to its current size of two-square miles by the 2013 Metro Ordinance after the State and the Corporation determined that eliminating four square miles to the south of the current TIF District would produce greater TIF Revenues.

Any additional modification of the boundaries of the TIF District would require approval by the Corporation, legislative action of Louisville Metro Council and approval by the State. At this time, there are no plans for future modifications of the boundaries of the TIF District.

Current TIF District Boundaries



Source: the Louisville Downtown Partnership ("LDP").

The Arena is located in the TIF District. Certain areas of the TIF District are specifically exempted from the Development Area and tax revenues generated in those "Development Area Exemptions" will not be used to determine TIF Revenues. The Development Area Exemptions are as follows:

1. The block bounded on the east by South Second Street, on the south by West Liberty Street, on the west by South Third Street and on the north by West Jefferson Street (the "Marriott Hotel Exemption");

2. The area bounded on the east by South Third Street, on the south by West Chestnut Street, on the west by South Fifth Street on the north by West Jefferson Street (the "Fourth Street Live!/Center City Exemption");

3. The area bounded on the east by North Seventh Street, on the south by West Washington Street, on the west by North Ninth Street, and on the north by West River Road, and also being the area encompassed by the property located at 615 West Washington Street (the "Museum Plaza Exemption");

4. The lower level and the first two floors of the building located at 815 West Market Street (the "Glassworks Exemption");

5. The property located at 829-831 West Main Street (the "Frazier Museum Exemption");

6. The property on the 140 block of North Fourth Street (the east and west side of the street) (the "Galt House Exemption"); and

7. The property located at 700, 702, 704 and 706 West Main Street (the "21C Exemption").

The Museum Plaza Exemption was created in conjunction with a proposed 62-story mixed-use building that was never completed. The Fourth Street Live/Center City Exemption contains the Omni Hotels & Resort Louisville (the "Omni"), due to be completed in early 2018. The Omni is an approximately 600-room hotel with an additional 225 luxury apartments, a grocery store, and other amenities.

All taxes from the Development Area Exemptions will be excluded from the calculation of TIF Revenues. Under the terms of the Ordinance, Metro Louisville has reserved the right to amend the Ordinance to add future economic development projects or additional taxes for the existing Development Area Exemptions to the list of Development Area Exemptions. However, under the TIF Contract, if any such amendment to the Ordinance (i) adds future economic development projects or additional types of taxes to the Development Area Exemptions, (ii) is projected to reduce the amount of the TIF Revenue payable to the Corporation and (iii) requires a designated agency to enter into a new or amended grant contract with the State or provide for payment to such agency of a tax increment that otherwise would be included as part of the TIF Revenue payable to the Corporation, then the State may not to enter into such new or amended grant contract without the advance written consent of the Corporation.

Downtown Louisville Economic Information

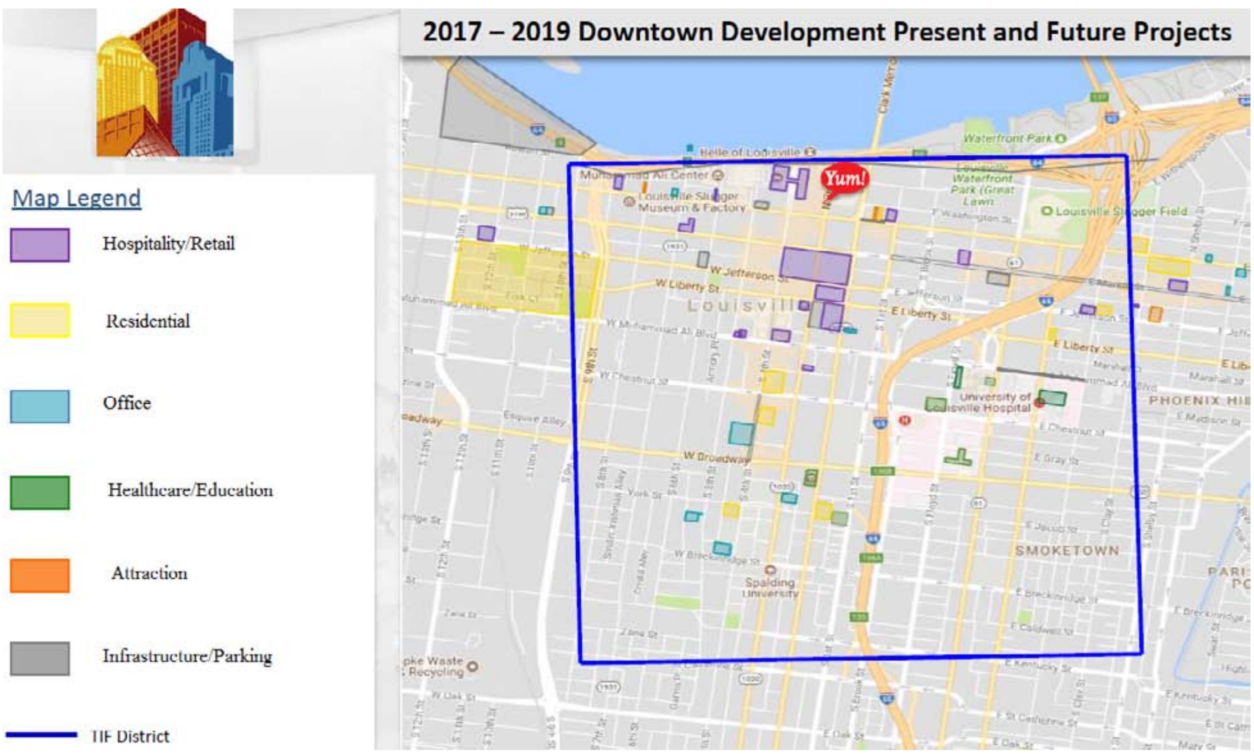
Land use in the TIF District is a mixture of commercial, retail, office, industrial, multifamily, and single family residential use. Although no economic data that is applicable exclusively to the TIF District is available, according to the Louisville Downtown Partnership ("LDP"), a private, local non-profit organization that promotes the interests of downtown Louisville, the downtown Louisville central business district (with which the TIF District roughly equates) has over $2 billion in taxable property value and 65,884 employees, and is expected to experience significant investment and growth in the short term:

- Ten new hotels will open by 2019, adding 1,723 rooms to downtown's existing 4,824 rooms.
- By 2019, it is expected there will be a total of 1,795,000 sq. ft. of retail space, an increase of 8.8% from 2017.

- Four new tourist attractions, all related to bourbon tourism, will open in 2018, bringing the downtown total of tourist attractions to 35.
- By 2019, it is expected that there will be a total of 8,931,500 sq. ft. of leasable space in downtown Louisville, an increase of 2.8% from 2017.
- By 2019, it is expected that there will be a total of 68,900 employees working in downtown Louisville, an increase of 4.6% from 2017.
- By 2019, it is expected that there will be a total of 3,709 market-rate residential units in downtown Louisville, an increase of 39% from 2017.

The Kentucky International Convention Center (the "Convention Center") is located in the TIF District and is currently undergoing an approximately $200 million renovation, increasing its exhibition space from approximately 147,000 sq. ft. to more than 200,000 sq. ft. The Convention Center was closed for renovation and expansion in August of 2016. It is expected to reopen in August of 2018 and Convention Center management reports 34,011 hotel room nights have already been booked as a result of scheduled conferences.

The infographic below depicts various present and future projects in the TIF District and in the surrounding area.



Source: LDP.

No assurance can be provided that any of the projects identified above as "proposed" will be built or conform to the descriptions above or that projects already under construction will be completed.

Additionally, the State and the State of Indiana recently completed the Louisville-Southern Indiana Ohio River Bridges Project, which included a new bridge across the Ohio River further linking southern Indiana with downtown Louisville (the "Downtown Crossing Segment"). The Downtown

Crossing Segment cost $1.3 billion and will promote cross-river mobility by improving safety, alleviating traffic congestion and connecting highways in the Louisville-Southern Indiana region.

Tax Increment Payments by the State

Under the TIF Contract, the TIF Revenues will be paid by the State directly to the Trustee, in accordance with the TIF Act, on the later of (i) September 30 of each calendar year, or (ii) 90 days after the Corporation submits a request for payment of the Increment, for successive calendar years continuing automatically until the earliest of (A) the date no Bonds are Outstanding, (B) December 31, 2054, or (C) upon election by the State to terminate the TIF Contract at the end of any calendar year (upon 60 days' prior written notice). TIF Revenues will primarily be derived from incremental State sales taxes and State property taxes derived from the TIF District.

The State cannot terminate the TIF Contract as long as any Bonds are Outstanding without the Trustee's prior written consent. The TIF Contract requires that once Bonds are callable for optional redemption, "Excess Revenues" must be used to redeem Bonds at least once every thirty-six (36) months. "Excess Revenues" are revenues of the Corporation in excess of the Corporation's operating expenses, capital expenditures and regularly scheduled debt service on the Bonds. If the Corporation takes the position that use of revenues to redeem the Bonds will jeopardize the Arena's operations, the Corporation must present an alternative payment plan to the CPBO Committee. See "THE TIF DISTRICT AND TIF REVENUES" for a general description and a map of the TIF District. See "THE PRINCIPAL PARTICIPANTS - The State" and APPENDIX B — "Certain Information Relating to TIF Revenues." See also "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS - Funds and Accounts; Application of Revenues - TIF Revenue Fund."

The TIF Revenues remitted by the State to the Trustee will be deposited in the TIF Revenue Fund upon receipt by the Trustee and will be applied as described under "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS."

See "APPENDIX B – Certain Information Relating to TIF Revenues."

METRO LOUISVILLE REVENUES

Payment of the Metro Revenues by Metro Louisville was originally authorized by Ordinance No. 143, Series 2007, enacted on July 26, 2007, which was amended by Ordinance No. 131, Series 2017, enacted on August 10, 2017 (collectively, the "Metro Louisville Ordinance"). The Metro Louisville Ordinance authorized an Amended and Restated Memorandum of Agreement, dated and effective as of July 30, 2007, between Metro Louisville and the Corporation, which was amended by the Second Amended and Restated Memorandum of Agreement, effective as of date of delivery of the Bonds (collectively, the "Metro Contract"). Under the Metro Contract, Metro Louisville has agreed to pay an annual payment of $10,800,000 to the Corporation on or before November 1 of each year, commencing in 2018 and continuing until the first to occur of (i) September 30 of the year in which the commitment of the Commonwealth to pay TIF Revenues to the Corporation terminates, (ii) the date of final payment of the Bonds (or any bonds which refund the Bonds) or (iii) September 30, 2054. The Corporation has irrevocably assigned its rights in the payments to the Trustee and Metro Louisville has agreed to pay Metro Revenues directly to the Trustee.

Metro Louisville's obligation to pay Metro Revenues pursuant to the Metro Contract is not a general obligation of Metro Louisville and is subject to annual appropriation but is stated in the Metro Louisville Ordinance to be a long-term monetary obligation of Metro Louisville payable from (i) legally available revenues, moneys and funds of Metro Louisville and (ii) moneys derived from the imposition of existing general taxes in the same manner as for payment of other outstanding long-term monetary obligations of Metro Louisville. In the Metro Contract, Metro Louisville has covenanted that it will include the amount of its annual payment in each of its fiscal year budgets for so long as the Series 2017 Bonds are Outstanding.

The Metro Revenues will be remitted by Metro Louisville to the Trustee and deposited in the Metro Revenue Fund upon receipt by the Trustee and will be applied as described under "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS."

THE ARENA AND ARENA REVENUES

Description of the Arena

The Arena is an approximately 721,000 sq. ft. multi-level facility, including a basketball playing surface with all customary related items; one additional practice court area; four meeting rooms totaling approximately 34,000 square feet of space; dedicated locker rooms for the University's men's and women's basketball program; separate training rooms for men and women; separate offices for men's coaches and women's coaches; visiting team locker rooms, media work, hospitality and interview space; seating for at least 22,000 persons (including premium seats described below); 176 total number of points of sale concessions; a 8,750 square foot sports bar overlooking the Ohio River, in addition to other bars; a 2,500 square foot merchandise and gift shop; 72 luxury suites (each with at least 16 seats); approximately 2,054 side-court club seats; approximately 800 mezzanine club seats, 62 loge boxes with 4 seats each; 8 loge boxes with 6 seats each; and 4 party suites with approximately 34 seats each. The Arena also includes a parking garage with 760 available spaces. The Corporation has entered into agreements with third parties sufficient to ensure that an additional 12,200 spaces are available within a 10 minute walk of the Arena during events.

Management and Operations

Naming Rights and Sponsorship Sales Services

The Corporation entered into a Naming Rights, Marketing, Sponsorship Sales Rights and License Agreement, dated as of March 31, 2008 (the "Marketing Agreement") with LASEP, LLC ("LASEP"), and certain other related parties, as amended by Amendment No. 1 dated as of June 19, 2008, as further amended by Amendment No. 2 dated as of January 25, 2012, and as further amended by Amendment No. 3 dated as of November 6, 2017 by and among the Corporation, LASEP, Learfield Communications, Inc., a Delaware corporation ("LASEP") and its wholly-owned subsidiary Iceberg Ventures, Inc. ("Iceberg," and, along with LASEP, "Learfield"), and Team Services, LLC, a Maryland limited liability company ("Team Services") (as amended, the "Marketing Agreement"). Under the Marketing Agreement, LASEP has the exclusive right to market and sell sponsorship opportunities, including interior signage, section naming rights, vendor revenue, ticket marketing revenue and other promotional rights. LASEP and Iceberg are both wholly-owned subsidiaries of Learfield. Learfield has irrevocably guaranteed the obligations of LASEP and Team Services under the Marketing Agreement. Revenues derived from the Marketing Agreement are Category A Revenues are required to be transferred to the Trustee for deposit in the Arena Revenue Fund under the Bond Indenture. Information regarding revenues related to the Marketing Agreement is set forth in "APPENDIX A - Arena Consultant's Report - Operating Information Regarding Corporation."

Under the Marketing Agreement, LASEP pays to the Corporation a guaranteed sponsorship payment through June 30, 2027. Additionally, as part of the Marketing Agreement, Team Services entered into an Arena Naming Rights Agreement (the "Naming Rights Agreement") with Yum! Brands, Inc. ("Yum!") dated as of August 12, 2010 and terminating on September 30, 2020 unless earlier terminated or renewed. Under the Naming Rights Agreement, Yum! pays an annual fee to the Corporation in exchange for the naming rights to the Arena. Additional information on the Marketing Agreement and Naming Rights Agreement is set forth in "APPENDIX A – Arena Consultant's Report – Operating Information Regarding Corporation."

Arena Management

AEG. Headquartered in Los Angeles, California, AEG is the world's leading sports and live entertainment company. With offices on five continents, AEG operates in the following business segments: AEG Facilities, which is affiliated with or owns, manages or consults with more than 150 preeminent arenas, stadiums, theaters, clubs and convention centers around the world including The O2 Arena, the Sprint Center and the Mercedes-Benz Arenas; AEG Presents, which is dedicated to all aspects of live contemporary music performances, including producing and promoting global and regional concert tours, music and special events and world-renowned festivals; AEG Real Estate, which develops world-class venues, as well as major sports and entertainment districts like STAPLES Center and L.A. LIVE; AEG Sports, which is the world's largest operator of sports franchises and high-profile sporting events; and AEG Global Partnerships, which oversees worldwide sales and servicing of sponsorships including naming rights, premium seating and other strategic partnerships. Through its worldwide network of venues, portfolio of powerful sports and music brands and its integrated entertainment districts, AEG entertains more than 100 million guests annually.

AEG Management Louisville, LLC a Delaware limited liability company ("AEG Louisville"), and as to certain sections of the Management Agreement, Anschutz Entertainment Group, Inc., a Delaware corporation ("AEG, Inc.," and, together with AEG Louisville, "AEG"), manages the Arena pursuant to a management agreement (the "Management Agreement"). Under the Management Agreement, AEG schedules events at the Arena and makes certain fixed and net payments to the Corporation. Under the Management Agreement AEG receives (i) an inflation-adjusted fixed management fee in the annual amount of $700,000, paid monthly (the "Fixed Fee") and (ii) an incentive fee based on gross operating revenue (the "Incentive Fee" and the Fixed Fee, the "Management Fee"). AEG is required to remit operating profit in excess of operating expenses (including the Management Fee) to the Corporation. The Management Agreement states that a minimum annual payment of $1,500,000 (the "Minimum Payment") is anticipated and provides for the annual review and negotiation in good faith of a mutually acceptable reduced Fixed Fee if the actual payment is less than the Minimum Payment, or, if the parties are unable to reach agreement on a mutually-acceptable reduction of the Fixed Fee, termination of the Management Agreement at the option of the Corporation. In three of the past four years, the level of revenues generated by AEG has exceeded the Minimum Payment.

AEG operates the Arena as a concert and event venue and routinely attracts some of the largest acts in the world. Since 2010, many recording artists have performed at the Arena, including the Eagles, Bruno Mars, Neil Diamond, Lady Gaga, Taylor Swift, Rod Stewart, Beyoncé, Justin Timberlake, Garth Brooks, AC/DC, Jimmy Buffett, Lionel Richie, Red Hot Chili Peppers, Mötley Crüe, James Taylor, Katy pPerry, Luke Bryan, Jason Aldean and Rush. In 2014, the Arena was ranked 59th world wide by ticket sales. The Arena also hosts major events such as the funeral for Louisville-native Muhammad Ali, which was attended by two former presidents of the United States, among other dignitaries.

Revenues derived from the Management Agreement are Category B Revenues that are received by the Corporation and deposited in the Corporation's Operations and Maintenance Account. Information regarding revenues related to the Management Agreement is set forth in "APPENDIX A - Arena Consultant's Report - Operating Information Regarding Corporation."

Primary Tenant

ULAA. ULAA is a Kentucky not-for-profit corporation organized in 1984 for the purpose of promoting the intercollegiate athletic activities of the University. ULAA has been determined to be a tax-exempt organization described under Section 501(c)(3) of the Code. ULAA's mission is to provide quality intercollegiate athletic programs through a comprehensive sports program. ULAA's audited financial statements for the year ended June 30, 2016 are attached as APPENDIX E.

Lease Agreement. The Corporation and ULAA have entered into the Lease Agreement with respect to certain portions of the Arena whereby ULAA is the primary tenant of the Arena, with priority use by the University's men's and women's basketball programs. The term of the Lease Agreement (the "Term") commenced on July 3, 2008, and was amended by the First Amendment to Lease Agreement dated as of July 20, 2017 to run until the first to occur of (i) the final payment of the Bonds (or any bonds issued to refund the Bonds), (ii) September 30 of the year in which the State's contract to pay TIF Revenues ceases or (iii) September 30, 2054, subject to earlier termination upon an event of default under the Lease Agreement or extension by mutual agreement. Under the Lease Agreement, ULAA is required to make an annual payment of $2,420,000 (the "Additional Amount") on April 30 of each year, in addition to an annual payment calculated according to a formula contained in the Lease Agreement which provides for the netting of payments between ULAA and the Corporation (the "Annual Net Payment," and together with the Additional Amount, the "ULAA Payments"). The result is that ULAA typically makes an interim Annual Net Payment by April 30 of each year (which interim Annual Net Payment may be adjusted with payment thereunder due by no later than June 30). The obligation to make the ULAA Payments is subordinate to a senior lien securing certain outstanding bonds issued to finance and refinance Papa John's Cardinal Stadium, the stadium used by the University's football team. The senior lien is subject to an excluded amount, currently $2,000,000 annually, which is available to pay the ULAA Payments. Revenues from the Lease Agreement are Category B Revenues that are received by the Corporation and deposited in the Corporation's Operations and Maintenance Account. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Arena Revenues - Other Operating Income and Other Income (Category B Arena Revenues)" herein for information regarding historical and projected Category A Arena Revenues and Category B Arena Revenues. Further information regarding revenues related to the Lease Agreement, including the University of Louisville's (the "University") basketball programs is set forth in "APPENDIX A - Arena Consultant's Report - Operating Information Regarding Corporation."

Concessions and Catering Provider

The Corporation entered into a Concessions and Catering Services Agreement, dated as of June 16, 2008 (the "Concessions Agreement") with Service America Corporation d/b/a Centerplate ("Centerplate"). Capitalized terms used with reference to the Concessions Agreement have the meaning set forth in the Concessions Agreement. Pursuant to the Concessions Agreement, Centerplate has the exclusive rights: (a) to occupy the Food Service Premises at the Arena; (b) to operate all Food Services and sell all Food Products for sale at the Arena, with certain exceptions (see "THE ARENA AND ARENA REVENUES"); and (c) to sell all Merchandise at the Arena facilities, including the gift shop. The initial term of the Concessions Agreement is in effect through December 31, 2020 unless sooner terminated pursuant to its terms, and may be extended for two additional five-year periods upon mutual agreement of the parties as to the terms and conditions. In each Contract Year, Centerplate is required to pay to the Corporation the greater of: (i) aggregate commissions ("Commissions") based on the respective percentages of Adjusted Gross Receipts, as set forth in the Concessions Agreement; or (ii) beginning January 1, 2011, a guaranteed minimum amount of $2,500,000.

As part of the Concessions Agreement, Centerplate loaned to the Corporation $7,500,000 (the "Centerplate Loan"), which was used by the Corporation for the development of the Food Services Premises during the construction of the Arena. The repayment of the Centerplate Loan is subordinated to the Corporation's obligations with respect to debt service on the Bonds and is being amortized on a straight-line basis over 15 years. Centerplate agreed to forgive 1/180th of the Centerplate Loan each month, beginning with the month when the first event was held at the Arena where tickets were sold to the public (October 2010). The current principal balance of the Centerplate Loan as of October 1, 2017 is $4,000,000. In the event the Concessions Agreement is terminated by the Corporation for any reason prior to the full amortization of the Centerplate Loan, the Corporation is required to pay Centerplate an amount equal to the unamortized amount of the Centerplate Loan, in accordance with the terms set forth in the Concessions Agreement

Revenues derived from the Concessions Agreement are Category B Revenues that are received by the Corporation and deposited in the Corporation's Operations and Maintenance Account. Information regarding revenues related to the Concessions Agreement is set forth in "APPENDIX A - Arena Consultant's Report - Operating Information Regarding Corporation."

Historical revenues and future projected revenues constituting Category A Arena Revenues and Category B Arena Revenues are discussed in Appendix A – Arena Consultant's Report attached hereto.

PLAN OF FINANCE

The Bonds are being issued by the Issuer, at the request of the Corporation to (i) refund the Issuer's outstanding (a) Louisville Arena Project Revenue Bonds, Series 2008A (Louisville Arena Authority, Inc.), consisting of Subseries 2008A-1 Fixed Rate Bonds (the "Subseries 2008A-1 Fixed Rate Bonds") and Subseries 2008A-2 Capital Appreciation Bonds (the "Subseries 2008A-2 Capital Appreciation Bonds"), (b) Louisville Arena Project Revenue Bonds, Taxable Series 2008B (Louisville Arena Authority, Inc.) (the "Taxable Series 2008B Bonds") and (c) Louisville Arena Project Revenue Bonds, Taxable Subordinate Series 2008C (Louisville Arena Authority, Inc.) (the "Taxable 2008-C Bonds" and, together with the Subseries 2008A-1 Fixed Rate Bonds, the Subseries 2008A-2 Capital Appreciation Bonds and the Taxable Series 2008B Bonds, the "Prior Bonds"), previously issued by the Issuer to finance a portion of the costs of the acquisition, development, construction, and installation of the Arena; (ii) fund a debt service reserve fund; (iii) provide certain working capital funds, as described herein; (iv) fund a renovation and replacement fund; and (iv) pay expenses and costs incurred in connection with the issuance of the Bonds.

To provide for the refunding of the Prior Bonds, on the date of issuance of the Bonds, certain proceeds of the Bonds will be deposited with Regions Bank, Nashville, Tennessee, serving as escrow agent (the "Escrow Agent") under an Escrow Deposit Agreement with the Issuer, and held in cash or used to purchase investments permitted by the trust indenture authorizing the Prior Bonds (the "Escrow Obligations"). The principal of and interest on the Escrow Obligations will be sufficient to pay principal of and interest on the Prior Bonds, when due, at their respective payment date or dates for prior redemption or maturity. The Escrow Obligations and the interest earned thereon will not serve as security or be available for the payment of the principal of or interest on the Prior Bonds and the Prior Bonds will no longer be deemed outstanding under the trust indenture related to the Prior Bonds. The Subseries 2008A-1 Fixed Rate Bonds maturing on or after December 1, 2018 will be redeemed on June 1, 2018. All outstanding Taxable Series 2008B Bonds and the Taxable 2008-C Bonds will be redeemed on within 45 days of the date of delivery of the Bonds. The Subseries 2008A-2 Capital Appreciation Bonds are not subject to redemption prior to maturity.

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SOURCES AND USES OF FUNDS

Sources:	Series 2017A Bonds	Series 2017B Bonds	Total
Par Amount	$202,125,000.00	$175,640,000.00	$377,765,000.00
Net Original Issue Premium	16,677,162.60	0.00	16,677,162.60
Existing Debt Service Reserve Fund	8,705,375.98	7,209,657.92	15,915,033.90
Total Sources:	$227,507,538.58	$182,849,657.92	$410,357,196.50
Uses:			
Deposit to Escrow Fund	$209,506,474.98	$155,951,816.68	$365,458,291.66
Deposit to Operation and Maintenance Account[1]	0.00	921,910.00	921,910.00
Deposit to Renovation and Replacement Fund	0.00	12,000,000.00	12,000,000.00
Deposit to Debt Service Reserve Fund	8,343,582.12	7,250,299.38	15,593,881.50
Costs of Issuance[2]	9,657,481.48	6,725,631.86	16,383,113.34
Total Uses:	$227,507,538.58	$182,849,657.92	$410,357,196.50

[1] Includes a payment to Kentucky State Fair Board.
[2] Includes costs of issuance, Underwriter's discount, bond insurance premium, cost of debt service reserve surety and cost of liquidity reserve policy

THE BONDS

General

The Bonds will be issued in the respective aggregate principal or maturity amounts set forth on the inside cover page of this Official Statement. The Bonds will be dated the date of issuance and delivery thereof and will bear interest at the rates and mature on the dates set forth on the inside cover page of this Official Statement. Interest on the Bonds will be payable each June 1 and December 1, commencing June 1, 2018. The Bonds will be issued in fully registered form, without coupons, in denominations of $5,000 or any integral multiple thereof.

The Bonds will be registered in the name of Cede & Co., as nominee for DTC, which will act as the securities depository for the Bonds. Purchasers of the Bonds will not receive certificates representing their interests in the Bonds purchased. Purchases of the beneficial interests in the Bonds will be made in book-entry only form in authorized denominations by credit to participating broker-dealers and other institutions on the books of DTC as described herein. Any purchaser of beneficial interests in the Bonds must maintain an account with a broker or dealer who is, or acts through, a DTC Participant in order to receive payment of the principal of, premium, if any, and interest on such Bonds. See "Book-Entry Only System" attached as APPENDIX H hereto.

Principal of, premium, if any, and interest on the Bonds will be payable in any currency of the United States of America which, on the respective dates of payment thereof, is legal tender for the payment of public and private debts. Interest on the Bonds will be calculated on the basis of a 360-day year and twelve 30-day months. Interest on the Bonds will, except as otherwise provided in the Bond Indenture, be paid by check of the Trustee mailed to such registered owner at the address of such owner as it appears on the Bond Register or to any owner of $1,000,000 or more in aggregate principal amount of such Bonds of a series as of the close of business of the Bond Registrar on the Record Date for a particular Interest Payment Date, by wire transfer sent on the Interest Payment Date, to such owner.

Defaulted Interest with respect to any Series 2017 Bond will cease to be payable to the holder of such Series 2017 Bond on the relevant Record Date and will be payable to the holder in whose name such

Bond is registered at the close of business on the Special Record Date for the payment of such Defaulted Interest, which Special Record Date will be fixed in the manner set forth in the Bond Indenture. See APPENDIX F — "Summaries of Certain Bond Documents - Summary of Certain Provisions of the Bond Indenture — Remedies."

Redemption

Optional Redemption

Series 2017A Bonds. The Series 2017A Bonds maturing on December 1, 2041 and 2045, are subject to redemption at the option of the Corporation on or after December 1, 2027 in whole or in part, at any time (less than all of a single maturity to be selected by lot in such manner as the Trustee may determine), at a redemption price equal to the principal amount thereof, plus accrued interest thereon, without premium.

The Series 2017A Bonds maturing on December 1, 2047, are subject to redemption at the option of the Corporation on or after December 1, 2022 in whole or in part, at any time (less than all of a single maturity to be selected by lot in such manner as the Trustee may determine), at a redemption price equal to the principal amount thereof, plus accrued interest thereon, without premium.

Any partial redemption of Series 2017A Bonds will be made in the inverse order of the maturities or mandatory fund redemptions applicable to the Series 2017A Bonds then Outstanding.

Series 2017B Bonds. The Series 2017B Bonds maturing on or after December 1, 2028 are subject to redemption at the option of the Corporation on or after December 1, 2027 in whole or in part, at any time (less than all of a single maturity to be selected by lot in such manner as the Trustee may determine), at a redemption price equal to the principal amount thereof, plus accrued interest thereon, without premium.

The Series 2017B Bonds maturing on or before December 1, 2027 are subject to optional redemption prior to their maturity, at the option of the Corporation, in whole or in part on any date, at a redemption price (the "Make-Whole Premium Redemption Price") equal to the greater of (i) 100% of the principal amount of the Series 2017B Bonds to be redeemed, or (ii) the sum of the present values of the remaining scheduled payments of principal and interest on the Series 2017B Bonds to be redeemed (exclusive of interest accrued to the date fixed for redemption) discounted to the date of redemption on a semiannual basis (assuming a 360-day year consisting of twelve 30-day months) at the Comparable Treasury Yield (defined below) plus 35 basis points, plus in each case, accrued and unpaid interest on the Series 2017B Bonds being redeemed to the date fixed for redemption.

For purposes of calculating the Make-Whole Premium Redemption Price with respect to the optional redemption of the Series 2017B Bonds, the following terms shall have the following meanings:

"Calculation Agent" means an investment banking institution of national standing that is a primary dealer of United States government securities in the United States and designated by the Corporation (which may be one of the institutions that served as an underwriter for the Series 2017B Bonds), an independent accounting firm or financial advisor.

"Comparable Treasury Issue" means the United States Treasury security selected by the Calculation Agent as having an actual or interpolated maturity comparable to the remaining average life of the Series 2017B Bond being redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of debt securities of comparable maturity to the remaining average life of the Series 2017B Bond being redeemed.

"Comparable Treasury Price" means, with respect to any date on which a Series 2017B Bond or portion thereof is being redeemed, either: (a) the average of five Reference Treasury Dealer quotations for the date fixed for redemption, after excluding the highest and lowest such quotations or (b) if the Calculation Agent is unable to obtain five such quotations, the average of the quotations that are obtained. The quotations will be the average, as determined by the Calculation Agent, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of principal amount) quoted in writing to the Calculation Agent, at 5:00 p.m. New York City time at least three business days but no more than 20 business days preceding the date fixed for redemption.

"Comparable Treasury Yield" means the per annum yield that represents the average of the daily yields to maturity for the preceding week appearing in the most recently published statistical release designated "H.15(519) Selected Interest Rates" under the heading "Treasury Constant Maturities, " or any successor publication selected by the Calculation Agent that is published weekly by the Board of Governors of the Federal Reserve System and that establishes yields on actively traded United States Treasury securities adjusted to constant maturity (the "Weekly Average Yield"), for the maturity corresponding to the remaining average life of the Series 2017B Bond being redeemed. The Comparable Treasury Yield will be determined at least three business days but no more than 20 business days preceding the date fixed for redemption. If the H.15(519) statistical release sets forth a Weekly Average Yield for United States Treasury securities that have a constant maturity that is the same as the remaining average life of the Series 2017B Bond being redeemed, then the Comparable Treasury Yield will be equal to such Weekly Average Yield. In all other cases, the Comparable Treasury Yield will be calculated by interpolation on a straight-line basis, between the Weekly Average Yields on the United States Treasury securities that have a constant maturity: (i) closest to and greater than the remaining average life of the Series 2017B Bond being redeemed; and (ii) closest to and less than the remaining average life of the Series 2017B Bond being redeemed. Any Weekly Average Yields calculated by interpolation will be rounded to the nearest 1/100th of 1%, with any figure of 1/200th of 1% or above being rounded upward. If, and only if, Weekly Average Yields for United States Treasury securities for the preceding week are not available in the H.15(519) statistical release or any successor publication, then the Comparable Treasury Yield will be the rate of interest per annum equal to the semiannual equivalent yield to maturity of the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price (each as defined herein) as of the date fixed for redemption.

"Reference Treasury Dealer" means a primary dealer of United States Government securities in the United States (which may be one of the institutions that served as underwriters for the Series 2017B Bonds) appointed by the Corporation and reasonably acceptable to the Calculation Agent.

The selection of Series 2017B Bonds for redemption will be made by the Trustee in accordance with the Written Instructions of the Corporation.

Mandatory Bond Sinking Fund Redemption of Series 2017A Bonds

The Series 2017A Bonds are subject to mandatory sinking fund redemption prior to maturity, by lot, in such manner as the Trustee may determine, at a redemption price of 100% of the par amount plus interest accrued to the redemption date, on December 1 in the years and in the principal amounts set forth below:

Series 2017A Bonds
Maturing on December 1, 2041

Year	Amount
2039	$8,085,000
2040	19,005,000
2041*	20,250,000

* Final maturity

Series 2017A Bonds
Maturing on December 1, 2045

Year	Amount
2042	$21,550,000
2043	23,125,000
2044	24,790,000
2045*	26,550,000

Series 2017A Bonds
Maturing on December 1, 2047

Year	Amount
2046	$28,405,000
2047*	30,365,000

* Final maturity

Selection of Bonds to be Redeemed

If less than all of the Bonds of the same maturity of a series are to be redeemed, the Trustee will select the Bonds of such maturity to be redeemed by lot in such manner as the Trustee may determine. In making such selection, the Trustee will treat each Authorized Denomination as one Series 2017 Bond.

Effect of Call for Redemption

On the date designated for redemption, the Bonds so called for redemption will become and be due and payable at the redemption price provided for redemption of such Bonds on such date. If on the date fixed for redemption moneys for payment of the redemption price and accrued interest are held by the Trustee or Paying Agents as provided in the Bond Indenture, interest on such Bonds so called for redemption will cease to accrue, such Bonds will cease to be entitled to any benefit or security under the Bond Indenture except the right to receive payment from the moneys held by the Trustee or the Paying Agents and the amount of such Bonds so called for redemption will be deemed paid and no longer outstanding.

Notice of Redemption

The Trustee will mail, via first class mail, notice of any redemption of Bonds not less than 30 nor more than 60 days prior to the date set for redemption. If less than all the Bonds are to be redeemed, the Bonds to be redeemed will be identified by reference to the issue and series designation, date of issue, serial numbers and maturity dates. The notice will be mailed to each holder of a Bond to be so redeemed at the address shown on the Bond Register, but failure to receive such notice or any defect therein will not be a condition precedent to, nor will such failure affect the validity of the proceedings for, the redemption of any Bond.

If at the time of mailing of notice of any optional redemption there has not been deposited with the Trustee moneys in an amount sufficient to redeem all the Bonds called for redemption, such notice will state that it is conditional in that it is subject to the deposit of such moneys with the Trustee not later than the redemption date, and such notice will be of no effect unless such moneys are so deposited.

Other Redemption Provisions

In lieu of redeeming Bonds as described above, the Trustee will, at the direction of the Corporation, use such funds otherwise available under the Bond Indenture for redemption of Bonds to purchase Bonds in the open market at a price not exceeding the redemption price then applicable under the Bond Indenture, such Bonds to be delivered to the Trustee for the purpose of cancellation. It is understood that in the case of any such redemption or purchase of Bonds, the Issuer will receive credit against its required mandatory sinking fund deposits with respect to such Bonds in the same manner as would be applicable if such Bonds were optionally redeemed.

The Issuer and, by their acceptance of the Bonds, the Bondholders, irrevocably grant to the Corporation the option to purchase, at any time and from time to time with the prior written consent of the Bond Insurer, any Series 2017 Bond which is redeemable pursuant to the Bond Indenture at a purchase price equal to the redemption price therefor. To exercise such option, the Corporation must give the Trustee a Written Instruction exercising such option within the time period specified in the Bond Indenture as though such Written Instruction were a Written Instruction of the Issuer for redemption, and the Trustee will thereupon give the owners of the Bonds to be purchased notice of such purchase in the manner as though such purchase were a redemption and the purchase of such Bonds will be mandatory and enforceable against the Bondholders. On the date fixed for purchase pursuant to any exercise of such option, the Corporation will pay the purchase price of the Bonds then being purchased to the Trustee in immediately available funds, and the Trustee will pay the same to the sellers of such Bonds against delivery thereof. Following such purchase, the Trustee will cause such Bonds to be registered in the name of the Corporation or its nominee and will deliver them to the Corporation or its nominee. In the case of the purchase of less than all of the Bonds, the particular Bonds to be purchased will be selected in accordance with the provisions of the Bond Indenture as though such purchase were a redemption. No purchase of Bonds as described in this paragraph will operate to extinguish the indebtedness of the Issuer evidenced thereby. Notwithstanding the foregoing, no purchase of Series 2017A Bonds will be made pursuant to the provisions as described in this paragraph unless the Corporation has delivered to the Trustee, the Bond Insurer and the Issuer, concurrently therewith, an Opinion of Bond Counsel to the effect that such purchase will not adversely affect the exclusion of interest on the Series 2017A Bonds from gross income for federal income tax purposes.

Book-Entry Only System

The Bonds initially will be issued solely in book entry form to be held in the book entry only system maintained by The Depository Trust Company, New York, New York ("DTC"). So long as such book entry only system is used, only DTC will receive or have the right to receive physical delivery of Bonds and Beneficial Owners will not be or be considered to be, and will not have any rights as, owners or holders of the Bonds under the Bond Indenture. For additional information about DTC and the book entry only system, see EXHIBIT H – BOOK-ENTRY-ONLY SYSTEM.

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

General

The Bonds will be special and limited obligations of the Issuer and, except to the extent payable from the proceeds of the Bonds or moneys derived from the investment thereof, will be payable solely from, and secured by, the payments to be made by or on behalf of the Corporation under the Loan Agreement. Neither the principal of, nor premium, if any, on the Bonds, nor the interest accruing thereon, shall ever constitute an indebtedness of the Issuer, the Commonwealth of Kentucky or any agency or political subdivision thereof, including Metro Louisville, within the meaning of any constitutional or statutory provision whatsoever or, except as to the limited sources of payment described herein, shall ever constitute or give rise to a pecuniary liability of the Issuer. The Bonds will neither constitute nor give rise to a general obligation or liability of, or a charge

against, the general credit of the Issuer, the Commonwealth of Kentucky or any agency or political subdivision thereof, including Metro Louisville, or a charge against the general credit or taxing powers of the Issuer, the Commonwealth of Kentucky or any agency or political subdivision thereof, including Metro Louisville. The Issuer has no taxing power.

The amounts payable by the State under the TIF Agreement and the amounts payable by Metro Louisville under the Metro Contract will be paid directly to the Trustee and deposited in the TIF Revenue Fund and the Metro Revenue Fund, respectively, as described below. The Issuer's rights and interests under the Loan Agreement are assigned to the Trustee under the Bond Indenture and amounts payable to the Corporation under the Loan Agreement will be deposited in the Arena Revenue Fund as described below. The TIF Revenues, the Metro Revenues and Arena Revenues are collectively referred to herein as the "Revenues." See APPENDIX F — "Summaries of Certain Bond Documents — Summaries of Certain Provisions of the Bond Indenture and Summaries of Certain Provisions of the Loan Agreement."

Under the Bond Indenture and the Loan Agreement, all Revenues are pledged as security for the repayment of Outstanding Bonds. Once deposited in the various funds and accounts created by the Bond Indenture and the Loan Agreement, Revenues are permitted to be used solely to pay the costs of Arena operations, maintenance and capital improvements and the payment of the principal of, interest and any premium on Outstanding Bonds. To the extent Revenues are not required or permitted by the Loan Agreement and the Bond Indenture to pay the costs of Arena operations, maintenance, capital improvements or to pay debt service, the Revenues must be held under the Bond Indenture and applied to the redemption of Outstanding Bonds, all as further described under this heading.

Tax Increment Payments

The State will pay TIF Revenues under the TIF Contract in accordance with the requirements of the TIF Act. TIF Revenues will be paid directly to the Trustee and deposited in the TIF Revenue Fund. Under the TIF Contract, the State is obligated to pay to the Trustee the amount payable as TIF Revenues (the "Increment") on the later of (i) September 30 of each calendar year, or (ii) 90 days after the Corporation submits a request for payment of the Increment, for successive calendar years continuing automatically until the earliest of (A) the date no Bonds are Outstanding, (B) December 31, 2054, or (C) upon election by the State to terminate the TIF Contract at the end of any calendar year (upon 60 days' prior written notice). The State cannot terminate the TIF Contract so long as any Bonds are Outstanding without the Trustee's prior written consent. TIF Revenues primarily will be derived from incremental State sales taxes and State property tax derived from the TIF District. The TIF Contract and the TIF Revenues have been irrevocably assigned to the Trustee. See "THE TIF DISTRICT AND TIF REVENUES" and APPENDIX B — "Certain Information Relating to TIF Revenues."

On or before the third Business Day preceding December 1 of each year for (i) through (v) below and on or before the third Business Day preceding June 1 of each year for (i) through (vi) below, before making any transfers from the Metro Revenue Fund and the Arena Revenue Fund described below, moneys on deposit in the TIF Revenue Fund will be applied in the following order of priority:

(i) First, in the Senior Interest Fund and the Senior Bond Sinking Fund (in that order) moneys up to the amount required to pay (1) the interest on and principal (by maturity or mandatory Senior Bond Sinking Fund redemption) of the Senior Bonds due on the immediately succeeding December 1 or June 1, as applicable; (2) any Reimbursement Obligation due to the Bond Insurer on account of any payment under the Series 2017 Bond Insurance Policy by the Bond Insurer and (3) any Annual Premium Obligations due to the Bond Insurer in connection with the Series 2017 Bond Insurance Policy; provided, however, that if the moneys available shall be insufficient to pay in full any particular installment or amount to be due as set out above, then to the payment ratably, according to the amounts due on such date;

(ii) Second, in the Senior Reserve Fund moneys up to the amount, if any, required (1) to restore the amount in the Senior Reserve Fund to the Senior Reserve Fund Requirement; and (2) to pay any Reimbursement Obligation due to the Bond Insurer on account of any payment under the Series 2017 Senior Reserve Fund Surety by the Bond Insurer;

(iii) Third, deposit in the Liquidity Reserve Fund moneys up to the amount required to pay any Reimbursement Obligation due to the Bond Insurer on account of any payment made under the Series 2017 Liquidity Reserve Policy provided by the Bond Insurer;

(iv) Fourth, if any Subordinate Bond is then issued and Outstanding, deposit in the Subordinate Interest Fund and the Subordinate Bond Sinking Fund (in that order) moneys up to the amount, if any, required to pay interest on and principal (by maturity or mandatory Subordinate Bond Sinking Fund redemption) of the Subordinate Bonds due on the immediately succeeding December 1 or June 1, as applicable;

(v) Fifth, if any Subordinate Bond is then issued and Outstanding, in the Subordinate Reserve Fund moneys up to the amount, if any, required to restore the amount in the Subordinate Reserve Fund to the Subordinate Reserve Fund Requirement; and

(vi) Sixth, deposit the remaining moneys, if any, in the Excess Net Cash Flow TIF Revenue Account of the Excess Net Cash Flow Fund (occurs on June 1 only, TIF Revenues remaining on December 1 after the deposits in (i) through (v) above will be retained in the TIF Revenue Fund until the following June 1).

Metro Louisville Payments

Under the Metro Contract, Metro Louisville will pay $10,800,000 ("Metro Revenues") to the Trustee no later than November 1 of each year. Metro Revenues will be paid directly to the Trustee and deposited in the Metro Revenue Fund. The Metro Contract and the Metro Revenues have been irrevocably assigned to the Trustee. See "THE PRINCIPAL PARTICIPANTS - Metro Louisville." Metro Louisville's Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2016 is attached hereto as APPENDIX D.

On or before the third Business Day preceding December 1 of each year for (i) through (v) below and on or before the third Business Day preceding June 1 of each year for (i) through (vi) below, after making transfers from the TIF Revenue Fund described above, but before making any transfers from the Arena Revenue Fund described below, moneys on deposit in the Metro Revenue Fund will be applied in the following order of priority:

(i) First, in the Senior Interest Fund and the Senior Bond Sinking Fund (in that order) moneys up to the amount required to pay (1) the interest on and principal (by maturity or mandatory Senior Bond Sinking Fund redemption) of the Senior Bonds due on the immediately succeeding December 1 or June 1, as applicable; (2) any Reimbursement Obligation due to the Bond Insurer on account of any payment under the Series 2017 Bond Insurance Policy by the Bond Insurer and (3) any Annual Premium Obligations due to the Bond Insurer in connection with the Series 2017 Bond Insurance Policy; provided, however, that if the moneys available shall be insufficient to pay in full any particular installment or amount to be due as set out above, then to the payment ratably, according to the amounts due on such date;

(ii) Second, in the Senior Reserve Fund moneys up to the amount, if any, required (1) to restore the amount in the Senior Reserve Fund to the Senior Reserve Fund Requirement; and (2) any Reimbursement Obligation due to the Bond Insurer on account of any payment under the Series 2017 Senior Reserve Fund Surety by the Bond Insurer;

(iii) Third, deposit in the Liquidity Reserve Fund moneys up to the amount required to pay any Reimbursement Obligation due to the Bond Insurer on account of any payment made under the Series 2017 Liquidity Reserve Policy provided by the Bond Insurer;

(iv) Fourth, if any Subordinate Bond is then issued and Outstanding, deposit in the Subordinate Interest Fund and the Subordinate Bond Sinking Fund (in that order) moneys up to the amount, if any, required to pay interest on and principal (by maturity or mandatory Subordinate Bond Sinking Fund redemption) of the Subordinate Bonds due on the immediately succeeding December 1 or June 1, as applicable;

(v) Fifth, if any Subordinate Bond is then issued and Outstanding, in the Subordinate Reserve Fund moneys up to the amount, if any, required to restore the amount in the Subordinate Reserve Fund to the Subordinate Reserve Fund Requirement; and

(vi) Sixth, deposit the remaining moneys, if any, in the Excess Net Cash Flow Metro Revenue Account of the Excess Net Cash Flow Fund (occurs on June 1 only, Metro Revenues remaining on December 1 after the deposits in (i) through (v) will be retained in the Metro Revenue Fund until the following June 1) .

Arena Revenues

Pledge and Deposit of Arena Revenues

Pledge of Arena Revenues. To secure the prompt payment by the Corporation of its payment obligations under the Loan Agreement and the performance by the Corporation of its other obligations thereunder, the Corporation has pledged and granted a continuing security interest in and assigned to the Issuer the Arena Revenues, which are comprised of Category A Arena Revenues and Category B Arena Revenues.

"Category A Arena Revenues" means all revenues (as determined by the cash basis of accounting) of the Corporation (less amounts actually distributed under revenue sharing agreements) derived from the ownership, use, or operation of the Arena and received generally on an annual basis from contractually obligated third parties for such services as naming rights, external and internal, annual advertising revenues, revenues received from corporate and other sponsorship rights, such as exclusive use of suites, including lounges, preferential seating, mezzanine and terrace preferential seating, annual sponsorship rights, and similar revenue streams generally expected to be received on an annual basis, all exclusive of Category B Arena Revenues, TIF Revenues, Metro Revenues, grants, gifts, and bequests that are restricted to specific purposes, including capital construction or acquisition or an endowment or capital reserve fund, and interest income required to be applied as set out in the Bond Indenture. By way of example, Category A Arena Revenues include receipts of payments for (i) corporate sponsorship rights; (ii) naming rights; and (iii) premium seating (suites, loge boxes, and certain club seats).

"Category B Arena Revenues" means all revenues (as determined by the cash basis of accounting) of the Corporation (less amounts actually distributed under revenue sharing agreements) derived from the ownership, use or operation of the Arena and not constituting Category A Arena Revenues and received periodically during the year from payments by ULAA under the Lease Agreement, rentals and ticket sales, ticket fee surcharges, concessions, catering, restaurant, and other commercial leases, payments by the Manager under the Management Agreement, and similar revenues expected to be received from time to time during the year, all exclusive of Category A Arena Revenues, TIF Revenues, Metro Revenues, grants, gifts, and bequests that are restricted to specific purposes, including capital construction or acquisition or an endowment or capital reserve fund, and interest income required to be applied as set out in the Bond Indenture. Category B Revenues include ULAA Payments described below. Certain revenues generated at the Arena are governed by the Management Agreement and do not become Arena Revenues until paid to the Corporation in accordance with the Management

Agreement. See "THE ARENA AND ARENA REVENUES - Management and Operations - Arena Management."

Deposit of Arena Revenues. Under the Loan Agreement, (i) Category A Arena Revenues are required to be transferred to the Trustee by the Corporation upon receipt and (ii) Category B Arena Revenues are required to be deposited in the Corporation's Operations and Maintenance Account under the Loan Agreement, to be available to the Corporation for costs of operation and maintenance of the Arena. On or before May 15 and November 15 of each year the Corporation is required to transfer to the Trustee the Category B Arena Revenues then on deposit in the Operations and Maintenance Account that exceed the Minimum Operating Cash Balance.

"Minimum Operating Cash Balance" means, for purposes of determining the amount to be retained in the Operation and Maintenance Account (and excluded from transfer to the Arena Revenue Fund) on any May 15 and November 15, an amount equal to (i) the Corporation's estimate of Operating Expenses for the six month period that begins on the following December 1 or June 1, as applicable, plus (ii) one-quarter of the Corporation's annual budgeted Operating Expenses for the then current Fiscal Year as described in the Annual Budget for such Fiscal Year plus an amount equal to any extraordinary Operating Expenses that are required to be paid during such period (to the extent such amounts are excluded from the budgeted amounts under clause (i)).

"Operating Expenses" means actual, reasonable and customary costs, fees and expenses of the Corporation directly attributable to the Arena, including labor costs, salaries, general and administrative expenses, painting, cleaning, maintenance, repairs, and alterations; landscaping and paving; waste removal; certificates, permits and licenses; utilities charges; real and personal property taxes and assessments, if any; insurance premiums; security; advertising, promotion and publicity; office, janitorial, cleaning and building supplies; purchase, repair, servicing and installation of appliances, equipment, fixtures and furnishings; management fees and expenses, including those payable to the Manager under the Management Agreement; fees and expenses of accountants, attorneys, consultants and other professionals; and sums required to be paid to ULAA under the ULAA Contract and all sums required to be paid under other Operating Agreements, to the extent such sums are not deducted in determining Arena Revenues. Operating Expenses excludes (i) moneys needed to pay debt service for any Bonds or other obligations issued pursuant to the Bond Indenture or any Supplemental Bond Indenture; and (ii) the projected costs of extraordinary maintenance and repairs (other than and in addition to routine maintenance and repairs included as Operating Expenses in the Corporation's Annual Budgets).

ULAA Payments. A portion of the Category B Arena Revenues will be derived from payments received from ULAA under the Lease Agreement. ULAA Payments are subordinate to a senior lien securing certain outstanding bonds issued to finance and refinance Papa John's Cardinal Stadium, the stadium used by the University's football team. The senior lien is subject to an excluded amount, currently $2,000,000 annually, which is available to pay amounts owed by ULAA to the Corporation under the Lease Agreement (the "ULAA Payments"). The ULAA Payments consist of (i) certain annual net payments based on revenues generated by University and ULAA related events and (ii) an Additional Amount of $2,420,000, commencing with the estimated annual net payment due in April 2018.

Under the Lease Agreement, "Annual Net Payments" are determined through a calculation of landlord payables and tenant payables. An estimate of the Annual Net Payment is calculated mutually by the Corporation and ULAA not later than April 20 of each year and is based on all available information regarding landlord payables and tenant payables accrued through the date of calculation. Within 10 days after the date on which the Corporation and ULAA have mutually determined the landlord payables and tenant payables, but not later than April 30, the Corporation or ULAA, as the case may be, will pay to the other party the amount of the estimated Annual Net Payment. The Corporation and ULAA make a final calculation of the Annual Net Payment not later than June 30 of each year and, to the extent there is a difference between the estimated Annual Net Payment and the final calculation of the Annual Net

Payment, the party that owes an amount to the other party shall pay such amount to the other party on or before June 30.

The gross revenues of ULAA are pledged on a senior lien basis to secure general receipts obligations issued from time to time by the University, of which there is presently $227,275,000 in aggregate principal amount outstanding. Such pledge is superior to ULAA's obligations with respect to the amounts owed to the Corporation under the Lease Agreement, except that the portion of such moneys or revenues that is equal to the Excluded Amount is excluded from such superior pledge for the express purpose of enabling ULAA to make payment of the amounts owed to the Corporation under the Lease Agreement. ULAA may not pledge the Excluded Amount for any other purpose except on a basis that is subordinate to ULAA's obligations with respect to the amounts owed to the Corporation under the Lease Agreement.

See "THE ARENA AND ARENA REVENUES" and APPENDIX A -– Arena Consultant's Report - Operating Information Regarding Corporation. The Corporation's Audited Financial Statements for the Year ended December 31, 2016, together with Unaudited Financial Information for the Period Ended September 30, 2017 is attached as APPENDIX C. See also, THE PRINCIPAL PARTICIPANTS – ULAA" and APPENDIX E -– Comprehensive Annual Financial Report, ULAA for Fiscal Year Ended June 30, 2016.

Application of Amounts in the Arena Revenue Fund

On or before the third Business Day preceding December 1 of each year for (i) through (v) below and on or before the third Business Day preceding June 1 of each year for (i) through (vi) below, after making transfers from the TIF Revenue Fund and the Metro Revenue Fund described above, moneys on deposit in the Arena Revenue Fund, will be applied in the following order of priority:

(i) First, in the Senior Interest Fund and the Senior Bond Sinking Fund (in that order) moneys up to the amount required to pay (1) the interest on and principal (by maturity or mandatory Senior Bond Sinking Fund redemption) of the Senior Bonds due on the immediately succeeding December 1 or June 1, as applicable; (2) any Reimbursement Obligation due to the Bond Insurer on account of any payment under the Series 2017 Bond Insurance Policy by the Bond Insurer and (3) any Annual Premium Obligations due to the Bond Insurer in connection with the Series 2017 Bond Insurance Policy; provided, however, that if the moneys available shall be insufficient to pay in full any particular installment or amount to be due as set out above, then to the payment ratably, according to the amounts due on such date;

(ii) Second, in the Senior Reserve Fund moneys up to the amount, if any, required (1) to restore the amount in the Senior Reserve Fund to the Senior Reserve Fund Requirement; and (2) any Reimbursement Obligation due to the Bond Insurer on account of any payment under the Series 2017 Senior Reserve Fund Surety by the Bond Insurer;

(iii) Third, deposit in the Liquidity Reserve Fund moneys up to the amount required to pay any Reimbursement Obligation due to the Bond Insurer on account of any payment made under the Series 2017 Liquidity Reserve Policy provided by the Bond Insurer;

(iv) Fourth, if any Subordinate Bond is then issued and Outstanding, deposit in the Subordinate Interest Fund and the Subordinate Bond Sinking Fund (in that order) moneys up to the amount, if any, required to pay interest on and principal (by maturity or mandatory Subordinate Bond Sinking Fund redemption) of the Subordinate Bonds due on the immediately succeeding December 1 or June 1, as applicable;

(v) Fifth, if any Subordinate Bond is then issued and Outstanding, in the Subordinate Reserve Fund moneys up to the amount, if any, required to restore the amount in the Subordinate Reserve Fund to the Subordinate Reserve Fund Requirement; and

(vi) Sixth, deposit the remaining moneys, if any, in the Excess Net Cash Flow Arena Revenue Account of the Excess Net Cash Flow Fund (occurs on June 1 only, Arena Revenues remaining on December 1 after the deposits in (i) through (v) will be retained in the Arena Revenue Fund until the following June 1) .

The Bond Indenture establishes an Advance Payments Account within the Arena Revenue Fund into which there will be deposited any Category A Arena Revenues that constitute a prepayment by an obligor for any period extending twelve months beyond the receipt of such payment ("Advance Payments"). Any such Advance Payments shall be allocated by the Corporation and applied by the Bond Trustee among the Fiscal Years set out in Written Instructions from the Corporation to transfer moneys from the Advance Payments Account to the Arena Revenue Fund on or before the applicable July 1. Moneys on deposit in the Advance Payments Account will not be available for any purpose before the Fiscal Year in which they are allocated by the Corporation.

After the foregoing transfers have been made, to the extent the amount in the Operations and Maintenance Account is less than the Minimum Cash Operating Balance on such date, the Corporation may, with the prior written consent of the Bond Insurer, instruct the Trustee to transfer from the Arena Revenue Fund an amount sufficient to restore the balance in the Operations and Maintenance Account to the Minimum Operating Cash Balance (see "Funds and Accounts" below).

Mortgage

The Corporation will deliver the Mortgage to the Trustee providing a mortgage lien on the Arena. Under the Mortgage, the parties recognize and agree to the stipulation in the Lease Agreement that so long as it is in effect and ULAA is not in default thereunder, (i) ULAA's occupancy of the Leased Premises (as defined in the Lease Agreement) and its rights and privileges under the Lease Agreement will not be disturbed during the term of the Lease Agreement and the Lease Agreement will continue in full force and effect and will not be terminated except in accordance with terms thereof and (ii) if the Trustee acquires title to the Arena in a foreclosure or other action under the Mortgage, before the Trustee may solicit or consider any unsolicited offers to the purchase the Arena, (a) ULAA will have a 90-day period after the date on which the Trustee acquires title to give notice to the Trustee that it will purchase the Arena at the price sufficient to retire or provide for the retirement of all outstanding Bonds and sufficient to pay in full all Reimbursement Obligations and (b) if ULAA does not give such notice within such 90-day period, and the Trustee thereafter receives a bona fide offer to purchase the Arena, ULAA will have a period of 90 days after receipt of the offer to give notice to the Trustee that it will purchase the Arena on the terms and at the price set forth in the offer. In either event, the purchase of the Arena will be closed as soon as practicable but in no event later than 180 days after the date of ULAA's notice.

Liens on the Project Property

The Corporation is required to keep the Arena and all parts thereof free from judgments, mechanics' and materialmen's liens and free from all liens, claims, demands, and encumbrances of whatsoever prior nature or character, except for Permitted Encumbrances, to the end that the priority of the lien of the Bond Indenture may at all times be maintained and preserved, and free from any claim or liability which, in the Trustee's judgment (and its determination thereof will be final), might embarrass or hamper the Corporation in conducting its business or operating the Arena, and the Trustee at its option (after first giving the Corporation ten days' written notice to comply therewith and failure of the Corporation to so comply within said ten-day period) may (but will not be obligated to) defend against any and all actions or proceedings in which the validity of the Bond Indenture or its priority is or might be questioned, or pay or compromise any claim or demand asserted in any such actions or proceedings;

provided, however, that, in defending against such actions or proceedings or in paying or compromising such claims or demands, the Trustee will not in any event be deemed to have waived or released the Corporation from liability for or on account of any of its covenants and warranties contained in the Indenture, or from its liability under the Indenture to defend the validity or priority of the Bond Indenture and the lien thereof and to perform such covenants and warranties.

So long as any Bonds are Outstanding, except for Permitted Encumbrances, the Corporation will not create or suffer to be created any mortgage, pledge, lien, or charge upon all or any part of the Trust Estate under the Bond Indenture or the Arena.

"Permitted Encumbrances" means (i) undetermined liens and charges incident to construction or maintenance, and liens and charges incident to construction or maintenance filed of record which are being contested in good faith and have not proceeded to final judgment (and for which all applicable periods for appeal or review have not expired), provided that the Corporation shall have set aside reserves with respect thereto which, in an Officer's Certificate of the Corporation filed with the Trustee, are certified to be adequate; (ii) notices of lis pendens or other notices of or liens with respect to pending actions which are being contested in good faith and have not proceeded to final judgment (and for which all applicable periods for appeal or review have not expired), provided the Corporation shall have set aside reserves with respect thereto which, in an Officer's Certificate of the Corporation filed with the Trustee, are adequate; (iii) the lien for taxes and assessments, either not yet due or being diligently contested in good faith, provided (a) that the Corporation shall have set aside reserves with respect thereto which, in an Officer's Certificate of the Corporation filed with the Trustee, are certified to be adequate, and (b) that non-payment of such taxes and assessments do not involve any material danger of the sale, forfeiture or loss of the Arena or any collateral for the Bonds under the Loan Agreement or any material part or portion thereof or any interest therein; (iv) minor defects and irregularities in title which in the aggregate do not materially adversely affect the value or operation of the property to which such encumbrance relates for the purposes for which it is or may reasonably be expected to be used; (v) any easements, servitudes or land charges or similar rights of a kind customarily given by owners of property of the type in the ordinary course of business which, individually or in the aggregate do not have a material adverse effect on the value, utility, residual value or useful life of the Arena or any material portion thereof immediately before such lien and which do not involve a material danger of the sale, forfeiture, loss or restriction on use of any material portion of the Arena; (vi) zoning laws and ordinances; (vii) the rights of the Authority and the Trustee under the Loan Agreement and the Bond Indenture and the rights of the Trustee under the Assignments; (viii) liens securing the indebtedness for the payment, redemption or satisfaction of which money (or evidences of indebtedness) in the necessary amount shall have been irrevocably deposited in trust with a trustee or other holder of such indebtedness; (ix) security interests granted pursuant to equipment leases or installment purchases in the ordinary course of business, provided that the aggregate amount secured by such security interest shall not at any time exceed the amount permitted under the Loan Agreement; (x) statutory liens arising in the ordinary course of business securing obligations that are not overdue for a period of more than sixty days or are being diligently contested in good faith by appropriate proceedings so long as such proceedings do not involve any material danger of the sale, forfeiture, loss or restriction on use of the Arena or any material portion thereof or any collateral for the Bonds or any material part or portion thereof or any interest therein; (xi) liens, encumbrances, or other matters listed in the Title Documents; (xii) the Operating Agreements and any license or granting of other temporary right in the Arena in its business or commercial activities, function, or development; provided that any such license or temporary right will not interfere with the ownership or operation of the Arena; (xiii) the Mortgage and Security Agreement; (xiv) any other liens permitted by the Bond Insurer; and (xv) any other liens permitted by the Bond Insurer.

Funds and Accounts

Pledge of Funds

All of the Funds held by the Trustee under the Bond Indenture, are pledged to secure the Bonds. Amounts in the Redemption Fund may be pledged only to the payment of the principal of or interest on certain Bonds that have been called for redemption. The Operations and Maintenance Account established under the Loan Agreement is held by the Corporation and is pledged to secure the Bonds.

Debt Service Funds

The Bond Indenture creates the Senior Interest Fund, the Senior Bond Sinking Fund, the Subordinate Interest Fund and the Subordinate Bond Sinking Fund (the "Debt Service Funds"). Amounts deposited in the Debt Service Funds will be applied to the payment of interest on the Senior Bonds, principal of the Senior Bonds, interest on the Subordinate Bonds, if any, and principal of the Subordinate Bonds, if any, respectively, to pay any Reimbursement Obligation due to the Bond Insurer on account of any payment of the interest on and principal of the Bonds, or to pay any Annual Premium Obligations due to the Bond Insurer in connection with the Series 2017 Bond Insurance Policy. No Subordinate Bonds are currently Outstanding and the Corporation has no current plans to request that any Subordinate Bonds be issued.

Amounts will be deposited in the Debt Service Funds from the TIF Revenue Fund, the Metro Revenue Fund and the Arena Revenue Fund (the "Revenue Funds"), in that order, on the third Business Day preceding each December 1 and June 1, as described above. If moneys transferred from the Revenue Funds to the Senior Interest Fund and the Senior Bond Sinking Fund are not sufficient to pay debt service on the succeeding December 1 or June 1, then amounts will be transferred to the applicable Debt Service Fund from other Funds and Accounts or the Series 2017 Liquidity Reserve Policy in the following order of priority: (i) TIF Revenue Account of the Excess Net Cash Flow TIF Revenue Account, (ii) the Metro Revenue Account of the Excess Net Cash Flow, (iii) Arena Revenue Account of the Excess Net Cash Flow Fund, (iv) the Metro Revenue Account of the Renovation and Replacement Fund (to the extent not contractually committed), (v) the Arena Revenue Account of the Renovation and Replacement Fund (to the extent not contractually committed), (vi) the Subordinate Interest Fund, (vii) the Subordinate Bond Sinking Fund, (viii) the Series 2017 Liquidity Reserve Policy, (ix) the Operation and Maintenance Account, and (x) the Senior Reserve Fund.

Liquidity Reserve Fund

The Bond Indenture creates the Liquidity Reserve Fund. The Bond Trustee will receive and hold the Series 2017 Liquidity Reserve Policy for the credit of the Liquidity Reserve Fund. The Series 2017 Liquidity Reserve Policy is a municipal bond debt service reserve policy (liquidity reserve) issued by the Bond Insurer, to be used solely to pay scheduled payments of principal and interest due on the Senior Bonds. Unless extended by the mutual agreement of the Authority, the Corporation, and the Bond Insurer, the Series 2017 Liquidity Reserve Policy shall terminate in accordance with its terms effective December 1, 2024. The maximum amount that may be drawn under the Series 2017 Liquidity Reserve Policy is $10 million.

Deposits will be made to the Liquidity Reserve Fund from the Revenue Funds, as described above, to pay any Reimbursement Obligation due to the Bond Insurer on account of any payment made under the Series 2017 Liquidity Reserve Policy.

Senior Reserve Fund

The Bond Indenture creates the Senior Reserve Fund. A portion of the proceeds of the Bonds, together with the Series 2017 Senior Reserve Fund Surety, in the aggregate equal to the amount of the

Senior Reserve Fund Requirement, will be deposited in the Senior Reserve Fund. Thereafter, the Trustee will deposit to the Senior Reserve Fund from time to time amounts required to be deposited therein pursuant to the Bond Indenture and the Loan Agreement from the Revenue Funds, the Excess Net Cash Flow Fund, the Renovation and Replacement Fund and the Operation and Maintenance Account. No deposits will be made to the Senior Reserve Fund when the Senior Reserve Fund Value equals or exceeds the Senior Reserve Fund Requirement. When moneys in the Senior Interest Fund and Senior Bond Sinking Fund are insufficient to pay debt service on Senior Bonds when due, moneys in the Senior Reserve Fund will be transferred to the applicable Fund, but only after transfers from other Funds and Accounts, as described under "Debt Service Funds," above.

"Senior Reserve Fund Requirement" means as to the Senior Bonds the least of (i) the maximum annual debt service on all Senior Bonds Outstanding; (ii) an amount equal to 10% of the proceeds of the Senior Bonds within the meaning of Code Section 148(d); and (iii) an amount equal to 125% of the average annual debt service on all Senior Bonds Outstanding. In calculating annual debt service on the Senior Bonds for the purpose of determining the Senior Reserve Fund Requirement, the interest rates applicable to the Senior Bonds Outstanding at the time of the calculation shall be used.

On each December 1, amounts and investments on deposit in the Senior Reserve Fund will be valued at cost if maturity is one year or less and valued by the Trustee at fair market value if maturity is longer than one year. If upon such valuation it is determined that the Senior Reserve Fund Value is less than the Senior Reserve Fund Requirement, the Trustee will notify the Corporation and the Bond Insurer of the amount of the deficiency. The Loan Agreement requires the deposit, within 15 days following the date the Corporation receives notice of such deficiency, of the amount needed to restore the amount in the Senior Reserve Fund to the Senior Reserve Fund Requirement. If the Senior Reserve Fund Value on any such valuation date is more than the Senior Reserve Fund Requirement, the amount of such excess may be transferred to the Senior Interest Fund.

Except for such excess amounts, moneys on deposit in the Senior Reserve Fund will be used only to make up any deficiencies in the Senior Interest Fund and Senior Bond Sinking Fund (in that order); provided, however, that in connection with any partial redemption or provision for payment prior to maturity of any Senior Bonds secured by the Senior Reserve Fund, the Trustee will, at the Written Instruction of the Corporation, use any amounts on deposit in the Senior Reserve Fund which will be in excess of the Senior Reserve Fund Requirement after such redemption or provision for payment to pay or provide for the payment of the principal of or the principal portion of the redemption price of the Senior Bonds then being redeemed.

In lieu of maintaining and depositing moneys in the Senior Reserve Fund as described above, the Corporation may, with the prior written consent of the Bond Insurer, deposit with the Trustee a letter of credit from a bank with a credit rating in one of the three highest rating categories of each Rating Agency rating the Bonds which are entitled to the benefits of the Senior Reserve Fund (the "Senior Reserve Fund Credit Facility'). Any such Senior Reserve Fund Credit Facility will permit the Trustee to draw amounts thereunder for deposit in the Senior Reserve Fund which, together with any moneys on deposit in, or Series 2017 Senior Reserve Fund Surety available to fund (as described in the following paragraph), the Senior Reserve Fund, are not less than the Senior Reserve Fund Requirement and which may be applied to any purpose for which moneys in the Senior Reserve Fund may be applied. The Trustee will make a drawing on such Senior Reserve Fund Credit Facility whenever moneys are required for the purposes for which Senior Reserve Fund moneys may be applied. The Corporation agrees in the Loan Agreement to reimburse the bank that has issued the Senior Reserve Fund Credit Facility the amount drawn thereon when due under the terms of any Senior Reserve Fund Credit Facility.

In lieu of maintaining and depositing moneys in the Senior Reserve Fund, the Corporation may also, with the prior written consent of the Bond Insurer, maintain in effect an irrevocable surety bond policy issued by a bond insurance company with a credit rating in one of the three highest rating categories of each Rating Agency rating the Bonds which are entitled to the benefits of the Senior

Reserve Fund (the "Series 2017 Senior Reserve Fund Surety"). The Senior Reserve Fund Insurance Policy constitutes a Series 2017 Senior Reserve Fund Surety. Any such Series 2017 Senior Reserve Fund Surety will permit the Trustee to obtain amounts thereunder for deposit in the Senior Reserve Fund which, together with any moneys on deposit in, or Senior Reserve Fund Credit Facility available to fund (as provided in the preceding paragraph), the Senior Reserve Fund, are not less than the Senior Reserve Fund Requirement and which may be applied to any purpose for which moneys in the Senior Reserve Fund may be applied. The Trustee will make a drawing on such Series 2017 Senior Reserve Fund Surety (a) whenever moneys are required for the purposes for which Senior Reserve Fund moneys may be applied, and (b) prior to any expiration or termination thereof; provided, however, that no such drawing need be made if other moneys are available in the Senior Reserve Fund in the amount of the Senior Reserve Fund Requirement. The Corporation agrees in the Loan Agreement to reimburse the provider of the Series 2017 Senior Reserve Fund Surety the amount drawn thereon when due under the terms of the Series 2017 Senior Reserve Fund Surety.

If the Corporation elects to deposit a letter of credit or a surety bond in the Senior Reserve Fund in lieu of the moneys on deposit therein, the Trustee will transfer such moneys as directed by the Corporation, subject to receipt of an approving Opinion of Bond Counsel.

A Draw on any Senior Reserve Fund Credit Facility or Series 2017 Senior Reserve Fund Surety will not be made until all other amounts on deposit in the Senior Reserve Fund have been exhausted.

Excess Net Cash Flow Fund

The Bond Indenture creates the Excess Net Cash Flow Fund and a TIF Revenue Account, a Metro Revenue Account and an Arena Revenue Account therein. Amounts will be deposited into the Excess Net Cash Flow Fund from the Revenue Accounts as described above.

On each November 1, beginning on (and including) November 1, 2018, the Corporation may request the Bond Trustee to transfer moneys from the Excess Net Cash Flow Fund to the Renovation and Replacement Fund in an amount up to the then applicable Maximum Annual Renovation and Replacement Deposit. Amounts transferred are required to first be transferred from the Metro Revenue Account and then from the Arena Revenue Account. No transfers from the TIF Revenue Account of the Excess Net Cash Flow Fund to the Renovation and Replacement Fund are permitted.

In addition, amounts in the Excess Net Cash Flow Fund may be transferred to the Senior Interest Fund, the Senior Bond Sinking Fund, the Senior Reserve Fund, the Subordinate Interest Fund, the Subordinate Bond Sinking Fund and the Subordinate Reserve Fund (in that order) to make up deficiencies therein. Amounts transferred are required to first be transferred from the TIF Revenue Account, then from the Metro Revenue Account and then from the Arena Revenue Account.

Amounts in the Arena Revenue Account of the Excess Net Cash Flow Fund (consisting of Category A Arena Revenues and Category B Arena Revenues transferred from the Corporation's Operation and Maintenance Account) may also be transferred to the Corporation for deposit in the Operation and Maintenance Account, upon the Written Instruction of the Corporation, so that an amount equal to the Minimum Operating Cash Balance will then be on deposit in the Operation and Maintenance Account. Any such transfer shall only be made if there is not a sufficient amount in the Arena Revenue Fund to make the requested transfer, as described above under "Application of Amounts in the Arena Revenue Fund."

Under the Loan Agreement, the Corporation is required to provide the Bond Trustee a certified copy of the Capital Projects and Bond Oversight Committee ("CPBOB") Report which is required to be submitted by the Corporation to the CPBOC on or before each November 1. After making the required deposits and transfers described above from the Excess Net Cash Flow Fund and paying all Reimbursement Obligations and Annual Premium Obligations, the Corporation may direct the Bond

Trustee to transfer to the Redemption Fund from the Excess Net Cash Flow Fund, the moneys required for the redemption or purchase of Bonds then Outstanding, in accordance with such CPBOC Report, subject to the requirements of the Bond Indenture regarding the redemption of Bonds.

Renovation and Replacement Fund

The Bond Indenture creates the Renovation and Replacement Fund and a Metro Revenue Account and an Arena Revenue Account therein. Amounts will not be deposited into the accounts of the Renovation and Replacement Fund from the Excess Net Cash Flow Fund, as described above. The purpose of the Renovation and Replacement Fund is to provide reasonable reserves for renovations, renewals, replacements, improvements, additions, extraordinary repairs and contingencies in the operation of the Project. Moneys held within the Renovation and Replacement Fund may be disbursed by the Trustee upon submission of a Written Instruction by the Corporation and, if from the Metro Revenue Account, the prior written consent of the Bond Insurer. The Trustee will first disburse such moneys from the Metro Revenue Account (if consent is given) and then from the Arena Revenue Account.

In addition, amounts in the Renovation and Replacement Fund may be transferred to the Senior Interest Fund, the Senior Bond Sinking Fund, the Senior Reserve Fund, the Subordinate Interest Fund, the Subordinate Bond Sinking Fund and the Subordinate Reserve Fund (in that order). Amounts transferred are required to be transferred first from the Metro Account of the Renovation and Replacement Fund and then from the Arena Revenue Account of the Renovation and Replacement Fund.

Amounts in the Arena Revenue Account of the Renovation and Replacement Fund may also be transferred to the Corporation for deposit in the Operation and Maintenance Account, upon the Written Instruction of the Corporation and with the prior written consent of the Bond Insurer, so that an amount equal to the Minimum Operating Cash Balance will then be on deposit in the Operation and Maintenance Account. Any such transfer shall only be made if there are not sufficient amounts in (i) the Arena Revenue Fund and (ii) in the Arena Revenue Account of the Excess Net Cash Flow Fund to make the requested transfer, as described above under "Excess Net Cash Flow Fund" and "Application of Amounts in the Arena Revenue Fund."

Redemption Fund

The Bond Indenture creates the Redemption Fund. Amounts will be deposited into Redemption Fund from the Excess Net Cash Flow Fund, as described above. Certain insurance and condemnation proceeds may also be deposited in the Redemption Fund, as required by the Loan Agreement. Amounts in the Redemption Fund may be used, as directed by the Corporation, to purchase and retire Senior Bonds or to redeem Senior Bonds on their first optional redemption date.

Investment of Funds

Upon telephonic instructions from the Corporation promptly confirmed in writing or based on standing Written Instructions, moneys in the Funds and Accounts will be invested in Qualified Investments; provided, however, that moneys held in the Redemption Fund may only be invested in Government Obligations. If the Corporation fails to file Written Instructions with the Trustee, moneys will be invested in (i) Government Obligations maturing not more than fourteen days (or earlier if cash is needed) after the date such investment is made or (ii) money market funds meeting the requirements of the definition of Qualified Investments. Such investments shall be made so as to mature on or before the date or dates that moneys therefrom are anticipated to be required. The Trustee, when authorized by the Corporation, may trade with itself in the purchase and sale of securities for such investment; provided, however, that in no case shall investments be otherwise than in accordance with the investment limitations contained herein and in the Tax Regulatory Agreement. The Trustee is not liable or responsible for any loss, fee, tax, or other charge resulting from any such investments. The foregoing notwithstanding, moneys held by the Trustee resulting from a payment on the Series 2017 Bond Insurance Policy shall be held uninvested unless otherwise directed in writing by the Bond Insurer.

Except as described in the preceding paragraph, all income in excess of the requirements of the applicable Funds (including any account or subaccount thereof) derived from the investment of moneys on deposit in any such Funds will be deposited in the following Funds, in the order listed:

(i) to the Senior Interest Fund and the Senior Bond Sinking Fund (in that order) to the extent, with respect to the Interest Fund, of the amount required to be deposited in the Senior Interest Fund to be necessary to make the interest payments on the Senior Bonds and any Reimbursement Obligations and Annual Premium Obligations occurring within one year of the date of deposit, and to the extent, with respect to the Senior Bond Sinking Fund, of the amount required to be deposited in the Senior Bond Sinking Fund to make the next required principal payment on the Senior Bonds occurring within one year of the date of deposit; and

(ii) the balance, if any, to the Redemption Fund.

The Trustee will determine the fair market value of investments in the Senior Reserve Fund and the Subordinate Reserve Fund (a) based on accepted industry standards and from accepted industry providers of investments or (b) at the face amount thereof, plus accrued interest, with respect to bank certificates of deposit, guaranteed investment contracts and similar investments.

Operation and Maintenance Account

General. The Operation and Maintenance Account is maintained by the Corporation under the Loan Agreement. Category B Arena Revenues received by the Corporation will be deposited in the Operation and Maintenance Account. In addition, amounts may be transferred from the Arena Revenues Account of the Excess Net Cash Flow Fund Arena Revenue Account to the Operation and Maintenance Account, as described above. Category A Arena Revenues received by the Corporation will be transferred to the Trustee for deposit in the Arena Revenue Fund, as described above.

Amounts in the Operation and Maintenance Account may be used by the Corporation to pay Operating Expenses and the projected costs of extraordinary maintenance and repairs (other than and in addition to routine maintenance and repairs included as Operating Expenses in the Corporation's Annual Budgets); provided that such moneys in the Operation and Maintenance Account are required, no later than two Business Days following a written demand from the Trustee, to be transferred to the Trustee for deposit in the Senior Interest Fund, the Senior Bond Sinking Fund, the Senior Reserve Fund, the Subordinate Interest Fund, the Subordinate Bond Sinking Fund, and the Subordinate Reserve Fund (to the extent certain other amounts are not available for such purpose), as described above. On May 15 and November 15 of each year the Corporation will transfer to the Trustee the moneys on deposit in the Operations and Maintenance Account that exceed the Minimum Operating Cash Balance.

Lockbox. The Operation and Maintenance Account and any other such account containing Category B Arena Revenues held by the Corporation shall constitute a "Lockbox Account" with respect to which the Corporation and the Trustee shall enter into, on or before the Closing Date, an Account Control Agreement with the Lockbox Bank. The Account Control Agreement shall require that, upon the applicable Lockbox Bank's receipt of a Notice of Exclusive Control from the Trustee, the Lockbox Bank will cease to follow the direction of the Corporation or the AEG with respect to the Lockbox Account and shall only follow directions provided by the Trustee with respect to disposition of moneys on deposit in the Lockbox Account. The Trustee shall give a Notice of Exclusive Control to the Lockbox Bank only upon the Bond Insurer's direction, who may only give such direction if an event of default occurs and is continuing under the Loan Agreement or the Bond Indenture or, if directed, by the Bond Insurer. Until such time as the Trustee gives Notice of Exclusive Control to the Lockbox Bank, the Corporation shall be permitted to expend or withdraw moneys from the Lockbox Account for its purposes. The Trustee and the

Corporation are required to direct the Lockbox Bank to give access at all times to the Trustee and the Bond Insurer to the electronic records regarding the moneys (i) deposited into the Lockbox Account and (ii) disbursed from the applicable Lockbox Account.

During any period in which a Notice of Exclusive Control shall have been given and not rescinded, with respect to the Lockbox Account,

> (i) the Corporation is required to provide a written report to the Trustee and the Bond Insurer at least weekly reflecting receipts and balances through the close of the second preceding Business Day; and
>
> (ii) promptly upon receipt of the weekly report provided under the immediately preceding clause (i), the Trustee is required to cause the transfer of moneys as set forth in such report, but in the absence of such report the Trustee shall retain possession of moneys in the Lockbox Account; provided, notwithstanding anything described herein to the contrary, the Trustee is permitted to rely on the information set forth in the report and has no responsibility to inquire into the accuracy of the information set forth therein.

Annual Budget

On or before November 15th of each year, commencing November 15, 2018, the Corporation will file with the Trustee and the Bond Insurer:

> (i) a written budget describing in reasonable detail the anticipated Category A Arena Revenues, Category B Arena Revenues, Operating Expenses, and other financial information relevant to the operation and maintenance of the Arena for the next ensuing Fiscal Year of the Corporation, including beginning with the Fiscal Year ending December 31, 2018, the projected costs of extraordinary maintenance and repairs (other than and in addition to routine maintenance and repairs included as Operating Expenses in the budget) for each Fiscal Year; and
>
> (ii) a written budget describing in reasonable detail the anticipated Gross Revenues, Operating Expenses, debt service on the Bonds, capital expenditures, and all other financial information relevant to the operating, maintenance, and financing of the Arena for the next ensuing Fiscal Year of the Corporation.

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Debt Service Schedule

The following table sets forth, for each year ending December 31, commencing with the year ending December 31, 2018, the total principal and interest requirements with respect to the Bonds.

Year	Principal	Interest	Total
2018	-	$15,963,923	$15,963,923
2019	-	16,853,408	16,853,408
2020	-	16,853,408	16,853,408
2021	$3,705,000	16,853,408	20,558,408
2022	4,165,000	16,743,481	20,908,481
2023	4,650,000	16,609,493	21,259,493
2024	5,225,000	16,453,765	21,678,765
2025	5,765,000	16,268,329	22,033,329
2026	6,335,000	16,059,579	22,394,579
2027	6,985,000	15,823,853	22,808,853
2028	7,640,000	15,556,956	23,196,956
2029	8,330,000	15,257,392	23,587,392
2030	9,065,000	14,922,443	23,987,443
2031	9,840,000	14,548,874	24,388,874
2032	10,665,000	14,138,448	24,803,448
2033	11,470,000	13,691,478	25,161,478
2034	12,380,000	13,206,870	25,586,870
2035	13,345,000	12,680,101	26,025,101
2036	14,360,000	12,105,599	26,465,599
2037	15,435,000	11,480,221	26,915,221
2038	16,575,000	10,800,309	27,375,309
2039	17,790,000	10,065,208	27,855,208
2040	19,005,000	9,309,450	28,314,450
2041	20,250,000	8,549,250	28,799,250
2042	21,550,000	7,739,250	29,289,250
2043	23,125,000	6,661,750	29,786,750
2044	24,790,000	5,505,500	30,295,500
2045	26,550,000	4,266,000	30,816,000
2046	28,405,000	2,938,500	31,343,500
2047	30,365,000	1,518,250	31,883,250

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Projected Debt Service Coverage Ratios

Set forth below is a summary schedule showing the projected debt service coverage ratios with respect to estimated debt service on the Bonds for the period beginning in 2018 through 2027. The full table, showing estimated debt service through scheduled final maturity in 2047 and including a description of the underlying assumptions, is shown in Section 6 of the Arena Consultant's Report. See APPENDIX A - "Arena Consultant's Report. The table below and the table included in the Arena Consultant's Report have not been revised to reflect actual debt service on the Bonds.

	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
State TIF Revenues [1]	$11,284	$12,156	$13,142	$13,968	$15,184	$16,513	$17,990	$19,209	$20,198	$21,088
Metro Louisville Guaranteed Annual Payment	10,800	10,800	10,800	10,800	10,800	10,800	10,800	10,800	10,800	10,800
Arena Net Revenues — Category A [2]	6,838	7,045	7,237	8,252	8,446	8,640	8,986	9,183	9,380	9,695
Arena Net Revenues — Category B [2]	4,024	4,035	4,045	4,056	4,068	4,079	4,092	4,104	4,117	4,130
Operating and Maintenance Expenses	(2,800)	(2,856)	(2,913)	(2,971)	(3,031)	(3,091)	(3,206)	(3,276)	(3,345)	(3,449)
Total Revenue Available for Debt Service	$30,147	$31,180	$32,311	$34,104	$35,467	$36,941	$38,662	$40,019	$41,151	$42,264
Stated Debt Service on Bonds	$15,964	$16,853	$16,853	$20,558	$20,908	$21,259	$21,679	$22,033	$22,395	$22,809
Debt Service Coverage Ratio	1.89x	1.85x	1.92x	1.66x	1.70x	1.74x	1.78x	1.82x	1.84x	1.85x

[1] See TIF Consultant's Report
[2] See Arena Consultant's Report

Bond Insurance Policy

Concurrently with the issuance of the Bonds, the Bond Insurer will issue the Policy. The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as APPENDIX J to this Official Statement. See "BOND INSURANCE."

Reserve Fund Surety

Concurrently with the issuance of the Bonds, the Bond Insurer will issue the Series 2017 Senior Reserve Fund Surety in the amount of $15,593,881.50 which is equal to 50% of the Senior Reserve Fund Requirement for the Bonds. The Series 2017 Senior Reserve Fund Surety will be available to pay scheduled payments of principal of and interest on the Bonds in the event that other available funds are not sufficient for that purpose. See "Funds and Accounts; Application of Revenues — Senior Reserve Fund" above and "BOND INSURANCE" and "INVESTMENT CONSIDERATIONS — Bond Insurance."

Series 2017 Liquidity Reserve Policy

Concurrently with the issuance of the Bonds, the Bond Insurer will issue the Series 2017 Liquidity Reserve Policy, effective as of the date of issuance of the Bonds. Under the terms of the Series

2017 Liquidity Reserve Policy, the Bond Insurer will make funds available to the Corporation for draws to fund a shortfall in available moneys for debt service through December 1, 2024. Unless extended by the mutual agreement of the Authority, the Corporation, and the Bond Insurer, the Series 2017 Liquidity Reserve Policy shall terminate in accordance with its terms effective December 1, 2024. The maximum amount that may be drawn under the Series 2017 Liquidity Reserve Policy is $10 million. See "BOND INSURANCE – The Series 2017 Liquidity Reserve Policy" and "INVESTMENT CONSIDERATIONS — Bond Insurance."

Subordinate Bonds

At the Written Instruction of the Corporation, approved in writing by the Bond Insurer, the Issuer may issue from time to time Subordinate Bonds for any lawful purposes, subject to compliance with the requirements of the Bond Indenture, including the prior written consent of the Bond Insurer.

Additional Indebtedness

Under the Loan Agreement, the Corporation covenants and agrees that it will not incur, assume, or guarantee any Indebtedness for borrowed money (except Indebtedness related to Permitted Encumbrances), other than the Bonds, related to the Arena unless such Indebtedness is (i) Senior Refunding Bonds (provided such Senior Refunding Bonds are duly authorized and approved in accordance with the requirements of the Bond Indenture); (ii) Subordinate Bonds (provided such Subordinate Bonds are duly authorized and approved in accordance with the requirements of the Bond Indenture); (iii) incurred with the Bond Insurer's written consent and is subordinate and subject to the pledges and liens of the Loan Agreement, the Mortgage and the Bond Indenture securing the Bonds; (iv) a trade payable or other debt incurred in the ordinary course of business, other than for borrowed money; (v) equipment leases or installment purchases in the ordinary course of business in an aggregate amount at any time not exceeding $100,000; or (vi) an obligation for a payment required under the express terms of the Operating Agreements; or (vii) other Indebtedness to which the Bond Insurer consents in writing. The Corporation has no current plans to request the issuance of additional Bonds or Subordinate Bonds. See also "APPENDIX F – Summaries of Certain Bond Documents."

BOND INSURANCE

The information set forth under the heading has been furnished by the Bond Insurer for use in this Official Statement.

Bond Insurance Policy

Concurrently with the issuance of the Bonds, the Bond Insurer will issue its Policy for the Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as APPENDIX J to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

Assured Guaranty Municipal Corp.

The Bond Insurer is a New York domiciled financial guaranty insurance company and an indirect subsidiary of Assured Guaranty Ltd. ("AGL"), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol "AGO". AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and global public finance, infrastructure and structured finance markets. Neither AGL nor any of its shareholders or affiliates, other than the Bond Insurer, is obligated to pay any debts of the Bond Insurer or any claims under any insurance policy issued by the Bond Insurer.

The Bond Insurer's financial strength is rated "AA" (stable outlook) by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"), "AA+" (stable outlook) by Kroll Bond Rating Agency, Inc. ("KBRA") and "A2" (stable outlook) by Moody's Investors Service, Inc. ("Moody's"). Each rating of the Bond Insurer should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of the Bond Insurer in its sole discretion. In addition, the rating agencies may at any time change the Bond Insurer's long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by the Bond Insurer. The Bond Insurer only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by the Bond Insurer on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn

Current Financial Strength Ratings

On June 26, 2017, S&P issued a credit rating report in which it affirmed the Bond Insurer's financial strength rating of "AA" (stable outlook). The Bond Insurer can give no assurance as to any further ratings action that S&P may take.

On August 8, 2016, Moody's published a credit opinion affirming its existing insurance financial strength rating of "A2" (stable outlook) on the Bond Insurer. The Bond Insurer can give no assurance as to any further ratings action that Moody's may take.

On December 14, 2016, KBRA issued a financial guaranty surveillance report in which it affirmed the Bond Insurer's insurance financial strength rating of "AA+" (stable outlook). The Bond Insurer can give no assurance as to any further ratings action that KBRA may take.

For more information regarding the Bond Insurer's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2016.

Capitalization of the Bond Insurer as of September 30, 2017

The policyholders' surplus of the Bond Insurer was approximately $322 million.

The contingency reserves of the Bond Insurer and its indirect subsidiary Municipal Assurance Corp. ("MAC") (as described below) were approximately $1,371 million. Such amount includes 100% of the Bond Insurer's contingency reserve and 60.7% of MAC's contingency reserve.

The net unearned premium reserves of the Bond Insurer and its subsidiaries (as described below) were approximately $1,681 million. Such amount includes (i) 100% of the net unearned premium reserves of the Bond Insurer and the Bond Insurer's wholly owned subsidiaries Assured Guaranty (Europe) plc, Assured Guaranty (UK) plc, CIFG Europe S.A. and Assured Guaranty (London) plc (together, the "Bond Insurer European Subsidiaries") and (ii) 60.7% of the net unearned premium reserve of MAC.

The policyholders' surplus of the Bond Insurer and the contingency reserves and net unearned premium reserves of the Bond Insurer and MAC were determined in accordance with statutory accounting principles. The net unearned premium reserves of the Bond Insurer European Subsidiaries were determined in accordance with accounting principles generally accepted in the United States of America.

Incorporation of Certain Documents by Reference

Portions of the following documents filed by AGL with the Securities and Exchange Commission (the "SEC") that relate to the Bond Insurer are incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

(i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2016 (filed by AGL with the SEC on February 24, 2017);

(ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2017 (filed by AGL with the SEC on May 5, 2017);

(iii) the Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2017 (filed by AGL with the SEC on August 3, 2017); and

(iv) the Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2017 (filed by AGL with the SEC on November 3, 2017).

All consolidated financial statements of the Bond Insurer and all other information relating to the Bond Insurer included in, or as exhibits to, documents filed by AGL with the SEC pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, excluding Current Reports or portions thereof "furnished" under Item 2.02 or Item 7.01 of Form 8-K, after the filing of the last document referred to above and before the termination of the offering of the Bonds shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC's website at http://www.sec.gov, at AGL's website at http://www.assuredguaranty.com, or will be provided upon request to Assured Guaranty Municipal Corp.: 1633 Broadway, New York, New York 10019, Attention: Communications Department (telephone (212) 974-0100). Except for the information referred to above, no information available on or through AGL's website shall be deemed to be part of or incorporated in this Official Statement.

Any information regarding the Bond Insurer included herein under the caption "BOND INSURANCE – Assured Guaranty Municipal Corp." or included in a document incorporated by reference herein (collectively, the "Bond Insurer Information") shall be modified or superseded to the extent that any subsequently included Bond Insurer Information (either directly or through incorporation by reference) modifies or supersedes such previously included Bond Insurer Information. Any Bond Insurer Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.

Miscellaneous Matters

The Bond Insurer makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, the Bond Insurer has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding the Bond Insurer supplied by the Bond Insurer and presented under the heading "BOND INSURANCE".

INVESTMENT CONSIDERATIONS

An investment in the Bonds involves certain risks, including the risk of nonpayment of interest or principal due to Series 2017 Bondholders. The Bonds are special and limited obligations of the Issuer, payable solely from specific sources. The risk of nonpayment is affected by the following factors, among others, which should be considered by prospective investors, along with the other information presented in this Official Statement, in judging the suitability of an investment in the Bonds.

Forward-Looking Statements

Certain factors could cause the actual results of operations of the Arena, the receipt of TIF Revenues and the ability of Metro Louisville to make Metro Revenues to differ materially from that projected in any forward-looking statements made in this Official Statement. Any statements that express, or involve discussions as to, expectations, beliefs, plans, objectives, assumptions or future events or performance (often, but not always, through the use of words or phrases such as "will likely result," "are expected to," "will continue," "is anticipated," "estimated," "intends," "plans," "projection" and "outlook") are not historical facts and may be forward-looking and, accordingly, such statements involve estimates, assumptions and uncertainties which could cause actual results to differ materially from those expressed in the forward-looking statements. Accordingly, any such statements are qualified in their entirety by reference to, and are accompanied by the factors discussed throughout, this Official Statement.

The investment considerations described throughout this Official Statement and other factors could cause actual results or outcomes to differ materially from those expressed in any forward-looking statements and investors therefore should not place undue reliance on any such forward-looking statements. Further, any forward-looking statement speaks only as of the date on which such statement is made, and the Corporation, Metro Louisville, the State and the Issuer do not undertake any obligation to update any forward-looking statement or statements to reflect the occurrence of unanticipated events. New factors may emerge from time to time, and it is not possible to predict all of such factors. Further, the Corporation, Metro Louisville, the State and the Issuer cannot assess the impact such factors may have on the results of operations of the Arena, the receipt of TIF Revenues or the ability of Metro Louisville to make Metro Revenues or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.

Special and Limited Obligations of the Issuer

The Bonds are special and limited obligations of the Issuer and do not constitute a debt, general obligation, pledge of faith and credit or liability of the Issuer, the State or of any agency or political subdivision thereof, including Metro Louisville, within the meaning of the Constitution or statutes of the State, and the Bonds are payable solely from the funds and property pledged therefor. The Issuer has no taxing power.

General

The ability of the Corporation to realize Arena Revenues in amounts sufficient to pay Operating Expenses of the Arena, and the sufficiency of available Arena Revenues, together with available TIF Revenues and Metro Revenues, to pay debt service when due on the Bonds, will be affected by and subject to conditions that may change in the future to an extent and with effects that cannot be determined at this time. The risks described below and other risks that may arise in the future may adversely affect Arena Revenues, revenues and receipts of Metro Louisville that are the source of the Metro Revenues and State sales taxes, and State property tax revenues that are the source of the TIF Revenues and, consequently, may affect payment of debt service on the Bonds. No representation or assurance can be given that the Arena Revenues, Metro Revenues and/or TIF Revenues will be available in amounts and at the required times sufficient to pay debt service when due on the Bonds or, with respect to Arena Revenues, to pay Operating Expenses of the Arena. Metro Revenues and TIF Revenues will not be available to pay Operating Expenses of the Arena.

The investment considerations discussed below should be considered in evaluating the ability to make payments with respect to debt service due on the Bonds. The following discussion of investment considerations is not intended to be exhaustive and should be read in conjunction with all other parts of this Official Statement, including the Arena Consultant's Report, attached as APPENDIX A to this Official Statement.

Arena Operating and Usage Risks

Usage of the Arena Generally; Limited Terms of Operating Agreements

Among other things, work stoppages or general and local economic conditions may affect the ability of the Arena to generate Arena Revenues as may future competition from arenas, sports facilities, amphitheaters, theaters and other venues within the geographic region. The ability of the Arena to generate Arena Revenues also may be affected by future trends in cultural, entertainment and sporting activities, changes in government regulation, changes in public tastes and attitudes and changes in demographic trends, all of which are not possible to predict.

Although the Arena Consultant's Report forecasts utilization of the Arena at levels that are projected to produce sufficient Arena Revenues, the ability of the Arena to perform as expected will depend on attracting users of the Arena in addition to the University and ULAA, and, as such, depends primarily on the ability of AEG to market and book events for the Arena. Further, a significant portion of Arena Revenues are expected to be derived from ticket and related revenues from use of the Arena by ULAA; no assurance can be given that the demand for tickets to University and ULAA sporting events, particularly men's basketball, will remain at current levels. In addition, the occurrence of certain events, such as imposition by the NCAA of probation or other penalties on the University's basketball or other sports programs resulting from past, current or future investigations by the NCAA or law enforcement officials, could significantly reduce utilization of the Arena by ULAA, reduce the demand for tickets to University sporting events or, in some cases, result in early termination of certain of the Operating Agreements hereinafter defined, including the Naming Rights Agreement, thereby adversely affecting the receipt of Arena Revenues.

In addition, the Management Agreement, the Concessions Agreement, the Marketing Agreement and the Naming Rights Agreement (collectively, "Operating Agreements") each have current terms that expire prior to the scheduled maturity date of certain of the Bonds. There can be no assurance that any of the Operating Agreements will be extended beyond their current terms or that any of such Operating Agreements will not be terminated early. See "THE ARENA AND ARENA REVENUES – Management and Operations." Furthermore, in the event that one or more of the Operating Agreements is not extended, there can be no assurance that the Corporation will be able to secure agreements with new parties on comparable terms to the Operating Agreement currently in place. Any failure of the Corporation to receive Arena Revenues from the Operating Agreements could negatively affect the Arena Revenues and consequently the security for the Bonds.

Recent Developments Involving the University Potentially Impacting ULAA Usage of Arena

On September 26th, 2017, the University was informed of a federal investigation into the actions of multiple individuals across the country involved in Division I men's basketball. The investigation appears to have a broad scope. A few ULAA employees and their recruiting practices related to the University's men's basketball program have been mentioned in connection with the federal investigation. For various reasons, the employment of Rick Pitino, the head basketball coach, and the employment of Tom Jurich, the athletic director, were terminated in October of 2017. It is currently unknown whether, and to what extent, penalties will be imposed on the University's men's basketball program upon the conclusion of the federal investigation and any corresponding NCAA investigation.

On June 15, 2017, the NCAA imposed sanctions on the University of Louisville including a four year probation, vacation of basketball records, scholarship restrictions and fines due to violations of NCAA legislation unrelated to the ongoing federal investigation. The University has accepted most of the sanctions imposed by the NCAA, but is appealing the vacation of basketball records and the imposition of financial penalties. It is unknown whether, and to what extent, the University's appeal will be successful. See also APPENDIX A "Arena Consultant's Report."

Subordinated Status of ULAA Revenues Under Lease Agreement

Under the Lease Agreement, ULAA's gross revenues currently are pledged on a senior lien basis to the outstanding Stadium Bonds. As permitted by the Lease Agreement, the Stadium Bonds are secured by a senior lien on ULAA's gross revenues, subject to the Excluded Amount, currently $2,000,000 annually, which is to be available to pay amounts owed by ULAA to the Corporation under the Lease Agreement. See "THE ARENA AND ARENA REVENUES – Primary Tenant." Therefore, other than the Excluded Amount, ULAA's payment obligations under the Lease Agreement will be subordinate to its payment obligations with respect to the Stadium Bonds. Among other things, work stoppages or general and local economic conditions may affect the ability of the Arena to generate Arena Revenues as may future competition from arenas, sports facilities, amphitheaters, theaters and other venues within the geographic region. The ability of the Arena to generate Arena Revenues also may be affected by future trends in cultural, entertainment and sporting activities, changes in government regulation, changes in public tastes and attitudes and changes in demographic trends, all of which are not possible to predict.

Reliance on Projections of Arena Feasibility Consultant

The Arena Feasibility Consultant's Report is based upon certain projections, assumptions and estimates prepared by the Arena Feasibility Consultant relating to, among other matters, utilization of the Arena and demand for tickets for events held at the Arena, revenues to be derived from, and expenses to be incurred in, the operation of the Arena, payment by Metro Louisville of the Metro Revenues, receipt of the TIF Revenues from the State, and the general economic climate. These assumptions, as well as all other assumptions used in preparing the Arena Consultant's Report, are inherently subject to significant uncertainty. The actual results of the operations of the Arena will differ, perhaps materially, from the projections included in the Arena Consultant's Report. Therefore, no representation is made, or intended to be made, nor should any be inferred, with respect to the likely existence or occurrence of any particular future set of facts and circumstances. If the actual results are less favorable than those projected or if the assumptions used in formulating the projections prove to be incorrect, the Corporation's ability to operate the Arena and to make payments in respect of the Bonds may be adversely affected.

The Arena Consultant's Report also contains cash flow projections prepared by the Arena Feasibility Consultant and a discussion of the many assumptions utilized in preparing those projections, which the Corporation believes are reasonable and which investors should review carefully. All projections of future operations and the economic results thereof included in the Arena Consultant's Report have been prepared by the Arena Feasibility Consultant and neither the Underwriters nor the Corporation's auditors have examined or compiled the projections and, accordingly, do not express an opinion or any other form of assurance with respect thereto. After the issuance of the Bonds, none of the Corporation, the Arena Feasibility Consultant or any other person has any obligation to, nor do they intend to, provide the Trustee or the owners of the Bonds with updated reports or revised projections comparing the projections in the Arena Consultant's Report with actual operating results. Accordingly, no assurances are given and no representations are made that any of the assumptions are correct, that the projections will be achieved or the beliefs and forward-looking statements expressed herein or in the Arena Consultant's Report will correspond to actual results.

See APPENDIX A "Arena Consultant's Report."

Annual Appropriation Risk; Municipal Bankruptcy Risk; Cancellation of the TIF Contract

Metro Louisville's obligation to make annual payments of the Metro Revenues under the Metro Contract is subject to annual appropriation by Metro Louisville's Council. Although the provisions of the Metro Louisville Ordinance state that Metro Louisville's obligation to pay Metro Revenues is a long-term contractual obligation, no assurance can be given that the amount of the Guaranteed Payment will be appropriated in each year for so long as the Bonds are Outstanding. See "THE PRINCIPAL PARTICIPANTS - Metro Louisville."

Chapter 9 of the U.S. Bankruptcy Code contains provisions relating to the adjustment of debts of a State's political subdivisions, public agencies and instrumentalities ("eligible entity"), such as Metro Louisville. Under the Bankruptcy Code and in certain circumstances described therein, an eligible entity may be authorized to initiate Chapter 9 proceedings without prior notice to or consent of its creditors, which proceedings may result in material and adverse modification or alteration of the rights of its secured and unsecured creditors, including holders of its bonds and notes.

Section 66.400 of the Kentucky Revised Statutes permits a political subdivision, such as Metro Louisville, for the purpose of enabling such subdivision to take advantage of the provisions of the Bankruptcy Code, and for that purpose only, to file a petition stating that the subdivision is insolvent or unable to meet its debts as they mature, and that it desires to effect a plan for the composition or readjustment of its debts, and to take such further proceedings as are set forth in the Bankruptcy Code as they relate to such subdivision.

If, in the future, Metro Louisville were to file a bankruptcy case under Chapter 9 of the Bankruptcy Code, the obligations of Metro Louisville under the Metro Contract could be modified in bankruptcy. Such modifications could be adverse to holders of the Bonds, and there could ultimately be no assurance that holders of the Bonds would be paid in full or in part on the Bonds. Further, under such circumstances, there could be no assurance that the payments of Metro Revenues would not be treated as general, unsecured debt by a bankruptcy court, meaning that claims of holders of the Bonds could be viewed as having no priority (a) over claims of other creditors of Metro Louisville; (b) to any particular assets of Metro Louisville; or (c) to revenues otherwise designated for payment to holders of the Bonds.

The State also has reserved the right in the TIF Contract to terminate that contract, and therefore to terminate its obligation to pay TIF Revenues to or as directed by the Corporation, provided that after issuance of the Bonds, the Trustee must consent to such termination. See "INTRODUCTION – Security and Sources of Payment for the Bonds - TIF Revenues."

TIF Revenues Dependent on Growth of Sales Taxes and Property Tax Bases in the TIF District

Although the State projects certain growth to occur in the District in the sales taxes and property taxes subject to the Increment, no assurance can be provided that the projected growth will occur. Moreover, growth in TIF Revenues is likely to vary in any given year, and such year-to-year variations could be substantial. Further, Metro Louisville has the ability to designate additional Development Area Exemptions within the TIF District and to increase or decrease the size of the District, although the State must contractually agree to such additional designations or changes to the size of the District, and, pursuant to the TIF Contract, the Corporation must provide its written consent.

Projected TIF Revenues to be received by the District are subject to various assumptions set forth in the TIF Consultant's Report, which should be reviewed in its entirety by prospective investors. In addition, the Kentucky General Assembly has the authority to amend the provisions of state law governing sales taxes. Changes to the tax base and exemptions for sales taxes could adversely affect the amount of sales taxes collected within the District and adversely impact projected TIF Revenues. Sales taxes are further sensitive to changes in local, regional and national economic conditions and/or a decline in the population of the Metro Louisville region. For example, sales taxes have historically declined during economic recession, when higher unemployment adversely affects consumption. Demographic changes in the population of the Metro Louisville region may adversely affect the level of commercial and industrial activity in the District and could reduce the number and value of taxable transactions and thus reduce the amount of sales taxes. There is also the possibility that any reduction in the use of the Arena itself will affect the sales taxes generated in the District, as the Arena is within the District and its sales subject to the State sales tax. It is not possible to predict whether or to what extent any such changes in economic conditions, demographic characteristics, population or commercial and industrial activity will occur, and what impact any such changes would have on sales taxes. Reductions in sales taxes, including reductions due to such causes, could have a negative effect on the sufficiency of the TIF Revenues. In future years, it is also expected that increasing numbers of sales transactions will take place over the internet. It is possible that sales tax receipts in the future could be adversely impacted due to the growth of commerce over the internet unless State tax laws are expanded to capture internet sales. Goods purchased from out-of-state retailers for delivery to a customer within the Commonwealth could displace sales from retailers located within the District. Internet sales also often go unreported. If internet sales are not treated, for sales and use tax purposes, comparably to, or if they displace, the types of transactions for which sales and use taxes currently are collected, TIF Revenues may be adversely affected.

As with sales taxes, projections regarding the collection of future property taxes may be affected by a variety of factors beyond the direct control of the District. For example, reductions in property value assessments due to real estate market conditions may result in a reduction in the property taxes and challenges to property valuations by individual taxpayers may result in a reduction in those taxes due to a reduction in valuations through the appeal process. Furthermore, the relocation of entities located in the District to locations outside the District could result in a reduction of the projected property taxes expected to be collected. There is also the possibility that currently for profit entities may either be replaced with or reclassified as not for profit entities exempt from taxation.

Enforceability; Limited Remedies; Potential Effects of Bankruptcy of ULAA or Corporation

The enforceability of the rights and remedies of the owners of the Bonds under the Bonds, the Bond Indenture, the Loan Agreement, the Mortgage and the Assignment of Operating Agreements and the Irrevocable Assignment of TIF Revenues and TIF Contract dated as of December 1, 2017 from the Corporation to the Trustee, are subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted, and to the exercise of judicial discretion in appropriate cases. The various legal opinions to be delivered concurrently with the delivery of the Bonds will be qualified as to the enforceability of various instruments and agreements because of limitations imposed by federal and state laws affecting remedies and other matters, and by bankruptcy, reorganization or other laws affecting the enforcement of creditor's rights generally. Insofar as the various agreements, contain equitable remedies, a court of equity has broad discretion as to whether or not to grant equitable relief, including requiring the specific performance of any such agreement.

In the event a voluntary or involuntary case is filed under Title 11 of the United States Code (the "Bankruptcy Code") with respect to the Corporation or ULAA, a bankruptcy court could determine that various agreements to which the Corporation or ULAA is a party, such as the Operating Agreements and the Lease Agreement, are executory contracts or unexpired leases. In a bankruptcy case, an executory contract or unexpired lease is capable of being rejected by a trustee or debtor-in-possession pursuant to Section 365 of the Bankruptcy Code. If an executory contract or unexpired lease is rejected, the debtor may no longer be required to perform its obligations under that contract. In addition, with the authorization of the bankruptcy court, the Corporation or ULAA, as applicable, may be able to assign its rights and obligations under various agreements to which it is a party to another entity, despite any contractual prohibition to the contrary. Furthermore, whether or not a bankruptcy court were to determine that such agreements are executory contracts or unexpired leases, claims and remedies arising from such an agreement, as well as other claims and remedies against the Corporation or ULAA, as the case may be, may be reduced, modified, or terminated and discharged in the bankruptcy case, and equitable remedies may become unenforceable.

In addition to potential interruptions in the ability of the Trustee to collect Arena Revenues during a bankruptcy proceeding involving the Corporation, to the extent the Corporation were to have commingled or may in the future commingle any TIF Revenues or Metro Revenues pledged under the

Indenture with property of the Corporation, such a commingling could subject all or a portion of such TIF Revenues or Metro Revenues to the bankruptcy proceedings. Additionally, there are no assurances that the Trustee or the holders of the Bonds will not be temporarily stayed from taking any act to obtain possession of, or to exercise control over, the Arena Revenues, the TIF Revenues or Metro Revenues. A bankruptcy court would have the power to impose a temporary or preliminary injunction with respect to, or allow the debtor to use, the Arena Revenues, TIF Revenues or Metro Revenues pending a final ruling.

The enforceability, priority and perfection of the security interest in the Arena Revenues created under the Loan Agreement may further also be limited by a number of factors, including, without limitation: (i) statutory liens; (ii) rights arising in favor of the United States of America or any agency thereof; (iii) constructive trusts or equitable or other rights impressed or conferred thereon by a federal or state court in the exercise of its equitable jurisdiction; (iv) federal and state laws governing fraudulent transfers; (v) federal bankruptcy laws that may affect the enforceability of the Loan Agreement or the security interest in the Arena Revenues; (vi) rights of third parties in Arena Revenues converted to cash and not in the possession of the Trustee; and (vii) claims that might arise if appropriate financing or continuation statements or amendments of financing statements are not filed in accordance with the Uniform Commercial Code, as from time to time in effect.

Prospective holders of the Bonds are further advised that ULAA will retain a right of first refusal to purchase the Arena in certain circumstances in the event that the Trustee exercises remedies under the Mortgage. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS - Mortgage."

Force Majeure Events

There are certain unanticipated events beyond the Corporation's control that could have a material adverse impact on the generation or collection of Arena Revenues, TIF Revenue and/or Metro Revenues if they were to occur. These events include fire, flood, earthquake, epidemic, adverse health conditions or other unavoidable casualties or acts of God, freight embargo, labor strikes or work stoppages, civil commotion, new acts of war or escalation of existing war conditions, sabotage, terrorism or enemy action, pollution, unknown subsurface or concealed conditions affecting the environment, and any similar causes. No assurance can be provided that such events will not occur, and, if any such events were to occur, no prediction can be provided as to the actual impact or severity of the impact on the generation or collection of Arena Revenues, TIF Revenues and/or Metro Revenues.

Bond Insurance

In the event the Issuer fails to make payment of the principal of and interest on the Bonds when the same become due, the Trustee will have the right to demand payment from Bond Insurer. However, the Series 2017 Bond Insurance Policy does not insure payment of the principal of or interest on the Bonds coming due by reason of redemption (other than mandatory sinking fund redemption), nor does the Series 2017 Bond Insurance Policy insure the payment of any redemption premium payable upon redemption of the Bonds. Further, so long as Bond Insurer performs its obligations under the Series 2017 Bond Insurance Policy, Bond Insurer may direct, and its consent must be obtained before the exercise of, any remedies to be undertaken by the Trustee under the Bond Indenture, including acceleration. In the event that Bond Insurer is unable to make payment of principal of and interest on a Series 2017 Bond as such payment becomes due (whether due to Bond Insurer's insolvency or other circumstances), or otherwise defaults on its obligations under the terms of the Series 2017 Bond Insurance Policy, Bondholders may not receive principal and interest payments on the Bonds when expected (or at all).

Bond Insurer's payment obligations under the Series 2017 Bond Insurance Policy, the Series 2017 Senior Reserve Fund Surety and the Series 2017 Liquidity Reserve Policy are general obligations of Bond Insurer. Default by Bond Insurer with respect to such payment obligations may result in insufficient funds being available to pay the principal of and interest on the Bonds when due. Bond Insurer's payment obligations are subject to the risk that Bond Insurer is unable or unwilling to make payment in amounts equal to such obligations as a result of bankruptcy, insolvency, reorganization, moratorium, or other similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect against Bond Insurer or other adverse financial conditions affecting Bond Insurer.

There can be no assurance that the financial condition of Bond Insurer, or that the evaluation by the Rating Agencies of Bond Insurer's claims-paying ability will remain stable until the final maturity of the Bonds. An adverse change in such financial condition or in such Rating Agency evaluations could adversely affect the market value of the Bonds or the existence of a secondary market for Bonds, even if unrelated to the ability of the Corporation to make payments sufficient to pay principal of and interest on the Bonds when due. When making an investment decision on the Bonds, a prospective bondholder should consider carefully the Corporation's ability to pay principal of and interest on the Bonds, as well as Bond Insurer's ability to pay claims under the Series 2017 Bond Insurance Policy, the Series 2017 Senior Reserve Fund Surety and the Series 2017 Liquidity Reserve Policy.

See "BOND INSURANCE" herein for further information concerning the Bond Insurer, the Series 2017 Bond Insurance Policy, the Series 2017 Senior Reserve Fund Surety and the Series 2017 Liquidity Reserve Policy.

Tax-Exempt Status of the Series 2017A Bonds; Continuing Legal Requirements; Tax Law Changes

As described herein and under the caption "TAX TREATMENT," failure to comply with certain legal requirements may cause the interest on the Series 2017A Bonds to become included in gross income for federal income tax purposes. The Bond Indenture does not require redemption of the Series 2017A Bonds upon a determination of taxability.

On November 16, 2017 and December 2, 2017, the United States House of Representatives and the United States Senate, respectively, passed separate versions of H.R. 1, the "Tax Cut and Jobs Act." (the "Tax Cut and Jobs Act"). Under the Congressional Budget Act of 1974, Congress must "reconcile" the House and Senate versions of the tax bill into one uniform bill. In addition to the Tax Cut and Jobs Act's significant proposed changes to the Code, the version of the proposed tax legislation passed by the United States House of Representatives includes a provision which bars the use of tax-exempt financing for professional stadiums. Under this proposed change, stadiums which are used for more than five (5) days in a calendar year for professional sports exhibitions, games, or training, will no longer qualify for tax-exempt financing. The Corporation has agreed to comply with the requirements of the Code so that the interest on the Series 2017A Bonds will not become includable in gross income.

Furthermore, currently under the Code, taxpayers may deduct from their taxes 80% of their contribution to a higher education institution that is made in exchange for the right to purchase tickets for seating at an athletic event in an athletic stadium of such an institution. Both versions of the Tax Cuts and Jobs Act include provisions which would end this deduction. Elimination of the deduction may adversely affect the sale of tickets, including premium seats such as luxury suites, for events related to University events at the Arena.

TAX TREATMENT

Series 2017A Bonds

<u>General</u>

In the opinion of Stoll Keenon Ogden PLLC, Bond Counsel, under existing law, subject to the qualifications and exceptions set forth below, assuming the correctness and accuracy of certain representations, warranties and covenants of the Issuer, the Corporation, ULAA, AEG and other contract parties made in connection with the issuance of the Series 2017A Bonds with respect to facts and circumstances that are solely within the knowledge of such parties and compliance by the Issuer, the

Corporation, ULAA, AEG and such other contract parties with representations, warranties, covenants and undertakings made by such parties which are intended to assure that the Series 2017A Bonds will remain obligations the interest on which is not included in gross income of the recipients thereof under the law in effect on the issuance date of the Series 2017A Bonds, interest on the Series 2017A Bonds (a) will be excluded from gross income of recipients thereof for federal and Kentucky income tax purposes and the Series 2017A Bonds will be exempt from ad valorem taxes in Kentucky and (b) will not be an item of tax preference in determining alternative minimum taxable income under the Internal Revenue Code of 1986, as amended (the "Code"). Bond Counsel is further of the opinion that the Series 2017A Bonds are exempt from ad valorem taxation by the Commonwealth of Kentucky and its political subdivisions. Reference is made to the proposed form of opinion of Bond Counsel with respect to the Bonds contained in APPENDIX I to this Official Statement.

The opinions of Bond Counsel set forth in the preceding paragraph are based upon and subject to the conditions that the representations and warranties of the Issuer, the Corporation, ULAA, AEG and other contract parties made in connection with the issuance of the Series 2017A Bonds are accurate and that the Issuer, the Corporation, ULAA, AEG and other contract parties comply with all requirements of the Code that must be satisfied after the issuance of the Series 2017A Bonds in order that interest thereon be and remain excluded from gross income for federal income tax purposes. Failure to comply with certain of such requirements or a determination that certain of such representations and warranties are inaccurate could cause the interest on the Series 2017A Bonds to be so included in gross income retroactive to the date of issuance of the Series 2017A Bonds.

The opinion of Bond Counsel as to the exclusion of interest on the Series 2017A Bonds from gross income for federal income tax purposes and federal tax treatment of interest on the Series 2017A Bonds will be subject to the following exceptions and qualifications:

(a) Provisions of the Code applicable to corporations (as defined for federal income tax purposes), which impose an alternative minimum tax on 75% of the excess of adjusted current earnings over other alternative minimum taxable income, may subject a portion of the interest on the Series 2017A Bonds earned by certain corporations to such corporate alternative minimum tax. Such corporate alternative minimum tax does not apply to any S corporation, regulated investment company, REIT or REMIC.

(b) The Code also provides for a "branch profits tax" which subjects to tax, at a rate of 30%, the effectively connected earnings and profits of a foreign corporation which engages in a United States trade or business. Interest on the Series 2017A Bonds would be includable in the amount of effectively connected earnings and profits and thus would increase the branch profits tax liability.

(c) The Code also provides that passive investment income, including interest on the Series 2017A Bonds, may be subject to taxation for any S corporation with Subchapter C earnings and profits at the close of its taxable year if its passive investment income is greater than 25% of its gross receipts.

Except as stated above, Bond Counsel will express no opinion as to any federal or Kentucky tax consequences resulting from the receipt of interest on the Series 2017A Bonds.

Owners of the Series 2017A Bonds should be aware that the ownership of the Series 2017A Bonds may result in collateral federal income tax consequences. Prospective purchasers of the Series 2017A Bonds should consult their own tax advisors regarding such matters and any other tax consequences of holding the Series 2017A Bonds.

Original Issue Premium

Series 2017A Bonds purchased, whether upon issuance or otherwise, for an amount (excluding any amount attributable to accrued interest) in excess of their principal amount will be treated for federal income tax purposes as having amortizable bond premium. A holder's basis in such a Series 2017A Bond must be reduced by the amount of premium that accrues while the Series 2017A Bond is held by the holder. No deduction for such amount will be allowed, but it generally will offset interest on the Series 2017A Bonds while so held. Purchasers of such Series 2017A Bonds should consult their own tax advisors as to the calculation, accrual and treatment of amortizable bond premium and the state and local tax consequences of holding such Series 2017A Bonds.

Series 2017B Bonds

In the opinion of Bond Counsel, under the Constitution and laws of the Commonwealth of Kentucky and official interpretations thereof, interest on the Series 2017B Bonds is exempt from income taxation by the Commonwealth of Kentucky and the Series 2017B Bonds are exempt from ad valorem taxation by the Commonwealth of Kentucky and its political subdivisions. Interest on the Series 2017B Bonds is includable in gross income for federal income tax purposes. Bond Counsel expresses no opinion regarding other federal tax consequences with respect to the Series 2017B Bonds. Reference is made to the proposed form of opinion of Bond Counsel with respect to the Bonds contained in APPENDIX I to this Official Statement.

Other Tax Matters

The IRS has an ongoing program of auditing tax-exempt obligations to determine whether, in the view of the IRS, interest on such tax-exempt obligations is includible in the gross income of the owners thereof for federal income tax purposes. It cannot be predicted whether or not the IRS will commence an audit of the Series 2017A Bonds. If an audit is commenced, under current procedures the IRS may treat the Issuer as a taxpayer and the holders of the Series 2017A Bonds may have no right to participate in such procedure. The commencement of an audit could adversely affect the market value and liquidity of the Series 2017A Bonds until the audit is concluded, regardless of the ultimate outcome.

Payments of interest on, and proceeds of the sale, redemption or maturity of, tax-exempt obligations, including the Series 2017A Bonds, are in certain cases required to be reported to the IRS. Additionally, backup withholding may apply to any such payments to any Bond owner who fails to provide an accurate Form W-9 Request for Taxpayer Identification Number and Certification, or a substantially identical form, or to any Series 2017 Bond owner who is notified by the IRS of a failure to report any interest or dividends required to be shown on federal income tax returns. The reporting and backup withholding requirements do not affect the excludability of such interest from gross income for federal tax purposes. Bond Counsel expresses no opinion as to the treatment of interest expense for financial institutions owning the Series 2017A Bonds for purposes of Section 265(b)(7) of the Code. Financial institutions should consult their tax advisors concerning such treatment.

No opinion is expressed with respect to any other taxes imposed by the Commonwealth of Kentucky or any political subdivisions thereof. Ownership of the Bonds may result in other state and local tax consequences to certain taxpayers. Bond Counsel expresses no opinion regarding any such collateral consequences arising with respect to the Bonds. Prospective purchasers of the Bonds should consult their tax advisors regarding the applicability of any such state and local taxes.

CONTINUING DISCLOSURE

The Corporation. The Corporation will enter into a Continuing Disclosure Agreement (the "Corporation Disclosure Agreement") with respect to the Bonds for the benefit of the Beneficial Owners of the Bonds, substantially in the form included in APPENDIX G to this Official Statement, pursuant to which the Corporation agrees to provide or cause to be provided, in accordance with the requirements of SEC Rule 15c2-12, as amended (the "Rule"), (i) certain annual financial information and operating data, (ii) timely notice of the occurrence of certain events with respect to the Bonds, and (iii) timely notice of a failure by the Corporation to provide the required annual financial information on or before the date specified in the Corporation Continuing Disclosure Agreement. The Corporation previously entered into continuing disclosure agreements with respect to the Prior Bonds pursuant to the Rule (the "Corporation Prior Disclosure Undertaking").

For the fiscal year ended December 31, 2013, the Corporation failed to submit the required financial information by the submission deadline. The Corporation subsequently filed the required financial information for the fiscal year ended December 31, 2013 on July 14, 2014. A notice of failure to timely file this information was filed on November 7, 2017.

Additionally, ratings changes affecting the Prior Bonds occurred on November 14, 2013 and December 26, 2013, with the subsequent material events notices filed on November 6, 2017 as well as a notice of failure to timely file, filed on November 7, 2017.

The Corporation has not otherwise materially failed to comply during the past five years with any existing continuing disclosure undertakings with respect to any other bonds pursuant to the Rule.

Metro Louisville. Metro Louisville will deliver the Metro Louisville Continuing Disclosure Certificate (the "Metro Continuing Disclosure Certificate") with respect to the Bonds for the benefit of the Beneficial Owners of the Bonds, substantially in the form included in APPENDIX G to this Official Statement, to provide or cause to be provided, in accordance with the requirements of the Rule, (i) certain annual financial information and operating data with respect to Metro Louisville and (ii) timely notice of a failure by Metro Louisville to provide the required annual financial information on or before the date specified in the Metro Continuing Disclosure Certificate.

For the fiscal years ended June 30, 2016, 2014, 2013 and 2012, Metro Louisville failed to submit the required financial information by the submission deadline. Metro Louisville subsequently filed this information on, April 20, 2017, December 31, 2015, December 31, 2015 and July 28, 2014, respectively. A notice of failure to timely file this information was filed on November 7, 2017. Metro Louisville did provide this financial information under a different issuance; however, the filing information was not properly linked to the Prior Bonds CUSIP information.

Metro Louisville has not otherwise materially failed to comply during the past five years with any existing continuing disclosure undertakings with respect to any other bonds pursuant to the Rule.

ULAA. ULAA will deliver the ULAA Continuing Disclosure Certificate (the "ULAA Continuing Disclosure Certificate") with respect to the Bonds for the benefit of the Beneficial Owners of the Bonds, substantially in the form included in APPENDIX G to this Official Statement, to provide or cause to be provided, in accordance with the requirements of the Rule, (i) certain annual financial information and operating data with respect to ULAA and (ii) timely notice of a failure by ULAA to provide the required annual financial information on or before the date specified in the ULAA Continuing Disclosure Certificate.

For the fiscal years ended June 30, 2016, 2014, 2013 and 2012, ULAA failed to submit the required financial information by the submission deadline. ULAA subsequently filed this information on, April 20, 2017, December 31, 2015, December 31, 2015 and December 31, 2015, respectively. A notice of failure to timely file this information was filed on November 7, 2017. ULAA did provide this financial information under a different issuance; however, the financial information was not properly linked to the Prior Bonds CUSIP information. ULAA has not otherwise materially failed to comply during the past five years with any existing continuing disclosure undertakings with respect to any other bonds pursuant to the Rule.

The Underwriters' obligation to purchase the Bonds will be conditioned upon their receiving, at or prior to the delivery of the Bonds, executed copies of the Continuing Corporation Disclosure Agreement, the Metro Continuing Disclosure Certificate and the ULAA Continuing Disclosure Certificate.

LEGAL MATTERS

Certain legal matters incident to the authorization, issuance, validity and sale of the Bonds are subject to the approving opinion of Stoll Keenon Ogden PLLC, Louisville, Kentucky, Bond Counsel. A signed copy of the opinion, dated as of the date of original delivery of the Bonds, substantially in the form set forth in APPENDIX I hereto, will be delivered to the Underwriters at the time of original delivery of the Bonds.

Certain legal matters will be passed upon by Frost Brown Todd LLC, Louisville, Kentucky, counsel for the Corporation; by Stites & Harbison, PLLC, Louisville, Kentucky, counsel for the Issuer; by Peter Tremblay, Counsel for the Bond Insurer; by Rubin & Hays, Louisville, Kentucky, counsel for the Trustee; and by Dinsmore & Shohl LLP, Covington, Kentucky, counsel for the Underwriters.

LITIGATION

Issuer

To the knowledge of the Issuer, there is no pending or threatened litigation seeking to restrain or enjoin the issuance, sale, execution or delivery of the Bonds, or contesting or adversely affecting the validity of the Bonds or any proceeding of the Issuer taken with respect to the issuance or sale thereof, the pledge or application of any moneys or security provided for the payment of the Bonds, or existence or powers of the Issuer, or the authority of the Issuer to enter into any document relating to the Bond Indenture or the Bonds.

Corporation

With respect to the Corporation, no litigation or proceedings are pending or, to the knowledge of the Corporation threatened against it which if adversely determined would, in the opinion of the Corporation, adversely affect the Corporation in a manner material to the properties, business or financial condition of the Corporation as a whole or to the transactions contemplated by this Official Statement.

UNDERWRITING

The Bonds are being purchased by the Underwriters identified on the cover page of this Official Statement, for whom Merrill Lynch, Pierce, Fenner & Smith Incorporated is acting as Representative. Pursuant to a purchase contract among the Underwriters, the Corporation and the Issuer, the Underwriters have agreed, jointly and severally, to purchase:

(i) the Series 2017A Bonds at a purchase price of $217,709,256.63 (representing the par amount of the Series 2017A Bonds, plus net original issue premium of $16,677,162.60, less underwriters' discount of $1,092,905.97); and

(ii) the Series 2017B Bonds at a purchase price of $174,766,138.06 (representing the par amount of the Series 2017B Bonds, less underwriters' discount of $873,861.94).

The Underwriters' obligation to purchase any of the Bonds will be conditioned upon the issuance and delivery of all of the Bonds.

The initial public offering prices set forth on the inside cover page of this Official Statement may be changed by the Underwriters and the Underwriters may offer and sell the Bonds to certain dealers (including dealers depositing Bonds into investment trusts) and others at prices lower than the offering prices set forth on the inside cover page.

In the ordinary course of their respective businesses, the Underwriters and certain of their affiliates have engaged, and may in the future engage, in investment banking or commercial banking transactions with the Corporation.

Morgan Stanley & Co. LLC., an underwriter of the Bonds, has entered into a retail distribution arrangement with its affiliate Morgan Stanley Smith Barney LLC. As part of the distribution arrangement, Morgan Stanley & Co. LLC may distribute municipal securities to retail investors through the financial advisor network of Morgan Stanley Smith Barney LLC. As part of this arrangement, Morgan Stanley & Co. LLC may compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Bonds.

Wells Fargo Securities, an underwriter of the Bonds, is the trade name for certain securities-related capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Bank, National Association, which conducts its municipal securities sales, trading and underwriting operations through the Wells Fargo Bank, NA Municipal Products Group, a separately identifiable department of Wells Fargo Bank, National Association, registered with the Securities and Exchange Commission as a municipal securities dealer pursuant to Section 15B(a) of the Securities Exchange Act of 1934.

Wells Fargo Bank, National Association, acting through its Municipal Products Group ("WFBNA"), one of the underwriters of the Bonds, has entered into an agreement (the "WFA Distribution Agreement") with its affiliate, Wells Fargo Clearing Services, LLC (which uses the trade name "Wells Fargo Advisors") ("WFA"), for the distribution of certain municipal securities offerings, including the Bonds. Pursuant to the WFA Distribution Agreement, WFBNA will share a portion of its underwriting or remarketing agent compensation, as applicable, with respect to the Bonds with WFA. WFBNA has also entered into an agreement (the "WFSLLC Distribution Agreement") with its affiliate Wells Fargo Securities; LLC ("WFSLLC"), for the distribution of municipal securities offerings, including the Bonds. Pursuant to the WFSLLC Distribution Agreement, WFBNA pays a portion of WFSLLC's expenses based on its municipal securities transactions. WFBNA, WFSLLC, and WFA are each wholly-owned subsidiaries of Wells Fargo & Company.

RATINGS

Moody's and S&P are expected to assign the ratings of "A2" and "AA" (stable outlook), respectively, for the Bonds, based on the issuance of the Policy by the Bond Insurer concurrently with the issuance of the Bonds. Moody's and S&P have assigned the Bonds the underlying ratings of "Baa3" (stable outlook) and "A-" (stable outlook), respectively, without regard to the issuance of the Policy. Such ratings reflect only the respective views of those organizations and an explanation of the significance of those ratings may be obtained from the respective rating agencies. There is no assurance that any or all of such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by any or all of the those ratings agencies if, in their judgment, circumstances so warrant. Any such downward change or withdrawal of any one or more of the ratings may have an adverse effect on the market price and marketability of the Bonds.

INDEPENDENT AUDITORS

The financial statements of the Corporation as of December 31, 2016 attached to this Official Statement as APPENDIX C have been audited by the State's Auditor of Public Accounts which report expresses an unqualified opinion on the Corporation's financial statements, and which report is included in APPENDIX C.

The financial statements of Louisville Metro as of June 30, 2016 attached to this Official Statement as APPENDIX D have been audited by Crowe Horwath, LLP, which report expresses an unqualified opinion on the Metro Louisville's financial statements, and which report is included in APPENDIX D.

The financial statements of ULAA as of June 30, 2016 attached to this Official Statement as APPENDIX E have been audited by BKD, LLP, an independent registered public accounting firm, as stated in their report relating to the financial statements of ULAA (which report expresses an unqualified opinion on ULAA financial statements), which report is included in APPENDIX E.

FINANCIAL ADVISOR

J.J.B. Hilliard, W.L. Lyons, LLC, Louisville, Kentucky, has acted as Financial Advisor to the Corporation in connection with the issuance of the Bonds and will receive a fee, payable from bond proceeds, for its services as Financial Advisor.

ARENA FEASIBILITY CONSULTANT

The Arena Consultant's Report, attached as APPENDIX A to this Official Statement, was prepared by Conventions, Sports & Leisure International, LLC, acting as Arena Feasibility Consultant, and is included in reliance upon the expertise of the Arena Feasibility Consultant on matters relating to the sports and entertainment industry. The Arena Consultant's Report should be read in its entirety. The Arena Consultant's Report was prepared for the express purpose of estimating potential future market demand and likely financial operating results for the proposed Arena. The analysis and reporting in the Arena Consultant's Report for the proposed Arena are based upon assumptions and estimates which are necessarily subject to uncertainty and variation. These estimates are often based upon data obtained in interviews with third parties and reviews of historical performance, data which are not always completely reliable. While assumptions have been made relative to the future performance of the proposed Arena, such assumptions are highly uncertain. Therefore, while the estimates have been conscientiously prepared on the basis of experience and available data, the Arena Feasibility Consultant makes no warranty that the financial operating projections of the facilities will be achieved.

The Arena Consultant's Report is based, in part, upon the review of other arena/sports facility/ entertainment venues that are known to the Arena Feasibility Consultant. It is possible, however, that over the forecast period additional facilities could be constructed. Any such additions could have an impact on the estimates presented in the Arena Consultant's Report and these differences could be material.

As noted in the Arena Consultant's Report, the Arena Feasibility Consultant is of the opinion that the underlying assumptions presented in the Arena Consultant's Report provide a reasonable basis for the projections contained therein.

TIF CONSULTANT

The TIF Consultant's Report, attached as part of APPENDIX B to this Official Statement, was prepared by the Office of State Budget Director, Governor's Office for Economic Analysis, acting as TIF Consultant, and is included in reliance upon the expertise of the TIF Consultant on matters relating to projecting TIF District revenues. The TIF Report should be read in its entirety. The TIF Consultant's Report was prepared for the express purpose of estimating future State sales tax and State property tax revenues as they pertain to the TIF District. The analysis and reporting in the TIF Consultant's Report for the TIF District are based upon assumptions and estimates which are necessarily subject to uncertainty and variation. These estimates are often based upon data obtained in interviews with third parties and reviews of historical performance, data which are not always completely reliable. While assumptions have been made relative to the future performance of the TIF District, such assumptions are highly uncertain. Therefore, while the estimates have been conscientiously prepared on the basis of experience and available data, the TIF Consultant makes no warranty that the financial projections will be achieved.

As noted in the TIF Consultant's Report, the TIF Consultant is of the opinion that the underlying assumptions presented in the TIF Consultant's Report provide a reasonable basis for the projections contained therein.

VERIFICATION

Causey Demgen Moore P.C. (the "Verifier"), has verified, from the information provided to them, the mathematical accuracy, as of the date of the closing of the Bonds, of (i) the computations contained in the provided schedules to determine that the anticipated receipts from the securities and cash deposits listed in the underwriters' schedules, to be held in escrow, will be sufficient to pay the principal of, premium, if any, and interest on the Prior Bonds, when due, and (ii) the computations of yield on both the securities and the Series 2017A Bonds contained in the provided schedules used by Bond Counsel in its determination that the interest on the Series 2017A Bonds is excludible from gross income of the owners thereof for federal income tax purposes. The Verifier will express no opinion on the assumptions provided to them, nor as to the exemption from taxation of the interest on the Series 2017A Bonds.

MISCELLANEOUS

The execution and delivery of this Official Statement has been duly authorized by the Issuer and approved by the Corporation. This Official Statement is not to be considered a contract or agreement between or among the Issuer, the Corporation, and the purchasers or holders of the Bonds.

KENTUCKY ECONOMIC DEVELOPMENT FINANCE AUTHORITY

By: J. Don Goodin
Title: Vice Chair

THIS OFFICIAL STATEMENT IS APPROVED:

LOUISVILLE ARENA AUTHORITY, INC.

By: Scott Cox
Title: Chair

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APPENDIX A

Arena Consultant's Report

Including Operating Information Regarding Corporation

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FEASIBILITY STUDY:

KFC YUM! CENTER BOND REFINANCING

NOVEMBER 17, 2017

CONVENTIONS SPORTS & LEISURE

LOUISVILLE ARENA AUTHORITY LETTERHEAD

November 17, 2017

Conventions, Sports & Leisure International, LLC ("CSL")
One Cowboys Way, Suite 325
Frisco, Texas 75034

Dear Ladies and Gentlemen:

In connection with your feasibility study for the KFC Yum! Center bond refinancing, we make the following representations:

1. We understand that you have no responsibility to update your report for events and circumstances occurring after the date of your report.
2. The feasibility study presents the assumptions of LAA and, to the best of LAA's knowledge and belief, the expected results of operations for the KFC Yum! Center.
3. CSL prepares the financial forecast. Generally accepted accounting principles are expected to be used by the Project during the forecast period.
4. The feasibility study is based on LAA's judgment of the expected conditions and LAA's expected course of actions.
5. We have made available to you all significant information that we believe is relevant to the feasibility study, including information regarding actions taken at meetings of the board of directors.
6. We believe that the assumptions underlying the feasibility study are appropriate and reasonable.
7. To the best of our knowledge and belief, the documents and records supporting the assumptions are appropriate and reliable.
8. We intend to use the feasibility study only for inclusion in the official statements of debt and equity offerings.
9. We are not aware of any information that conflicts with the feasibility study results or the presentation and disclosures of the estimated financial statements.

10. Legal counsel has advised us that the offering documents comply with all applicable SEC, blue sky and other legal requirements.
11. We understand CSL's feasibility study cannot be relied on to disclose errors, irregularities or illegal acts, including fraud or defalcations that may exist.
12. We understand there will usually be differences between the estimated and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material.
13. To the extent permitted by law, we agree to indemnify CSL and its partners, members, principals, directors, officers, and employees, and hold them harmless from all claims, liabilities, losses, and costs arising in circumstances where any such loss, claim, damage, liability or expense is found in a final judgment by a court of competent jurisdiction to have resulted primarily or directly from (a) the willful misconduct or negligence by a member of LAA, regardless of whether such person was acting in the interest of LAA; or (b) LAA's use, reproduction, distribution or other use of the any financial forecasts and/or associated reports as described herein, provided that this indemnification shall be inapplicable to the extent it is found in a final judgement by a court of competent jurisdiction to have resulted from the willful misconduct or gross negligence of CSL. This indemnification will survive termination or completion of the engagement.
14. Notwithstanding anything contained in the foregoing to the contrary, LAA agrees that in no event shall CSL, its members, principals, or employees be liable (a) to client for any losses, damages, claims, liabilities, costs, or expenses in any way arising out of or relating to this engagement and the feasibility study provided therein for an aggregate amount in excess of any fees paid to CSL for such services and (b) for consequential, special, indirect, incidental, punitive, or exemplary loss, damage, cost, or expense (including, without limitation, lost profits and opportunity costs). The provisions of this paragraph shall apply regardless of the form of action, whether in contract, statute, tort (including, without limitation, negligence), or otherwise, and shall survive termination or completion of the engagement.

Very truly yours,

LOUISVILLE ARENA AUTHORITY, INC.

By: ____________________________ ____________________________
Name: Signature:

_______________________________ ____________________________
Title: Date:

November 17, 2017

Mr. Scott Cox
Chairman
Louisville Arena Authority
One Arena Plaza
Louisville, Kentucky 40202

Dear Mr. Cox:

Conventions, Sports & Leisure International ("CSL") is pleased to present this feasibility study of the KFC Yum! Center's operations and its ability to support debt refinancing. The attached report summarizes our research and analyses and is intended to assist project stakeholders in making informed regarding debt refinancing.

The information contained in this report is based on estimates, assumptions and other information developed from research of the market, knowledge of the sports industries and other factors, including certain information provided by the Louisville Arena Authority and others. All information provided to us was not audited or verified and was assumed to be correct. Because procedures were limited, we express no opinion or assurances of any kind on the achievability of any projected information contained herein and this report should not be relied upon for that purpose. Furthermore, there will be differences between projected and actual results. This is because events and circumstances frequently do not occur as expected, and those differences may be material. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

We sincerely appreciate the opportunity to assist you with this project, and would be pleased to be of further assistance in the interpretation and application of the study's findings.

Very truly yours,

CSL International

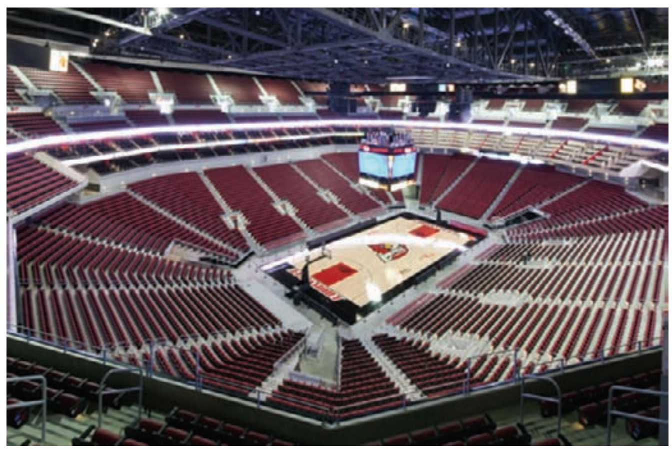
Conventions, Sports & Leisure International
One Cowboys Way, Suite 325 • Frisco, TX 75034 • Telephone 972.491.6900 • Facsimile 972.491.6903

Table of Contents

EXECUTIVE SUMMARY

Executive Summary

Opened in October 2010, the KFC Yum! Center ("Arena") is a 22,090-seat multi-purpose sports and entertainment arena located in downtown Louisville. The state-of-the-art venue has historically served as the home of the University of Louisville's basketball and volleyball programs and has also hosted a variety of concerts, sporting events, family shows, meetings, banquets and other events.



The Louisville Arena Authority ("Authority") was established in 2006 for the purpose of financing, developing and overseeing the construction, management and operation of the Arena and related ancillary improvements.

Required existing bond payments are set to increase substantially in the coming years and, based on the current and expected future amounts of pledged revenues and reserves, project representatives anticipate that the Authority may be unable to meet debt payments in the future.

In anticipation of this potential shortfall the Authority has restructured certain key pledged-revenue agreements to generate additional revenues and provide a much stronger financial profile from which to support Arena bond refinancing.

As part of the debt refinancing process, the Authority engaged Conventions, Sports & Leisure International ("CSL") to evaluate the feasibility of future Arena operations. Specifically, CSL:

1. Met with Authority representatives and other project stakeholders in Louisville to develop goals and objectives for the study, review the study schedule and finalize the scope and desired deliverables.

2. Toured the KFC Yum! Center with Arena management and other key stakeholders to gain valuable insight into the Arena's assets, condition and operations including management perspectives on event marketability, revenue generation, operating efficiencies, etc.

3. Collected for review and analysis all pertinent project documentation including but not limited to the Arena development agreement, management agreements, lease agreements, service provider agreements, naming rights/sponsorship agreements, suite

license agreements, arena event and attendance reports, sponsorship inventory and sell-through rates, historical and projected arena financial statements and other pertinent information.

4. Conducted individual interviews with key Arena stakeholders representing functional areas such as administration, finance, marketing, operations, etc. to obtain feedback on current operations and outlook for future operations.

5. Conducted independent market research to ascertain the current and future market conditions within which the Arena operates including, but not limited to, a review of demographic and economic market data, arena industry trends, current and prospective future competition in the local/regional marketplace and comparable arena benchmarking comparisons.

6. Evaluated Category A revenues (i.e. naming rights, sponsorships and premium seating), and conducted additional research and analyses to determine the short and long-term market potential for these key revenues, including:

   A. Conducted a detailed naming rights valuation study to determine the current market value of naming rights for the Arena and the prospects for renewal after the initial 10-year term with Yum! Brands. Analysis included estimates of the total value, term and average annual value that can reasonably be expected using commonly-accepted naming rights valuation methodologies;

   B. Conducted a detailed sponsorship asset identification study to determine the long-term value of Arena sponsorships after current agreements expire;

   C. Reviewed the current sell-thru rates and contractual terms associated with premium seating in the arena and employed various research and analytical techniques to ascertain future market potential for premium seating to potentially include premium seating benchmarking, penetration analyses (i.e. market saturation analysis) and discussions with Athletics representatives regarding prospective premium seat holder satisfaction levels, renewal intent, pricing sensitivity, etc.

7. Developed detailed financial projections for the KFC Yum! Center that reflect the expected terms of debt refinancing to include arena-related revenues generated to the Authority (i.e. such as naming rights, sponsorships, suite and premium seating, and other arena operating income) as well as expenses incurred by the Authority associated with operations and maintenance, capital reserve and debt service to determine the ability of the Authority to meet debt obligations each year and provide sufficient debt coverage ratios.

8. Prepared our analysis with potential NCAA sanctions on the University of Louisville men's basketball team in mind and conducted sensitivity analyses to reflect potential impacts of yet-to-be-determined NCAA sanctions under various ranges of potential outcomes based on the experiences of other collegiate programs in past similar circumstances.

The remainder of this executive summary outlines the key findings of CSL's analysis of future operations and financial projections for the KFC Yum! Center. The full report is available in the offering memorandum and should be read in its entirety to obtain the background, methods and assumptions underlying the findings.

MARKET CONDITIONS

The strength of the Louisville market in terms of its demographic and socioeconomic profile, economic health and competitive landscape can directly impact the KFC Yum! Center management's ability to generate revenues that are used to support Arena debt service payments.

Key findings from a review of Louisville market conditions include:

- Louisville's market area (defined as its Core-Based Statistical Area ("CBSA")) of approximately 1.30 million residents in 2017 ranks as the 43rd-largest CBSA out of 917 market areas in the United States.

- High median ages in the local market, centered around the "45 to 64" demographic, signals a favorable market condition for the KFC Yum! Center. An older population, with a high share of middle-aged adults, generally has more disposable income to spend on sports and entertainment events.

- While median incomes in the Louisville market ($52,603) are below the national average ($56,124), the area's cost of living index (86.3) implies that the effective median income in the Louisville/Jefferson County CBSA is approximately $61,000 (nine percent above the national median income) when adjusted for cost of living differences (cost of living indexed to 100).

- Louisville GDP growth has generally mirrored United States GDP growth. Since the end of the 2008-2009 economic recession, GDP has grown at an average annual rate of 3.4 percent, while United States GDP as a whole has grown at 3.2 percent annually.

- The Louisville market has had an unemployment rate below the United States unemployment rate in 38 of the last 43 months. Per the Bureau of Labor Statistics, the unemployment rate in the Louisville market area is currently 5.0 percent whereas the unemployment rate for the United States is 4.2 percent as of September 2017.

SUPPORT PAYMENT RENEGOTIATION

As part of its due diligence, CSL reviewed restructured key pledged-revenue agreements intended to improve the go-forward financial stability of the Arena.

Key findings from a review of the renegotiated support payments include:

- As part of the Series 2008 bond agreement, the Metro Louisville government agreed to provide a guaranteed annual payment to service a portion of the Arena's debt service. The agreement committed Metro Louisville to make annual payments ranging from a minimum of $6.5 million to a maximum of $10.8 million. In 2017, Metro Louisville agreed to increase annual payments from its current pledge of $9.8 million to a flat $10.8 million, effective until the earlier of full bond repayment or 2054 (the agreed-upon date of final Metro Louisville payments). By increasing the guaranteed revenue received from Metro Louisville, the Authority is better positioned to meet future bond repayments associated with bond refinancing.

- The Commonwealth of Kentucky provides specified TIF revenues to service a portion of Series 2008 bond debt service. 2017 TIF contributions were $11.2 million, and the Commonwealth projects 2018 contributions to be $11.3 million. Beyond 2018, the Commonwealth projects a 4.7 percent average annual growth in TIF contributions including an approximately 2.5 percent annual growth in sales tax collections as well as increases in property tax collections. Methodologies and assumptions behind Commonwealth projections are detailed in the full report in *Appendix: Commonwealth TIF Projections*.

- In July 2008, the Authority and the University of Louisville Athletic Association, Inc. ("ULAA") entered into a lease agreement for use of the KFC Yum! Center for University of Louisville men's and women's basketball games. The Authority's master lease agreement with ULAA allocated specific Category A (i.e. naming rights, sponsorships and premium seating) and Category B (i.e. rent, facility fees, concessions, merchandise, among others.) revenues to the Authority.

- In 2017, in order to further stabilize Authority finances, the Authority and ULAA agreed to amend their agreement such that ULAA provides the Authority with a $2.42 million annual payment in addition to previously-determined Category A and Category B revenues. This payment will continue until the earlier of bond retirement or 2054 (the agreed-upon date of final ULAA payments) and will be classified under Category B revenues.

CATEGORY A REVENUE DUE DILIGENCE

Category A revenues that could be generated to support the KFC Yum! Center debt refinancing were evaluated. These contractually-obligated revenues that are secured through multi-year agreements include:

- Naming Rights;
- Sponsorships; and,
- Premium Seating.

Key findings from an evaluation of potential Category A revenues include:

- In 2010, the Authority entered into a 10-year naming rights agreement with Yum! Brands that commenced in 2010 and expires in 2020. Given the upcoming expiration of the current naming rights, a naming rights valuation analysis of the KFC Yum! Center was completed to determine the market value of naming rights in 2021 and beyond.

- Based on this analysis, the current market value for the naming rights fee is expected to be $2.20 million in 2021.

- In November 2017, the Authority and Learfield signed an extension agreement which is anticipated to generate over $47 million to the arena over the term of the contract. The new agreement replaces the final three years of the previous agreement and extends the total term of the contract an additional seven years. The new 2018 guarantee is $3.75 million annually (an increase of $750,000 over the original agreement), increasing $250,000 each year in 2019, 2020 and 2021. In 2022, the annual guarantee increases to $4.65 million, escalating to $5.65 million by 2027. The average annual guarantee over the term of the agreement is approximately $4.7 million.

- It is estimated that the Authority will collect approximately $1.7 million in premium seating revenues in 2018, derived from $7.2 million in club seat license sales, $723,000 in loge seat license sales and $6.2 million in suite license sales.

- Beyond 2018, it is estimated that premium seat sell-through rates will decrease from historical averages as a result of yet-to-be-determined NCAA sanctions. It is estimated that sell-through rates will decrease approximately ten percent from their historical averages of 95 to 99 percent based on a review of other collegiate programs in past similar circumstances.

CATEGORY B REVENUE DUE DILIGENCE

In addition to the guaranteed ULAA payment described previously, Category B revenues that could be generated from Arena operations to support the KFC Yum! Center debt refinancing were evaluated. Category B revenues include all Arena revenue except contracted premium seating, sponsorships and naming rights (Category A revenues) and are applied to debt service after covering Arena operations and maintenance costs. Key Category B Arena revenues other than the guaranteed annual ULAA payment include rental charges, concessions, restaurant and merchandise sales, single event premium seating sales, and other such revenues that are subject, in large part, to Arena event and attendance levels.

Key findings from an evaluation of potential Category B revenues include:

- In 2012, the Authority entered into a 10-year facility management agreement with AEG Management Louisville, LLC ("AEG") which replaced the then-current management agreement with the Kentucky State Fair Board ("KSFB").

- In 2015, the agreement between AEG and the Authority was amended and extended to 2027. The annual management fee was adjusted upwards to $700,000 and the maximum incentive fee was adjusted downwards to $35,000. The $1.5 million Authority net profit guarantee, which was part of the 2012 agreement with AEG, remains in effect until the agreement's expiration.

- Because of the recent amendment to the AEG management agreement, the Arena is guaranteed not only $1.5 million in net profit (adjusted annually for increases in the Consumer Price Index), but also stable venue management with the experience and relationships necessary to continue managing tenant events and booking strong non-tenant event activity until at least 2027.

- In 2008, the Authority and ULAA entered into a lease agreement for use of the Arena for University of Louisville men's and women's basketball games. Under the terms of the agreement, ULAA must play all men's and women's basketball home games at the Arena.

- Men's basketball attendance has fluctuated less than one percent on an annual basis, ranging from a high of 21,832 in its inaugural year at the Arena to a low of 20,846 this past season. The 2016-2017 season attendance for ULAA men's basketball ranked third-highest in the NCAA.

- As a means of analyzing the impact pending sanctions might have on Louisville attendance, attendance levels of NCAA football and basketball programs in the years before and after NCAA sanctions were analyzed.

- For the years after NCAA sanctions, average attendance levels were 14.6 percent below pre-sanction levels, ranging from a high of 1.0 percent of pre-sanction attendance levels for Miami football to a low of 40.9 percent of pre-sanction attendance levels for University of Massachusetts (UMASS) basketball.

- It is estimated that average attendance for men's basketball home games will decrease 10 percent from historical levels based on the review of collegiate programs in past similar circumstances. Ultimately, with no other professional team in the market, the University of Louisville men's basketball team is Louisville's premier sports team, which could serve to mitigate the degree of attendance impact from NCAA sanctions, relative to comparable programs. The team's popularity in the local and regional market has historically weathered, and will likely continue to weather, losing seasons, poor economic conditions and NCAA sanctions.

- The Arena has hosted between 81 and 87 non-tenant events since AEG took over facility management. As long as AEG or a similarly-experienced management firm is in charge of programming the Arena, average annual non-tenant event activity should remain consistent with historical averages, with individual year event activity subject to the number and quality of touring acts each year.

PROJECTED FINANCIAL OPERATIONS

Based on a review of historical Arena operations, terms of renegotiated support payments from Metro Louisville and the Commonwealth of Kentucky, discussions with Arena management and University of Louisville Athletic Association ("ULAA") representatives, knowledge of the marketplace, industry trends, the Authority's plan of refinance and Category A and B revenue due diligence, operating revenues and expenses for the Arena and Authority were estimated.

Key assumptions include, but are not limited to the following:

- The KFC Yum! Center will continue to exist and serve as a quality, state-of-the-art venue with the necessary event spaces, amenities, acoustics, stage configuration, rigging capacities, flexible seating configurations and back-of-house space to accommodate the needs of various types of users.

- The Louisville men's and women's basketball teams will continue to serve as the primary tenants in the Arena and will remain competitive within the Atlantic Coast Conference or similar conference.

- The KFC Yum! Center will continue to be operated by AEG or another competent private management company that has extensive industry relationships with key event promoters and booking agents.

- The KFC Yum! Center will continue to be aggressively marketed, providing competitive rental rates and co-promoting as necessary to best balance utilization and revenue maximization.

- It is assumed there will be no material changes in the supply or quality of existing venues in the marketplace beyond those previously discussed in this report.

- The market will generate spending on tickets, concessions, novelties, sponsorships/advertising and premium seating that is consistent with historical averages.

- The KFC Yum! Center will continue to be conducive to providing a pleasant fan experience.

- An adequate capital reserve will be funded to re-invest in the Arena to ensure it maintains its revenue-generating abilities and operational efficiencies.

- Unknown future economic conditions will not adversely affect the market and its response to Arena events.

- Assuming bonds are refinanced in fiscal year 2018, the projections presented herein begin in 2018 and continue through 2047 (current estimate of bond retirement).

The table on the following page details estimated operating revenues and expenses associated with the Authority in certain years of debt repayment.

PROJECTED AUTHORITY PRO FORMA - BASE CASE KFC Yum! Center $ Thousands	2018	2019	2020	2021	2022
GOVERNMENTAL REVENUES					
Metro Louisville Guarantee	$10,800	$10,800	$10,800	$10,800	$10,800
TIF Contribution	$11,284	$12,156	$13,142	$13,968	$15,184
TOTAL GOVERNMENTAL REVENUES	**$22,084**	**$22,956**	**$23,942**	**$24,768**	**$25,984**
NET ARENA REVENUES					
Category A Revenues	$6,838	$7,045	$7,237	$8,252	$8,446
Category B Revenues:					
ULAA Payments	$2,420	$2,420	$2,420	$2,420	$2,420
Net AEG Management Revenues	$1,604	$1,615	$1,625	$1,636	$1,648
Operating Expenses (1)	(2,634)	(2,730)	(2,827)	(2,924)	(2,991)
NET ARENA REVENUES	**$8,228**	**$8,350**	**$8,455**	**$9,384**	**$9,522**
NET REVENUES AVAILABLE FOR DEBT SERVICE	**$30,313**	**$31,305**	**$32,397**	**$34,151**	**$35,506**
NET DEBT SERVICE	$20,158	$21,219	$21,219	$23,519	$23,907
Coverage Ratio	*1.50x*	*1.48x*	*1.53x*	*1.45x*	*1.49x*
CAPITAL EXPENDITURES	$825	$1,510	$1,300	$2,350	$4,500
Coverage Ratio After CapEx	*1.46x*	*1.40x*	*1.47x*	*1.35x*	*1.30x*

(1) Excludes depreciation

Note: CapEx (capital expenditure) estimates per offering memorandum.

As shown, the Authority is projected to collect $30.3 million in net revenues available for debt service in 2018, increasing to $35.5 million in 2022.

The table on the following page details net revenues available for debt service and debt coverage ratios over the entire expected term of debt service.

PROJECTED AUTHORITY PRO FORMA - BASE CASE
KFC Yum! Center
$ Thousands

	Excluding CapEx			Including CapEx		
Year	Revenues Available for Debt Service	Net Debt Service	Coverage Ratio	Revenues Available for Debt Service	Net Debt Service	Coverage Ratio
2018	$30,313	$20,158	1.50	$29,488	$20,158	1.46
2019	$31,305	$21,219	1.48	$29,795	$21,219	1.40
2020	$32,397	$21,219	1.53	$31,097	$21,219	1.47
2021	$34,151	$23,519	1.45	$31,801	$23,519	1.35
2022	$35,506	$23,907	1.49	$31,006	$23,907	1.30
2023	$36,974	$24,135	1.53	$33,724	$24,135	1.40
2024	$38,696	$24,658	1.57	$37,096	$24,658	1.50
2025	$40,055	$25,184	1.59	$39,555	$25,184	1.57
2026	$41,186	$25,601	1.61	$41,036	$25,601	1.60
2027	$42,299	$26,107	1.62	$37,999	$26,107	1.46
2028	$43,360	$25,990	1.67	$41,360	$25,990	1.59
2029	$44,663	$26,441	1.69	$42,623	$26,441	1.61
2030	$46,084	$26,898	1.71	$44,003	$26,898	1.64
2031	$47,494	$27,363	1.74	$45,371	$27,363	1.66
2032	$48,833	$27,839	1.75	$46,668	$27,839	1.68
2033	$50,045	$28,328	1.77	$47,837	$28,328	1.69
2034	$51,232	$28,819	1.78	$48,980	$28,819	1.70
2035	$52,481	$29,321	1.79	$50,183	$29,321	1.71
2036	$53,808	$29,835	1.80	$51,465	$29,835	1.72
2037	$55,196	$30,357	1.82	$52,805	$30,357	1.74
2038	$56,573	$30,891	1.83	$54,135	$30,891	1.75
2039	$57,899	$31,432	1.84	$55,412	$31,432	1.76
2040	$59,189	$31,990	1.85	$56,652	$31,990	1.77
2041	$60,477	$32,583	1.86	$57,890	$32,583	1.78
2042	$61,803	$33,232	1.86	$59,164	$33,232	1.78
2043	$63,174	$33,902	1.86	$60,482	$33,902	1.78
2044	$64,565	$34,589	1.87	$61,819	$34,589	1.79
2045	$65,951	$35,294	1.87	$63,150	$35,294	1.79
2046	$67,318	$36,019	1.87	$64,461	$36,019	1.79
2047	$68,676	$36,761	1.87	$65,762	$36,761	1.79

As shown, net revenues are expected to cover debt service by 1.50 times in 2018 and 1.87 times in 2047. After including capital expenditures ranging from $825,000 to $4.5 million depending on the fiscal year, debt service coverage ratios range from 1.46 times in 2018 to 1.79 times in 2047.

SENSITIVITY ANALYSIS

In order to assess potential risks to the operating performance of the Authority resulting from potential impacts of yet-to-be-determined NCAA sanctions, a sensitivity analysis was performed.

Operating scenario estimates and deviations from the base case operating performance presented previously were analyzed based on both the severity of potential NCAA sanctions and their resulting impacts on Category A and B Authority revenues. Accordingly, the sensitivity analysis included the following scenarios (descriptions of each scenario are included in the full report):

- Stress Case Scenario;
- Low Case Scenario;
- High Case Scenario; and,
- Summary.

The table on the following page displays the variations in Authority revenue in 2020 across all scenarios. 2020 was selected as a stabilized year of comparison given that this will be the first year under stress case scenario (in which the death penalty is assumed to be levied on the Louisville men's basketball program) assumptions when the University of Louisville's men's basketball team will return to play at the KFC Yum! Center.

SENSITIVITY SCENARIO SUMMARIES KFC Yum! Center % of Base Case Revenue and $ Thousands in 2020	Base Case	Stress Case	Low Case	High Case
GOVERNMENTAL REVENUES				
Metro Louisville Guarantee	100%	100%	100%	100%
TIF Contribution	100%	84%	100%	100%
TOTAL GOVERNMENTAL REVENUES	100%	91%	100%	100%
NET ARENA REVENUES				
Category A Revenues	100%	36%	96%	103%
Category B Revenues:				
ULAA Payments	100%	100%	100%	100%
Net AEG Management Revenues	100%	61%	79%	121%
Operating Expenses	100%	91%	99%	100%
NET ARENA REVENUES	**100%**	**41%**	**93%**	**106%**
NET REVENUES AVAILABLE FOR DEBT SERVICE	**100%**	**78%**	**98%**	**102%**
NET DEBT SERVICE	$21,219	$21,219	$21,219	$21,219
Coverage Ratio	*1.53x*	*1.19x*	*1.50x*	*1.55x*
CAPITAL EXPENDITURES	$1,300	$900	$1,300	$1,300
Coverage Ratio After CapEx	*1.47x*	*1.15x*	*1.44x*	*1.49x*

As shown, in 2020, Category A revenues range from 36 percent of base case projections under a stress case scenario (driven by the lack of a naming rights agreement, decreased sponsorship and premium seat sales) to 103 percent of base case revenues under a high case scenario.

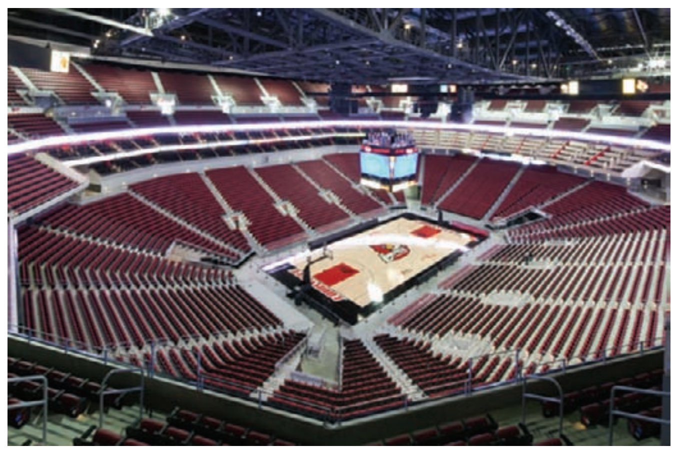
Net AEG management revenues are estimated to range from 61 percent of base case revenues under a stress case scenario (driven by a 75 percent decrease in men's basketball attendance from historical averages) to 121 percent of base case revenues under a high case scenario (driven by historical average attendance – base case assumed 90 percent of historical average).

Overall, net revenues available for debt service are estimated to fluctuate between 78 percent of base case projections under the stress case scenario to 102 percent of base case projections under the high case scenario. With over 70 percent of these revenues coming from governmental revenue sources (Metro Louisville and TIF) in any scenario, the potential large fluctuations in Category A and B revenues under various sensitivity scenarios do not have as large of an impact on the overall financial picture of the Authority.

1. INTRODUCTION

1. Introduction

Opened in October 2010, the KFC Yum! Center ("Arena") is a 22,090-seat multi-purpose sports and entertainment arena located in downtown Louisville. The state-of-the-art venue has historically served as the home of the University of Louisville's basketball and volleyball programs and has also hosted a variety of concerts, sporting events, family shows, meetings, banquets and other events.



The Louisville Arena Authority ("Authority"), a Kentucky non-stock, non-profit corporation, was established in 2006 for the purpose of financing, developing and overseeing the construction, management and operation of the Arena and related ancillary improvements.

Arena development costs were $469.4 million, inclusive of land acquisition, relocation and financing costs as well as costs associated with the construction of the Arena, a 760-space parking garage and flood wall.

The Kentucky Economic Development Finance Authority issued a total of $349.2 million in bonds and loaned the proceeds to the Authority to construct the Arena. Revenues pledged toward repayment of Arena bonds include sales, property and income tax increment financing ("TIF") revenue from the Commonwealth of Kentucky, a revenue guarantee from the Metro Louisville government and revenues derived from Arena operations including naming rights, sponsorships, suite and premium seating revenues and net operating income ("Arena revenues").

Revenues pledged to repay Arena debt, in particular Commonwealth TIF and Arena revenues, have been less than was projected for financing approval. However, the pledged revenues and reserves have been sufficient to make required bond payments to date, which have largely been comprised of interest payments with minimal principal reduction. Required bond payments will increase substantially in the coming years and, based on the current and expected future amounts of pledged revenues and reserves, project representatives anticipate that the Authority may be unable to meet debt payments in the future.

Due to this anticipated shortfall, the Authority has restructured certain key pledged-revenue agreements to generate additional revenues and provide a much stronger financial profile from which to support Arena bond refinancing. It is anticipated that debt refinancing under improved revenue conditions could result in a lower interest rate due to improved investment-grade bond status.

As part of the debt refinancing process, the Authority engaged Conventions, Sports & Leisure International ("CSL") to evaluate the feasibility of future Arena operations, including certain Arena revenues (i.e. Category A and B revenues) that would be pledged towards debt refinancing. Specifically, CSL:

1. Met with Authority representatives and other project stakeholders in Louisville to develop goals and objectives for the study, review the study schedule and finalize the scope and desired deliverables.

2. Toured the KFC Yum! Center with Arena management and other key stakeholders to gain valuable insight into the Arena's assets, condition and operations including management perspectives on event marketability, revenue generation, operating efficiencies, etc.

3. Collected for review and analysis all pertinent project documentation including but not limited to the Arena development agreement, management agreements, lease agreements, service provider agreements, naming rights/sponsorship agreements, suite license agreements, arena event and attendance reports, sponsorship inventory and sell-through rates, historical and projected arena financial statements and other pertinent information.

4. Conducted individual interviews with key Arena stakeholders representing functional areas such as administration, finance, marketing, operations, etc. to obtain feedback on current operations and outlook for future operations.

5. Conducted independent market research to ascertain the current and future market conditions within which the Arena operates including, but not limited to, a review of demographic and economic market data, arena industry trends, current and prospective future competition in the local/regional marketplace and comparable arena benchmarking comparisons.

6. Evaluated Category A revenues (i.e. naming rights, sponsorships and premium seating), and conducted additional research and analyses to determine the short and long-term market potential for these key revenues, including:

   A. Conducted a detailed naming rights valuation study to determine the current market value of naming rights for the Arena and the prospects for renewal after the initial 10-year term with Yum! Brands. Analysis included estimates of the total value, term and average annual value that can reasonably be expected using commonly-accepted naming rights valuation methodologies;

B. Conducted a detailed sponsorship asset identification study to determine the long-term value of Arena sponsorships after current agreements expire;

C. Reviewed the current sell-thru rates and contractual terms associated with premium seating in the arena and employed various research and analytical techniques to ascertain future market potential for premium seating to potentially include premium seating benchmarking, penetration analyses (i.e. market saturation analysis) and discussions with Athletics representatives regarding prospective premium seat holder satisfaction levels, renewal intent, pricing sensitivity, etc.

7. Developed detailed financial projections for the KFC Yum! Center that reflect the expected terms of debt refinancing to include arena-related revenues generated to the Authority (i.e. such as naming rights, sponsorships, suite and premium seating, and other arena operating income) as well as expenses incurred by the Authority associated with operations and maintenance, capital reserve and debt service to determine the ability of the Authority to meet debt obligations each year and provide sufficient debt coverage ratios.

8. Prepared our analysis with potential NCAA sanctions on the University of Louisville men's basketball team in mind and conducted sensitivity analyses (included in *Section 7 – Sensitivity Analysis*) to reflect potential impacts of yet to be determined NCAA sanctions under various ranges of potential outcomes based on the experiences of other collegiate programs in past similar circumstances.

The remainder of this report outlines the key findings of the analysis of future operations and financial projections for the KFC Yum! Center. This report should be read in its entirety to obtain the background, methods and assumptions underlying the findings.

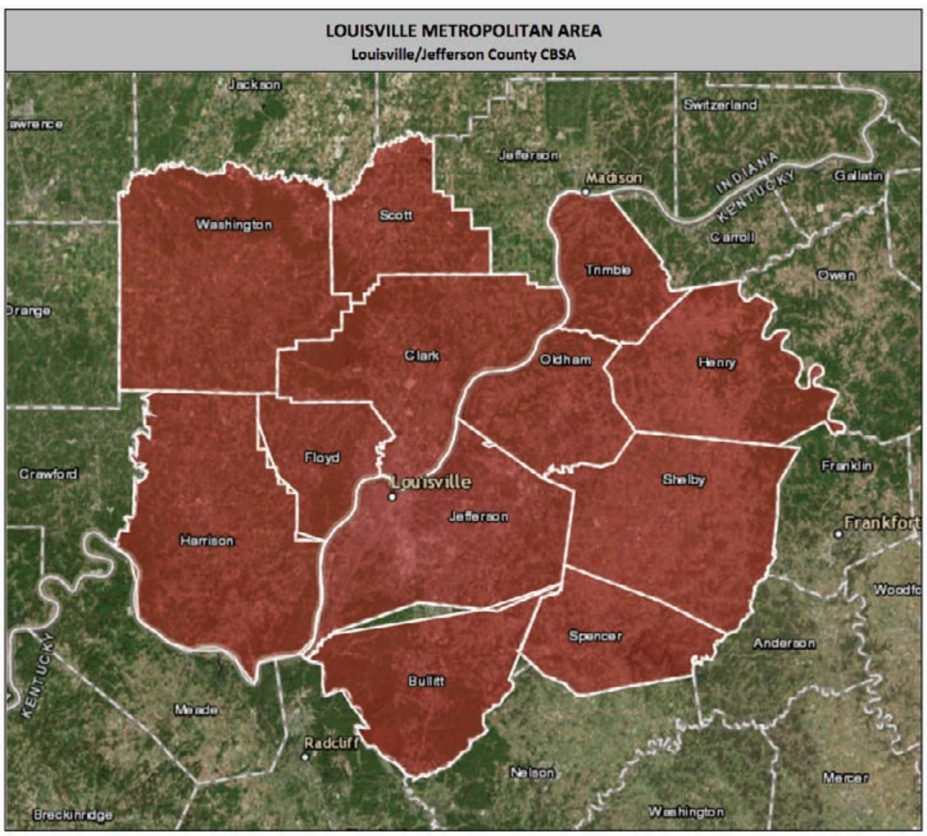
2. MARKET CONDITIONS

CONVENTIONS SPORTS & LEISURE
CSL

2. Market Conditions

The strength of the Louisville market in terms of its demographic and socioeconomic profile, economic health and competitive landscape can directly impact the KFC Yum! Center management's ability to generate revenues that are used to support Arena debt service payments. Accordingly, this section analyzes the following key market conditions in the Louisville metropolitan area:

- Demographic and Socioeconomic Profile:
    - Population and Growth;
    - Age;
    - Household Income;
- Economic Outlook:
    - Gross Domestic Product;
    - Unemployment; and,
- Competition.



The demographic and socioeconomic data presented in this section is based on the Louisville metropolitan area. The Louisville metropolitan area is defined as the Louisville/Jefferson County Core-Based Statistical Area ("CBSA").

A CBSA is a U.S. geographic area defined by the U.S. Office of Management and Budget based around an urban center of at least 10,000 people and adjacent areas that are socioeconomically tied to the urban center by commuting. A large portion of Arena attendees, ticket sales, premium seating, and corporate partners originate from within the Louisville/Jefferson County CBSA, shown in the map above.

2. Market Conditions

DEMOGRAPHIC AND SOCIOECONOMIC PROFILE

The strength of the Arena's market in terms of its ability to attract events, draw spectators, and generate revenues is measured, in part, by its demographic and socioeconomic characteristics. Specific characteristics analyzed herein include:

- Population and Growth;
- Age; and,
- Household Income.

<u>Population and Growth</u>

Market size, in terms of population, can indicate the ability of the local and regional areas to support the KFC Yum! Center. Event promoters consider the population of a market a key factor in determining which cities to route touring acts.

The table below provides historical, current, and projected population levels in the Louisville/Jefferson County CBSA compared to the United States as a whole.

POPULATION AND POPULATION GROWTH
Louisville/Jefferson County CBSA

	Louisville CBSA	United States
2010 Population	1,235,708	308,745,538
2017 Population	1,296,400	327,514,334
2022 Population	1,341,113	341,323,594
Historical CAGR (2010 to 2017)	0.69%	0.85%
Projected CAGR (2017 to 2022)	0.68%	0.83%
2017 Households	518,677	123,158,887

Note: CAGR = Compound Annual Growth Rate.

Source: Environmental Systems Research Institute (ESRI).

Since 2010, the population of the Louisville/Jefferson County CBSA has increased at 0.69 percent annually which is slightly below the national average population growth rate of 0.85 percent. The projected future population growth rate of 0.68 percent annually from 2017 to 2022 is also slightly below the national average of 0.83 percent. By 2022, the Louisville/Jefferson County CBSA is projected to reach 1.34 million residents.

Louisville's market area of approximately 1.30 million residents in 2017 ranks as the 43rd largest CBSA out of 917 market areas in the United States. The table on the following page depicts Louisville's population comparted to the top 100 CBSAs in the United States.

TOP 100 CBSAS
2017 Population

Rank	Metro Area	Population	Rank	Metro Area	Population
1	New York, NY	20,153,634	51	Rochester, NY	1,078,879
2	Los Angeles, CA	13,310,447	52	Grand Rapids, MI	1,047,099
3	Chicago, IL	9,512,999	53	Tucson, AZ	1,016,206
4	Dallas, TX	7,233,323	54	Honolulu, HI	992,605
5	Houston, TX	6,772,470	55	Tulsa, OK	987,201
6	Washington, DC	6,131,977	56	Fresno, CA	979,915
7	Philadelphia, PA	6,070,500	57	Bridgeport, NJ	944,177
8	Miami, FL	6,066,387	58	Worcester, MA	935,781
9	Atlanta, GA	5,789,700	59	Omaha, NE	924,129
10	Boston, MA	4,794,447	60	Albuquerque, NM	909,906
11	San Francisco, CA	4,679,166	61	Greenville, SC	884,975
12	Phoenix, AZ	4,661,537	62	Bakersfield, CA	884,788
13	Riverside/San Bernardino, CA	4,527,837	63	Albany, NY	881,839
14	Detroit, MI	4,297,617	64	Knoxville, TN	868,546
15	Seattle, WA	3,798,902	65	New Haven, CT	856,875
16	Minneapolis, MN	3,551,036	66	McAllen, TX	849,843
17	San Diego, CA	3,317,749	67	Oxnard, CA	849,738
18	Tampa, CA	3,032,171	68	El Paso, TX	841,971
19	Denver, FL	2,853,077	69	Allentown, PA	835,652
20	St. Louis, MO	2,807,002	70	Baton Rouge, LA	835,175
21	Baltimore, MD	2,798,886	71	Columbia, SC	817,488
22	Charlotte, NC	2,474,314	72	Dayton, OH	800,683
23	Orlando, FL	2,441,257	73	North Port, FL	788,457
24	San Antonio, TX	2,429,609	74	Charleston, SC	761,155
25	Portland, OR	2,424,955	75	Greensboro, NC	756,139
26	Pittsburgh, PA	2,342,299	76	Little Rock, AR	734,622
27	Sacramento, CA	2,296,418	77	Stockton, CA	733,709
28	Cincinnati, OH	2,165,139	78	Cape Coral, FL	722,336
29	Las Vegas, NV	2,155,664	79	Colorado Springs, CO	712,327
30	Kansas City, MO/KS	2,104,509	80	Akron, OH	702,221
31	Austin, TX	2,056,405	81	Boise City, ID	691,423
32	Cleveland, OH	2,055,612	82	Lakeland, FL	666,149
33	Columbus, OH	2,041,520	83	Winston, NC	662,079
34	Indianapolis, IN	2,004,230	84	Syracuse, NY	656,510
35	San Jose, CA	1,978,816	85	Ogden, UT	654,417
36	Nashville, TN	1,865,298	86	Madison, WI	648,929
37	Virginia Beach, VA	1,726,907	87	Wichita, KS	644,672
38	Providence, RI	1,614,750	88	Deltona, FL	637,674
39	Milwaukee, WI	1,572,482	89	Des Moines, IA	634,725
40	Jacksonville, FL	1,478,212	90	Springfield, MA	630,283
41	Oklahoma City, OK	1,373,211	91	Toledo, OH	605,221
42	Memphis, TN	1,342,842	92	Provo, UT	603,309
43	**Louisville, KY**	**1,296,400**	93	Augusta, GA	594,919
44	Raleigh, NC	1,295,946	94	Jackson, MS	579,229
45	Richmond, VA	1,281,708	95	Melbourne, FL	579,130
46	New Orleans, LA	1,268,883	96	Harrisburg, PA	568,033
47	Hartford, CT	1,206,836	97	Durham, NC	559,535
48	Salt Lake City, UT	1,186,187	98	Spokane, WA	556,634
49	Birmingham, AL	1,147,417	99	Scranton, PA	555,225
50	Buffalo, NY	1,132,804	100	Chattanooga, TN	551,632

Source: Environmental Systems Research Institute (ESRI).

2. Market Conditions

Age

In general, sports and entertainment events attract patrons of various ages, with the core group of attendees clustered between the ages of 25 and 64. Therefore, it is important to analyze the age distribution in the Louisville/Jefferson County CBSA, since it can serve as an indicator of the strength of the market in terms of its ability to generate demand for sports and entertainment events in the core demographic markets.

The table on the right summarizes the median age and age distribution around the KFC Yum! Center, relative to the United States.

AGE
Louisville/Jefferson County CBSA

	Louisville CBSA	United States
2017 Median Age	39.6	38.2
Under 25	30.6%	32.1%
25 to 44	26.3%	26.4%
45 to 64	27.3%	25.9%
65 and older	15.8%	15.6%

Source: Environmental Systems Research Institute (ESRI).

The Louisville/Jefferson County CBSA has a median age of 39.6 which is slightly older than the national median age of 38.2. The higher median age in the Louisville market is driven by differences in the age distribution breakdown. Louisville has a higher proportion of residents in the “45 to 64” demographic (27.3 percent compared to 25.9 percent) and a lower proportion of “Under 25” residents relative to the United States (30.6 percent compared to 32.1 percent).

The higher median ages in the local market, especially around the “45 to 64” demographic, signals a favorable market condition for the KFC Yum! Center. An older population, especially with a higher share of middle-aged adults, generally has more disposable income to spend on sports and entertainment events.

Household Income

Household income can indicate the ability of local market residents to allocate discretionary spending towards the purchase of tickets, concessions, merchandise, parking, and other such items associated with attending sports and entertainment events at the KFC Yum! Center.

The table on the following page summarizes the median household income and income distribution of the Louisville/Jefferson County CBSA, relative to the United States.

2. Market Conditions

HOUSEHOLD INCOME Louisville/Jefferson County CBSA	Louisville CBSA	United States
2017 Median Household Income	$52,603	$56,124
Under $25K	22.1%	21.5%
$25K to $49.9K	25.0%	22.7%
$50K to $74.9K	18.9%	17.8%
$75K to $99.9K	12.4%	12.4%
$100K to $149.9K	12.8%	13.9%
$150K or more	8.8%	11.7%

Source: Environmental Systems Research Institute (ESRI).

The Louisville market has a median household income of $52,603 which is six percent lower than the median income of the United States as a whole ($56,124). The lower median household incomes in the Louisville market are driven by a higher proportion of residents with median incomes below $50,000 than the U.S. average (47.1 percent compared to 44.2 percent) and a lower proportion of residents with median incomes greater than $100,000 relative to the U.S. average (21.6 percent compared to 25.6 percent).

Louisville's cost of living index is 86.3, which implies that the cost of goods and services in the local market are approximately 14 percent below the national average price for the same goods and services.

While median incomes in the Louisville market are below the national average, the cost of living index implies that the effective median income in the Louisville/Jefferson County CBSA is approximately $61,000 (9 percent above the national median income) when adjusted for cost of living differences.

ECONOMIC CONDITIONS

It is important to consider the overall economic health of Louisville when considering future financial operations of the Arena. Economic conditions measured in this report include:

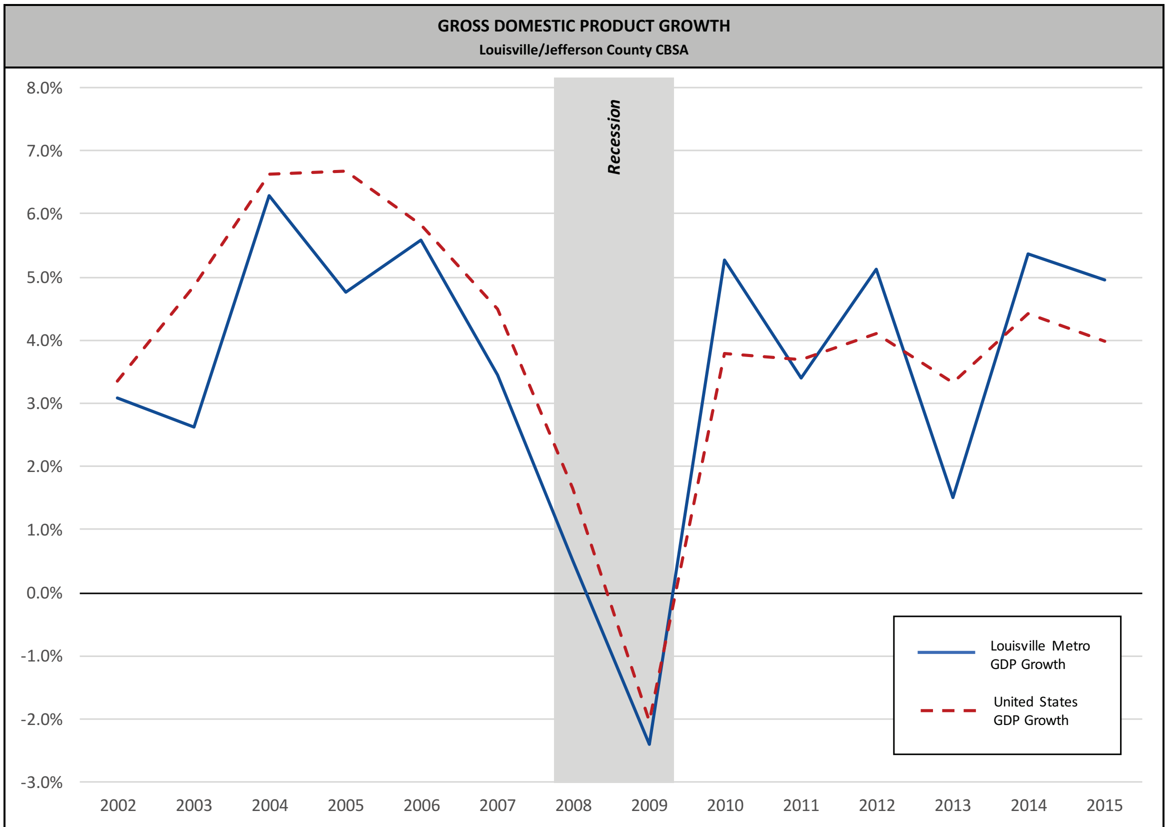
- Gross Domestic Product; and,
- Unemployment.

2. Market Conditions

Gross Domestic Product

Gross domestic product (GDP) measures the total value of all goods produced in a specified area. GDP is one of the primary indicators used by economists, investors and policy makers to gauge the health of an economy.

The chart below illustrates GDP growth in Louisville relative to the United States from 2002 to 2015 (the most recent years available at the time of this report).



Source: Federal Reserve Economic Data (FRED).

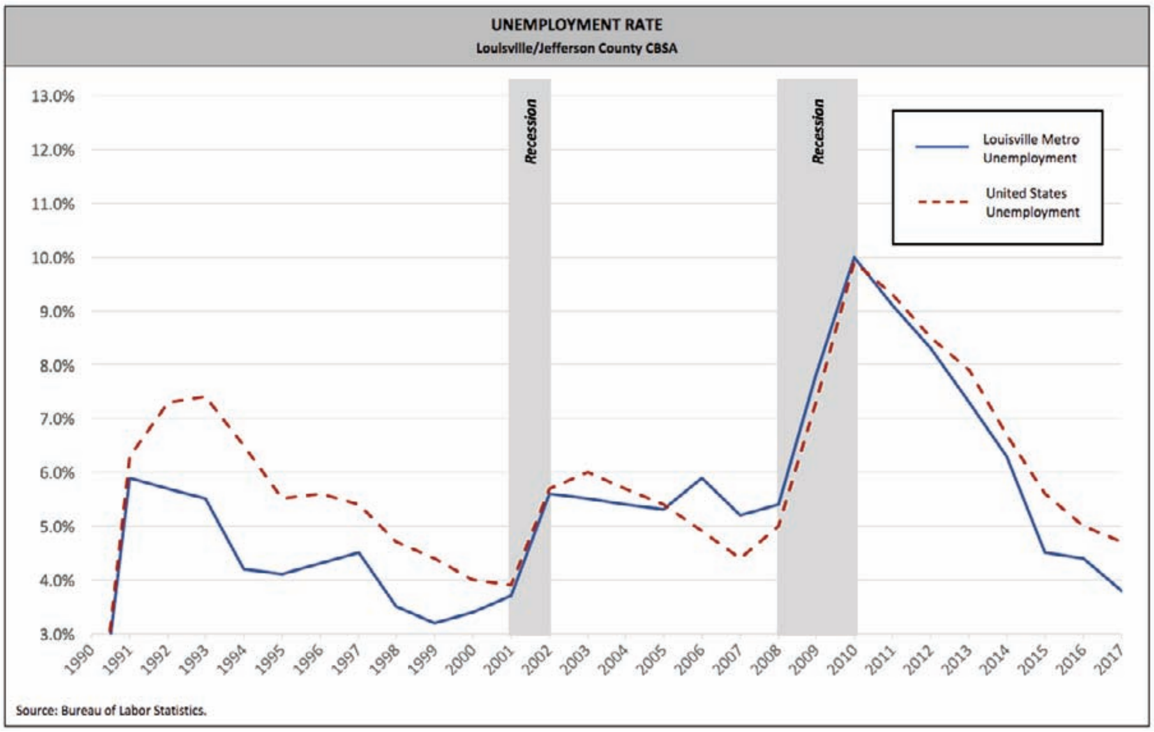
Overall, Louisville GDP growth has generally mirrored U.S. GDP growth. The economic recession in 2008 and 2009 was one of the most severe recessions in the United States in modern times. In the years leading up to the most recent recession, annual GDP growth in Louisville was between approximately three to six percent. GDP experienced a short-lived negative growth of up to 2.5 percent during the 2008 – 2009 recession before rebounding to pre-recession levels.

Since the end of the 2008-2009 economic recession, GDP has grown at an average annual rate of 3.4 percent, while the U.S. GDP as a whole has grown at 3.2 percent annually.

2. Market Conditions

Unemployment Rate

A market's unemployment rate can also indicate the relative strength of the local economy. The chart below illustrates the unemployment rate in Louisville relative to the United States over the last 27 years.



Overall, unemployment has generally mirrored the U.S. unemployment rate with lower unemployment rates since the last recession in 2008-2009, indicating a relatively healthy economy compared to the United States as a whole.

Since 2014, the Louisville market has had an unemployment rate below the U.S. unemployment rate in 38 of the last 43 months. Per the Bureau of Labor Statistics, the unemployment rate in the Louisville market area is 5.0 percent whereas the unemployment rate for the United States is 4.2 percent as of September 2017.

COMPETITION

The operations of the KFC Yum! Center is impacted, to some degree, by the number and type of facilities, locally and regionally, competing for the limited supply of events, spectators, and corporate base within the marketplace. As such, it is important to identify existing arenas in the local and regional area that could provide some level of competition to the KFC Yum! Center in terms of its ability to attract events and/or the discretionary spending of local and regional residents and corporations.

Based on discussions with Arena management and a review of local and regional market facilities, the following competitive arenas were identified as primary competition: Bankers Life Fieldhouse (Indianapolis, IN), Ford Center (Evansville, IN), Rupp Arena (Lexington, KY), Freedom Hall (Louisville, KY), Fifth Third Arena (Cincinnati, OH), BB&T Arena (Highland Heights, KY), U.S. Bank Arena (Cincinnati, OH) and Broadbent Arena (Louisville, KY). The table below provides an overview of the competitive landscape in which the KFC Yum! Center operates.

COMPETITIVE ARENAS
KFC Yum! Center

Facility	Location	Year Opened	Seating Capacity	CBSA Population	CBSA Median Household Income
KFC Yum! Center	**Louisville, KY**	**2010**	**22,090**	**1,296,400**	**$52,603**
U.S. Bank Arena(1)	Cincinnati, OH	1975	17,500	2,202,268	$57,874
BB&T Arena	Highland Heights, KY	2008	9,400	2,202,268	$57,874
Fifth Third Arena(2)	Cincinnati, OH	1989	13,176	2,202,268	$57,874
Bankers Life Fieldhouse(3)	Indianapolis, IN	1999	18,165	2,038,559	$55,500
Freedom Hall	Louisville, KY	1956	19,200	1,296,400	$52,603
Broadbent Arena	Louisville, KY	1974	6,600	1,296,400	$52,603
Rupp Arena(4)	Lexington, KY	1976	23,500	507,802	$53,191
Ford Center	Evansville, IN	2011	11,000	320,704	$50,204

(1) Currently in planning process of a proposed $370 million+ renovation.
(2) Recently completed an $87 million renovation.
(3) Currently in planning process of a $100 million+ renovation.
(4) Currently in planning process of a $265 million renovation.

There are a number of competitive arenas that KFC Yum! Center management has successfully competed against during its first seven years of operations. Arena management will need to continue to be competitive in terms of its event offerings, ticket prices and promoter rebates to remain competitive in the regional market, especially as a number of the identified competitors are in the midst of, or will soon begin, large-scale modernization efforts.

Conversations with promoters who have used the Arena in the past indicated generally positive attitudes regarding Arena experiences and a ready willingness to utilize the venue in the future, pending future tour details. KFC Yum! Center is the only state-of-the-art venue in the Louisville area, giving the Arena a platform to compete for events effectively. Since AEG's management takeover, the Arena has sold, on average, the 54th most concert tickets of all arenas worldwide, per industry publication Pollstar. Other local arenas including Freedom Hall and Broadbent Arena lack many of the modern fan-experience amenities and revenue generating capabilities that the Arena offers, making the KFC Yum! Center the Louisville market's leading arena destination.

In addition to competitive arenas in the local marketplace, there are a number of other existing or planned sports and entertainment facilities in the local market that the Arena competes against for the discretionary spending of local residents and the entertainment and marketing dollars of local corporations. These facilities include:

- Iroquois Amphitheater (2,400-seat outdoor performing arts venue);
- Papa John's Cardinal Stadium (home of the University of Louisville's football program);
- Louisville Slugger Field (home of the Louisville Bats AAA minor league baseball franchise);
- Proposed soccer-specific stadium (home of Louisville City FC); and,
- Churchill Downs (home of the annual Kentucky Derby horse race).

The magnitude of sports and entertainment venues in the immediate market area will continue to stretch discretionary income spending, corporate sponsorship opportunities and premium sales. While Arena management has successfully navigated this local / regional competitive environment since opening in 2010, Arena management will need to continue to consider these market pressures in setting future rental rates and deal structures to continue to attract event and attendance levels consistent with its historical performance.

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The local market conditions of the KFC Yum! Center are considered together with terms of renegotiated support payments and Category A and B revenue due diligence to evaluate the feasibility of future Arena operations.

3. SUPPORT PAYMENT RENEGOTIATION

CONVENTIONS SPORTS & LEISURE

3. Support Payment Renegotiation

The purpose of this section is to review restructured key pledged-revenue agreements intended to improve the go-forward financial stability of the Arena. This section is divided into the following subsections:

- Metro Louisville Payments;
- Commonwealth of Kentucky TIF Contributions; and,
- ULAA Payments.

METRO LOUISVILLE PAYMENTS

As part of the Series 2008 bond agreement, the Metro Louisville government agreed to provide a guaranteed annual payment to service a portion of the Arena's debt service. The agreement committed Metro Louisville to make annual payments ranging from a minimum of $6.5 million to a maximum of $10.8 million. Actual Metro Louisville payments are detailed in the table on the right.

As part of an effort to alleviate future bond payment shortfalls, Metro Louisville agreed, in 2017, to increase annual payments to a flat $10.8 million, effective until the earlier of full bond repayment or 2054 (the agreed-upon date of final Metro Louisville payments).

METRO LOUISVILLE
Past Payments
$ Thousands

Fiscal Year	Actual Payments[1]
2010	$3,297
2011	$6,533
2012	$9,800
2013	$9,800
2014	$9,800
2015	$9,800
2016	$9,800

[1] LAA audited financials.

COMMONWEALTH OF KENTUCKY TIF CONTRIBUTIONS

The Commonwealth of Kentucky provides specified TIF revenues to service a portion of Series 2008 bond debt service. TIF revenues were pledged over 20 years with a $265 million cap and were primarily derived from incremental Commonwealth sales and property tax revenues within a six-square mile district encompassing Metro Louisville's central business area, the Arena site and adjacent development areas. Incremental income tax revenues derived from the Arena site were also included in this TIF pledge.

In 2013, the Commonwealth condensed the TIF district to a two-square mile area after it was determined that the elimination of four square miles south of the current TIF district would produce greater tax increments. In March 2017, the Commonwealth agreed to extend the life of the TIF for an additional 25 years and remove the $265 million cap.

2017 TIF contributions were $11.2 million, while the Commonwealth has projected 2018 contributions to be $11.3 million. From 2019 through the term of indebtedness, the Commonwealth projects a 4.7 percent average annual growth in TIF contributions ranging from 0.4 percent to 9.0 percent. These include an approximately 2.5 percent annual growth in sales tax collections as well as increases in property tax collections. Methodologies and assumptions behind Commonwealth projections are detailed in *Appendix: Commonwealth TIF Projections*.

ULAA PAYMENTS

In July 2008, the Arena Authority and the University of Louisville Athletic Association, Inc. ("ULAA") entered into a lease agreement for use of the KFC Yum! Center for University of Louisville men's and women's basketball games. At the time of the Series 2008 bond issuance, the Authority's master lease agreement with ULAA allocated specific Category A (i.e. naming rights, sponsorships and premium seating) and Category B (i.e. rent, facility fees, concessions, merchandise, among others) revenues to the Authority.

In 2017, in order to further stabilize Authority finances, the Authority and ULAA agreed to amend their agreement such that ULAA provides the Authority with an annual payment in addition to previously-determined Category A and Category B revenues. This $2.42 million annual payment includes no escalators and will be due beginning in 2017 and will continue until the earlier of bond retirement or 2054 (the agreed-upon date of final ULAA payments). This payment is anticipated to be directed toward Category B revenues.

As a means of providing revenue to ULAA to cover the payment, the Authority authorized an optional facility fee escalator for ULAA men's basketball tickets. While the $2 facility fee currently applied to tickets sold for men's basketball games will continue to flow directly to the Authority, ULAA now has the option to raise the fee to a maximum of $8 per ticket sold for men's basketball games and collect the incremental fee above $2 per ticket.

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Support payment renegotiation is considered together with local market conditions and Category A and B revenue due diligence to evaluate the feasibility of future Arena operations.

4. CATEGORY A REVENUE DUE DILIGENCE

4. Category A Revenue Due Diligence

The purpose of this section of the report is to evaluate the potential Category A revenues that could be generated to support the KFC Yum! Center debt refinancing. Category A revenues consist of contractually-obligated revenues that are secured through multi-year agreements, including:

- Naming Rights;
- Sponsorships; and,
- Premium Seating.

The remainder of this section provides an overview of each Category A revenue including due diligence to support estimates of future revenues.

NAMING RIGHTS REVENUES

In 2010, the Louisville Arena Authority ("Authority") entered into a 10-year naming rights agreement with Yum! Brands that commenced in 2010 and expires in 2020. The agreement required an annual payment by Yum! Brands of $1.3 million for the first five years, thereafter escalating at two percent annually for the final five years of the agreement. Yum! Brands has an exclusive Right of First Negotiation with the Authority as long as it submits a written offer prior to October 1, 2018.

Given the expiration of the current naming rights agreement in 2020, a naming rights valuation analysis of the KFC Yum! Center was completed to determine the market value of naming rights in 2021 and beyond. The following pages provide an overview of the naming rights industry, as well as the anticipated value of the rights and benefits associated with KFC Yum! Center in the Louisville marketplace.

Overview

Naming rights partnerships are agreements in which a company places its name or logo on a specific venue (e.g. KFC Yum! Center), and in return, pays an annual fee to venue management. Regional examples of naming rights partnerships besides the KFC Yum! Center include Papa John's Cardinal Stadium, Kroger Field at the University of Kentucky, BB&T Arena at Northern Kentucky University, Fifth-Third Bank Arena at the University of Cincinnati, U.S. Bank Arena in Cincinnati, and Houchen Industries-L.T. Smith Stadium at Western Kentucky University.

Typically, these types of deals are done on a more intermediate or long-term basis (e.g. 20 to 30 years), while renewals typically are done on shorter terms (i.e. 10 years or less). Along with the naming of the facility, a naming rights partner typically receives a variety of exposure opportunities, including landmarks, scoreboard signage, exterior facility signage, digital marquee signage, directional signage, opportunities for activation and product sampling, hospitality benefits, inclusion in the venue's media buy and editorial media coverage.

Benefits of Naming Rights

The growth in naming rights can be attributed to facilities and teams looking for new revenues. As properties put a greater emphasis on the importance of naming rights, decision-makers at corporations began to see naming rights as an effective method for achieving specific marketing objectives.

Naming rights marketing is particularly valuable because of its effectiveness in introducing new products, helping new or established products contend with competitive brands, and increasing corporate brand awareness. However, the real value lies in the borrowed imagery of a property and the unique media exposure a brand receives through the agreement. A corporation's ability to associate their brand directly to a team, facility or event is an important component in the value of naming rights agreements.

Key Determinants of Value

The naming rights value the KFC Yum! Center will be able to command when its management signs an extension or new agreement depends, in large part, on the following factors:

Comparable Deals:

- A potential partner will analyze comparable deals in collegiate athletics and other sports industries throughout North America.

Market Size and Media Coverage:

- Sponsors are willing to pay more for naming rights for arenas that generate a considerable amount of media coverage — from TV, radio, print and online. Larger markets typically generate greater exposure for a naming rights partner.

Broadcast Exposure:

- National broadcast exposure is often available to successful tenant teams and those in large markets. Sponsors are willing to pay a premium for naming rights to facilities that receive a high degree of such broadcast exposure.

Newness of the Facility:

- New arenas can command higher naming rights fees; these facilities tend to be state-of-the-art and architecturally significant. Properties can face obstacles in renaming older facilities that have been known by a certain name for an extended period of time.

Number of Events:

- The more events hosted at a facility on an annual basis, the greater the attendance, the more value to a naming rights partner. The type of events hosted at an arena can also impact the amount a venue can command for naming rights.

Historical Success:

- A tenant team's historical success (i.e. number of playoff/tournament appearances) typically has an impact on the overall value of a venue's naming rights.

Qualitative Value:

- Qualitative facility factors provide corporations opportunities to align their brand with the image, emotions, popularity and lifestyle of a property.

Comparable Benchmarks

As a means of determining the potential value of naming rights at the KFC Yum! Center, we reviewed naming rights agreements of comparable facilities including collegiate facilities, other major regional and national arenas and NBA facilities.

Collegiate Arenas

There are over 60 collegiate sports facilities in the United States with a naming rights partner. The table on the following page shows public information for the top 11 collegiate naming rights agreements including the average term length, average annual fee, and the total amount of a contract.

COMPARABLE NAMING RIGHTS AGREEMENTS Collegiate Arenas $ Thousands						
Rank	Venue Name	School	First Year of Deal	Total Amount	Term (Years)	Annual Fee
1	State Farm Center	Illinois	2013	$60,000	30	$2,000
2	Save Mart Center	Fresno State	2003	$40,000	20	$2,000
3	Wintrust Arena	DePaul	2017	$22,000	15	$1,467
4	**KFC Yum! Center**	**Louisville**	**2010**	**$13,500**	**10**	**$1,350**
5	Alaska Airlines Arena	Washington	2011	$6,100	5	$1,220
6	Dreamstyle Arena	New Mexico	2017	$10,000	10	$1,000
7	Xfinity Center	Maryland	2002	$25,000	25	$1,000
8	Allstate Arena	DePaul	1999	$10,000	10	$1,000
9	United Supermarkets Arena	Texas Tech	1999	$9,450	10	$945
10	Dunkin' Donuts Arena	Providence	2001	$8,300	10	$830
11	Island Federal Credit Union Arena	Stony Brook	2014	$7,000	10	$700
AVERAGE			**2008**	**$19,214**	**14**	**$1,228**
MEDIAN			**2010**	**$10,000**	**10**	**$1,000**

The average naming rights deal for collegiate arenas was approximately $19.2 million or $1.2 million annually with an average 14-year term. While it is important to consider collegiate comparator, the current corporate naming rights agreement for the KFC Yum! Center outperforms all but three collegiate arenas. In addition, the facility's capacity and event activity are more consistent with other major non-professional arenas in North America.

Major Arenas with No Professional Tenants

Another potential comparative set are the naming rights agreements of other major regional and national arenas that support a large number of non-tenant events like concerts, family shows, and other sporting events, similar to the KFC Yum! Center. The table on the following page details the naming rights agreements of other major arenas with no professional tenants.

COMPARABLE NAMING RIGHTS AGREEMENTS Major Arenas with No Professional Tenants $ Thousands						
Rank	Venue Name	Location	First Year of Deal	Total Amount	Term (Years)	Annual Fee
1	Sprint Center	Kansas City, MO	2005	$42,500	25	$1,700
2	Allstate Arena	Rosemont, IL	2002	$11,000	10	$1,100
3	Ricoh Coliseum	Toronto, ON	2003	$10,000	10	$1,000
4	CenturyLink Center	Omaha, NE	2003	$14,000	15	$933
5	Xfinity Center	College Park, MD	2002	$20,000	25	$800
6	Denny Sanford PREMIER Center	Sioux Falls, SD	2014	$18,750	25	$750
7	Sears Centre	Hoffman Estates, IL	2006	$6,000	10	$600
8	Wells Fargo Arena	Des Moines, IA	2010	$11,500	20	$575
9	BOK Center	Tulsa, OK	2008	$11,000	20	$550
10	DCU Center	Worcester, MA	2005	$5,200	10	$520
KFC YUM! CENTER			**2010**	**$13,500**	**10**	**$1,350**
AVERAGE			**2006**	**$14,995**	**17**	**$853**
MEDIAN			**2005**	**$11,250**	**18**	**$775**

These deals are closer in size to collegiate venues with naming rights agreements ranging from $5.2 million to $42.5 million (average of $15.0 million) or approximately $853,000 annually on average.

NBA Arenas

Given the national exposure of the Louisville men's basketball program as well as high profile non-tenant events such as NCAA tournament games, concerts and family shows, the KFC Yum! Center's event activity more closely resembles single-tenant NBA arenas. The table on the following page details current single-tenant NBA arena naming rights agreements.

COMPARABLE NAMING RIGHTS AGREEMENTS Single-Tenant NBA Arenas $ Thousands					
Rank	Venue Name	NBA Team	Total Amount	Term (Years)	Annual Fee
1	Chase Center	Golden State Warriors	$300,000	20	$15,000
2	Barclays Center	Brooklyn Nets	$200,000	20	$10,000
3	Philips Arena	Atlanta Hawks	$185,000	20	$9,250
4	Golden 1 Center	Sacramento Kings	$120,000	20	$6,000
5	Toyota Center	Houston Rockets	$95,000	20	$4,750
6	FedEx Forum	Memphis Grizzlies	$82,000	20	$4,100
7	Smoothie King Arena	New Orleans Pelicans	$40,000	10	$4,000
8	Amway Center	Orlando Magic	$40,000	10	$4,000
9	Moda Center	Portland Trail Blazers	$40,000	10	$4,000
10	Chesapeake Energy Arena	Oklahoma City Thunder	$42,000	12	$3,500
11	Talking Stick Resort Arena	Phoenix Suns	$35,000	10	$3,500
12	Vivint Smart Home Arena	Utah Jazz	$30,000	10	$3,000
13	American Airlines Arena	Miami Heat	$42,000	20	$2,100
14	AT&T Center	San Antonio Spurs	$41,000	20	$2,050
15	Bankers Life Fieldhouse	Indiana Pacers	$40,000	20	$2,000
16	Target Center	Minnesota Timberwolves	$25,000	20	$1,250
17	BMO Harris Bradley Center	Milwaukee Bucks	$7,027	6	$1,171
KFC YUM! CENTER			**$13,500**	**10**	**$1,350**
AVERAGE			**$80,237**	**16**	**$4,687**
MEDIAN			**$41,000**	**20**	**$4,000**

As shown, the average naming rights deal for single-tenant NBA venues was approximately $80.2 million or $4.7 million annually with an average 16-year term. These terms of significantly higher than comparable collegiate venues given the national exposure and visibility of NBA franchises which commands for value to potential naming rights partners. The KFC Yum! Center's current deal would rank 16th out of 17 current single-tenant NBA naming rights deals.

Naming Rights Valuation Components

In order to properly assess the naming rights value, quantitative and qualitative factors are considered together to arrive at an exposure-based analysis of the fair market value of sponsorship assets. The analysis considers the following components:

- Exterior signage;

- On-site exposure;
- Earned media;
- Paid media; and,
- Television and radio exposure.

The following pages define each of these components. It should be noted that the estimates presented herein account for the potential impact of pending NCAA sanctions on naming rights value. Specifically, the naming rights analysis assumes the following adjustments to key metrics used to determine the value of naming rights:

- Ten percent decrease in Louisville basketball attendance from historical averages;
- Twenty percent decrease in earned media stories;
- Twenty percent decrease in average viewers and the loss of national TV games; and,
- Decrease in the qualitative value or prestige of the property.

Exterior Signage

Exterior signage refers to the exposure a facility receives year-round from vehicular and pedestrian traffic. Exterior branding seen outside the Arena includes façade, marquee and directional signage. Impressions, a key determinant of naming rights value, are influenced by signage locations, size and quantities, summarized in the table on the right. Impressions are also a function of the daily vehicular and pedestrian traffic around the Arena and its exterior signage.

In total, vehicular and pedestrian traffic around the Arena would generate over 61 million annual impressions for a potential naming rights partner.

On-Site Exposure

On-site exposure refers to the exposure sponsors receive via venue attendees. This visibility may include sponsor ID on iconic landmarks, static signage, LED or video boards and numerous other forms of signage.

On-site exposure is determined by the various events held at the arena. On-site signage for a naming rights partner is based on signage locations, size and quantities and valued between $0.35 and $0.65 per impression, depending on event type.

Through events held at the Arena, over 860,000 annual impressions would be generated for a potential naming rights partner.

4. Category A Revenue Due Diligence

Earned Media

Earned media refers to the amount of naming rights sponsor media coverage generated through local, regional and national editorial media. Included in this category is television, radio, print and Internet/social media editorial exposure.

To calculate impressions, naming rights sponsor exposure from July 2016 to June 2017 at the KFC Yum! Center was analyzed and a 20 percent reduction to account for pending NCAA sanction was applied. In total, traditional and social media would generate nearly 580 million annual impressions for a potential naming rights partner.

Paid Media

Paid media refers to a sponsor's inclusion in a property's media buy. This can include print, television, radio and Internet purchased by the property, or provided by its media co-sponsors, including sponsor ID. The media buy may also include sponsor ID in audited, property-controlled publications such as event programs. Since ID is less value than advertisement, a discount was applied to the advertising buy. Paid media also includes sponsor ID on each team website, including banner ads, presenting sponsorship and sponsor videos. It also includes naming rights to the Arena website and mentions on social media. In addition to print exposure, the naming rights partner would be included in various mailings.

A potential sponsor would also receive naming rights to the Arena's website (currently KFCYumCenter.com) and text inclusion on GoCards.com, the website for University of Louisville athletics. In addition, a sponsor would be tagged on the social media platforms for both the arena and Louisville Athletics. Impressions are valued at $10 to $15 CPM for websites and $0.01 to $0.05 for social media.

In total, over 195 million impressions would be generated from paid media for a naming rights partner.

Television and Radio Exposure

Television and radio exposure refers to sponsor ID or mentions in event television and radio broadcasts. This exposure occurs during broadcasts of University of Louisville basketball games. For television, the naming rights sponsor may receive in-broadcast exposure via text graphics, signage and audio mentions. For radio, the sponsor would receive audio mentions only.

To determine the amount of in-broadcast exposure a naming rights sponsor would receive, a sample of broadcasts from Louisville basketball games were analyzed.

To determine impressions, the seconds of exposure were multiplied by the number of broadcasts and the average viewers/listeners per broadcast. The product is divided by 30 to represent the impressions generated through equivalent 30-second units. Given pending NCAA sanctions, the number of nationally televised men's basketball games was decreased and average viewership was decreased by 20 percent.

Television and radio exposure at the KFC Yum! Center would generate over 430 million annual impressions for a naming rights sponsor.

Hospitality

Hospitality benefits are standard in almost every naming rights package. The table on the right details a projected list of hospitality benefits the naming rights sponsor would receive as part of its relationship with the Arena.

NAMING RIGHTS HOSPITALITY BENEFITS
KFC Yum! Center

Hospitality Benefit	Quantity	Packaged Value
Suites for Louisville Basketball	2	$180,000
Use of Facility	2	$10,000
TOTAL VALUE		**$190,000**

A total value of $190,000 in hospitality is projected for a potential naming rights sponsor.

Qualitative Value

Qualitative value refers to qualitative benefits that a sponsor receives, such as community goodwill, audience loyalty and property prestige. The marketplace premium is almost always the driving force behind naming rights and typically accounts for a significant portion of the total value of a deal. This is the most subjective category evaluated and is based on research of the value that corporations place on a property's image, as well as our evaluation experience.

The potential qualitative value for naming rights to the Arena are estimated to be 25 percent of the sponsor benefits (net of hospitality). The following factors were ranked on a scale of one to five with five being the highest and one being the lowest. The results provide the qualitative value of naming the Arena.

- Facility Condition: 5 of 5
- Prestige of Property: 4 of 5
- Community Goodwill: 4 of 5
- Property's Track Record with Sponsors: 5 of 5
- Market Size and Media Coverage: 4 of 5
- Loyalty of Audience: 5 of 5

TOTAL SCORE: 27 of 30

Based on this analysis, it has been determined that the qualitative value of a naming rights partnership is 23 percent (27 of 30) of the total value of sponsor benefits net of hospitality.

Summary

Companies evaluating the Arena's naming rights opportunity will look to achieve a cost-to-value ratio greater than one-to-one. For this analysis, a cost-to-value ratio of one-to-1.50 for their investment has been assumed. This means that for each dollar a sponsor pays in naming rights fees, a corporate sponsor may realize $1.50 in value.

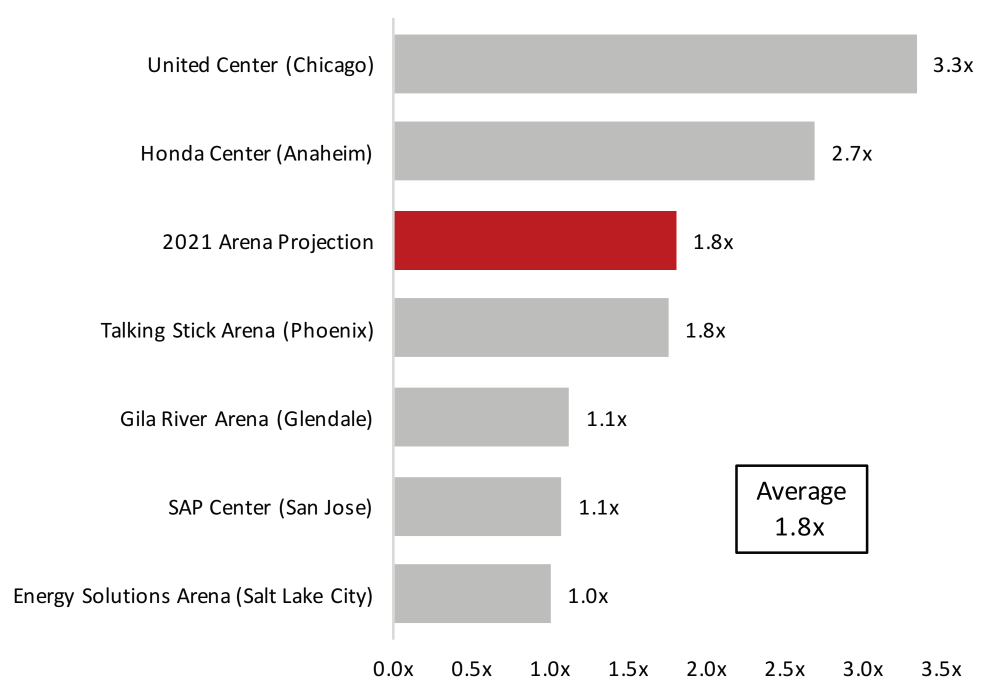
NAMING RIGHTS VALUATION
KFC Yum! Center
$ Thousands

Benefit Category	Impressions	Total Value
Exterior	61,108,472	$327
On-Site	861,651	$381
Earned Media	579,195,265	$844
Paid Media	195,912,770	$305
Broadcast	430,889,000	$628
Hospitality	-	$190
Qualitative Benefits	-	$447
TOTAL - 2017 DOLLARS		**$3,122**
TOTAL - 2021 DOLLARS		**$3,313**
COST/VALUE RATIO		**$1.00 : $1.50**
NAMING RIGHTS FEE - 2021		**$2,200**

Based on this analysis, the current market value for the naming rights fee is expected to be $2.20 million in 2021. Utilizing a two percent annual escalator, the average annual fee for a 10-year term would be $2.4 million per year ($24.1 million total fee) over 10 years.

This average annual fee would be 1.8 times the current average annual naming rights fee under the Yum! agreement. To put this into context, comparable arena naming rights renewals were collected to analyze the change from the original deal to the new agreement. The results of this analysis are presented in the chart below.

NAMING RIGHTS RENEWALS
Comparable Arenas
Average Annual Revenue Increase Multiple of New Deal Over Old Deal



Source: Individual naming rights deals.

As shown, the projected Arena average annual naming rights agreement revenue increase of 1.8 times, similar to the average increase experience at comparable arenas.

SPONSORSHIP REVENUES

In 2011, the Authority retained Learfield as their multimedia rights provider for the KFC Yum! Center. The initial nine-year agreement provided Learfield's local property, LASEP, exclusive rights to represent the Authority for sponsorship sales. In the agreement, Learfield provided the Authority a revenue guarantee of $2.0 million in year one, increasing to $2.5 million in years two through six (2013 through 2017) with a $3.0 million guarantee in the final three years of the contract (2018 through 2020).

4. Category A Revenue Due Diligence

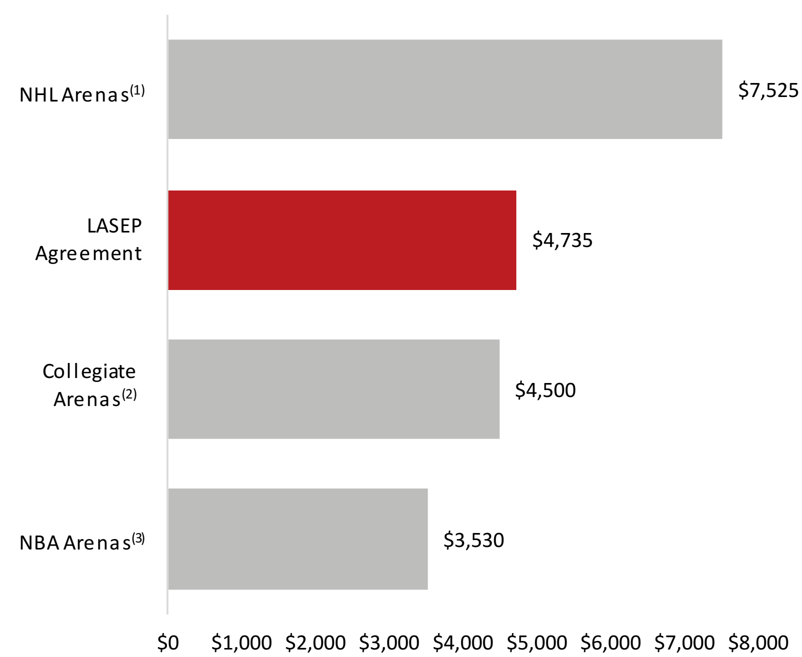
In November 2017, the Authority and Learfield signed an extension agreement which is anticipated to generate over $47 million to the arena over the term of the contract. The new agreement replaces the final three years of the previous agreement and extends the total term of the contract an additional seven years. The new 2018 guarantee is $3.75 million annually (an increase of $750,000 over the original agreement), increasing $250,000 each year in 2019, 2020 and 2021. In 2022, the annual guarantee increases to $4.65 million, escalating to $5.65 million by 2027. The average annual guarantee over the term of the agreement is approximately $4.7 million.

SPONSORSHIP REVENUES
2018-2027
$ Thousands

Year	LASEP Agreement Guarantee
2018	$3,750
2019	$4,000
2020	$4,250
2021	$4,500
2022	$4,650
2023	$4,800
2024	$5,100
2025	$5,250
2026	$5,400
2027	$5,650
AVERAGE	$4,735

The table on the left shows sponsorship revenues under the extended contract. For context, the average annual sponsorship guarantee for the projection extension was compared to the average sponsorship revenue generated for NHL and NBA arenas as well as and other top-tier universities (shown in the chart below).

ANNUAL ARENA SPONSORSHIP REVENUE
Comparable Industries
$ Thousands



(1) League-wide average arena sponsorship revenue, per NHL accounting practices.
(2) Top collegiate arena sponsorship deals; includes only arena sponsorships, excluding other university or institutional sponsorship revenues.
(3) Per NBA accounting practices.
Source: NBA, NHL and CSL research.

4. Category A Revenue Due Diligence

As shown, the average annual arena sponsorship revenue projection would be approximately $200,000 above current top collegiate arena averages.

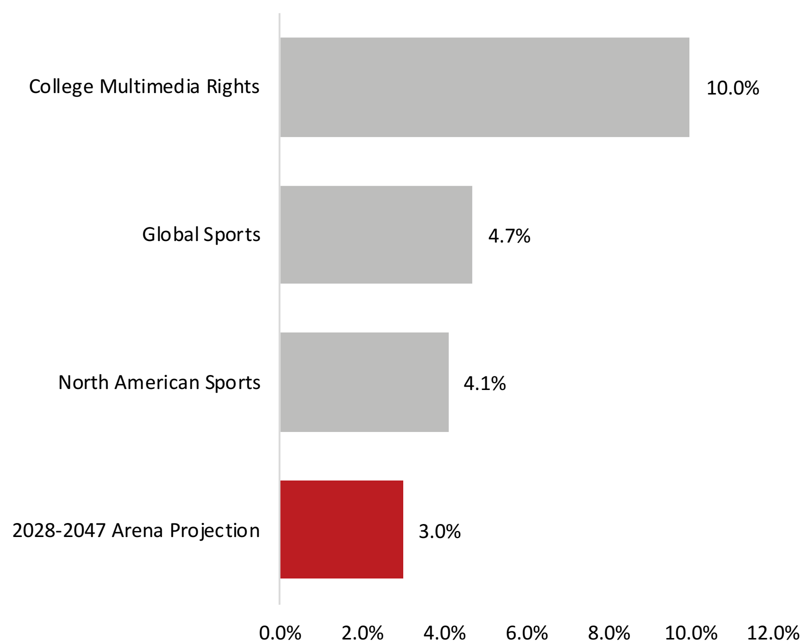
It should be noted that a merger between Learfield and IMG College, the two largest marketing and media sales groups in college sports, was recently announced. While the impacts on future sponsorship revenue for the KFC Yum! Center are unknown, experts have speculated that this industry consolidation could suppress guaranteed rights fee given that fewer companies are available to drive a competitive process.

As a result, beyond the term of the projected Arena sponsorship agreement, it is projected that the first-year increase in the rights guarantee will be three percent. In addition, it is projected that the rights guarantee would increase at three percent annually thereafter. A three percent annual escalator is slightly lower than the four percent average annual escalator under the projected extended LASEP agreement, reflecting the market dynamics of a maturing facility whose strong qualitative value (i.e. intellectual property) that sponsors find most appealing could wear off with facility newness as well as the unknown impacts of industry consolidation.

For context, this annual growth is considered conservative relative to industry trends for sponsorship growth as demonstrated in the chart below.

SPONSORSHIP REVENUE ANNUAL GROWTH

Comparable Industries



Note: Global Sports include all professional and amateur sports worldwide.

Note: North American Sports include all professional and amateur sports in North America.

Source: IEG.

4. Category A Revenue Due Diligence

As shown, a three percent annual growth projection is seven percent lower than the industry average for college multimedia rights and approximately one to two percent below other North American and global sports.

PREMIUM SEATING REVENUES

In July 2008, the Arena Authority and ULAA entered into a lease agreement for use of the KFC Yum! Center for University of Louisville men's and women's basketball games. Key lease terms related to premium seating include:

Luxury Suites and Premium Seating:

- ULAA has exclusive use and control of all 72 luxury suites with two suites (including one double suite) reserved for the Office of the President and the Office of the Athletic Director at no charge. An additional six suites are reserved for use by the Authority to market to Arena sponsors, for which the Authority pays ULAA current license fee values.
- The initial annual suite license fee was agreed to be no less than $75,000 and the minimum suite license period was to be no less than five years (although initial terms may be shorter to stagger lease expirations).
- ULAA markets, licenses and assigns all Arena premium seating, retaining all revenue generated from licensing and the sale of ULAA tickets to licensees for ULAA events.
- ULAA pays the Authority 12 percent of net luxury suite and premium seating revenue after deducting tickets, ticket taxes, ticket surcharges and allotted complimentary parking pass values.

Party Suites:

- One of the Arena's four party suites is reserved for Authority use, with the remaining three held for ULAA's exclusive use and control during ULAA basketball games. The Authority has control over all four party suites for all other Arena events.

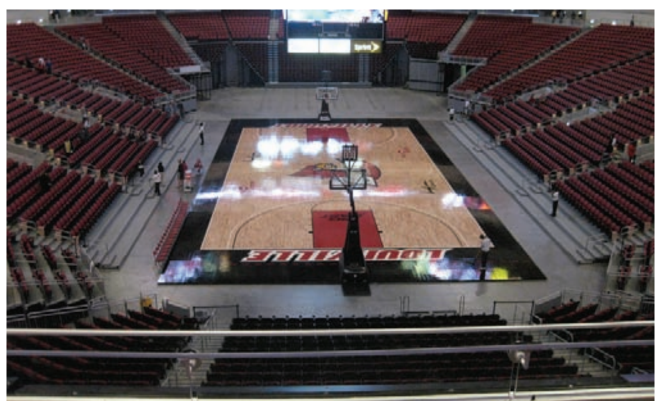
VIP Court Seating:

- ULAA can place temporary seats on the side of the basketball court during men's and women's basketball games.

- ULAA has the right to market, sell and assign this VIP court seating for basketball games and retains all revenue generated therefrom; this revenue is not counted as part of gross admissions receipts for the purposes of calculating ULAA rent, and is not subject to the Authority's premium seating payment.

Current Arena premium seating inventory on which the Authority receives a 12 percent share of license revenues includes:

- **2,710 side-court club seats**, 36 of which are accessible/companion seats and 250 of which are reserved for internal use. These seats require a $2,500 per-seat donation, are sold on an annual basis and include first right of refusal for tickets to all Arena events, access to the Burnett and Evan Williams premium lounges and a complimentary parking pass per every four seats purchased.



- **830 terrace club seats**, 16 of which are accessible/companion seats. These seats require a $1,500 per-seat donation, are sold on an annual basis, and include the first right of refusal for tickets to all Arena events, access to the Absolut Lounge and a complimentary parking pass per every four seats purchased. This premium product was developed by ULAA officials upon building opening; initial sell-through rates were lower than other premium categories, but within the first four years of Arena opening became in-line with other premium products.

- **70 premium loge boxes**, including 62 four-seat boxes and eight six-seat boxes for a total of 296 premium loge box seats. Four of these loge boxes are held for Authority use. Each seat requires a $2,500 donation, is sold on an annual basis, and includes the first right of refusal for tickets to all Arena events, access to the Absolut Lounge and in-seat wait service. Two complimentary parking passes are provided per box.

- **72 luxury suites**, including 54 16-seat suites and 16 20-seat suites. Four of these suites are held for Authority use, and two are used internally by ULAA. Suite license cost varies depending on suite location and lease length, ranging from $85,000 to $92,000 per year. Suites are offered on four-year and seven-year contract terms, and include first right of refusal for tickets to all Arena events, in-suite catering services and five complimentary parking passes per suite.

Authority premium seating revenues have remained relatively consistent since 2011, the first full year of Arena operations, a function of stable inventory sell-through, as detailed in the table on the right.

HISTORIC PREMIUM SEATING SELL-THROUGH
KFC Yum! Center

Type	Sellable Inventory	Average Sell-Through
Side-Court Club Seats	2,460	99%
Terrace Club Seats	830	95%
Loge Box Seats	292	99%
Luxury Suites	70	99%

Through the continued cultivation of relationships with current season ticket holders, referrals from existing premium seat holders to potential buyers, the utilization of an annual premium seat waitlist and continued prospecting for new clients, ULAA's annual renewal objective is approximately 97 percent for each premium area. ULAA seeks to generate new sales for the remaining three percent of Arena premium inventory not sold to previously-contracted customers. Historically, ULAA has maintained a year-to-year premium seating wait list of between 400 and 750 names, which aids in generating new sales and maintaining high sell-through rates.

4. Category A Revenue Due Diligence

While premium seat sales for fiscal year 2018 are expected to remain consistent with historical averages given that the majority of these seats are under contract, premium seat sell-through rates beyond 2018 could be impacted by potential NCAA sanctions.

To estimate the impact of potential NCAA sanctions, athletic department donations were compared between 2016 and 2013, when the Louisville men's basketball team won the NCAA National Championship. During the 2016 season allegations surfaced of recruitment violations and misconduct which ultimately led to the NCAA's 2017 decision to suspend head coach Rick Pitino and place the men's basketball program on a four-year probationary period. Even in the face of program allegations and potential NCAA sanctions, donation levels during 2016 were still approximately 93 percent of donations during Louisville's NCAA National Championship year in 2013.

In addition, as shown in the table below, ULAA's suite, loge box and club seat premium program is one of the most robust in collegiate athletics, with annual revenue potential of over $14.2 million annually, nearly 800 percent higher than the average at comparable arenas.

COMPARABLE ARENA PREMIUM SEATING PROGRAMS
KFC Yum! Center

		Suites		Loge Boxes		Club Seats		
Arena	University	Sellable* Inventory	Annual Price	Sellable* Inventory	Annual Price	Sellable* Inventory	Annual Price	Annual Revenue Potential**
KFC Yum! Center	**Louisville**	**69**	**$90,000**	**289**	**$2,500**	**3,224**	**$2,255**	**$14,231,000**
State Farm Center	Illinois	12	$70,000	36	$16,000	1,642	$3,500	$9,156,000
Mizzou Arena	Missouri	27	$32,000	20	$3,199	1,000	$2,815	$4,017,000
Pinnacle Bank Arena	Nebraska	36	$55,000	20	$20,000	832	$750	$3,257,000
Frank Erwin Center	Texas	38	$64,000	-	-	-	-	$3,176,000
Cameron Indoor Stadium	Duke	-	-	-	-	-	-	$2,843,000
Moody Coliseum	SMU	12	$31,000	24	$24,000	400	$3,100	$2,788,000
UD Arena	Dayton	12	$66,000	20	$8,000	400	$2,275	$2,198,000
Mackey Arena	Purdue	-	-	-	-	522	$2,693	$1,816,000
Hank McCamish Pavilion	Georgia Tech	-	-	-	-	500	$2,200	$1,441,000
Gallagher-Iba Arena	Oklahoma State	14	$37,500	-	-	-	-	$1,275,000
Crisler Arena	Michigan	-	-	12	$13,750	280	$1,500	$1,260,000
United Supermarkets Arena	Texas Tech	24	$30,000	-	-	-	-	$900,000
Bramlage Coliseum	Kansas State	-	-	16	$12,000	-	-	$595,000
L. Joel Veterans Memorial Coliseum	Wake Forest	18	$26,000	-	-	-	-	$468,000
Allen Fieldhouse	Kansas	-	-	-	-	120	$1,000	$443,000
Memorial Gymnasium	Vanderbilt	9	$45,000	-	-	-	-	$405,000
Schollmaier Arena	TCU	-	-	-	-	488	$750	$401,000
WVU Coliseum	West Virginia	-	-	-	-	-	-	$338,000
Littlejohn Coliseum	Clemson	-	-	32	n/a	400	$675	$270,000
Galen Center	USC	12	$12,800	-	-	-	-	$154,000
Hilton Coliseum	Iowa State	-	-	-	-	-	-	$135,000
Ferrell Center	Baylor	-	-	-	-	-	-	$112,000
Lloyd Noble Center	Oklahoma	-	-	-	-	-	-	$65,000
AVERAGE		**19**	**$42,664**	**23**	**$13,850**	**599**	**$1,933**	**$1,631,000**

*Does not include any non-revenue generating inventory

**May include inventory not accounted for in suites, loge boxes or club seats

4. Category A Revenue Due Diligence

Assuming a 10 percent decrease in premium seat revenue consistent with the drop in donations following the 2016 allegations, annual premium seat revenue for the University of Louisville would still be the highest among comparable arenas.

The table below details projected premium seating revenue to be collected by the Authority in 2018. It should be noted that revenues the Authority owes to ULAA for the use of four suites, eight club seats and one loge box are included in the Arena's operating expenses.

2018 PREMIUM SEATING REVENUE PROJECTIONS
KFC Yum! Center
$ Thousands

	Sellable Inventory	Estimated Total Sold	Annual License Fee	Total Gross Revenue
Side-Court Club Seats	2,460	2,435	$2,500	$6,089
Terrace Club Seats	830	789	$1,500	$1,183
Loge Box Seats	292	289	$2,500	$723
Luxury Suites	70	69	$90,000	$6,237
GROSS PREMIUM SEATING REVENUE				**$14,231**
Authority Share				12%
GROSS AUTHORITY PREMIUM SEATING REVENUE				**$1,708**

It is estimated that the Authority will collect approximately $1.7 million in premium seating revenues in 2018, derived from $7.2 million in club seat license sales, $723,000 in loge seat license sales and $6.2 million in suite license sales.

Beyond 2018, it is estimated that premium seat sell-through rates will decrease from historical averages as a result of yet-to-be-determined NCAA sanctions. The table on the right shows premium seating sell-through rates for 2019 through 2047 (current estimate of bond retirement), when it is expected that premium seat sales will stabilize following the impact of potential NCAA sanctions. As shown, it is estimated that sell-through rates will decrease approximately ten percent from their historical averages of 95 to 99 percent. It is also estimated that the University will hold current premium seat prices constant for 10 years to help mitigate any premium seat sales attrition stemming from

PREMIUM SEATING SELL-THROUGH
KFC Yum! Center - 2019-2047

Type	Sellable Inventory	Average Sell-Through
Side-Court Club Seats	2,460	90%
Terrace Club Seats	830	85%
Loge Box Seats	292	90%
Luxury Suites	70	90%

NCAA sanctions. After a period of 10 years, prices are then increased based on conservative price escalations.

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KFC Yum! Center Category A revenue due diligence is considered together with local market conditions, terms of renegotiated support payments and Category B revenue due diligence to evaluate the feasibility of future Arena operations.

5. CATEGORY B REVENUE DUE DILIGENCE

CONVENTIONS SPORTS & LEISURE

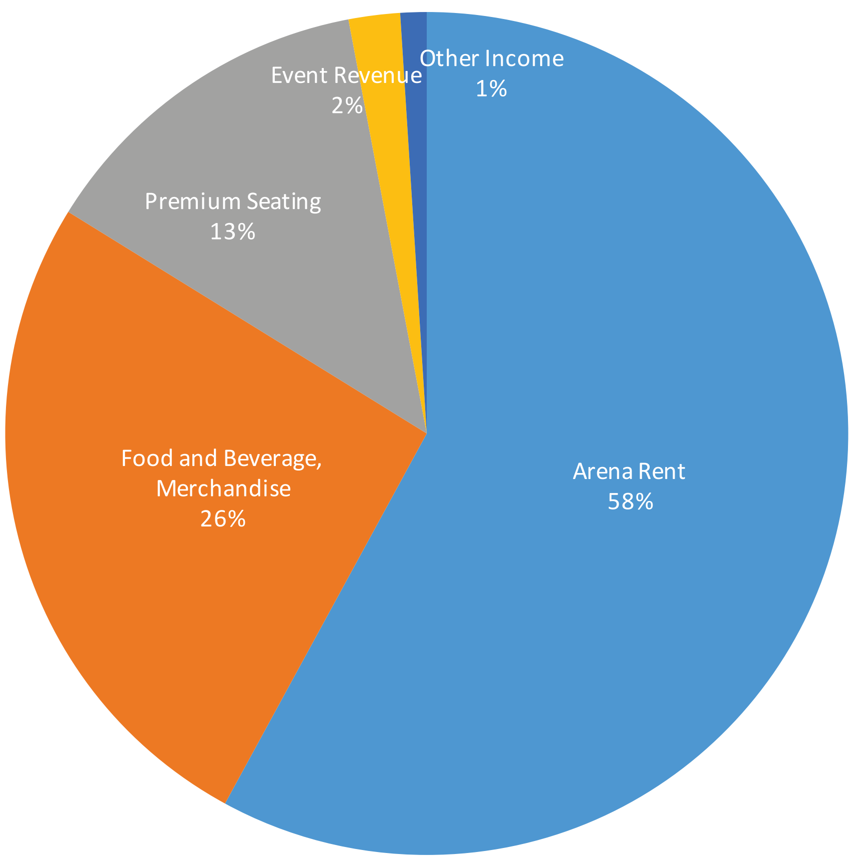
5. Category B Revenue Due Diligence

The purpose of this section is to provide due diligence supporting revenue projections for Category B revenues generated by the operations of the Arena. Category B revenues include all Arena revenue except contracted premium seating, sponsorships and naming rights (Category A revenues) and are applied to debt service after covering Arena operations and maintenance costs. Category B revenue due diligence is therefore critical to determining how these revenues would contribute to the Authority's plan of refinance.

Key Category B Arena revenues include rental charges, concessions, restaurant and merchandise sales, single event premium seating sales, and other such revenues that are subject, in large part, to Arena event and attendance levels. The chart below details Category B revenue by source in 2016, the most recent full year of operations. The annual $2.42 million ULAA payment is not included in 2016 Category B revenues, as this payment was agreed to in 2017.

CATEGORY B REVENUE BREAKDOWN
KFC Yum! Center
2016

2016 Category B Revenue[1]: $8.7 million



[1] Revenue before operations and maintenance expenses.

Source: AEG Management Louisville

5. Category B Revenue Due Diligence

Of total net Category B revenue, nearly 85 percent was derived from Arena rent, food and beverage, and merchandise sales.

The following pages provide an analysis of past Arena event and attendance activity and key considerations for the future, including an evaluation of key agreements driving per-event revenue, and how future operating conditions may affect total Category B revenues. It should be noted that guaranteed ULAA payments of $2.42 million annually (described previously) will be included as part of Category B revenues moving forward; however, given that these payments are fixed, this section focuses only on variable Category B revenue streams. The section is divided as follows:

- AEG Management;
- University of Louisville Events;
- Non-Tenant Events;
- Event Outlook; and,
- Arena Operations and Maintenance Costs.

AEG MANAGEMENT

In April 2008, the Authority entered into an operations management agreement with the Kentucky State Fair Board ("KSFB"). KSFB managed the Arena for a fixed fee of $150,000 annually plus reimbursement for labor costs and the reduction in net income of KSFB's Freedom Hall resulting from KFC Yum! Center operations.

While the KSFB management agreement included an initial term of 10 years, the Authority terminated the contract in 2012, less than two years after the Arena opened. Upon termination of the KSFB management agreement, the Authority entered into a 10-year facility management agreement with AEG Management Louisville, LLC ("AEG").

As part of the original AEG management agreement, AEG was guaranteed an annual management fee of $480,000, adjusted annually (up to a maximum of 1.5 percent) to account for increases in the Consumer Price Index for all Urban Consumers ("CPI"). In addition, AEG could earn an incentive fee of up to $120,000 annually, subject to Arena operating results.

Also under the terms of the management agreement, AEG guarantees the Authority a minimum Arena operating profit net of management fees (i.e. Category B revenues) of $1.5 million, adjusted annually by increases in the CPI.

ARENA NET REVENUES
$ Thousands

Fiscal Year	Actual Revenues[1]
KSFB Management:	
2010	($3,501)
2011	$519
AEG Management:	
2012[2]	$898
2013	$2,438
2014	$1,553
2015	$1,493
2016	$2,384
TOTAL	**$5,784**

[1] LAA audited financials.
[2] KSFB and AEG both provided management during FY 2012.

5. Category B Revenue Due Diligence

In 2015, this agreement was amended and extended to 2027. The annual management fee was adjusted upwards to $700,000 and the maximum incentive fee was adjusted downwards to $35,000. The $1.5 million Authority net profit guarantee remains in effect until the agreement's expiration. The table on the previous page details management contract revenues collected since 2010.

According to Pollstar, AEG is the world's second-largest presenter of live music and entertainment acts, as shown in the table below. Because the company has business relationships with a significant number of artists and acts, it is able to vertically integrate its talent/event management with its venue operations businesses. AEG Management Louisville, a subsidiary of AEG, therefore has direct relationships with all AEG-represented talent for purposes of routing and booking events, especially high revenue-generating concerts, into the Arena. These processes have helped to enable strong ticketed non-tenant event activity at the Arena since 2013.

TOP TEN WORLDWIDE PROMOTERS BY TICKETS SOLD
2016

Rank	Promoter	Tickets Sold
1	Live Nation	44,337,644
2	**AEG**	**15,183,802**
3	OCESA / CIE (Mexico)	3,679,916
4	Feld Entertainment	3,482,402
5	T4F - Time For Fun (South America)	2,558,556
6	SJM (United Kingdom)	2,129,971
7	Zignia Live (Mexico)	1,944,678
8	Caesars Entertainment	1,588,498
9	MSG Entertainment	1,565,899
10	FKP Scorpio Konzertproduktionen (Germany)	1,484,250

Source: Pollstar.

Because of the recent amendment to the AEG management agreement, the Arena is guaranteed not only $1.5 million in net profit, but also stable venue management with the experience and relationships necessary to continue managing tenant events and booking strong non-tenant event activity until at least 2027.

Over the past four years, the level of net Category B revenues generated by AEG has exceeded the minimum guarantee three times. Category B revenues have exceeded AEG's net profit guarantee by an average of 35 percent.

UNIVERSITY OF LOUISVILLE EVENTS

In 2008, the Authority and ULAA entered into a lease agreement for use of the Arena for University of Louisville men's and women's basketball games, set to terminate in September 2044. Under the terms of the agreement, ULAA must play all men's and women's basketball home games at the Arena, providing the following tiered rental payments in addition to Category A-specific premium seating revenues.

RENTAL AGREEMENT TERMS Category B Revenue to Authority			
	Men's Basketball Games	Women's Basketball Games	Other Events
Rent:	Greater of 10% of gross admissions receipts or $10,000 per event	Greater of 5% of gross admissions receipts or $5,000 per event	Greater of 5% of gross admissions receipts or $5,000 per event
Facility Fees:	100% of $2 facility fee	None	None
Concessions and Merchandise:	50% of net concessions and gift shop merchandise	50% of net concessions and gift shop merchandise	50% of net concessions and gift shop merchandise
Expense Reimbursement:	Expenses related to personnel required to properly staff games	Expenses related to personnel required to properly staff games	Expenses related to personnel required to properly staff events

Source: ULAA Lease Agreement.

In July 2017, the lease agreement between the Authority and ULAA was amended such that ULAA's priority use period was reduced from October 1 to the conclusion of the NCAA basketball season to November 1 to the conclusion of the NCAA basketball season, and the term of the agreement was extended until the earlier of bond retirement or 2054 (the agreed-upon date of final ULAA payments). These changes provide AEG additional calendar flexibility to book non-tenant events during the month of October, while extending guaranteed ULAA participation in Arena finances through the anticipated expiration of the refinanced bonds.

While the revised agreement guarantees that ULAA men's and women's basketball programs will be primary tenants through debt repayment, the amount of Category B revenue generated to the Authority from ULAA events is impacted, to a large degree, by attendance at ULAA home games. It is therefore important to evaluate ULAA attendance and spending patterns across event type.

<u>Men's Basketball Games</u>

The Arena has hosted between 17 and 21 contractually-required ULAA men's home basketball games on an annual basis since 2010. These games have averaged approximately 21,300 reported attendees, as shown in the table on the following page.

Attendance has fluctuated less than one percent on an annual basis, ranging from a high of 21,832 in its inaugural year to a low of 20,846 this past season.

The men's basketball program has also achieved high levels of on-court success since before the Arena opened, averaging a 0.709 win percentage since the 1999 season.

The 2016-2017 season attendance for ULAA men's basketball ranked third-highest in the NCAA, as detailed in the table on the right.

An analysis of future Arena financial operations also requires consideration of the potential impacts reduced team performance that could occur as a result of NCAA sanctions, the loss of head coach Rick Pitino or normal fluctuations in program success. The chart on the following page provides a graphical overview of ULAA men's basketball revenues as reported by the U.S. Department of Education's EADA, and ULAA men's basketball winning percentage, as reported to the NCAA, since 1999.

As shown, the program has seen sustained growth in revenues irrespective of winning percentage and economic recessions. Pronounced revenue growth in 2010 was attributable to the program's move to the KFC Yum! Center.

REPORTED ATTENDANCE
U of L Men's Basketball
KFC Yum! Center

Season	Games	Average Reported Attendance	Total Reported Attendance
2010-2011	21	21,832	458,463
2011-2012	20	21,503	430,052
2012-2013	16	21,571	345,129
2013-2014	18	21,282	383,070
2014-2015	19	21,386	406,338
2015-2016	18	20,859	369,333
2016-2017	17	20,846	354,390
AVERAGE	**18**	**21,326**	**392,396**

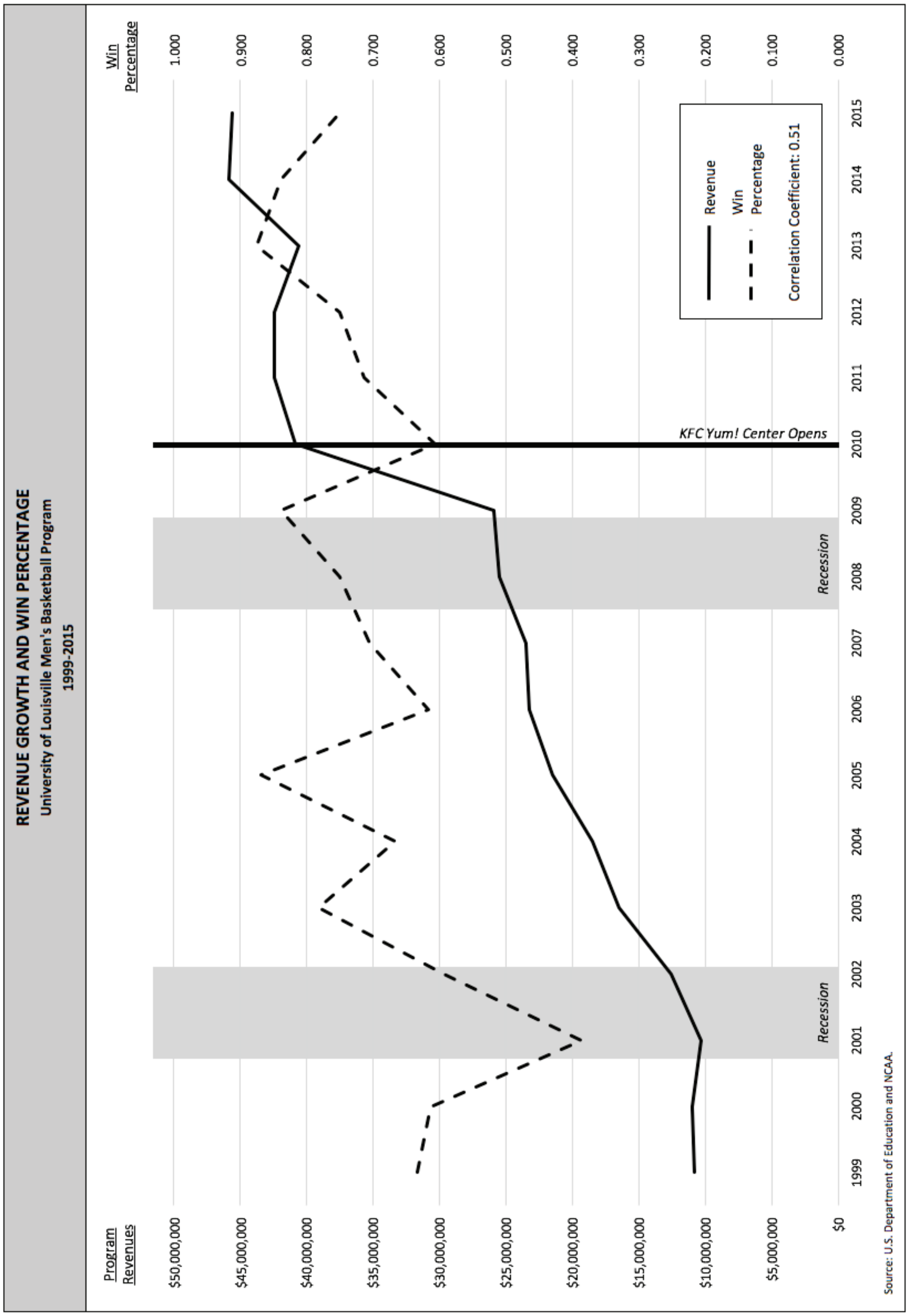
Source: NCAA.

MEN'S BASKETBALL ATTENDANCE
Top Ten NCAA Division I Teams[1]
2016-17 Season

Rank	Institution	2016-17 Average Attendance	2016-17 Total Attendance
1	Kentucky	23,461	398,837
2	Syracuse	21,181	444,801
3	**Louisville**	**20,846**	**354,382**
4	North Carolina	18,067	289,072
5	Creighton	17,412	296,004
6	Wisconsin	17,286	293,862
7	Maryland	16,628	299,304
8	Kansas	16,395	262,320
9	Indiana	16,363	294,534
10	North Carolina St.	15,906	286,308

[1] Top 10 teams among 351 Division I basketball programs.
Source: NCAA.

A statistical analysis was performed to determine the correlation between men's basketball revenues and the team's winning percentage. A correlation coefficient is a number between -1 and 1 measuring the degree to which two variables are associated. A correlation of -1.0 indicates a perfect negative correlation, and a correlation of 1.0 indicates a perfect positive correlation. A correlation of 0.0 means there is no relationship between the two variables. The determined correlation coefficient of 0.5 indicates that basketball revenues are somewhat positively correlated to the team's performance on the court, but the correlation is weak and not considered statistically significant (typically defined as a correlation above 0.80).



It is important to consider, however, that despite the program's historical attendance and revenue trends, pending NCAA sanctions could impact future attendance and revenues.

As a means of analyzing the impact pending sanctions might have on Louisville attendance, attendance levels of NCAA football and basketball programs in the years before and after NCAA sanctions were analyzed. These institutions included the University of Memphis, University of Miami, Penn State University, Syracuse University, the University of Southern California (USC) and the University of Massachusetts (UMASS). The table below shows the impact of NCAA sanctions on attendance.

IMPACT OF NCAA SANCTIONS ON ATTENDANCE
Comparable NCAA Programs

	Percentage of Pre-Sanction Attendance		
Program	Year of Sanctions	Year 1 After Sanctions	Average After Sanctions
Memphis Basketball	(2.6%)	(1.0%)	(14.8%)
Miami Football	(7.5%)	(9.2%)	(1.0%)
Penn State Football	(4.6%)	(4.8%)	(1.8%)
Syracuse Basketball	(9.5%)	(11.2%)	(11.2%)
UMASS Basketball	1.4%	(10.5%)	(40.9%)
USC Basketball	(10.7%)	(16.5%)	(23.6%)
USC Football	(5.8%)	(11.8%)	(9.1%)
AVERAGE	**(5.6%)**	**(9.3%)**	**(14.6%)**

Source: NCAA.

During the year of sanctions, comparable NCAA programs noticed an average attendance drop of 5.6 percent per game from average attendance the year before sanctions, ranging from a decrease of 10.7 percent for USC basketball to a 1.4 percent increase for UMASS basketball. In the first year after sanctions, average comparable attendance levels were 9.3 percent below attendance the year before sanctions. For the years after NCAA sanctions, average attendance levels were 14.6 percent below pre-sanction levels, ranging from a high of 1.0 percent of pre-sanction attendance levels for Miami football to a low of 40.9 percent of pre-sanction attendance levels for UMASS basketball.

It should be noted that UMASS basketball, Memphis basketball and USC football had to replace their head coach during the year of sanctions. This, along with the lack of success of the programs post-sanctions likely also contributed to the attendance decreases.

It is estimated that average attendance for men's basketball home games will decrease 10 percent from historical levels. Ultimately, with no other professional team in the market, the University of Louisville men's basketball team is Louisville's premier sports team which could serve to mitigate the degree of attendance impact from NCAA sanctions, relative to comparable programs. The team's popularity in the local and regional market has historically weathered, and will likely continue to weather, losing seasons, poor economic conditions and NCAA sanctions.

Women's Basketball Games

The table on the right provides a summary of average reported attendance since the team's inaugural 2010 season at the Arena.

The Arena has hosted between 13 and 20 contractually-required ULAA women's home basketball games on an annual basis since 2010. As shown, women's home basketball games have averaged approximately 10,000 reported attendees annually, ranging from a high of 10,859 in the Arena's inaugural year to a low of 8,256 this past season.

REPORTED ATTENDANCE
U of L Women's Basketball
KFC Yum! Center

Season	Games	Average Reported Attendance	Total Reported Attendance
2010-2011	15	10,859	162,292
2011-2012	13	10,670	138,706
2012-2013	18	9,358	168,442
2013-2014	20	9,469	189,385
2014-2015	17	9,515	161,754
2015-2016	16	9,503	152,049
2016-2017	20	8,256	165,115
AVERAGE	**17**	**9,661**	**162,535**

Source: NCAA.

Even though the team has enjoyed NCAA tournament appearances in each year of its Arena tenancy, and average reported attendance figures in the top three of Division I NCAA, no ULAA women's basketball game has exceeded the $5,000 ULAA rent threshold in net ticket revenues. The majority of women's basketball game attendees are given free or discounted admission, limiting net ticket revenues.

Given the ticketing trend of the women's basketball program and based on discussions with Athletics officials that this trend is likely to continue, it is not anticipated that the $5,000 ticketing threshold will be surpassed in the future. Stable attendance is therefore projected consistent with historical averages with conservative revenue growth in the future accounting for conservative escalations in concessions, merchandise and related prices.

Other University Events

The Arena has hosted between 11 and 17 other University events on an annual basis since 2013, averaging approximately 4,300 attendees per event. Between seven and 12 of these events have been ULAA women's volleyball matches since 2013, as the program played home matches at the Arena while an on-campus facility was constructed.

As the ULAA women's volleyball team moved to its on-campus facility in 2017, it is envisioned that the Arena will average approximately four non-basketball University events on an annual basis. These events include the University's fall and spring Commencement ceremonies and two men's basketball Red/Black Scrimmage games. Although the University is not contractually obligated to host these events at the Arena, historical precedent and discussions with ULAA and Arena officials suggests continued Arena utilization in a similar manner.

While the total number of future non-basketball University events is anticipated to fall compared to recent trends, the additional month of programming available to Arena management to program non-tenant events as negotiated in the recent lease amendment with ULAA adds more flexibility to host more profitable non-tenant events, potentially placing the Arena in a better financial position.

NON-TENANT EVENTS

The Arena has hosted between 81 and 87 non-tenant events since AEG took over facility management in 2013, as shown in the table on the right. Between 52 to 63 of these events have been ticketed full- or partial-bowl events, including concerts, sporting events, family shows and other such events.

HISTORICAL NON-TENANT EVENT ACTIVITY
KFC Yum! Center
2013-2016

Event Type	2013	2014	2015	2016	Average
Concerts	22	25	28	27	26
Sporting Events	8	3	7	5	6
Family Shows	18	17	15	10	15
Other Events	11	7	10	21	12
Meetings/Banquets	28	29	25	24	27
TOTAL	**87**	**81**	**85**	**87**	**85**

Source: AEG.

Concerts

As previously detailed, concerts have historically been the most popular non-tenant events at the Arena. Concert profitability is expected to continue into the future as the live music industry continues to grow. Gross North American concert ticket sales hit a record $7.3 billion in 2016, a six percent increase over the previous year, as seen in the table on the following page. Overall, ticket sales have grown at a compound annual rate of approximately 8.9 percent since 2000.

5. Category B Revenue Due Diligence

CONCERT TICKET SALES
North America
$ Thousands

Year	Concert Ticket Sales	Percent Change
2000	$1,700,000	-
2001	$1,800,000	5.9%
2002	$2,100,000	16.7%
2003	$2,500,000	19.0%
2004	$2,800,000	12.0%
2005	$3,100,000	10.7%
2006	$3,600,000	16.1%
2007	$3,900,000	8.3%
2008	$4,200,000	7.7%
2009	$4,600,000	9.5%
2010	$4,300,000	-6.5%
2011	$4,400,000	2.3%
2012	$4,700,000	6.8%
2013	$5,100,000	8.5%
2014	$6,200,000	21.6%
2015	$6,900,000	11.3%
2016	$7,300,000	5.8%

Source: Pollstar.

It should be noted that the number of concerts hosted at the Arena each year is, in part, a function of industry cyclicality. In 2016, the number of concerts hosted at the Arena decreased to 27 from 28 concerts hosted the year before, due in part to act scheduling availability and routing needs. In 2017, due to favorable scheduling and routing patterns, the Arena is scheduled to host 30 concerts.

Family Shows, Sporting Events and Other Ticketed Events

Family shows, sporting events and other ticketed events provide the Arena with significant per-event net revenues.

Family shows hosted at the Arena include annual multi-day Feld Entertainment ("Feld") shows, such as Monster Jam and Disney Live! The Arena also hosted Ringling Bros. Circus events, and upon the circus' closing in 2017 Arena management actively began looking for replacement events and anticipates family show event activity in the future to be on-par with historical trends.

Among the stable number of sporting events hosted at the Arena in fiscal year 2016, the Arena also hosted the 2017 NCAA Regional Men's Basketball Tournament, attracting approximately 38,000 attendees over the course of the two-day event. These tournaments are awarded on a rotating basis, and will likely return to the Arena in future years, but not annually (Arena management recently confirmed booking of the 2019 NCAA Men's Basketball Regional Finals). Even still, Arena management has consistently held between three to six non-ULAA sporting events per year, and is anticipated to continue to do so in the future.

EVENT OUTLOOK

Given stable historical event loads, industry trends, the Arena's success in hosting sporting events including the NCAA Regional Men's Basketball tournament and AEG's management agreement, it is estimated that Arena event activity will remain consistent with historical averages, with moderate revenue increases.

As long as AEG or a similarly-experienced management firm is in charge of programming the Arena, average annual non-tenant event activity should remain consistent with historical averages, with individual year event activity subject to the number and quality of touring acts each year.

ARENA OPERATIONS AND MAINTENANCE COSTS

Category B revenues are available for debt service payments net of Arena operations and maintenance costs. Since AEG's management takeover in 2013, Arena expenses have averaged $6.8 million, increasing by approximately 2.5 percent annually, as shown in the table on the following page.

OPERATIONS AND MAINTENANCE EXPENSES
KFC Yum! Center
$ Thousands

Expense Type	2013	2014	2015	2016
Administration	$4,612	$4,632	$4,559	$4,517
Utilities	$1,207	$1,287	$1,424	$1,232
Insurance	$275	$397	$479	$505
Management Fee	$480	$487	$495	$495
TOTAL	**$6,574**	**$6,803**	**$6,957**	**$6,749**

Source: AEG Management Louisville.

As Arena management continues to explore expense-side efficiencies, conservative Arena expense growth is projected. This growth in Arena expenses is not expected to have a materially negative impact on AEG's ability to cover the Authority's $1.5 million revenue guarantee.

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KFC Yum! Center Category B revenue due diligence is considered together with local market conditions, terms of renegotiated support payments and Category A revenue due diligence to evaluate the feasibility of future Arena operations.

6. PROJECTED FINANCIAL OPERATIONS

6. Projected Financial Operations

The purpose of this section is to present estimated operating revenues and expenses for the KFC Yum! Center ("Arena") and the Louisville Arena Authority ("Authority"). The assumptions used in this analysis are based on a review of historical Arena operations, contractual agreements with key Arena partners, discussions with Arena management and University of Louisville Athletic Association ("ULAA") representatives, knowledge of the marketplace, industry trends, the Authority's plan of refinance and Category A and B revenue due diligence.

Key assumptions used to estimate the potential operating revenues and expenses for the Arena and Authority include, but are not limited to the following:

- The KFC Yum! Center will continue to exist and serve as a quality, state-of-the-art venue with the necessary event spaces, amenities, acoustics, stage configuration, rigging capacities, flexible seating configurations and back-of-house space to accommodate the needs of various types of users.

- The Louisville men's and women's basketball teams will continue to serve as the primary tenants in the Arena and will remain competitive within the Atlantic Coast Conference or similar conference.

- The KFC Yum! Center will continue to be operated by AEG or another competent private management company that has extensive industry relationships with key event promoters and booking agents.

- The KFC Yum! Center will continue to be aggressively marketed, providing competitive rental rates and co-promoting as necessary to best balance utilization and revenue maximization.

- It is assumed there will be no material changes in the supply or quality of existing venues in the marketplace beyond those previously discussed in this report.

- The market will generate spending on tickets, concessions, novelties, sponsorships/advertising and premium seating that is consistent with historical averages.

- The KFC Yum! Center will continue to be conducive to providing a pleasant fan experience.

- An adequate capital reserve will be funded to re-invest in the Arena to ensure it maintains its revenue-generating abilities and operational efficiencies.

- Unknown future economic conditions will not adversely affect the market and its response to Arena events.

- Assuming bonds are refinanced in fiscal year 2018, the projections presented herein begin in 2018 and continue through 2047 (current estimate of bond retirement).

6. Projected Financial Operations

The presentation of estimated operating results is presented in the following sections:

- Revenues:
    - Governmental Revenues:
        - Metro Louisville Guarantee;
        - TIF Contribution; and,
        - Governmental Revenues Summary.
    - Net Arena Revenues:
        - Category A Revenues:
            - Naming Rights;
            - Sponsorship;
            - Premium Seating;
        - Category B Revenues:
            - ULAA Payments;
            - AEG Management Agreement Revenues;
        - Operating Expenses; and,
- Financial Pro Forma.

REVENUES

Authority revenues consist of Metro Louisville guarantee payments, Commonwealth of Kentucky TIF Contributions, Category A revenues (naming rights, sponsorships and premium seating) and Category B revenues (University of Louisville Athletics Association ("ULAA") payments and AEG management agreement). A brief description of each revenue source is provided below.

<u>Governmental Revenues</u>

Revenues collected by the Authority to support debt service include payments and contributions from the Metro Louisville Government and the Commonwealth of Kentucky. Projected disbursements from these entities are discussed over the following pages.

Metro Louisville Guarantee

As part of the Series 2008 bond agreement, the Metro Louisville government agreed to provide a guaranteed annual payment to service a portion of the Arena's debt service. In 2017, this agreement was amended such that Metro Louisville's annual payments were increased to a flat $10.8 million, effective until bond maturity or full repayment.

Per this agreement, it is projected that the Authority will receive $10.8 million from Metro Louisville annually until bond retirement.

TIF Contribution

The Commonwealth of Kentucky provides specified TIF revenues to service a portion of Series 2008 bond debt service. In 2013 the TIF district was condensed to a two-square mile area encompassing Louisville's central business core and in 2017, the TIF agreement was amended such that it was extended an additional 25 years (through bond retirement) and the funds cap was removed.

2017 TIF contributions were $11.2 million, while the Commonwealth projects 2018 contributions to be $11.3 million. From 2019 through the term of indebtedness, the Commonwealth projects a 4.7 percent average annual growth in TIF contributions ranging from 0.4 percent to 9.0 percent. This includes a 2.5 percent annual growth in sales tax collections along with increases in property tax collections.

The table on the following page details projected TIF contributions over the expected term of debt service.

PROJECTED TIF CONTRIBUTIONS
KFC Yum! Center
$ Thousands

2018-2032			2033-2047		
Year	Projected Annual Revenue	Annual Growth	Year	Projected Annual Fee	Annual Growth
2018	$11,284	--	2033	$27,754	8.5%
2019	$12,156	7.7%	2034	$28,744	3.6%
2020	$13,142	8.1%	2035	$29,790	3.6%
2021	$13,968	6.3%	2036	$30,909	3.8%
2022	$15,184	8.7%	2037	$32,083	3.8%
2023	$16,513	8.8%	2038	$33,240	3.6%
2024	$17,990	8.9%	2039	$34,341	3.3%
2025	$19,209	6.8%	2040	$35,399	3.1%
2026	$20,198	5.2%	2041	$36,450	3.0%
2027	$21,088	4.4%	2042	$37,531	3.0%
2028	$21,981	4.2%	2043	$38,650	3.0%
2029	$23,111	5.1%	2044	$39,784	2.9%
2030	$24,354	5.4%	2045	$40,905	2.8%
2031	$25,582	5.0%	2046	$41,999	2.7%
2032	$26,734	4.5%	2047	$43,075	2.6%

Source: Commonwealth of Kentucky projections.

As noted in *Section 3 – Support Payment Renegotiation*, the methodologies and assumptions behind Commonwealth projections are detailed in the document *"Certain Information Relating to TIF Revenues – Louisville Arena TIF Baseline and Projections, Methodologies and Assumptions"*, provided in the appendix of this report.

Governmental Revenues Summary

The table on the following page details projected revenue generation by payment type over the expected term of debt service.

PROJECTED GOVERNMENTAL REVENUES KFC Yum! Center $ Thousands							
2018-2032				2033-2047			
Year	Metro Louisville Guarantee	TIF Contributions	**Total Governmental Revenues**	Year	Metro Louisville Guarantee	TIF Contributions	**Total Governmental Revenues**
2018	$10,800	$11,284	**$22,084**	2033	$10,800	$27,754	**$38,554**
2019	$10,800	$12,156	**$22,956**	2034	$10,800	$28,744	**$39,544**
2020	$10,800	$13,142	**$23,942**	2035	$10,800	$29,790	**$40,590**
2021	$10,800	$13,968	**$24,768**	2036	$10,800	$30,909	**$41,709**
2022	$10,800	$15,184	**$25,984**	2037	$10,800	$32,083	**$42,883**
2023	$10,800	$16,513	**$27,313**	2038	$10,800	$33,240	**$44,040**
2024	$10,800	$17,990	**$28,790**	2039	$10,800	$34,341	**$45,141**
2025	$10,800	$19,209	**$30,009**	2040	$10,800	$35,399	**$46,199**
2026	$10,800	$20,198	**$30,998**	2041	$10,800	$36,450	**$47,250**
2027	$10,800	$21,088	**$31,888**	2042	$10,800	$37,531	**$48,331**
2028	$10,800	$21,981	**$32,781**	2043	$10,800	$38,650	**$49,450**
2029	$10,800	$23,111	**$33,911**	2044	$10,800	$39,784	**$50,584**
2030	$10,800	$24,354	**$35,154**	2045	$10,800	$40,905	**$51,705**
2031	$10,800	$25,582	**$36,382**	2046	$10,800	$41,999	**$52,799**
2032	$10,800	$26,734	**$37,534**	2047	$10,800	$43,075	**$53,875**

Sources: Metro Louisville and Commonwealth of Kentucky.

A sensitivity analysis summarizing anticipated Authority financial operations based on fluctuations in TIF contributions is presented in *Section 7 – Sensitivity Analysis*.

Category A Revenues

Category A revenues consist of contractually-obligated revenues secured through multi-year agreements, and include naming rights, sponsorship and premium seating revenues. Future projections for each of these revenue sources are summarized over the following pages.

Naming Rights

In 2010, the Authority entered into a 10-year naming rights agreement on behalf of the Authority with Yum! Brands ("Yum!"). The agreement, expiring in 2020, required an annual payment by Yum! of $1.3 million for the first five years, escalating at two percent annually for the final five years of the agreement.

Based on a comprehensive naming rights valuation as detailed in *Section 4 – Category A Revenue Due Diligence*, it is estimated that the market value of Arena naming rights will be approximately $2.2 million in 2021, escalating two percent annually over an estimated 10-year term ($2.4 million average annual revenues).

Upon the expiration of this projected 10-year agreement, it is estimated that naming rights will be sold such that the $2.63 million fee projected in 2030 will grow by two percent in 2031 and continue to grow by two percent thereafter until bond repayment. This conservative growth is based on a review of comparable arena naming rights escalations.

The table below details projected naming rights revenue over the expected term of debt service.

PROJECTED NAMING RIGHTS REVENUES
KFC Yum! Center
$ Thousands

2018-2031			2032-2047		
Year	Projected Annual Fee	Annual Growth	Year	Projected Annual Fee	Annual Growth
Current Yum! Brands Agreement:			2032	$2,735	2.0%
2018	$1,380		2033	$2,790	2.0%
2019	$1,407	2.0%	2034	$2,846	2.0%
2020	$1,435	2.0%	2035	$2,903	2.0%
Projected Future Agreement:			2036	$2,961	2.0%
2021	$2,200	53.3%	2037	$3,020	2.0%
2022	$2,244	2.0%	2038	$3,081	2.0%
2023	$2,289	2.0%	2039	$3,142	2.0%
2024	$2,335	2.0%	2040	$3,205	2.0%
2025	$2,381	2.0%	2041	$3,269	2.0%
2026	$2,429	2.0%	2042	$3,334	2.0%
2027	$2,478	2.0%	2043	$3,401	2.0%
2028	$2,527	2.0%	2044	$3,469	2.0%
2029	$2,578	2.0%	2045	$3,539	2.0%
2030	$2,629	2.0%	2046	$3,609	2.0%
2031	$2,682	2.0%	2047	$3,682	2.0%

A sensitivity analysis summarizing anticipated Authority financial operations based on fluctuations in naming rights revenue is presented in *Section 7 – Sensitivity Analysis*.

Sponsorship

In 2011, the Authority retained local Learfield property LASEP as the Arena's multimedia rights provider. In November 2017, LASEP executed an extension through 2027.

The new agreement replaces the final three years of the previous agreement and extends the total term of the contract an additional seven years. The new 2018 guarantee is $3.75 million annually (an increase of $750,000 over the original agreement), increasing $250,000 each year in 2019, 2020 and 2021. In 2022, the annual guarantee increases to $4.65 million, escalating to $5.65 million by 2027. The average annual guarantee over the term of the agreement is approximately $4.7 million.

Upon the expiration of LASEP's current agreement in 2027, it is projected that the revenue guarantee will increase by three percent in year one as well as annually throughout bond repayment.

The table on the following page details projected sponsorship revenue over the expected term of debt service.

PROJECTED SPONSORSHIP REVENUES KFC Yum! Center $ Thousands					
2018-2031			2032-2047		
Year	Projected Annual Fee	Annual Growth	Year	Projected Annual Fee	Annual Growth
Extended LASEP Agreement:			2032	$6,550	6.1%
2018	$3,750		2033	$6,746	3.0%
2019	$4,000	6.7%	2034	$6,949	3.0%
2020	$4,250	6.3%	2035	$7,157	3.0%
2021	$4,500	5.9%	2036	$7,372	3.0%
2022	$4,650	3.3%	2037	$7,593	3.0%
2023	$4,800	3.2%	2038	$7,821	3.0%
2024	$5,100	6.3%	2039	$8,056	3.0%
2025	$5,250	2.9%	2040	$8,297	3.0%
2026	$5,400	2.9%	2041	$8,546	3.0%
2027	$5,650	4.6%	2042	$8,803	3.0%
Projected Future Agreement:			2043	$9,067	3.0%
2028	$5,820	3.0%	2044	$9,339	3.0%
2029	$5,994	3.0%	2045	$9,619	3.0%
2030	$6,174	3.0%	2046	$9,907	3.0%
2031	$6,359	3.0%	2047	$10,205	3.0%

A sensitivity analysis summarizing anticipated Authority financial operations based on fluctuations in sponsorship revenue is presented in *Section 7 – Sensitivity Analysis*.

Premium Seating

The Authority's 2008 lease agreement with ULAA provides the Authority with 12 percent of net premium seat revenues on an annual basis through the projection period. Authority premium seating revenues have remained relatively consistent since 2011, the first full year of Arena operations, a function of stable sell-through rates.

It is estimated that the Authority will collect approximately $1.7 million in premium seating revenues in 2018, derived from $7.2 million in club seat license sales, $723,000 in loge seat license sales and $6.2 million in suite license sales. Sell-through rates for 2018 are not currently estimated to be impacted by the pending NCAA sanctions given that these revenues are already contracted from sales for the 2017/2018 men's basketball season.

Beyond 2018, it is estimated that premium seat sell-through rates will decrease from historical averages as a result of yet-to-be-determined NCAA sanctions. As previously discussed, it is estimated that sell-through rates will fall approximately ten percent from their historical averages of 95 to 99 percent, which is consistent with donation decreases in 2016 following the men's basketball program's previous recruiting violations. In addition to sell-through decreases, it is also estimated that the University will hold current premium seat prices constant for 10 years to help mitigate any premium seat sales attrition stemming from NCAA sanctions. After a period of 10 years, prices are then increased based on conservative price escalations.

The table below details projected premium seating revenue over the expected term of debt service.

PROJECTED PREMIUM SEATING REVENUES

KFC Yum! Center

$ Thousands

2018-2032			2033-2047		
Year	Projected Annual Revenue	Annual Growth	Year	Projected Annual Fee	Annual Growth
2018	$1,709		2033	$1,663	2.0%
2019	$1,638	(4.1%)	2034	$1,680	1.0%
2020	$1,552	(5.3%)	2035	$1,697	1.0%
2021	$1,552	0.0%	2036	$1,714	1.0%
2022	$1,552	0.0%	2037	$1,731	1.0%
2023	$1,552	0.0%	2038	$1,748	1.0%
2024	$1,552	0.0%	2039	$1,766	1.0%
2025	$1,552	0.0%	2040	$1,783	1.0%
2026	$1,552	0.0%	2041	$1,801	1.0%
2027	$1,567	1.0%	2042	$1,819	1.0%
2028	$1,583	1.0%	2043	$1,837	1.0%
2029	$1,599	1.0%	2044	$1,856	1.0%
2030	$1,615	1.0%	2045	$1,874	1.0%
2031	$1,631	1.0%	2046	$1,893	1.0%
2032	$1,647	1.0%	2047	$1,912	1.0%

A sensitivity analysis summarizing anticipated Authority financial operations based on fluctuations in premium seat sell-through rates is presented in *Section 7 – Sensitivity Analysis*.

Category A Revenues Summary

The table below details projected Category A revenues by type over the expected term of debt service.

PROJECTED CATEGORY A REVENUES - BASE CASE
KFC Yum! Center
$ Thousands

2018-2032					2033-2047				
Year	Naming Rights	Sponsorship	Premium Seating	**Total Category A Revenues**	Year	Naming Rights	Sponsorship	Premium Seating	**Total Category A Revenues**
2018	$1,380	$3,750	$1,709	**$6,838**	2033	$2,790	$6,746	$1,663	**$11,200**
2019	$1,407	$4,000	$1,638	**$7,045**	2034	$2,846	$6,949	$1,680	**$11,475**
2020	$1,435	$4,250	$1,552	**$7,237**	2035	$2,903	$7,157	$1,697	**$11,757**
2021	$2,200	$4,500	$1,552	**$8,252**	2036	$2,961	$7,372	$1,714	**$12,047**
2022	$2,244	$4,650	$1,552	**$8,446**	2037	$3,020	$7,593	$1,731	**$12,344**
2023	$2,289	$4,800	$1,552	**$8,640**	2038	$3,081	$7,821	$1,748	**$12,650**
2024	$2,335	$5,100	$1,552	**$8,986**	2039	$3,142	$8,056	$1,766	**$12,963**
2025	$2,381	$5,250	$1,552	**$9,183**	2040	$3,205	$8,297	$1,783	**$13,286**
2026	$2,429	$5,400	$1,552	**$9,380**	2041	$3,269	$8,546	$1,801	**$13,616**
2027	$2,478	$5,650	$1,567	**$9,695**	2042	$3,334	$8,803	$1,819	**$13,956**
2028	$2,527	$5,820	$1,583	**$9,929**	2043	$3,401	$9,067	$1,837	**$14,305**
2029	$2,578	$5,994	$1,599	**$10,170**	2044	$3,469	$9,339	$1,856	**$14,664**
2030	$2,629	$6,174	$1,615	**$10,418**	2045	$3,539	$9,619	$1,874	**$15,032**
2031	$2,682	$6,359	$1,631	**$10,672**	2046	$3,609	$9,907	$1,893	**$15,410**
2032	$2,735	$6,550	$1,647	**$10,932**	2047	$3,682	$10,205	$1,912	**$15,798**

In total, naming rights, sponsorship and premium seating revenues are anticipated to generate approximately $6.8 million in 2018, escalating to approximately $15.8 million in 2047, the estimated year of bond retirement.

A sensitivity analysis summarizing anticipated Authority financial operations based on fluctuations in Category A revenues is presented in *Section 7 – Sensitivity Analysis*.

Category B Revenues

Category B revenues include guaranteed payments from ULAA as well as all other Arena revenue except revenue generated from contracted premium seating, sponsorships and naming rights (Category A revenues). Category B revenue is collected by the Arena's manager, AEG of Louisville, and disbursed to the Authority net of Arena operations and maintenance costs. Future projections for ULAA payments and other AEG management agreement revenue sources are summarized over the following pages.

ULAA Payments

In 2017, the Authority and ULAA agreed to an amended lease agreement guaranteeing the Authority an annual payment of $2.42 million in addition to rent, premium seats, food and beverage and other revenues that it receives from its original lease agreement with the Authority. This $2.42 million annual payment includes no escalators and will continue until the earlier of bond retirement or 2054 (the agreed-upon date of final ULAA payments).

AEG Management Agreement Revenues

As previously detailed, the Authority entered into a 10-year facility management agreement with AEG in 2012, which guarantees the Authority $1.5 million in operating profit net of stipulated management fees, increasing 1.5 percent annually through the length of the contract. In three of the first four full years of AEG management, Arena profit has surpassed this $1.5 million threshold.

Projected other AEG management agreement revenues include net rent, single event premium seating sales, concessions and merchandise sales, other event revenue including facility fees, Ticketmaster rebates and handling fees, and operations and maintenance costs, including administration, utilities, insurance and management fee expenses. A summary of each revenue and expense projection follows.

Net Rent Revenue

ULAA and non-tenant events hosted at the Arena are charged base rental fees in addition to event expenses reimbursable to the Arena. ULAA event rental fees are outlined in ULAA's lease agreement with the Authority, while non-tenant event rental fees were determined through conversations with Arena management and a review of historical rents realized for past events hosted at the Arena.

Overall, it is estimated that the Arena will host 99 events subject to rental fees on an annual basis. These events include tenant events such as ULAA men's and women's basketball games, U of L commencement ceremonies and Red and White scrimmages, as well as non-tenant events including concerts, sporting events and family shows designated as either full bowl or partial bowl rentals, conferences and meetings. In total, it is estimated that the Arena could generate net rental revenue of approximately $820,000 in 2018. It is estimated that this revenue will grow over time based on conservative price escalations and normal event fluctuations.

Single Event Premium Sales Revenue

Arena premium seating licensees are given the first right of refusal to purchase tickets for non-tenant events. Revenue derived from the sale of tickets to these licensees is retained by the Arena. For purposes of this analysis, average premium tickets sold and average ticket price data was developed based on a review of historical Arena operational data and expected future demand.

Overall, it is estimated that single event premium sales could generate approximately $1.0 million in revenue in 2018. It is estimated that this revenue will grow over time based on conservative price escalations.

Concessions and Merchandise Revenue

Concessions revenue is derived from the sale of food and beverages during ULAA and non-tenant events at permanent and portable concession stands in general and premium seating areas throughout the Arena. Merchandise revenue is derived from the sale of jerseys, shirts, jackets, scarves, hats, game-day programs and other miscellaneous souvenir items in the Arena during ULAA and non-tenant events.

Concession and merchandise revenue is calculated as a function of the estimated number and type of events at the Arena, estimated turnstile (or actual) attendance and average concessions and merchandise Arena commissions per capita. Arena commissions are net of the revenue retained by the Arena's concessionaire, Centerplate, and the 50 percent of remaining revenue shared with ULAA. Key assumptions were developed based on a review of historical Arena operational data.

Overall, it is estimated that concessions and merchandise sales could generate approximately $2.7 million in net Arena revenue in 2018. It is estimated that these revenues will grow over time based on conservative price escalations.

Event Revenue

Other event revenue is derived from fees associated with ticket sales, including facility fees, Ticketmaster rebates and handling fees.

The Arena charges a $2.00 facility fee on every ticket sold to ULAA men's basketball games, as well as a higher facility fee for tickets to non-tenant full bowl and partial bowl events. For purposes of this analysis, average paid attendance figures and non-tenant event facility fees were developed based on a review of historical Arena operational data.

It is anticipated that Ticketmaster will continue to handle a significant portion of ticket sales for non-tenant full and partial bowl Arena events. Ticketmaster generally collects a convenience charge on each ticket sold through its platform, and rebates a portion of such charge to the Arena. For purposes of this analysis, key assumptions were developed based on a review of review of historical Arena operational data and discussions with Arena management.

In addition to facility fees and ticket master convenience charge rebates, the Arena also generates revenue from handling fees for select other tickets sold. For purposes of this analysis, key assumptions were developed based on a review of historical Arena operational data and discussions with Arena management.

Overall, it is estimated that event revenue for the Arena would total $4.6 million in 2018. It is estimated that this revenue will grow over time based on conservative price escalations.

Operations and Maintenance Expenses

Operations and maintenance expenses include those related to Arena administration, utilities, insurance and AEG's management fee. These expenses are covered by Category B revenues, with remaining revenues directed toward Authority debt service payments.

OPERATIONS AND MAINTENANCE EXPENSES KFC Yum! Center 2018	
Administration	$4,910,000
Utilities	$1,380,000
Insurance	$440,000
Management Fee	$710,500
TOTAL	$7,440,500

Operating expense estimates, as detailed in the table above, are based on a review of the Arena's historical expense figures, as well as AEG's recently-amended management agreement with the Authority stipulating a guaranteed $700,000 management fee beginning in 2017.

Overall, it is estimated that Arena operations and maintenance expenses will approximate $7.4 million in 2018. It is estimated that these expenses will grow over time based on conservative expense escalations.

Category B Revenues Summary

The table on the following page details net Category B revenue over the expected term of debt service.

PROJECTED NET CATEGORY B REVENUES - BASE CASE

KFC Yum! Center

$ Thousands

2018-2032				2033-2047			
Year	ULAA Payments	Net AEG Management Agreement Revenues*	**Net Category B Revenue**	Year	ULAA Payments	Net AEG Management Agreement Revenues	**Net Revenue From Operations Contract**
2018	$2,420	$1,604	**$4,024**	2033	$2,420	$1,795	**$4,215**
2019	$2,420	$1,615	**$4,035**	2034	$2,420	$1,810	**$4,230**
2020	$2,420	$1,625	**$4,045**	2035	$2,420	$1,826	**$4,246**
2021	$2,420	$1,636	**$4,056**	2036	$2,420	$1,842	**$4,262**
2022	$2,420	$1,648	**$4,068**	2037	$2,420	$1,858	**$4,278**
2023	$2,420	$1,659	**$4,079**	2038	$2,420	$1,875	**$4,295**
2024	$2,420	$1,672	**$4,092**	2039	$2,420	$1,893	**$4,313**
2025	$2,420	$1,684	**$4,104**	2040	$2,420	$1,910	**$4,330**
2026	$2,420	$1,697	**$4,117**	2041	$2,420	$1,929	**$4,349**
2027	$2,420	$1,710	**$4,130**	2042	$2,420	$1,947	**$4,367**
2028	$2,420	$1,723	**$4,143**	2043	$2,420	$1,966	**$4,386**
2029	$2,420	$1,737	**$4,157**	2044	$2,420	$1,986	**$4,406**
2030	$2,420	$1,751	**$4,171**	2045	$2,420	$2,006	**$4,426**
2031	$2,420	$1,765	**$4,185**	2046	$2,420	$2,027	**$4,447**
2032	$2,420	$1,780	**$4,200**	2047	$2,420	$2,050	**$4,470**

* Net of operations and maintenance expenses.

In total, Category B revenues are anticipated to generate approximately $4.0 million in 2018, net of operations and maintenance expenses.

A sensitivity analysis summarizing anticipated Authority financial operations based on fluctuations in Category B revenues is presented in *Section 7 – Sensitivity Analysis*.

Operating Expenses

The table on the next page shows historical Authority operating expenses by category.

AUTHORITY OPERATING EXPENSES
KFC Yum! Center
$ Thousands

Expense Type	2013	2014	2015	2016
Accounting	$105	$105	$100	$58
Contractual Services	$183	$209	$229	$227
Insurance	$131	$175	$168	$162
Legal	$159	$113	$792	$197
Meetings	$17	$10	$8	$7
Suite Sponsorships and Fees	$643	$591	$580	$540
Signage - UL	$843	$961	$1,052	$1,036
Repairs and Maintenance	$0	$0	$124	$15
Management Fee	$30	$58	$0	$0
Sponsorships	$103	$0	$0	$0
Other	$53	$3	$0	$0
TOTAL	**$2,267**	**$2,224**	**$3,054**	**$2,242**

Source: Louisville Arena Authority.

As shown, since 2013 (the first full year of Arena management under AEG), Authority operating expenditures have ranged from a low of $2.22 million in 2014 to a high of $3.05 million in 2015 driven by increased one-time legal fees. Included in Authority operating expenses are revenues the Authority owes to ULAA for the use of four suites, eight club seats and one loge box in addition to sponsorship signage shares in accordance with the lease agreement.

Moving forward, it is projected that Authority operating expenses will be approximately $2.6 million in 2018. It is estimated that expenses will grow over time based on conservative cost escalations. The table on the following page details projected Authority expenses over the estimated term of indebtedness.

PROJECTED AUTHORITY OPERATING EXPENSES KFC Yum! Center $ Thousands					
2018-2032			2033-2047		
Year	Projected Annual Expenses	Annual Growth	Year	Projected Annual Expenses	Annual Growth
2018	$2,634		2033	$3,924	4.8%
2019	$2,730	3.6%	2034	$4,016	2.4%
2020	$2,827	3.5%	2035	$4,112	2.4%
2021	$2,924	3.4%	2036	$4,209	2.4%
2022	$2,991	2.3%	2037	$4,310	2.4%
2023	$3,059	2.3%	2038	$4,413	2.4%
2024	$3,172	3.7%	2039	$4,518	2.4%
2025	$3,241	2.2%	2040	$4,626	2.4%
2026	$3,310	2.1%	2041	$4,738	2.4%
2027	$3,413	3.1%	2042	$4,852	2.4%
2028	$3,493	2.3%	2043	$4,969	2.4%
2029	$3,575	2.3%	2044	$5,089	2.4%
2030	$3,659	2.3%	2045	$5,212	2.4%
2031	$3,745	2.4%	2046	$5,338	2.4%
2032	$3,833	2.4%	2047	$5,468	2.4%

FINANCIAL PRO FORMA

The table on the following page details estimated operating revenues and expenses associated with the Authority in certain years of debt repayment.

6. Projected Financial Operations

PROJECTED AUTHORITY PRO FORMA - BASE CASE
KFC Yum! Center
$ Thousands

	2018	2019	2020	2021	2022
GOVERNMENTAL REVENUES					
Metro Louisville Guarantee	$10,800	$10,800	$10,800	$10,800	$10,800
TIF Contribution	$11,284	$12,156	$13,142	$13,968	$15,184
TOTAL GOVERNMENTAL REVENUES	**$22,084**	**$22,956**	**$23,942**	**$24,768**	**$25,984**
NET ARENA REVENUES					
Category A Revenues	$6,838	$7,045	$7,237	$8,252	$8,446
Category B Revenues:					
ULAA Payments	$2,420	$2,420	$2,420	$2,420	$2,420
Net AEG Management Revenues	$1,604	$1,615	$1,625	$1,636	$1,648
Operating Expenses (1)	(2,634)	(2,730)	(2,827)	(2,924)	(2,991)
NET ARENA REVENUES	**$8,228**	**$8,350**	**$8,455**	**$9,384**	**$9,522**
NET REVENUES AVAILABLE FOR DEBT SERVICE	**$30,313**	**$31,305**	**$32,397**	**$34,151**	**$35,506**
NET DEBT SERVICE	$20,158	$21,219	$21,219	$23,519	$23,907
Coverage Ratio	*1.50x*	*1.48x*	*1.53x*	*1.45x*	*1.49x*
CAPITAL EXPENDITURES	$825	$1,510	$1,300	$2,350	$4,500
Coverage Ratio After CapEx	*1.46x*	*1.40x*	*1.47x*	*1.35x*	*1.30x*

(1) Excludes depreciation

Note: CapEx (capital expenditure) estimates per offering memorandum.

As shown, the Authority is projected to collect $30.3 million in net revenues available for debt service in 2018, increasing to $35.5 million in 2022.

The table on the following page details net revenues available for debt service and debt coverage ratios over the entire expected term of debt service.

PROJECTED AUTHORITY PRO FORMA - BASE CASE KFC Yum! Center $ Thousands						
	Excluding CapEx			Including CapEx		
Year	Revenues Available for Debt Service	Net Debt Service	Coverage Ratio	Revenues Available for Debt Service	Net Debt Service	Coverage Ratio
2018	$30,313	$20,158	1.50	$29,488	$20,158	1.46
2019	$31,305	$21,219	1.48	$29,795	$21,219	1.40
2020	$32,397	$21,219	1.53	$31,097	$21,219	1.47
2021	$34,151	$23,519	1.45	$31,801	$23,519	1.35
2022	$35,506	$23,907	1.49	$31,006	$23,907	1.30
2023	$36,974	$24,135	1.53	$33,724	$24,135	1.40
2024	$38,696	$24,658	1.57	$37,096	$24,658	1.50
2025	$40,055	$25,184	1.59	$39,555	$25,184	1.57
2026	$41,186	$25,601	1.61	$41,036	$25,601	1.60
2027	$42,299	$26,107	1.62	$37,999	$26,107	1.46
2028	$43,360	$25,990	1.67	$41,360	$25,990	1.59
2029	$44,663	$26,441	1.69	$42,623	$26,441	1.61
2030	$46,084	$26,898	1.71	$44,003	$26,898	1.64
2031	$47,494	$27,363	1.74	$45,371	$27,363	1.66
2032	$48,833	$27,839	1.75	$46,668	$27,839	1.68
2033	$50,045	$28,328	1.77	$47,837	$28,328	1.69
2034	$51,232	$28,819	1.78	$48,980	$28,819	1.70
2035	$52,481	$29,321	1.79	$50,183	$29,321	1.71
2036	$53,808	$29,835	1.80	$51,465	$29,835	1.72
2037	$55,196	$30,357	1.82	$52,805	$30,357	1.74
2038	$56,573	$30,891	1.83	$54,135	$30,891	1.75
2039	$57,899	$31,432	1.84	$55,412	$31,432	1.76
2040	$59,189	$31,990	1.85	$56,652	$31,990	1.77
2041	$60,477	$32,583	1.86	$57,890	$32,583	1.78
2042	$61,803	$33,232	1.86	$59,164	$33,232	1.78
2043	$63,174	$33,902	1.86	$60,482	$33,902	1.78
2044	$64,565	$34,589	1.87	$61,819	$34,589	1.79
2045	$65,951	$35,294	1.87	$63,150	$35,294	1.79
2046	$67,318	$36,019	1.87	$64,461	$36,019	1.79
2047	$68,676	$36,761	1.87	$65,762	$36,761	1.79

As shown, net revenues are expected to cover debt service by 1.50 times in 2018 and 1.87 times in 2047. After including capital expenditures ranging from $825,000 to $4.5 million depending on the fiscal year, debt service coverage ratios range from 1.46 times in 2018 to 1.79 times in 2047.

A sensitivity analysis summarizing anticipated Authority financial operations based on fluctuations in key operating variables is presented in *Section 7 – Sensitivity Analysis*.

7. SENSITIVITY ANALYSIS

7. Sensitivity Analysis

On September 26th, 2017, the Federal Bureau of Investigation (FBI) arrested ten NCAA basketball officials stemming from investigations into bribes paid to officials to recruit high profile athletes to select universities. Later the same day, the University of Louisville issued a statement acknowledging that the University was included in the FBI's investigation into fraud and corruption charges.

On September 27th, one day following the announcement that the University was a part of the FBI's probe into recruiting bribery claims, the University began the process of removing head men's basketball coach Rick Pitino and athletic director Tom Jurich from their positions. Pitino was placed on unpaid administrative leave and Jurich was placed on paid leave. In addition, the University suspended star freshman recruit Brian Bowen (who is the player believed to be directly linked to the bribery allegations against Louisville) indefinitely. Dave Padgett has replaced Rick Pitino as interim head coach for the University of Louisville men's basketball team and the team has begun fall practice heading into the 2017-2018 season.

As of the time of this report, it is unknown whether, and to what extent, sanctions will be levied by the NCAA against ULAA's men's basketball program. In June 2017 and prior to the FBI announcement, the NCAA announced that it had suspended then-coach Rick Pitino for the first five games of the Atlantic Coast Conference season and placed the men's basketball program on a four-year probation due to violations unrelated to the FBI investigation. While the University was in the process of appealing the suspension and probation, it is unclear what impact previously pending sanctions will have on new potential NCAA sanctions given the FBI investigations and what impact, if any, these sanctions will have on the operating revenues of the Arena and financing capabilities of the Authority.

In order to assess potential risks to the operating performance of the Louisville Arena Authority ("Authority") resulting from the impacts of yet-to-be-determined NCAA sanctions, a sensitivity analysis was performed.

Operating scenario estimates and deviations from the base case operating performance presented in *Section 6 – Projected Financial Operations* were analyzed based on both the severity of potential NCAA sanctions and their resulting impacts on Category A and B revenues for the Authority, including naming rights, sponsorship, event rent, facility fees, concessions and merchandise, among others. Accordingly, the sensitivity analysis is presented in the following sections:

- Stress Case Scenario;
- Low Case Scenario;
- High Case Scenario; and,
- Summary.

Each sensitivity's assumptions are outlined over the following pages.

STRESS CASE SCENARIO

While it is considered highly unlikely from industry experts, the NCAA could impose "death penalty" sanctions on the University of Louisville men's basketball program in a manner consistent with the only other modern death penalty precedent in Division I history, Southern Methodist University football (SMU). Sanctions imposed on the SMU football team included:

- No games during the 1987 season;
- No home games during the 1988 season;
- A three-year postseason ban;
- The loss of over 50 scholarships;
- Restrictions on coaching hires; and,
- No off-campus recruiting for two years, among others.

The table on the right shows the impact of the death penalty on SMU football attendance.

IMPACT OF DEATH PENALTY
SMU Football

Year	Stadium	Attendance	% of Capacity	Win Percentage
1981	Texas	33,611	51.2%	90.9%
1982	Texas	42,363	64.5%	95.8%
1983	Texas	35,818	54.5%	83.3%
1984	Texas	32,484	49.5%	83.3%
1985	Texas	34,612	52.7%	54.5%
1986	Texas	35,727	54.4%	54.5%
1987	**NO GAMES**			
1988	**NO HOME GAMES**			
1989	Ownby	22,002	92.5%	18.2%
1990	Ownby	20,587	86.6%	9.1%
1991	Ownby	16,413	69.0%	9.1%
1992	Ownby	14,418	60.6%	45.5%
1993	Ownby	17,265	72.6%	27.3%
1994	Ownby	16,588	69.7%	13.6%
1995	Cotton Bowl	19,256	28.2%	9.1%
1996	Cotton Bowl	20,618	30.2%	45.5%
1997	Cotton Bowl	21,484	31.5%	54.5%
1998	Cotton Bowl	18,218	26.7%	50.0%
1999	Cotton Bowl	19,625	28.8%	40.0%
2000	Ford	21,815	68.2%	25.0%
2001	Ford	17,386	54.3%	36.4%
2002	Ford	18,292	57.2%	25.0%
2003	Ford	17,435	54.5%	0.0%
2004	Ford	17,706	55.3%	27.3%
2005	Ford	18,630	58.2%	45.5%
2006	Ford	15,428	48.2%	50.0%
2007	Ford	17,171	53.7%	8.3%
2008	Ford	19,780	61.8%	8.3%
AVERAGE - PRE SANCTIONS		**35,769**	**54.5%**	**77.1%**
AVERAGE - POST SANCTIONS		**18,506**	**55.4%**	**27.4%**

Source: NCAA.

As shown, the SMU football team has struggled to achieve similar levels of success as seen in the pre-sanction environment. Specifically, average attendance in the years since the implementation of the death penalty is approximately 52 percent below pre-sanction levels. In addition, the impact of other sanctions such as a postseason ban, scholarship reductions and coaching limitations, likely contributed to the team winning, on average, 50 percent fewer games in a post-sanction environment.

It is in large part due to the impact death penalty sanctions had on the SMU football program that the NCAA has hesitated to implement similar sanctions since.

However, since the University of Louisville was currently on a four-year probationary period stemming from 2016 program violations, it is possible that the NCAA could invoke the “repeat offender” clause which led to SMU’s death penalty decision in 1987.

Due to these considerations, a sensitivity analysis was performed on the impact to Arena revenues from death penalty sanctions placed on the University of Louisville men’s basketball program (“Stress Case”).

Assumptions used to estimate the potential impact of this stress case scenario on the men’s basketball program include:

- No University of Louisville men’s basketball home games or scrimmages for 2018 and 2019;
- No postseason play for three years;
- Decreases in the number of national TV broadcasts;
- Scholarship reductions; and,
- Coaching hire limitations.

In addition to general sanction assumptions, Category A and Category B revenues were estimated based on the impact of these sanctions on each revenue stream. Assumptions were based on a review of the impact of the death penalty on SMU, a review of historical operations and their sensitivity to sanctions/team performance and our industry expertise. Key stress case scenario assumptions related to Category A and B revenue streams include:

- No premium seating revenue during 2018 and 2019;
- No naming rights revenues from 2018 to 2047*;
- Annual attendance decreases to 75 percent of historical average from 2020 to 2047;
- Premium seating sell-through rates of 80 percent from 2020 to 2047;
- Twenty percent decrease in premium seating prices to drive sell-through rates;
- Over 50 percent reduction in sponsorship revenue from the base case scenario;
- Category B revenues (rental fees, facility fees, concessions, merchandise, etc.) fluctuate with attendance for the men’s basketball program;
- The $1.5 million AEG management guarantee is renegotiated to no guaranteed revenue;
- An increase in the number of concerts during the two years when the men’s basketball team is not playing at the KFC Yum! Center;
- No other changes to Category B revenues; and,
- Fluctuations to operating expenses.

** Yum! Brands has a termination clause in its naming rights contract that could be triggered if the men’s basketball team fails to play at the KFC Yum! Center (team would not play at the Arena during the 2018/2019 season under this scenario).*

7. Sensitivity Analysis

The table below details estimated operating revenues and expenses associated with the Authority in certain years of debt repayment under a stress case scenario. It should be noted that fluctuations in TIF contributions from the base case throughout the term of indebtedness are detailed in the document "Certain Information Relating to TIF Revenues – Louisville Arena TIF Baseline and Projections, Methodologies and Assumptions", provided in the appendix of this report.

PROJECTED AUTHORITY PRO FORMA - STRESS CASE
KFC Yum! Center
$ Thousands

	2018	2019	2020	2021	2022
GOVERNMENTAL REVENUES					
Metro Louisville Guarantee	$10,800	$10,800	$10,800	$10,800	$10,800
TIF Contribution	$10,707	$10,707	$11,076	$11,450	$11,830
TOTAL GOVERNMENTAL REVENUES	**$21,507**	**$21,507**	**$21,876**	**$22,250**	**$22,630**
NET ARENA REVENUES					
Category A Revenues	$1,500	$1,500	$2,595	$2,706	$2,749
Category B Revenues:					
ULAA Payments	$2,420	$2,420	$2,420	$2,420	$2,420
Net AEG Management Revenues	$237	$229	$996	$1,000	$1,015
Operating Expenses (1)	($1,929)	($1,959)	($2,564)	($2,631)	($2,680)
NET ARENA REVENUES	**$2,228**	**$2,190**	**$3,448**	**$3,495**	**$3,505**
NET REVENUES AVAILABLE FOR DEBT SERVICE	**$23,735**	**$23,697**	**$25,324**	**$25,745**	**$26,135**
NET DEBT SERVICE	$20,158	$21,219	$21,219	$23,519	$23,907
Coverage Ratio	*1.18x*	*1.12x*	*1.19x*	*1.09x*	*1.09x*
CAPITAL EXPENDITURES	$825	$310	$900	$600	$500
Coverage Ratio After CapEx	*1.14x*	*1.10x*	*1.15x*	*1.07x*	*1.07x*

(1) Excludes depreciation

Note: CapEx estimates per offering memorandum.

As shown, the Authority is projected to collect $23.7 million in net revenues available for debt service in 2018, increasing to $26.1 million in 2022.

The table on the following page details net revenues available for debt service and debt coverage ratios over the entire expected term of debt service under a stress case scenario.

PROJECTED AUTHORITY PRO FORMA - STRESS CASE
KFC Yum! Center
$ Thousands

	Excluding CapEx			Including CapEx		
Year	Revenues Available for Debt Service	Net Debt Service	Coverage Ratio	Revenues Available for Debt Service	Net Debt Service	Coverage Ratio
2018	$23,735	$20,158	1.18	$22,910	$20,158	1.14
2019	$23,697	$21,219	1.12	$23,387	$21,219	1.10
2020	$25,324	$21,219	1.19	$24,424	$21,219	1.15
2021	$25,745	$23,519	1.09	$25,145	$23,519	1.07
2022	$26,135	$23,907	1.09	$25,635	$23,907	1.07
2023	$26,510	$24,135	1.10	$25,760	$24,135	1.07
2024	$26,902	$24,658	1.09	$26,090	$24,658	1.06
2025	$27,301	$25,184	1.08	$26,488	$25,184	1.05
2026	$27,706	$25,601	1.08	$26,893	$25,601	1.05
2027	$28,117	$26,107	1.08	$27,304	$26,107	1.05
2028	$28,525	$25,990	1.10	$28,025	$25,990	1.08
2029	$28,950	$26,441	1.09	$28,440	$26,441	1.08
2030	$29,372	$26,898	1.09	$28,851	$26,898	1.07
2031	$29,800	$27,363	1.09	$29,270	$27,363	1.07
2032	$30,256	$27,839	1.09	$29,715	$27,839	1.07
2033	$30,699	$28,328	1.08	$30,147	$28,328	1.06
2034	$31,150	$28,819	1.08	$30,587	$28,819	1.06
2035	$31,608	$29,321	1.08	$31,033	$29,321	1.06
2036	$32,073	$29,835	1.08	$31,487	$29,835	1.06
2037	$32,546	$30,357	1.07	$31,948	$30,357	1.05
2038	$33,027	$30,891	1.07	$32,417	$30,891	1.05
2039	$33,516	$31,432	1.07	$32,894	$31,432	1.05
2040	$34,012	$31,990	1.06	$33,378	$31,990	1.04
2041	$34,517	$32,583	1.06	$33,871	$32,583	1.04
2042	$35,031	$33,232	1.05	$34,371	$33,232	1.03
2043	$35,542	$33,902	1.05	$34,869	$33,902	1.03
2044	$36,073	$34,589	1.04	$35,386	$34,589	1.02
2045	$36,602	$35,294	1.04	$35,901	$35,294	1.02
2046	$37,150	$36,019	1.03	$36,436	$36,019	1.01
2047	$37,689	$36,761	1.03	$36,960	$36,761	1.01

As shown, under the stress case scenario, net revenues are expected to cover debt service by 1.18 times in 2018 and 1.03 times in 2047. After including capital expenditures ranging from $500,000 to $900,000 depending on the fiscal year, debt service coverage ratios range from 1.14 times in 2018 to 1.01 times in 2047.

7. Sensitivity Analysis

LOW CASE SCENARIO

Another potential scenario could include the case where the University of Louisville men's basketball program is levied with significant sanctions, but is not given the full death penalty. For purposes of a low case sensitivity scenario, assumptions were estimated based on the impact of sanctions on NCAA basketball and football programs presented previously in *Section 5 – Category B Revenue Due Diligence*, a review of historical revenue and attendance patterns for men's basketball and our industry expertise. Key low case scenario assumptions related to Category A and B revenue streams include:

- Annual attendance decreases to 80 percent of historical average;
- Premium seating sell-through rates of 80 percent;
- No premium seating price increases for ten years to drive sell-through;
- Current sponsorship agreement remains in place through 2027, modest increases thereafter;
- Category B revenues (rental fees, facility fees, concessions, merchandise, etc.) fluctuate with attendance for the men's basketball program;
- No other changes to Category B revenues; and,
- Fluctuations to operating expenses.

The table on the following page details estimated operating revenues and expenses associated with the Authority in certain years of debt repayment under a low case scenario. It should be noted that this scenario does not contemplate any fluctuations in TIF contributions relative to the base case during the term of indebtedness.

7. Sensitivity Analysis

PROJECTED AUTHORITY PRO FORMA - LOW CASE

KFC Yum! Center

$ Thousands

	2018	2019	2020	2021	2022
GOVERNMENTAL REVENUES					
Metro Louisville Guarantee	$10,800	$10,800	$10,800	$10,800	$10,800
TIF Contribution	$11,284	$12,156	$13,142	$13,968	$15,184
TOTAL GOVERNMENTAL REVENUES	**$22,084**	**$22,956**	**$23,942**	**$24,768**	**$25,984**
NET ARENA REVENUES					
Category A Revenues	$6,838	$6,883	$6,935	$7,500	$7,685
Category B Revenues:					
ULAA Payments	$2,420	$2,420	$2,420	$2,420	$2,420
Net AEG Management Revenues	$1,274	$1,280	$1,285	$1,291	$1,297
Operating Expenses (1)	($2,634)	($2,709)	($2,785)	($2,881)	($2,949)
NET ARENA REVENUES	**$7,898**	**$7,873**	**$7,855**	**$8,329**	**$8,453**
NET REVENUES AVAILABLE FOR DEBT SERVICE	**$29,983**	**$30,829**	**$31,797**	**$33,097**	**$34,437**
NET DEBT SERVICE	$20,158	$21,219	$21,219	$23,519	$23,907
Coverage Ratio	*1.49x*	*1.45x*	*1.50x*	*1.41x*	*1.44x*
CAPITAL EXPENDITURES	$825	$1,510	$1,300	$2,350	$4,500
Coverage Ratio After CapEx	*1.45x*	*1.38x*	*1.44x*	*1.31x*	*1.25x*

(1) Excludes depreciation

Note: CapEx estimates per offering memorandum.

As shown, the Authority is projected to collect $30.0 million in net revenues available for debt service in 2018, increasing to $34.4 million in 2022.

The table on the following page details net revenues available for debt service and debt coverage ratios over the entire expected term of debt service under a low case scenario.

PROJECTED AUTHORITY PRO FORMA - LOW CASE
KFC Yum! Center
$ Thousands

	Excluding CapEx			Including CapEx		
Year	Revenues Available for Debt Service	Net Debt Service	Coverage Ratio	Revenues Available for Debt Service	Net Debt Service	Coverage Ratio
2018	$29,983	$20,158	1.49	$29,158	$20,158	1.45
2019	$30,829	$21,219	1.45	$29,319	$21,219	1.38
2020	$31,797	$21,219	1.50	$30,497	$21,219	1.44
2021	$33,097	$23,519	1.41	$30,747	$23,519	1.31
2022	$34,437	$23,907	1.44	$29,937	$23,907	1.25
2023	$35,890	$24,135	1.49	$32,640	$24,135	1.35
2024	$37,597	$24,658	1.52	$35,997	$24,658	1.46
2025	$38,941	$25,184	1.55	$38,441	$25,184	1.53
2026	$40,056	$25,601	1.56	$39,906	$25,601	1.56
2027	$41,151	$26,107	1.58	$36,851	$26,107	1.41
2028	$42,193	$25,990	1.62	$40,193	$25,990	1.55
2029	$43,477	$26,441	1.64	$41,437	$26,441	1.57
2030	$44,879	$26,898	1.67	$42,798	$26,898	1.59
2031	$46,269	$27,363	1.69	$44,146	$27,363	1.61
2032	$47,588	$27,839	1.71	$45,423	$27,839	1.63
2033	$48,780	$28,328	1.72	$46,571	$28,328	1.64
2034	$49,945	$28,819	1.73	$47,693	$28,819	1.65
2035	$51,173	$29,321	1.75	$48,875	$29,321	1.67
2036	$52,478	$29,835	1.76	$50,135	$29,835	1.68
2037	$53,844	$30,357	1.77	$51,453	$30,357	1.69
2038	$55,198	$30,891	1.79	$52,760	$30,891	1.71
2039	$56,502	$31,432	1.80	$54,015	$31,432	1.72
2040	$57,768	$31,990	1.81	$55,231	$31,990	1.73
2041	$59,033	$32,583	1.81	$56,445	$32,583	1.73
2042	$60,334	$33,232	1.82	$57,695	$33,232	1.74
2043	$61,680	$33,902	1.82	$58,988	$33,902	1.74
2044	$63,046	$34,589	1.82	$60,300	$34,589	1.74
2045	$64,406	$35,294	1.82	$61,605	$35,294	1.75
2046	$65,747	$36,019	1.83	$62,890	$36,019	1.75
2047	$67,078	$36,761	1.82	$64,164	$36,761	1.75

As shown, under the low case scenario, net revenues are expected to cover debt service by 1.49 times in 2018 and 1.82 times in 2047. After including capital expenditures ranging from $825,000 to $4.5 million depending on the fiscal year, debt service coverage ratios range from 1.45 times in 2018 to 1.75 times in 2047.

7. Sensitivity Analysis

HIGH CASE SCENARIO

In the event that NCAA sanctions are not imposed on the University of Louisville men's basketball program or potential sanctions do not have a material impact on the program's revenue generating capabilities, the Arena could outperform the operating performance set forth under the base case scenario. For purposes of a high case sensitivity scenario, assumptions were estimated based on an analysis of Category A and B revenue streams assuming no impact of potential NCAA sanctions, current historical men's basketball attendance patterns and other Category B revenue trends and our industry expertise. Key high case scenario assumptions related to Category A and B revenue streams include:

- Annual attendance at historical averages;
- Premium seating sell-through rates at historical averages;
- Conservative annual premium seat price escalations of one percent;
- Other event activity consistent with historical averages; and,
- Normal operating expense increases.

The table on the following page details estimated operating revenues and expenses associated with the Authority in certain years of debt repayment under a high case scenario. It should be noted that this scenario does not contemplate any fluctuations in TIF contributions relative to the base case during the term of indebtedness.

PROJECTED AUTHORITY PRO FORMA - HIGH CASE
KFC Yum! Center
$ Thousands

	2018	2019	2020	2021	2022
GOVERNMENTAL REVENUES					
Metro Louisville Guarantee	$10,800	$10,800	$10,800	$10,800	$10,800
TIF Contribution	$11,284	$12,156	$13,142	$13,968	$15,184
TOTAL GOVERNMENTAL REVENUES	**$22,084**	**$22,956**	**$23,942**	**$24,768**	**$25,984**
NET ARENA REVENUES					
Category A Revenues	$6,838	$7,133	$7,429	$8,861	$9,080
Category B Revenues:					
ULAA Payments	$2,420	$2,420	$2,420	$2,420	$2,420
Net AEG Management Revenues	$1,931	$1,947	$1,963	$1,979	$1,996
Operating Expenses [1]	($2,634)	($2,734)	($2,835)	($2,936)	($3,007)
NET ARENA REVENUES	**$8,555**	**$8,766**	**$8,977**	**$10,324**	**$10,490**
NET REVENUES AVAILABLE FOR DEBT SERVICE	**$30,640**	**$31,721**	**$32,919**	**$35,092**	**$36,474**
NET DEBT SERVICE	$20,158	$21,219	$21,219	$23,519	$23,907
Coverage Ratio	*1.52x*	*1.49x*	*1.55x*	*1.49x*	*1.53x*
CAPITAL EXPENDITURES	$825	$1,510	$1,300	$3,850	$4,500
Coverage Ratio After CapEx	*1.48x*	*1.42x*	*1.49x*	*1.33x*	*1.34x*

(1) Excludes depreciation

Note: CapEx estimates per offering memorandum.

As shown, the Authority is projected to collect $30.6 million in net revenues available for debt service in 2018, increasing to $36.5 million in 2022.

The table on the following page details net revenues available for debt service and debt coverage ratios over the entire expected term of debt service under a high case scenario.

PROJECTED AUTHORITY PRO FORMA - HIGH CASE
KFC Yum! Center
$ Thousands

	Excluding CapEx			Including CapEx		
Year	Revenues Available for Debt Service	Net Debt Service	Coverage Ratio	Revenues Available for Debt Service	Net Debt Service	Coverage Ratio
2018	$30,640	$20,158	1.52	$29,815	$20,158	1.48
2019	$31,721	$21,219	1.49	$30,211	$21,219	1.42
2020	$32,919	$21,219	1.55	$31,619	$21,219	1.49
2021	$35,092	$23,519	1.49	$31,242	$23,519	1.33
2022	$36,474	$23,907	1.53	$31,974	$23,907	1.34
2023	$37,969	$24,135	1.57	$34,719	$24,135	1.44
2024	$39,718	$24,658	1.61	$38,118	$24,658	1.55
2025	$41,105	$25,184	1.63	$38,605	$25,184	1.53
2026	$42,265	$25,601	1.65	$41,565	$25,601	1.62
2027	$43,395	$26,107	1.66	$34,095	$26,107	1.31
2028	$44,474	$25,990	1.71	$42,474	$25,990	1.63
2029	$45,795	$26,441	1.73	$43,755	$26,441	1.65
2030	$47,234	$26,898	1.76	$45,153	$26,898	1.68
2031	$48,663	$27,363	1.78	$46,540	$27,363	1.70
2032	$50,021	$27,839	1.80	$47,856	$27,839	1.72
2033	$51,253	$28,328	1.81	$49,045	$28,328	1.73
2034	$52,459	$28,819	1.82	$50,207	$28,819	1.74
2035	$53,728	$29,321	1.83	$51,430	$29,321	1.75
2036	$55,076	$29,835	1.85	$52,732	$29,835	1.77
2037	$56,484	$30,357	1.86	$54,094	$30,357	1.78
2038	$57,882	$30,891	1.87	$55,444	$30,891	1.79
2039	$59,230	$31,432	1.88	$56,743	$31,432	1.81
2040	$60,542	$31,990	1.89	$58,006	$31,990	1.81
2041	$61,853	$32,583	1.90	$59,266	$32,583	1.82
2042	$63,202	$33,232	1.90	$60,563	$33,232	1.82
2043	$64,595	$33,902	1.91	$61,903	$33,902	1.83
2044	$66,010	$34,589	1.91	$63,265	$34,589	1.83
2045	$67,420	$35,294	1.91	$64,620	$35,294	1.83
2046	$68,812	$36,019	1.91	$65,955	$36,019	1.83
2047	$70,195	$36,761	1.91	$67,281	$36,761	1.83

As shown, under the high case scenario, net revenues are expected to cover debt service by 1.52 times in 2018 and 1.91 times in 2047. After including capital expenditures ranging from $825,000 to $9.3 million depending on the fiscal year, debt service coverage ratios range from 1.48 times in 2018 to 1.83 times in 2047.

7. Sensitivity Analysis

SUMMARY

The table below displays the variations in Authority revenue in 2020 across all scenarios. 2020 was selected as a stabilized year of comparison given that this will be the first year under the stress case scenario where the University of Louisville's men's basketball team will return to play at the KFC Yum! Center.

SENSITIVITY SCENARIO SUMMARIES
KFC Yum! Center
% of Base Case Revenue and $ Thousands in 2020

	Base Case	Stress Case	Low Case	High Case
GOVERNMENTAL REVENUES				
Metro Louisville Guarantee	100%	100%	100%	100%
TIF Contribution	100%	84%	100%	100%
TOTAL GOVERNMENTAL REVENUES	100%	91%	100%	100%
NET ARENA REVENUES				
Category A Revenues	100%	36%	96%	103%
Category B Revenues:				
ULAA Payments	100%	100%	100%	100%
Net AEG Management Revenues	100%	61%	79%	121%
Operating Expenses	100%	91%	99%	100%
NET ARENA REVENUES	**100%**	**41%**	**93%**	**106%**
NET REVENUES AVAILABLE FOR DEBT SERVICE	**100%**	**78%**	**98%**	**102%**
NET DEBT SERVICE	$21,219	$21,219	$21,219	$21,219
Coverage Ratio	*1.53x*	*1.19x*	*1.50x*	*1.55x*
CAPITAL EXPENDITURES	$1,300	$900	$1,300	$1,300
Coverage Ratio After CapEx	*1.47x*	*1.15x*	*1.44x*	*1.49x*

As shown, in 2020, Category A revenues range from 36 percent of base case projections under a stress case scenario (driven by the lack of a naming rights agreement, decreased sponsorship and premium seat sales) to 103 percent of base case revenues under a high case scenario.

Net AEG management revenues are estimated to range from 61 percent of base case revenues under a stress case scenario (driven by a 75 percent decrease in men's basketball attendance from historical averages) to 121 percent of base case revenues under a high case scenario (driven by historical average attendance – base case assumed 90 percent of historical average).

7. Sensitivity Analysis

Overall, net revenues available for debt service are estimated to fluctuate between 78 percent of base case projections under the stress case scenario to 102 percent of base case projections under the high case scenario. With over 70 percent of these revenues coming from governmental revenue sources (Metro Louisville and TIF) in any scenario, the potential large fluctuations in Category A and B revenues under various sensitivity scenarios do not have as large of an impact on the overall financial picture of the Authority.

In addition to the variations in operating performance from the various scenarios described above, there are a number of other risk factors which could materially impact the ability of the Authority to cover annual debt service. These risk factors could include, but are not limited to:

- A long, sustained economic downturn where consumers reduce discretionary spending on Arena events and other area businesses impacting Arena revenues as well as TIF contributions;

- A major flood or other catastrophic event which could suspend Arena operations for a period of time;

- The Arena is no longer operated by AEG or another competent private management company, impacting the ability of the Arena to host major non-tenant events; and,

- Other risk factors.

APPENDIX

COMMONWEALTH TIF PROJECTIONS

APPENDIX B

Certain Information Relating to TIF Revenues

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Forecasting TIF Revenue for the Louisville Arena Development Area

Greg Harkenrider

Office of State Budget Director

Governor's Office for Economic Analysis

October 13, 2017

The analysis and projections are based on estimates, assumptions and other information developed by the Office of the State Budget Director ("OSBD") from its research, general knowledge of the TIF footprint, and information provided by and consultations with stakeholders. OSBD findings represent fair and reasonable professional judgment but make no warranty, expressed or implied, with respect to any information or methods disclosed in this document.

The analysis includes projections and relate to OSBD's expectations and professional beliefs regarding the future but are subject to economic conditions over time and other risks. Actual results could differ materially from those set forth in such statements due to various factors such as the depth and timing of future recessions, changes to the development area, and exogenous changes to Arena utilization from the primary tenants.

Introduction:

Tax Increment Financing (TIF) projects began in Kentucky with the passage of pilot language in the 2000 regular session of the General Assembly.[1] These "Pilot TIF" laws vary dramatically from the current day statutes governing tax increment financing.[2] In particular, Pilot TIF projects had the following enhanced benefits:

- Limited to consolidated local governments or cities of the first class
- Local and State revenue could be pledged
- Taxes beyond the property tax were included as possible funding mechanisms, including state income taxes, state sales taxes and local occupational taxes,
- The development area could be up to six square miles, even though the footprint of the actual improvements could be a much smaller area

On December 19, 2006, the Commonwealth of Kentucky and the Louisville Arena Authority, Inc. entered into a grant contract that created the "Arena TIF," a key element to the overall financing plan. The Arena TIF development area was defined in Ordinance 226, Series 2006, adopted by the Louisville Metro Government on December 7, 2006. The Arena TIF was activated in 2009 during the latter part of the construction phase. Officially, the Arena opened on October 10, 2010. In terms of the TIF payments to the Arena Authority ("Arena TIF Payments"), the first payment occurred in the fall of 2010 for calendar year 2009 construction activity.[3] For purposes of this analysis, TIF calendar year 2012 is the first year of full arena activity, so the active data for the sales tax portion of the TIF is five years of increment Arena TIF payments. In terms of the property tax portion of the TIF, the analysis goes back to 2011 (the first new assessment after the opening date).

Finally, it should be noted that the development area was changed by ordinance 179, Series 2013, by the Louisville Metro Council from a six-mile area to a two-mile area on September 26, 2013, applied retroactively back to calendar 2012 activity.

TIF Nomenclature:

In order to navigate through the analysis efficiently, a definition of TIF terminology may prove useful. At its core, the workings of a TIF are embedded in the acronym. The **T**ax dollar **I**ncrements are used to **F**inance the project. The following is a list of terms that will be used in the discussion of the projections:

- **"Development Area"** means an approximately two-square mile tax increment generally including the Louisville central business district, subject to certain excluded areas.

[1] See KRS 65.490 to 65.499

[2] TIF statutes have been amended eight times since 2002. Eligibility for the Pilot program is limited to development areas in cities of the first class established before March 23, 2007 (KRS 65.494).

[3] The Arena TIF was established on a calendar year basis. Activity and incremental revenues accrue during a calendar year and then the Arena Authority requests a refund in the spring of the following year. After the Department of Revenue verifies the refund amount, the refund is released in the fall of the year following the incremental revenue.

- **"Agency"** for the purposes of this analysis shall mean the Louisville Arena Authority.
- **"ARIMA"** means an estimating technique that uses auto-regressive, integrated, and moving average terms (of the Arena TIF increments) to produce a forecast. In other words, past values of the Arena increments are the primary predictor of future increment payments.
- **"Footprint"** means the actual physical area that is being redeveloped. For purposes of this analysis, the footprint equals the Arena block.
- **"Increment"** means the amount of money received by any taxing district or the state that is determined by subtracting the amount of old revenues from the amount of new revenues in any year for which a taxing district or the state and an agency have agreed upon under the terms of a grant contract.
- **"Micro Data**," in the context of the sales tax increments, means sales tax Remitters broken out by the name and amount of the sales tax collected by each individual sales tax Remitter within the development area (multiple locations of a Remitter within the TIF District are combined).
- **"New Revenues"** means the revenues received by any taxing district or the state from a development area in any year after the establishment of the development area.
- **"Old Revenues"** means the amount of revenues received by any taxing district or the state from a development area in the last year prior to the establishment of the development area.
- **"Remitter"** means the tax collector (business) that remits sales taxes collected to the Commonwealth or, in the case of property taxes, the property owner.
- **"Sample Period"** generally means the observations that are treated as known (or historical) to the forecasting process. As used in this paper, however, the "sample period" included both historical data for the years 2012 to 2016 plus projected data from 2017 to 2021, for a total of ten years, since the number of truly historical periods was limited due to the limited number of increment years.
- **"Segment"** means, either (i) restaurants, (ii) hotels, (iii) top fifty sales tax Remitters (not hotels or restaurants) and (iv) smaller sales tax Remitters not contained in the first three Segments.
- **"VAR Model"** means a modeling technique using vector autoregression that incorporates current and prior values of the multiple segments to generate a forecast of both segments. In the case of the sales tax increment, the hotel and restaurant Segments were estimated together with a VAR Model under an a priori belief that they are complementary in demand.
- An agency may enter into a contract with the state, acting by and through the Governor, for an annual grant to the agency in an amount equal to not less than fifty percent (50%)

nor more than eighty percent (80%) of the increment in ad valorem taxes, sales taxes, income taxes, and limited liability entity taxes derived by the state within the development area with an existing economic development asset as leveraged in part by the undertaking of the project.

- The current amended and restated grant contract pledges 80% of the incremental real property tax and sales tax from the two-mile development area shown in figure 1 as established by Ordinance Number 179, Series 2013 of the Louisville Metro Council on September 26, 2013. Also pledged are incremental withholding taxes on the Arena footprint. However, except for the construction period, new revenues have been less than old revenues during the operational phase, so the increment has been zero. This analysis assumes that the withholding increment continues to be zero through the 2054 forecasting horizon.
- While corporate income and limited liability entity taxes are included in the Pilot TIF legislation, neither of these taxes are pledge revenue sources for the Arena project.

Caveats to Estimating Incremental Revenues:

Some caveats apply to the estimates provided in this analysis. First, for any forecasting technique, it is customary to have at least double the amount of historical observations compared to the periods being forecasted. That is, if you have to forecast 10 years into the future, you should ideally have about 20 years of history. That ratio is skewed in this analysis, as the sales tax increment is projected 38 years into the future with just 5 years of history.

Second, structural models cannot be utilized. In a structural model, the analyst determines the relationship between the Arena TIF Payments and predetermined but related factors based on the shared history. Forecasting is performed by using the relationship from the first stage coupled with *forecasted values* of all the related variables. When forecasting out to 2054, you must have a forecast of your predetermined related variables that extends to 2054. OSBD uses "IHS Global Insight" as our database of related variables. IHS Global Insight provides economic data for use in forecasting. Their long-run forecast extends only ten years (to 2027). Therefore, structural models are impractical in the case of Arena TIF payments (which extend to 2054) because of limitations to our database (which extends only to 2027).

Third, since structural models are eliminated from the tool box, ARIMA models or VAR models, which are time series estimation techniques, are preferred. Here again the lack of sufficient historical observations of the tax increments proves detrimental. ARIMA models cannot be adequately fit with only five historical observations, and VAR models are limited due to a small sample size and issues from the use of lagged dependent variables (each lagged dependent variable requires a larger sample period).

Finally, the data for Arena TIF payments are mired with administrative caveats that require the history to be adjusted for one-time nonrecurring events. In the property tax incremental revenues, there were revenues collected in historical years that are currently being protested and will likely lead to adjustments to assessed values in future periods. Similarly, in the sales tax increments, store closings and new openings create discontinuous data elements for the five years of history. Simply put, the Micro Data on the sales tax increment was required to ensure that new sales tax Remitters were included and the sales tax Remitters that closed were eliminated from the incremental revenues that were forecasted.

In a first-best world, the sample period would be twice as long as the forecasted period. This was partially mitigated by extending the Micro Data as described below. Nevertheless, there was enough information available to establish defensible estimates within an imperfect data environment.

Estimation techniques and results:

The three tables following this section display the results of the TIF estimation. Separate models were used for the property and sales taxes. Within the sales tax, there were several different techniques utilized based on the type of sales. The sample included simply incremental revenues for the entire sales tax, property tax, and withholding increments. For the sales tax, only 5 years of data increments were available: 2012-2016. Since the sales tax was such a large component of the total incremental revenues, OSBD petitioned the Department of Revenue for Micro Data In particular, OSBD asked for a comprehensive list of hotels, restaurants, and the top-50 sales tax Remitters. That Micro Data proved pivotal in the estimation process.

Incremental revenues for the sales tax were projected in four Segments: restaurants, hotels, top-50 that are not hotels or restaurants, and the remainder of smaller sales tax Remitters. As the caveats to estimation section alluded to above, OSBD was quite restricted in the modeling techniques available for use. The following is a list of bullets that summarize our approach to the sales tax:

- Extend the sample using trend analysis in order to get a large enough sample period to attempt time series estimation modeling techniques.
- Rather than using trends for entire Segments of sales tax Remitters, the decision was made to compute the trends by each sales tax Remitter within the Segments of restaurants, hotels, and the top-50 in order to extend the sample period used for estimation out to 2021. The micro approach to trending by sales tax Remitter as opposed to Segment allowed OSBD to control for sales tax Remitters that closed between 2012 and 2016, as well as sales tax Remitters that had missing observations at the beginning of the sample period.
- At this point, the adjusted sample period (using projected data) had double the number of "historical" observations, which was barely enough to run respectable yet parsimonious ARIMA and VAR models.
- One obvious hypothesis was to investigate restaurants and hotels together in a VAR Model setting, as described above. Because the data for restaurants and hotels possesses certain properties (resulting in nonstationarity and inability to utilize a cointegrating equation) various mathematical techniques were used to allow the data to be projected. Due to the underlying inter-relatedness of the data, it was subsequently determined that a

VAR Model would be best for projecting the restaurant and hotel data segments. The results are displayed in Table 1 below.

- The remaining Segment where Micro Data was available was the top-50 sales tax Remitters that were not restaurants or hotels. There were 26 such sales tax Remitters in the top-50; each of the 26 sales tax Remitters was extended via similar trend analysis described above (using historical and projected data). After extending each of the 26 sales tax Remitters using trend analysis, the sales tax Remitters were aggregated back into a Segment for estimation. The obvious first attempt was to fit a VAR with restaurants or hotels, or possibly both. However, due to the aforementioned inter-relatedness of the underlying data as well as its other limitations, a VAR Model could not suitably project the data. (In other words, the VAR Model did not retain enough degrees of freedom in a 2-lag model with three dependent variables.)

- Neither restaurants nor hotels worked separately with the top-50 account Segment. This finding was determined as none of the variables made to interact in the VAR Models (referred to as cross-terms) were statistically significant, implying no benefit to estimating the variables in the VAR Model. ARIMA models were also tried, but tools used to measure the applicability of the ARIMA Model, auto correlation function (ACF) and Partial ACF functions, which are used for mathematical diagnostic purposes, produced white noise, implying no stable ARIMA Models. In the end, an exponential smoothing model, which helps to control for underlying variations in the data related to trends over time, was used to project the top-50 account Segment to 2054.

- Other sales tax Remitters with no Micro Data were simply trended to 2054. Very little growth was apparent in the 5-year sample, so the trend did not generate much growth either.

<u>Property Taxes</u>

- The only data available for the property tax was the increment payment released to the Arena Authority. Therefore, OSBD worked backwards to get the incremental revenues. With incremental revenues and a known baseline revenue amount, it was possible to generate new revenues for the property tax TIF. From new revenues, with a known millage rate, property assessments could be determined. It was important to get back to assessed values because all of the expert testimony received by OSBD was in terms of historical additions of new property assessments.[4] In summary, even though the raw data was expressed as 80% of the property tax incremental revenue, the dependent variable for the OSBD analysis was the annual assessed value of property in the Arena development area.

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[4] OSBD spoke with Jefferson County PVA Tony Lindauer, Jay Mickle with the JC PVA, Karen Williams of the Louisville Convention and Visitors Bureau, and Jim Baines of the Louisville Downtown Partnership to gain insights on each submarket of the arena corridor real estate market. Their collective help is gratefully acknowledged, but all assumptions used in this analysis are the lone responsibility of OSBD.

- The culmination of these conversations led to an assumption that approximately $27.7 million would be added as new revenue assessments on an annual basis.
- The marginal assessment increase was assumed constant through 2054. That assumption may seem naïve, but the state rate of 12.2 cents per $100 in valuation was also assumed. It is likely that the state rate will fall slightly between now and 2054, and one might also expect property tax assessments and new property to grow by more than a fixed amount over time. The two assumptions essentially counteract one another as a falling rate reduces the increment but growing property values increase incremental revenues.

Conclusions:

The sum total of the models is depicted in table 4 below. These projections represent the best professional judgement of the author. In terms of the relative magnitude of the growth in increment payments, the sales tax obviously accounts for a majority of the increase. The modeling technique was fully described, but in addition, continued growth at a lower level than the 2012-2016 data sample comports with external conversations OSBD had with stakeholders and experts. All indications are that the re-opening of the Louisville Convention Center will have a profound impact on restaurants and hotels in the Arena development area. Additional hotel capacity is also expected to come online in 2018, which will increase spending and economic activity. Finally, a static baseline of old revenues seemingly allows growth in incremental revenues to occur from normal inflationary pressures in one of the more trendy leisure markets in Kentucky.

Table 1 -- Sales Tax Increments

Year	Hotels	Restaurants	Top-50, Non HR	Others	Total	Growth	Baseline	Increment	Payable
2012	$4,508,580	$4,503,091	$9,604,214	$5,283,764	$23,899,649	-	$17,428,129	$6,471,520	$5,177,216
2013	5,095,041	4,907,607	10,669,800	5,307,422	25,979,869	8.70%	17,428,129	8,551,740	6,841,392
2014	4,914,115	5,229,070	10,285,470	6,420,252	26,848,907	3.35	17,428,129	9,420,778	7,536,622
2015	5,878,165	5,440,127	10,744,283	7,408,339	29,552,232	10.07	17,428,129	12,124,103	9,699,282
2016	6,852,177	5,829,115	10,588,842	7,341,219	30,550,360	3.38	17,428,129	13,122,231	10,497,785
2017	7,150,056	5,988,280	10,259,091	7,274,098	30,671,525	0.40	17,428,129	13,243,396	10,594,717
2018	7,339,744	6,266,774	10,713,017	7,406,978	31,726,513	3.44	17,428,129	14,298,384	11,438,707
2019	7,529,058	6,616,917	11,140,333	7,639,857	32,926,165	3.78	17,428,129	15,498,036	12,398,429
2020	7,697,378	6,951,465	11,502,420	7,772,736	33,924,000	3.03	17,428,129	16,495,871	13,196,697
2021	7,879,195	7,434,313	12,141,611	7,955,616	35,410,735	4.38	17,428,129	17,982,606	14,386,085
2022	8,469,874	7,759,815	12,679,552	8,128,495	37,037,736	4.59	17,428,129	19,609,607	15,687,686
2023	9,461,293	8,104,365	12,983,403	8,301,375	38,850,436	4.89	17,428,129	21,422,307	17,137,845
2024	10,075,399	8,349,701	13,440,598	8,474,254	40,339,953	3.83	17,428,129	22,911,823	18,329,459
2025	10,484,830	8,558,601	13,852,552	8,647,134	41,543,116	2.98	17,428,129	24,114,987	19,291,990
2026	10,703,957	8,858,100	14,239,163	8,820,013	42,621,233	2.60	17,428,129	25,193,104	20,154,484
2027	10,876,865	9,182,313	14,651,161	8,992,892	43,703,231	2.54	17,428,129	26,275,102	21,020,082
2028	11,314,640	9,538,353	15,063,158	9,165,772	45,081,923	3.15	17,428,129	27,653,794	22,123,035
2029	11,904,755	9,884,122	15,475,156	9,338,651	46,602,684	3.37	17,428,129	29,174,555	23,339,644
2030	12,529,628	10,175,099	15,887,154	9,511,531	48,103,411	3.22	17,428,129	30,675,282	24,540,225
2031	13,076,805	10,449,157	16,299,151	9,684,410	49,509,523	2.92	17,428,129	32,081,394	25,665,115
2032	13,458,582	10,724,291	16,711,149	9,857,289	50,751,311	2.51	17,428,129	33,323,182	26,658,546
2033	13,779,745	11,021,056	17,123,146	10,030,169	51,954,117	2.37	17,428,129	34,525,988	27,620,790
2034	14,142,789	11,346,681	17,535,144	10,203,048	53,227,662	2.45	17,428,129	35,799,533	28,639,626
2035	14,595,168	11,674,859	17,947,142	10,375,928	54,593,096	2.57	17,428,129	37,164,967	29,731,973
2036	15,127,822	11,990,487	18,359,139	10,548,807	56,026,255	2.63	17,428,129	38,598,126	30,878,501
2037	15,657,513	12,288,747	18,771,137	10,721,687	57,439,083	2.52	17,428,129	40,010,954	32,008,763
2038	16,127,683	12,576,131	19,183,134	10,894,566	58,781,514	2.34	17,428,129	41,353,385	33,082,708
2039	16,538,418	12,869,378	19,595,132	11,067,445	60,070,373	2.19	17,428,129	42,642,244	34,113,795
2040	16,927,103	13,175,116	20,007,130	11,240,325	61,349,673	2.13	17,428,129	43,921,544	35,137,235
2041	17,345,247	13,490,027	20,419,127	11,413,204	62,667,605	2.15	17,428,129	45,239,476	36,191,581
2042	17,810,097	13,805,582	20,831,125	11,586,084	64,032,887	2.18	17,428,129	46,604,758	37,283,807
2043	18,300,546	14,113,327	21,243,122	11,758,963	65,415,958	2.16	17,428,129	47,987,829	38,390,263
2044	18,783,076	14,412,990	21,655,120	11,931,842	66,783,028	2.09	17,428,129	49,354,899	39,483,919
2045	19,234,954	14,710,132	22,067,118	12,104,722	68,116,926	2.00	17,428,129	50,688,797	40,551,037
2046	19,661,152	15,010,745	22,479,115	12,277,601	69,428,613	1.93	17,428,129	52,000,484	41,600,387
2047	20,084,702	15,317,456	22,891,113	12,450,481	70,743,751	1.89	17,428,129	53,315,622	42,652,498
2048	20,525,243	15,627,664	23,303,110	12,623,360	72,079,377	1.89	17,428,129	54,651,248	43,720,998
2049	20,986,586	15,936,765	23,715,108	12,796,240	73,434,698	1.88	17,428,129	56,006,569	44,805,255
2050	21,456,349	16,241,996	24,127,106	12,969,119	74,794,569	1.85	17,428,129	57,366,440	45,893,152
2051	21,918,382	16,543,857	24,539,103	13,141,998	76,143,341	1.80	17,428,129	58,715,212	46,972,169
2052	22,365,677	16,845,287	24,951,101	13,314,878	77,476,942	1.75	17,428,129	60,048,813	48,039,051
2053	22,803,240	17,148,941	25,363,098	13,487,757	78,803,036	1.71	17,428,129	61,374,907	49,099,926
2054	23,242,250	17,455,275	25,775,096	13,660,637	80,133,258	1.69	17,428,129	62,705,128	50,164,103

Table 2 - Summary of Historical Diversification of TIF Revenues

	2012	2013	2014	2015	2016
Hotels	$4,508,579.72	$5,095,040.56	$4,914,115.10	$5,878,165.19	$6,852,177.34
Restaurants	4,503,091.30	4,907,606.52	5,229,070.07	5,521,444.92	5,805,566.94
Top-50, Non HR	9,604,213.80	10,669,800.13	10,285,469.56	10,744,282.66	10,551,397.07
Residual	5,283,764.35	5,307,421.72	6,420,251.82	7,408,339.38	7,341,218.80
Total	23,899,649.17	25,979,868.93	26,848,906.55	29,552,232.15	30,550,360.15
Baseline	17,428,129.05	17,428,129.05	17,428,129.05	17,428,129.05	17,428,129.05
Increment	6,471,520.12	8,551,739.88	9,420,777.50	12,124,103.10	13,122,231.10
Payable	5,177,216.10	6,841,391.90	7,536,622.00	9,699,282.48	10,497,784.88

Table 3 - Property Taxes

Calendar Year	Assessed Value, New	New Revenue	Old Revenue	Incremental Revenue	Payable Increment
2012	$1,754,670,082	$2,140,698	$1,529,475	$611,223	$488,978
2013	1,837,190,574	2,241,373	1,529,475	711,898	569,518
2014	1,840,399,590	2,245,288	1,529,475	715,813	572,650
2015	1,866,535,861	2,277,174	1,529,475	747,699	598,159
2016	2,009,079,918	2,451,078	1,529,475	921,603	737,282
2017	1,960,349,244	2,391,626	1,529,475	862,151	689,721
2018	1,988,093,416	2,425,474	1,529,475	895,999	716,799
2019	2,015,837,588	2,459,322	1,529,475	929,847	743,877
2020	2,043,581,760	2,493,170	1,529,475	963,695	770,956
2021	2,071,325,932	2,527,018	1,529,475	997,543	798,034
2022	2,099,070,103	2,560,866	1,529,475	1,031,391	825,112
2023	2,126,814,275	2,594,713	1,529,475	1,065,238	852,191
2024	2,154,558,447	2,628,561	1,529,475	1,099,086	879,269
2025	2,182,302,619	2,662,409	1,529,475	1,132,934	906,347
2026	2,210,046,790	2,696,257	1,529,475	1,166,782	933,426
2027	2,237,790,962	2,730,105	1,529,475	1,200,630	960,504
2028	2,265,535,134	2,763,953	1,529,475	1,234,478	987,582
2029	2,293,279,306	2,797,801	1,529,475	1,268,326	1,014,661
2030	2,321,023,478	2,831,649	1,529,475	1,302,174	1,041,739
2031	2,348,767,649	2,865,497	1,529,475	1,336,022	1,068,817
2032	2,376,511,821	2,899,344	1,529,475	1,369,869	1,095,896
2033	2,404,255,993	2,933,192	1,529,475	1,403,717	1,122,974
2034	2,432,000,165	2,967,040	1,529,475	1,437,565	1,150,052
2035	2,459,744,337	3,000,888	1,529,475	1,471,413	1,177,130
2036	2,487,488,508	3,034,736	1,529,475	1,505,261	1,204,209
2037	2,515,232,680	3,068,584	1,529,475	1,539,109	1,231,287
2038	2,542,976,852	3,102,432	1,529,475	1,572,957	1,258,365
2039	2,570,721,024	3,136,280	1,529,475	1,606,805	1,285,444
2040	2,598,465,196	3,170,128	1,529,475	1,640,653	1,312,522
2041	2,626,209,367	3,203,975	1,529,475	1,674,500	1,339,600
2042	2,653,953,539	3,237,823	1,529,475	1,708,348	1,366,679
2043	2,681,697,711	3,271,671	1,529,475	1,742,196	1,393,757
2044	2,709,441,883	3,305,519	1,529,475	1,776,044	1,420,835
2045	2,737,186,054	3,339,367	1,529,475	1,809,892	1,447,914
2046	2,764,930,226	3,373,215	1,529,475	1,843,740	1,474,992
2047	2,792,674,398	3,407,063	1,529,475	1,877,588	1,502,070
2048	2,820,418,570	3,440,911	1,529,475	1,911,436	1,529,149
2049	2,848,162,742	3,474,759	1,529,475	1,945,284	1,556,227
2050	2,875,906,913	3,508,606	1,529,475	1,979,131	1,583,305
2051	2,903,651,085	3,542,454	1,529,475	2,012,979	1,610,383
2052	2,931,395,257	3,576,302	1,529,475	2,046,827	1,637,462
2053	2,959,139,429	3,610,150	1,529,475	2,080,675	1,664,540
2054	2,986,883,601	3,643,998	1,529,475	2,114,523	1,691,618

Table 4 -- Louisville Arena TIF Payments

Year	Total TIF Payment	Sales Tax Increment	Property Tax Increment	Withholding Increment
2009	$678,288	-	$457,381	$220,906
2010	2,168,608	$1,054,659	558,537	555,413
2011	3,541,618	2,981,175	560,443	-
2012	5,666,194	5,177,216	488,978	-
2013	7,410,910	6,841,392	569,518	-
2014	8,109,272	7,536,622	572,650	-
2015	10,297,345	9,699,282	598,159	-
2016	11,235,067	10,497,785	737,282	-
2017	11,284,438	10,594,717	689,721	-
2018	12,155,506	11,438,707	716,799	-
2019	13,142,306	12,398,429	743,877	-
2020	13,967,653	13,196,697	770,956	-
2021	15,184,119	14,386,085	798,034	-
2022	16,512,798	15,687,686	825,112	-
2023	17,990,036	17,137,845	852,191	-
2024	19,208,728	18,329,459	879,269	-
2025	20,198,337	19,291,990	906,347	-
2026	21,087,909	20,154,484	933,426	-
2027	21,980,586	21,020,082	960,504	-
2028	23,110,617	22,123,035	987,582	-
2029	24,354,304	23,339,644	1,014,661	-
2030	25,581,964	24,540,225	1,041,739	-
2031	26,733,932	25,665,115	1,068,817	-
2032	27,754,441	26,658,546	1,095,896	-
2033	28,743,764	27,620,790	1,122,974	-
2034	29,789,679	28,639,626	1,150,052	-
2035	30,909,104	29,731,973	1,177,130	-
2036	32,082,710	30,878,501	1,204,209	-
2037	33,240,050	32,008,763	1,231,287	-
2038	34,341,074	33,082,708	1,258,365	-
2039	35,399,239	34,113,795	1,285,444	-
2040	36,449,757	35,137,235	1,312,522	-
2041	37,531,181	36,191,581	1,339,600	-
2042	38,650,485	37,283,807	1,366,679	-
2043	39,784,020	38,390,263	1,393,757	-
2044	40,904,755	39,483,919	1,420,835	-
2045	41,998,951	40,551,037	1,447,914	-
2046	43,075,379	41,600,387	1,474,992	-
2047	44,154,568	42,652,498	1,502,070	-
2048	45,250,147	43,720,998	1,529,149	-
2049	46,361,482	44,805,255	1,556,227	-
2050	47,476,457	45,893,152	1,583,305	-
2051	48,582,553	46,972,169	1,610,383	-
2052	49,676,512	48,039,051	1,637,462	-
2053	50,764,466	49,099,926	1,664,540	-
2054	51,855,721	50,164,103	1,691,618	-

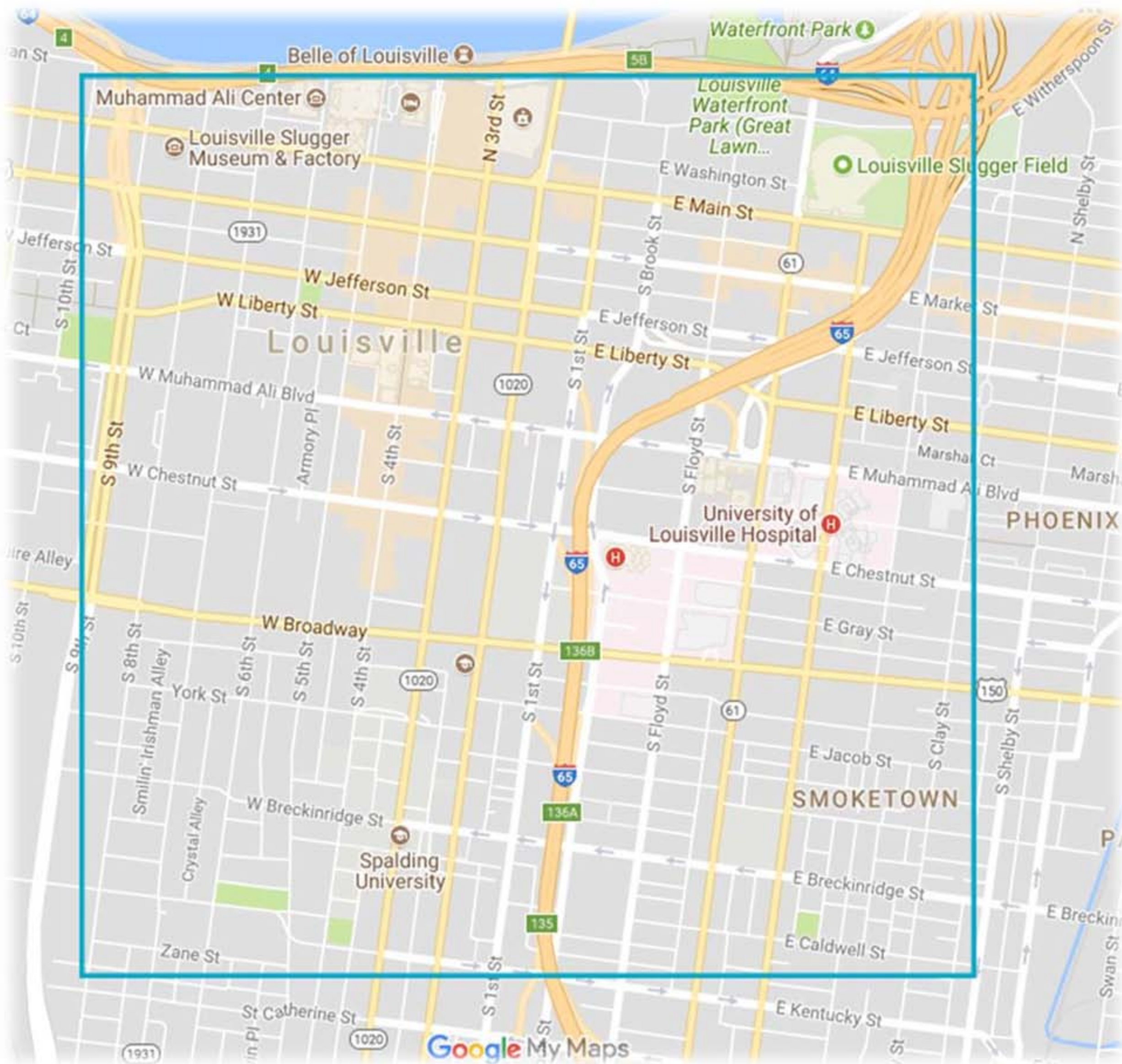
Waterfront Park
Belle of Louisville
Muhammad Ali Center
Louisville Slugger Museum & Factory
N 3rd St
Louisville Waterfront Park (Great Lawn...
E Washington St
Louisville Slugger Field
E Main St
W Jefferson St
W Liberty St
Louisville
E Jefferson St
E Liberty St
E Market St
W Muhammad Ali Blvd
S 9th St
W Chestnut St
S Brook St
S 1st St
S Floyd St
E Muhammad Ali Blvd
University of Louisville Hospital
PHOENIX
E Chestnut St
W Broadway
E Gray St
York St
S 8th St
S 6th St
S 5th St
S 4th St
Smilin' Irishman Alley
Crystal Alley
Armory Pl
E Jacob St
S Clay St
S Shelby St
SMOKETOWN
W Breckinridge St
Spalding University
E Breckinridge St
Zane St
E Caldwell St
St Catherine St
E Kentucky St
Google My Maps

Figure 1

APPENDIX C

Audited Financial Statements of Louisville Arena Authority, Inc.
Year Ended December 31, 2016

together with

Unaudited Financial Information for the Period Ended September 30, 2017

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REPORT OF THE AUDIT OF THE LOUISVILLE ARENA AUTHORITY, INC.

For The Years Ended
December 31, 2016 and 2015

MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS
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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

Board of Directors
Louisville Arena Authority, Inc.
Louisville, Kentucky

Independent Auditor's Report

Report on the Financial Statements

We have audited the accompanying financial statements of the Louisville Arena Authority Inc. (LAA) which comprise the statement of financial position as of December 31, 2016, and the related statements of activities and changes in net assets and cash flows for the year then ended, and the related notes to the financial statements. The financial statements of LAA, as of and for the year ended December 31, 2015, were audited by a predecessor auditor, whose report dated May 25, 2016, was provided to us.

Management's Responsibility for the Financial Statements

LAA's Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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Board of Directors
Louisville Arena Authority, Inc.
Louisville, Kentucky

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to LAA's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of LAA's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of LAA, as of December 31, 2016 and the respective changes in its financial position and its cash flows, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter – Change in Accounting Principle

As discussed in Note B (11), the 2016 financial statements of LAA include a change in accounting principle resulting from the implementation of ASU 2015-03, *Imputation of Interest (Subtopic 835-30) Simplifying the Presentation of Debt Issuance Costs*. This change resulted in classification changes within the statement of net position, but has no effect on net assets or change in net assets. This accounting principle has been applied retrospectively, and therefore, the 2015 financial statements have been amended accordingly. Our opinion is not modified with respect to this matter.

Other Matter – Prior-Year Comparative Statements

The financial statements of LAA, which comprise the statement of financial position as of December 31, 2015, and the related statements of activities and changes in net assets and cash flows for the year then ended, and the related notes to the financial statements, were audited by a predecessor auditor whose report dated May 25, 2016, expressed an unmodified opinion prior to amendment. As part of our audit of the 2016 financial statements, we also audited the adjustments described in Note B (11) that were applied to amend the 2015 financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2015 financial statements of LAA other than with respect to the adjustments, and accordingly, we do not express an opinion or any other form of assurance on the 2015 financial statements as a whole.

Board of Directors
Louisville Arena Authority, Inc.
Louisville, Kentucky

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 17, 2017 on our consideration of LAA's internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on LAA's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering LAA's internal control over financial reporting and compliance.

Respectfully submitted,

Mike Harmon
Auditor of Public Accounts

May 17, 2017

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FINANCIAL STATEMENTS

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LOUISVILLE ARENA AUTHORITY, INC.
STATEMENT OF FINANCIAL POSITION

December 31, 2016 and 2015

Assets	2016	2015
Cash and cash equivalents	$ 2,564,515	$ 897,237
Interest receivable	60,943	60,943
Other receivables	2,332,480	2,721,243
Prepaid expenses	105,533	103,464
Restricted cash	630,406	630,305
Assets limited as to use- restricted to bond indenture	30,764,820	28,097,524
Property and equipment, net	341,290,625	350,208,568
Total assets	$ 377,749,322	$ 382,719,284

Liabilities and Net Assets	2016	2015
Liabilities		
Accounts payable	$ 3,545,314	$ 4,340,367
Accrued expenses and other	3,795,017	3,861,946
Deferred revenues	2,321,903	2,185,415
Retainage payable	341,359	341,359
Note payable	4,375,000	4,875,000
Bonds payable	346,271,443	346,994,028
	360,650,036	362,598,115
Net assets		
Unrestricted	17,099,286	20,121,169
Total liabilities and net assets	$ 377,749,322	$ 382,719,284

The accompanying notes are an integral part of the financial statements.

LOUISVILLE ARENA AUTHORITY, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For The Years Ended December 31, 2016 and 2015

	2016	2015
Operating revenues and support		
Metro Louisville guarantee	$ 9,800,000	$ 9,800,000
Tax increment financing payments	10,297,345	8,109,272
Naming Rights revenue	1,332,630	1,306,500
Sponsorship revenue	3,278,754	3,522,830
Suite and premium seating revenue	1,747,765	1,813,729
Revenue from operations contract	2,383,576	1,492,848
Debt forgiveness	500,000	500,000
Other operating income	233,546	177,636
Total revenues and support	29,573,616	26,722,815
Operating expenses		
Depreciation	8,988,203	9,902,502
General and administrative	2,242,040	3,053,832
Total expenses	11,230,243	12,956,334
Change in net assets before other revenue (expense)	18,343,373	13,766,481
Other revenue (expense)		
Interest income	758,672	747,222
Interest expense	(22,414,794)	(22,495,847)
Unrealized gain (loss) on investments	290,866	(1,286,346)
Total other revenue (expenses)	(21,365,256)	(23,034,971)
Change in net assets	(3,021,883)	(9,268,490)
Net assets at beginning of year	20,121,169	29,389,659
Net assets at end of year	$ 17,099,286	$ 20,121,169

LOUISVILLE ARENA AUTHORITY, INC.
STATEMENT OF CASH FLOWS

For The Years Ended December 31, 2016 and 2015

	2016	2015
Cash flows from operating activities		
Changes in net assets	$ (3,021,883)	$ (9,268,490)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	9,838,262	10,811,021
Accretion of interest on bonds payable	1,172,053	1,168,680
Centerplate loan forgiveness	(500,000)	(500,000)
Unrealized (gain) loss on investments	(290,866)	1,286,346
Changes in:		
Other receivables	388,763	340,977
Prepaid expenses	(2,069)	(24,434)
Accounts payable	(795,053)	361,499
Accrued expenses and other	(66,929)	(64,283)
Deferred revenues	136,488	(363,902)
Net cash provided by operating activities	6,858,766	3,747,414
Cash flows from investing activities		
Purchase of property and equipment	(70,260)	(118,699)
Net change in restricted cash	(101)	(99)
Net change in limited use cash	(2,376,430)	(1,660,052)
Net cash used in investing activities	(2,446,791)	(1,778,850)
Cash flows from financing activities		
Payments on bonds payable	(2,744,697)	(1,950,754)
Increase (decrease) in cash and cash equivalents	1,667,278	17,810
Cash and cash equivalents at beginning of year	897,237	879,427
Cash and cash equivalents at end of year	$ 2,564,515	$ 897,237
Supplemental information		
Cash paid for interest	$ 20,353,827	$ 20,377,771

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NOTES TO THE FINANCIAL STATEMENTS

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LOUISVILLE ARENA AUTHORITY, INC.
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2016 and 2015

NOTE A – NATURE OF AUTHORITY AND OPERATIONS

Louisville Arena Authority, Inc. ("the Authority") is a Kentucky non-stock, non-profit corporation formed in January 2006. The Authority operates a multi-use arena in downtown Louisville, Kentucky.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Basis of Accounting: The financial statements for the Authority have been prepared on the accrual basis of accounting.

2. Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and the accompanying notes. Actual results could differ from those estimates. The fair value of investment securities, useful lives of fixed assets, and fair value of financial instruments are significant estimates.

3. Cash and Cash Equivalents: The Authority considers all highly liquid investments with a maturity when purchased of three months or less, and which are not designated for a specific purpose, to be cash equivalents. The Authority typically maintains balances in excess of federally insured limits.

4. Investment Valuation and Income Recognition: The Authority's investments are reported at fair value. Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Unrealized holding gains and losses are reported in the change of net assets.

5. Other Receivables: Receivables from the Authority's various funding sources are recorded at their net realizable value based on contractual agreements. The Authority did not charge interest on past due receivables. At December 31, 2016 and 2015, no allowance was required as management considered all receivables to be collectible.

6. Restricted Cash: The Authority has established separate bank accounts to hold funds restricted for payment of bonds payable, the construction manager's retainage, and remaining funds received for the construction of the pedway.

7. Property and Equipment: Property and equipment is stated at cost at the date of acquisition or fair value at the date of donation and depreciated on the straight-line basis over the estimated useful lives of the respective assets ranging from 3 to 40 years. Software is being amortized on the straight-line basis over a three year estimated useful life.

LOUISVILLE ARENA AUTHORITY, INC.
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2016 and 2015
(Continued)

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Authority reviews for the impairment of long-lived assets subject to depreciation and amortization, including property and equipment, whenever events or changes in circumstances indicate that the carrying amount of these assets may not be recoverable in accordance with ASC 350 and ASC 360. Specifically, this process involves comparing the Authority's asset carrying values to the estimated undiscounted future cash flows the assets are expected to generate over their remaining lives. If this process were to result in the conclusion that the carrying value of long-lived assets would not be recoverable, then a write down of the assets would be recorded through a charge to earnings equal to the difference in the fair value of the assets and their carrying value. No such impairment losses were recognized for the years ended December 31, 2016 and 2015.

8. Bond Issuance Costs: Bond issuance costs are amortized using the effective interest method over the life of the respective bond issues. Amortization expense was $613,124 and $656,590 for the years ended December 31, 2016 and 2015, respectively. The bond issuance cost at December 31, 2016 and 2015 was $11,962,778. The related accumulated amortization at December 31, 2016 and 2015 was $6,721,024 and $6,107,900, respectively. Amortization expense for future years is approximately $570,000 in 2017, $530,000 in 2018, $500,000 in 2019, $470,000 in 2020, and $440,000 in 2021.
9. Deferred Revenues: Deferred revenues represent those funds received as deposits for equipment lease revenues, naming rights, and deferred signing bonus from AEG. The deferred revenues will be recognized as income in following years based on the duration of the agreement.
10. Income Taxes: The Authority received a ruling from the Internal Revenue Service indicating that it qualifies as a tax exempt organization under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no income taxes have been provided in the accompanying financial statements. The Kentucky Department of Revenue has granted the Authority exemption from sales tax on purchases made for its exempt purpose and has also issued the Authority an exemption from ad valorem tax as a "purely public charity."

    The Authority has no material uncertain income tax positions which would result in a liability to the Authority. The Authority recognizes interest and/or penalties related to income tax matters in income tax expense. The Authority recognized no interest or penalties on income taxes in its statement of activities for the years ended December 31, 2016 or 2015. Due to its tax exempt status, the Authority is not subject to U.S. federal income tax or state income tax.

    The Authority recognizes a tax position as a benefit only if it is "more likely than not" that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the "more likely than not" test, no tax benefit is recorded. The Authority does not expect its unrecognized tax benefits to significantly change in the next 12 months.

LOUISVILLE ARENA AUTHORITY, INC.
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2016 and 2015
(Continued)

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

11. Accounting Changes: In April 2015, the Financial Accounting Standards Board (FASB) issued ASU 2015-03, *Imputation of Interest (Subtopic 835-30) Simplifying the Presentation of Debt Issuance Costs*. This amendment requires debt issuance cost to be presented as a reduction to the principal amount of debt owed. The ASU is effective retrospectively for nonpublic entities for fiscal years beginning after December 15, 2015, and was adopted by the Authority for the year ended December 31, 2016. The 2015 statement of financial position was amended to reclassify unamortized bond issue costs of $5,854,878 originally included in other assets, to a reduction in bonds payable. This amendment had no effect on previously reported net assets or change in net assets.

12. Newly Issued Standards Not Yet Effective: FASB has issued accounting standard No. 2014-09, *Revenue from Contracts with Customers*, concerning the accounting for revenue recognition. The standard is effective for years beginning after December 15, 2018.

    FASB has also issued accounting standard No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, concerning changes on classifying net assets and preparation of financial statements. The standard is effective for years beginning after December 15, 2017.

    FASB has issued accounting standard No. 2016-02, *Leases*, concerning the accounting for leases. The standard is effective for years beginning after December 15, 2018.

    The Authority is evaluating the impact that adoption of these standards will have on future financial position and results of operations.

NOTE C – CONTRACTUAL ARRANGEMENTS

1. Event Management Agreements:

    AEG Management Louisville, LLC: The Authority has entered into an Operations Management Agreement ("Agreement") with AEG Management Louisville, LLC ("AEG") to be the sole, independent manager for the arena with complete authority over and responsibility for its day-to-day operations including its management. The Agreement was effective on July 1, 2012 and extends through June 30, 2022.

    The fees for this contract include: 1) a Fixed Fee of $480,000 for the year adjusted annually up to 1.5% throughout the term of the agreement in accordance with increases in the Consumer Price Index ("CPI") for all Urban Consumers, 2) an Incentive Fee up to $120,000 per year subject to operating results. The Agreement guarantees the Authority a minimum amount of operating profit after the above management fees for each contract year ending June 30 of $1,500,000 for 2015 and $1,500,000 for each year thereafter as adjusted by the CPI increase.

LOUISVILLE ARENA AUTHORITY, INC.
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2016 and 2015
(Continued)

NOTE C – CONTRACTUAL ARRANGEMENTS (Continued)

In 2016, the Agreement was amended as follows: 1) the term was extended to June 30, 2027, 2) a Fixed Fee of $700,000 for the year adjusted annually up to 1.5% of the CPI, 3) an Incentive Fee up to $35,000 per year subject to operating results, 4) a Signing Bonus of $1,000,000 due in May 2016 and $500,000 due July 2022, and 5) certain management and administrative provisions.

The Agreement may be terminated by either party in accordance with the provisions of the agreement. If terminated by the Authority before July 31, 2017, the Authority must reimburse AEG the full amount of the $1,000,000 2016 and $1,100,000 2012 signing bonuses. These signing bonuses are being amortized from inception through the July 31, 2017 termination penalty clause date in the Agreement. Amortization was $720,000 for 2016 and $220,000 for 2015.

A reconciliation of amounts under the contract for the years ended December 31 is as follows:

	2016	2015
Accrued profit from operations	$2,340,144	$1,887,348
Management fee to AEG	(676,568)	(614,500)
Amortization of deferred management fee discount	720,000	220,000
Revenue from operations contract	$2,383,576	$1,492,848

Kentucky State Fair Board Agreement: On July 1, 2012, the Authority terminated its April 2008 Operations Management Agreement (the "Management Agreement") with the Kentucky State Fair Board ("KSFB"), pursuant to an Agreement of Dissolution and Termination (the "Dissolution Agreement"). The Management Agreement, which had an initial term of 10 years (subject to certain termination provisions), vested control of the operations and management of the Yum! Center (the "Arena") to KSFB through April 2018. Compensation to KSFB under the Management Agreement included a fixed management fee of $150,000 annually, reimbursement of labor costs incurred by KSFB at the Arena, and a negative impact provision (adopted from the Commonwealth of Kentucky Biennial Budget Bill of 2006) to reimburse KSFB for the reduction in net income of KSFB's Freedom Hall caused by the operation of the Arena through the term of the Management Agreement. During the six months ended prior to July 1, 2012, the date of termination of the Management Agreement, the Authority paid KSFB $75,000 for its management fee and incurred $2,357,000 of labor costs from KSFB under the agreement.

The negative impact provision of the Management Agreement required the Authority to fund a reserve with $750,000 annually, commencing in 2011, to be used for payment of the required Freedom Hall net income reimbursements, if any, commencing in 2014. Because of restrictions in the Arena's bond documents, the reserve was not funded in 2011 or during the six months ended prior to July 1, 2012, when the Management Agreement was terminated. Instead, the Authority

LOUISVILLE ARENA AUTHORITY, INC.
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2016 and 2015
(Continued)

NOTE C – CONTRACTUAL ARRANGEMENTS (Continued)

accrued $4,828,047 as an estimate of future Freedom Hall reimbursements equal to $750,000 per year for the seven years that remained on the Management Agreement's initial term at that time ($5,250,000 gross liability) discounted to its net present value at a rate of 4.04%. A similar calculation for the 18 months beginning January 2011 and ending on the Management Agreement's termination date of July 1, 2012, yields a gross liability of $1,125,000. Neither calculation reflects potential offsets of excessive costs incurred by the Authority under the management of KSFB.

In May, 2013, KSFB proposed to settle all debts owed by the Authority to KSFB for fees, expenses, and the Freedom Hall negative impact reimbursement, for a total of $1,471,910. The $1,471,910 comprised the accounts payable to KSFB recorded on the Authority's books at that date. The Authority accepted the proposal at its meeting on May 13, 2013. However, KSFB subsequently informed the Authority that it did not intend the debt settlement to include the Freedom Hall negative impact reimbursement, and in early 2014 asserted a claim with the Authority of $7,200,000 for such reimbursement. The claim purported to reflect reductions in Freedom Hall net income arising from Arena operations for the calendar years 2012, 2013, and 2014. The Authority made an initial payment to KSFB of $100,000 against the $1,471,910 settlement amount in October 2013. In 2014, the Authority sold to KSFB furniture and fixtures for an agreed upon reduction of the liability in the amount of $150,000. The Authority made payments of $100,000 in October 2016 and 2015.

The Authority rejected KSFB's claim for any payment in excess of the $1,471,910 agreed upon settlement, based on its prior acceptance of KSFB's offer to settle for this amount and its prior payment, accepted by KSFB, of $100,000 against this settlement amount. Further, the KSFB claim for negative impact reimbursement encompasses a 36-month period from January 1, 2011 through December 31, 2013, which period is 18 months beyond the July 1, 2012 termination date of the Management Agreement. As discussed above, the Freedom Hall reimbursement provisions of the Management Agreement, adopted from the Commonwealth of Kentucky Biennial Budget Bill of 2006, expired with the termination of the Management Agreement.

Furthermore, on April 17, 2015, based on a joint request from the Authority and KSFB, the Attorney General of the Commonwealth of Kentucky issued an informal opinion about whether the Louisville Arena Authority is obligated to pay to KSFB the negative impact reimbursement. The opinion concluded that the negative impact reimbursement was not due to KSFB. As a result of this opinion and other factors noted above, the Authority determined that it was not probable that the liability exists and the Authority has reversed the previously accrued estimate of $4,828,047. The reversal of the liability was recorded as a benefit in the Statement of Activities and Changes in Net Assets for the year ended December 31, 2014. The settlement of the liability for debts owned by the Authority for expenses was recorded as a benefit in the Statement of Activities and Changes in Net Assets for the year ended December 2013.

The Authority intends to honor its agreement with KSFB to settle all debts for $1,471,910. The remaining liability of $1,021,910 and $1,121,910 due KSFB is included as a component of accrued expenses and other in the accompanying Statement of Financial Position at December 31, 2016 and 2015, respectively.

LOUISVILLE ARENA AUTHORITY, INC.
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2016 and 2015
(Continued)

NOTE C – CONTRACTUAL ARRANGEMENTS (Continued)

2. Galt House Agreement: The Authority has an exchange agreement with the Galt House. The Galt House provided accommodations during the period of construction valued at $386,427 in exchange for the use of a suite in the arena up to the same value as the accommodations provided. The remaining unutilized balance of $86,660 and $102,444 at December 31, 2016 and 2015, respectively, is included in accrued expenses and other in the accompanying statement of financial position.

3. Humana Agreement: As part of the Definitive Property Sale and Relocation Agreement with Humana, Inc., the Authority conveyed to Humana the use of a suite in the Arena rent-free for a period of 20 years. Further, Humana was not to be charged the initial fee and suite build-out charges. As of December 31, 2016 and 2015, the value related to the suite was $892,943 and $944,088, respectively, which is included in accrued expenses and other in the accompanying statements of financial position. The amortization period extends through 2028.

4. LASEP, Team Services, and Learfield Agreement: The Authority has an agreement with LASEP, LLC, ("LASEP"), Team Services, LLC, ("Team Services") and Learfield Communication, Inc., ("Learfield"), to provide services in connection with the naming rights, marketing and sponsorship sales rights relating to the Arena. The agreement has an effective date of March 31, 2008 through seven years after the opening of the Arena with the option to extend the term an additional three years.

   Under the terms of the agreement, exclusive sponsorship rights have been granted to LASEP by the Authority and are being guaranteed by Learfield. In return for their marketing services, the agreement provides for the allocation of qualified sponsorship payments between LASEP and the Arena.

   In exchange for the exclusive sponsorship rights, LASEP agrees to pay the Authority a qualified sponsorship payment ("QSP") annually. The QSP is calculated as a percentage of gross revenues (as defined per the agreement), or an annual minimum of $2,500,000 for both 2016 and 2015. For the first $4,000,000 of gross revenues (as defined per the agreement), the Authority receives a QSP of 75% of the gross revenues. On any gross revenues in excess of $4,000,000, the Authority receives a QSP of 65% of the gross revenues.

   In addition, the agreement provides Team Services with an exclusive contract for obtaining a Naming Rights Sponsor for the Arena. Under the terms of the agreement, Team Services is paid a commission based upon the gross annual amounts the naming rights sponsor (Yum! Brands) is required to pay under the terms of the naming rights agreement.

   The naming rights agreement with Yum! Brands, Inc. contains contractual annual payments through September 30, 2020.

LOUISVILLE ARENA AUTHORITY, INC.
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2016 and 2015
(Continued)

NOTE C – CONTRACTUAL ARRANGEMENTS (Continued)

Future naming rights revenues are as follows in accordance with the naming rights agreement:

Annual Contract Period Beginning October 1,	Amount
2017	$ 1,379,570
2018	1,407,162
2019	1,435,305
	$ 4,222,037

5. PARC Agreements: The Authority has entered into a Garage Operating Agreement with Parking Authority of River City ("PARC"), expiring September 30, 2044. Under the terms of the Agreement, PARC will be responsible for the operations and maintenance of the garage. In addition, the agreement specifies parking requirements for basketball games and arena events. Under this agreement, the Authority agrees to pay PARC each fiscal year beginning January 1, 2011, the first $90,000 and 50% of amounts exceeding $90,000 of net revenue received by the Authority related to the sale of naming rights to the garage and sponsorship signage sold in and on the garage. As of December 31, 2016 and 2015, there was no signage in and on the garage.

6. Centerplate Agreement: The Authority has a Concessions and Catering Services Agreement with Service America Corporation, d/b/a Centerplate ("Centerplate"). The agreement provides for Centerplate to be the sole provider of concessions and catering services in the arena. The agreement expires on December 31, 2020 with the option to be extended for two additional five year periods at the agreement of both parties. Under the terms of the agreement, Centerplate agrees to pay annual commissions to the Authority based on varying rates of gross receipts (for concessions, catering and merchandise) received at the arena. The new event management contract with AEG effective July 1, 2012 transfers the Centerplate revenue to AEG.

   In addition, as part of this agreement, during 2009, Centerplate advanced the Authority $1,000,000. During 2010, Centerplate advanced the Authority an additional $6,500,000, for a total of $7,500,000. This noninterest bearing loan is being amortized monthly on a straight-line basis over a 15-year period, expiring in October 2025. For each monthly period that the agreement remains effective from the first public event, Centerplate will forgive one-one hundred eightieth (1/180th) of the loan in favor of the Authority. During the years ended December 31, 2016 and 2015, Centerplate forgave $500,000 of this loan. The balance of the loan is $4,375,000 and $4,875,000 which is included in the note payable in the accompanying statement of financial position as of December 31, 2016 and 2015, respectively.

7. ULAA Agreement: The Authority has entered into a Lease Agreement with the University of Louisville Athletic Association, Inc. ("ULAA") as of July 3, 2008. The agreement ensures the arena is designed to meet ULAA's needs as the primary tenant and establishes a lease term through September 2044.

LOUISVILLE ARENA AUTHORITY, INC.
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2016 and 2015
(Continued)

NOTE C – CONTRACTUAL ARRANGEMENTS (Continued)

Under this agreement, the Authority is leasing the arena to ULAA for all ULAA sponsored events. The agreement provides for rental rates regarding ULAA's use of the arena based on the type of event that is held as follows:

Type of Event	Rental Amount
Men’s Basketball Game	Minimum of $10,000 per game, or 10% of gross admissions receipts from the sale of tickets (net of taxes and ticket surcharges)
Women’s Basketball Game	Minimum of $5,000 per game, or 5% of gross admissions receipts from the sale of tickets (net of taxes and ticket surcharges)
Other University-Sponsored Events	Minimum of $5,000 per event, or 5% of gross admissions receipts from the sale of tickets (net of taxes and ticket surcharges)
Private Suite Rentals and Premium Seating	12% of the net revenue for the year

Total premium suite and seating revenues of $1,747,765 and $1,813,729 were recorded for the years ended December 31, 2016 and 2015, respectively. This amount represents the pro-rata portion of the total revenues over the number of men’s basketball games of the 2016-2017 and 2015-2016 seasons that have occurred as of December 31, 2016 and 2015.

In addition, this agreement also provides for the allocation of certain revenues between the Authority and ULAA as follows:

Type of Revenue	Allocation of Revenues
Program Sales and Program Advertisements	All proceeds will be retained by ULAA
Concessions and Catering	Payments received from third-party concession and catering sales will be allocated 50% to the Authority and 50% to ULAA for all University sponsored events

LOUISVILLE ARENA AUTHORITY, INC.
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2016 and 2015
(Continued)

NOTE C – CONTRACTUAL ARRANGEMENTS (Continued)

Type of Revenue	Allocation of Revenues
Gift Shop	Payments received from gift shop sales will be allocated 50% to the Authority and 50% to ULAA for all events
Signage	Effective 2013, ULAA and the Authority agreed to annual payments for permanent signage sales based on a gross revenue sharing calculation as defined in the Agreement for 2016 and a fixed payment of $950,000 for 2015, which includes video boards (noted below)
Video Boards	Effective 2013, ULAA and the Authority agreed to fixed annual payments for permanent signage sales based on a gross revenue sharing calculation as defined in the Agreement for 2016 and a fixed payment of $950,000 for 2015, which includes signage (noted above)

The Authority recorded expenses related to the concessions and catering revenues owed to ULAA; signage and video revenues owed to ULAA; and suites utilized under the sponsorship agreements of $1,576,123 and $1,631,952 for the years ended December 31, 2016 and 2015, respectively. The related liabilities included in accounts payable at December 31, 2016 and 2015 are $601,697 and $680,217, respectively.

Under the ULAA agreement, all of the previously listed transactions are to be remitted on a net basis, settled April 1 of each year. Therefore, at December 31, 2016 and 2015, a net receivable exists from ULAA of $372,891 and $355,168, respectively.

8. TPI Agreement: The Authority has an agreement with Telecommunication Properties, Inc. ("TPI") to provide consulting and management services of the Distributed Antenna System ("DAS") project within the arena. Under the terms of the agreement, TPI will solicit license proposals and negotiate licenses with fiber and wireless carriers to utilize the Authority's DAS, provide project support for the installation of the DAS, maintain the accounting related to the project and assist with the monitoring and collection of the license fees. For these services, TPI will receive a 20% commission of the gross license revenues as defined in the agreement.

   As of December 31, 2016, three wireless carriers are participating in the DAS program, and based upon the license terms, these agreements are accounted for as operating leases in accordance with ASC No. 840. Under the term of the agreements, the wireless carriers paid fees of $1,634,016, net of the 20% commission, which will be amortized over 10 years. At December 31, 2016 and 2015, $697,513 and $860,914 is included in deferred revenues in the accompanying statements of financial position.

LOUISVILLE ARENA AUTHORITY, INC.
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2016 and 2015
(Continued)

NOTE C – CONTRACTUAL ARRANGEMENTS (Continued)

9. Funding Agreements: The Authority has received a grant commitment from the Commonwealth of Kentucky (the "Commonwealth") in the form of a pledge of tax increment financing from the Commonwealth to be paid beginning in 2010 and continuing until the earliest of (1) the date all bond or debt obligations allocable to the increment are defeased or redeemed, (2) December 31, 2029, (3) the Commonwealth's election to terminate at the end of any calendar year upon 60 days prior written notice, or (4) the aggregate increment paid to the Authority by the Commonwealth on a cumulative basis reaches $265,000,000.

   The Authority has entered into an Amended and Restated Memorandum of Agreement with Louisville/Jefferson County Metro Government ("Metro"). Metro subsequently passed Ordinance No. 143, Series 2007 which provides guaranteed payments from Metro to the Authority not to exceed $309,000,000 to pay a portion of the cost of acquisition, construction and installation of the arena project. The payments, scheduled to commence November 2010 and continue until November 2039, include minimum annual guaranteed payments ranging from $6,533,333 to $7,200,000, plus potential additional annual payments ranging from $3,266,667 to $3,600,000 should the required debt service exceed revenue from all sources. The Metro agreement requires the Authority to reduce such guaranteed payment by any excess net cash flow, as defined in the agreement, generated by the Authority.

NOTE D – CONTRACTUAL ARRANGEMENT OF BONDS

Pursuant to the issue of Kentucky Economic Development Finance Authority Louisville Arena Project Revenue Bonds (see Note H) and the Bond Trust Indenture dated August 1, 2008, Regions Bank (the "Trustee"), holds investments, conducted transactions as directed by the Authority, and maintained appropriate books and records to account for all funds established under the trust indenture.

The Bond Trust Indenture provides for the issuance of the bonds and the establishment of the following accounts to be held by the Trustee:

Senior Reserve Fund - This fund is to be maintained while the bonds remain outstanding and is to be used to satisfy Senior Bond Sinking Fund and Senior Interest Fund (the "Senior Funds") obligations, if such amounts in the Senior Funds are insufficient. At December 31, 2016 and 2015, the balance at cost was $15,975,598 and $15,269,886, respectively.

Subordinate Reserve Fund - This fund is used for the deposit of $990,000, to be maintained while the bonds remain outstanding and is to be used to satisfy Subordinate Bond Sinking Fund and Subordinate Interest Fund (the "Subordinate Funds") obligations, if such amounts in the Subordinate Funds are insufficient. At December 31, 2016 and 2015, the balance at cost was $1,057,547 and $1,012,874, respectively.

LOUISVILLE ARENA AUTHORITY, INC.
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2016 and 2015
(Continued)

NOTE D – CONTRACTUAL ARRANGEMENT OF BONDS (Continued)

Senior Interest Fund - This fund is used to hold deposits used solely to pay interest on the Senior Bonds and to pay any reimbursement obligations to the bond issuer (the "Senior Interest Funds"). At December 31, 2016 and 2015, the balance was $30 and $9,365,888, respectively.

Subordinate Interest Fund - This fund is used to hold deposits used solely to pay interest on the Subordinate Bonds and to pay any reimbursement obligations to the bond issuer. At December 31, 2016 and 2015, the balance was $295,604 and $408,376, respectively.

TIF Revenue Fund - This fund is used to hold the deposits received from the Commonwealth of Kentucky pursuant to its financing agreement with the Authority. These funds are used to pay up to 35% of the interest and principal of the Senior Bonds. At December 31, 2016 and 2015, the balance was $1,180,275 and $273, respectively.

Metro Revenue Fund - This fund is used to hold the deposits from Metro Louisville pursuant to its financing agreement with the Authority. These funds are used to pay interest and principal of the Senior Bonds. At December 31, 2016 and 2015, the balance was $6,838,810 and $189,329, respectively.

Arena Revenue Fund - This fund is used to hold the deposits from Category A arena revenues. These funds are used first to make any payment to ULAA pursuant to its lease agreement and, secondly, to pay interest and principal of the Senior Bonds. At December 31, 2016 and 2015, the balance was $3,369,413 and $94,792, respectively.

Renovation Replacement Fund - This fund is used to hold deposits for potential future repairs, renovations and replacements. At December 31, 2016 and 2015, the balance was $642,700 and $642,114, respectively.

Senior Bond Sinking Fund – This fund is used solely to pay principal of the Senior Bonds and to pay any reimbursement obligations to the bond issuer. At December 31, 2016 and 2015, the balance was $0 and $18, respectively.

NOTE E – OTHER RECEIVABLES

Other receivables at December 31, 2016 and 2015 consist of the following:

	2016	2015
ULAA lease receivable	$ 974,588	$ 1,035,385
Sponsorship payments receivable	1,214,516	1,214,516
AEG contract		398,110
Other	143,376	73,232
	$ 2,332,480	$ 2,721,243

LOUISVILLE ARENA AUTHORITY, INC.
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2016 and 2015
(Continued)

NOTE F – ASSETS LIMITED AS TO USE

Investments are stated at estimated fair value and include the funds established by the Bond Trust Indenture. At December 31, 2016 and 2015, the investments consist of the following:

	2016	2015
Cash and commercial paper	$ 13,444,943	$ 11,068,516
Guaranteed investment contracts	17,319,877	17,029,008
	$ 30,764,820	$ 28,097,524

Pursuant to the terms of the guaranteed investment contracts, the Authority receives investment income equal to 4.673% per annum. The contracts include security agreements that provide for issuer to transfer additional securities to the trustee, as collateral (collateral securities), if the market value of the investment securities drops below cost. In such event, the market value of the collateral securities transferred plus the market value of the investments must equal at least 103% of the investment contract's balance. The guaranteed investment contracts related to the Subordinate Reserve Fund expires December 1, 2025, and the Senior Reserve Fund expires December 1, 2042. The cost basis of the Senior Reserve Fund and Subordinate Reserve Fund at December 31, 2016 and 2015 was $15,915,035. At December 31, 2016 and 2015, the fair value of the funds invested was $17,319,877 and $17,029,008, respectively.

NOTE G – PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2016 and 2015 consist of the following:

	2016	2015
Land and land improvements	$ 91,605,539	$ 91,605,539
Building and improvements	284,034,305	284,008,107
Equipment	21,570,979	21,556,417
Furniture and fixtures	6,207,291	6,177,791
Software	79,134	79,134
	403,497,248	403,426,988
Accumulated depreciation and amortization	(62,206,623)	(53,218,420)
	$341,290,625	$350,208,568

LOUISVILLE ARENA AUTHORITY, INC.
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2016 and 2015
(Continued)

NOTE H – BONDS PAYABLE

The bonds are collateralized by funds held by the Trustee along with a mortgage on the arena property and equipment. The balances outstanding on these bonds at December 31, 2016 and 2015 are as follows:

	2016	2015
Kentucky Economic Development Finance Authority Louisville Arena Project Revenue Bonds, Series 2008A		
1. Subseries 2008A-1, Current Interest Bonds		
A) Tax exempt fixed rate bonds at 5.75% with interest payable semi-annually (June 1 and December 1), maturing on December 1, 2028: net of unamortized discount of $543,417 and $616,178 at December 31, 2016 and 2015, respectively. These bonds are subject to optional redemption by the Authority prior to maturity commencing June 1, 2018 at the redemption price of 100% of the principal amount plus accrued interest through the redemption date.	$ 84,266,586	$ 84,193,822
B) Tax exempt fixed rate bonds at 6.00% with interest payable semi-annually (June 1 and December 1), maturity on December 1, 2033; net of unamortized discount of $266,200 and $294,840 at December 31, 2016 and 2015, respectively. These bonds are subject to optional redemption by the Authority prior to maturity commencing June 1, 2018 at the redemption price of 100% of the principal amount plus accrued interest through the redemption date.	72,438,800	72,410,160
C) Tax exempt fixed rate bonds at 6.00% with interest payable semi-annually (June 1 and December 1), maturing on December 1, 2038; net of unamortized discount of $686,963 and $748,693 at December 31, 2016 and 2015, respectively. These bonds are subject to optional redemption by the Authority prior to maturity commencing June 1, 2018 at the redemption price of 100% of the principal amount plus accrued interest through the redemption date.	80,158,037	80,096,307

LOUISVILLE ARENA AUTHORITY, INC.
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2016 and 2015
(Continued)

NOTE H – BONDS PAYABLE (Continued)

	2016	2015
D) Tax exempt fixed rate bonds at 6.00% with interest payable semi-annually (June 1 and December 1), maturing on December 1, 2042; net of unamortized discount of $900,058 and $973,860 at December 31, 2016 and 2015, respectively. These bonds are subject to optional redemption by the Authority prior to maturity commencing June 1, 2018 at the redemption price of 100% of the principal amount plus accrued interest through the redemption date.	$ 53,019,942	$ 52,946,140
2. Subseries 2008A-2, Capital Appreciation Bonds		
Bonds accreting interest (at varying rates ranging from 4.41% to 6.18%) through the maturity date, with interest and principal due at maturity. Includes accreted interest of $12,684,055 and $11,512,002 at December 31, 2016 and 2015, respectively. Maturity dates vary from December 1, 2012 through December 1, 2024. These bonds are not subject to redemption prior to maturity (see Table A).	32,809,832	33,202,477
Kentucky Economic Development Finance Authority Louisville Arena Project Revenue Bonds, Series 2008B		
Taxable fixed rate bonds at 7.00%, with interest payable semi-annually (June 1 and December 1), maturing on December 1, 2021. These bonds are subject to optional redemption by the Authority prior to maturity commencing June 1, 2013 at the redemption prices stated in the bond agreement plus interest accrued through the redemption date (See Table B).	18,920,000	20,100,000

LOUISVILLE ARENA AUTHORITY, INC.
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2016 and 2015
(Continued)

NOTE H – BONDS PAYABLE (Continued)

	2016	2015
Kentucky Economic Development Finance Authority Louisville Arena Project Revenue Bonds, Series 2008C		
Taxable fixed rate bonds at 8.25%, with interest payable semi-annually (June 1 and December 1), maturing on December 1, 2025. These bonds are subject to optional redemption by the Authority prior to maturity commencing June 1, 2013 at the redemption prices stated in the bond agreement plus interest accrued through the redemption date (See Table B).	$ 9,900,000	$ 9,900,000
	351,513,197	352,848,906
Less unamortized debt issuance costs	(5,241,754)	(5,854,878)
Total Bonds Payable	$ 346,271,443	$ 346,994,028

As noted above, the Series 2008A-1 bonds were issued at a discount. The amount of the original discount for the Series 2008A-1 bonds was $4,891,332. This discount is being amortized using the effective interest method over the life of the respective bonds. Amortization (interest expense) was $236,935 and $251,930 for the years ended December 31, 2016 and 2015, respectively.

The Series 2008A-2 bonds accrete interest based on varying rates and maturity dates as follows:

Table A

December 1,	Original Principal Amount	Amount Maturing	Interest Rate
2017	$ 1,467,859	$ 2,370,000	5.25%
2018	1,305,659	2,265,000	5.45%
2019	1,210,529	2,265,000	5.65%
2020	1,118,004	2,265,000	5.85%
2021	2,834,555	6,210,000	6.01%
2022	4,872,343	11,420,000	6.07%
2023	5,110,574	12,830,000	6.13%
2024	2,206,256	5,930,000	6.18%
	$ 20,125,779	$ 45,555,000	

LOUISVILLE ARENA AUTHORITY, INC.
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2016 and 2015
(Continued)

NOTE H – BONDS PAYABLE (Continued)

Table B

Redemption Period	Redemption Price
June 1, 2016 to, but not including, June 1, 2017	100.50%
June 1, 2017 and thereafter	100.00%

The debt agreements require the Authority to comply with certain covenants, including financial covenants. The Authority is required to file a compliance certificate with the Bond Trustee on or before June 30, 2017, based on the audited financial statements. The compliance certificate will indicate that the Authority is not in compliance with the financial covenant requirements; however, those defaults have been cured by the Authority by complying with other bond requirements as noted in the bond agreement.

Aggregate maturities on bonds payable (at their repayment value) at December 31, 2016 are as follows:

Year ending December 1,	Principal	Accrued Interest
2017	$ 3,052,860	$ 902,141
2018	4,800,659	959,341
2019	5,855,529	1,054,471
2020	9,428,004	1,146,996
2021	7,219,555	3,375,446
Thereafter	310,869,174	17,990,826
Total aggregate maturities	$341,225,781	$ 25,429,221

The fair value of the bonds at December 31, 2016 and 2015 was approximately $368,000,000 and $386,000,000, respectively. The fair value of long-term bonds payable is primarily based on the prices at which similar bonds have recently traded in the market and also considering the overall market conditions on the date of valuation.

NOTE I – FAIR VALUE

The fair values of cash and cash equivalents, other receivables, and accounts payable approximate the carrying amounts due to the short maturities of these instruments. The fair values of investments that are readily marketable are determined by obtaining quoted prices on nationally recognized securities exchanges or by quoted market prices of similar securities with similar due dates.

LOUISVILLE ARENA AUTHORITY, INC.
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2016 and 2015
(Continued)

NOTE I – FAIR VALUE (Continued)

The fair value hierarchy prioritizes observable and unobservable inputs used to measure fair value into three broad levels. These levels, in order of highest to lowest priority are described below:

> Level 1 - Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities.
>
> Level 2 - Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
>
> Level 3 - Unobservable inputs that are supported by little or no market activity and are significant to the fair value of the assets or liabilities. Level 3 includes values determined using pricing models, discounted cash flow methodologies, or similar techniques reflecting the Authority's own assumptions.

In many cases, a valuation technique used to measure fair value includes inputs from multiple levels of the fair value hierarchy. The lowest level of significant input determines the placement of the entire fair value measurement in the hierarchy.

The guaranteed investment contracts are valued at one dollar for each unit owned by the Authority. Investment securities are exposed to various risks, such as interest rate, market and credit. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in risks in the near term would result in material changes in the fair value of investments and net assets of the Authority.

Assets measured at fair value on a recurring basis are summarized below:

	Fair Value Measurement at December 31, 2016 Significant Other Observable Inputs (Level 2)	Fair Value Measurement at December 31, 2015 Significant Other Observable Inputs (Level 2)
Assets		
Assets limited to use and certificates of deposit (investments):		
Cash and commercial paper	$ 13,444,943	$ 11,068,516
Guaranteed investment contracts	17,319,877	17,029,008
	$ 30,764,820	$ 28,097,524

LOUISVILLE ARENA AUTHORITY, INC.
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2016 and 2015
(Continued)

NOTE I – FAIR VALUE (Continued)

Cash and Money Market Accounts and Commercial Paper: Fair values are estimated to approximate deposit account balances, payable on demand, as no discount for credit quality or liquidity were determined to be applicable (Level 2 inputs).

Guaranteed Investment Contracts: The fair values of the guaranteed investment contracts are estimated by discounting the projected cash flows based upon current yields for contracts with comparable durations and credit quality of the issuers (Level 2 inputs).

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, the Authority believes its valuation methods are appropriate and consistent with other market participants. The use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

NOTE J – COMMITMENTS AND CONTINGENCIES

During the ordinary course of business, the Authority has been named as a defendant in certain legal actions. The ultimate resolution of these matters is not ascertainable at this time. Management anticipates that the resolution of these claims will have no material adverse effect on the Authority's operating results or financial position. Consequently, no provisions have been made in the financial statements related to these claims.

NOTE K – SUBSEQUENT EVENT

With the passage of House Bill 330 during the 2017 legislative session, the Commonwealth of Kentucky's original pledge of tax increment financing for which payments began in 2010 has changed. The new law extends the tax increment financing for another 25 years and includes several reporting and compliance provisions.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statements Performed In Accordance With *Government Auditing Standards*

Independent Auditor's Report

Board of Directors
Louisville Arena Authority, Inc.
Louisville, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Louisville Arena Authority, Inc. (LAA) as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise LAA's financial statements, and have issued our report thereon dated May 17, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the LAA's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the LAA's internal control. Accordingly, we do not express an opinion on the effectiveness of the LAA's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings and recommendations, that we consider to be a significant deficiency.

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www.auditor.ky.gov

Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statements Performed In Accordance With *Government Auditing Standards*
(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the LAA's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

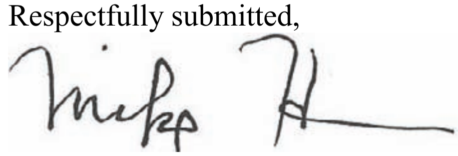
LAA's Response to Findings

LAA's response to the finding identified in our audit is described in the accompanying schedule of findings and recommendations. LAA's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,



Mike Harmon
Auditor of Public Accounts

May 17, 2017

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

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LOUISVILLE ARENA AUTHORITY, INC.
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2016

FINDING 2016-01: The Louisville Arena Authority And The University Of Louisville Athletic Association Are Not Finalizing The Net Annual Payment By The Deadline Established In The Lease Agreement

As part of a 2008 lease agreement, the Louisville Arena Authority (LAA) shares certain revenues from arena events with the University of Louisville Athletic Association (ULAA). The lease agreement dictates the various types of shared revenues and the corresponding percentages owed to each party. The lease agreement also describes the method and timing of the financial settlement. The financial settlement covers a single basketball season. Because the basketball season spans two calendar years, both the 2016 and 2017 settlements are needed in order to determine certain amounts to be recorded in the 2016 LAA financial statements, including accounts payable, accounts receivable, expenses, and revenues related to the lease agreement.

According to the lease agreement, the annual net payment for the various shared revenues and expenses is to be calculated mutually by April 20, and payment is to be made no later than April 30. In 2017, neither the annual net payment calculation nor the payment were completed within the timeframe required by the contract. The 2017 settlement was dated May 1, 2017, and reflected a balance of $1,356,528 due from ULAA to LAA. According to the management company under contract with LAA, this payment is expected to be made shortly after the settlement date.

To determine if this is a one-time occurrence or a more pervasive compliance concern, the 2016 settlement was reviewed. The 2016 settlement was dated May 24, 2016, and reflected a balance of $1,381,474 due from ULAA to LAA. The payment was wired to LAA on June 22, 2016. Therefore, as in 2017, the 2016 annual net payment was not calculated and the payment was not made within the timeframe required by the contract.

The delay in calculating the 2017 settlement was due to both parties not providing information timely. In order to meet the contractual deadlines for the settlement, ULAA requires information from LAA regarding its signage contract with a vendor. Delays in obtaining this information resulted in ULAA's delays in finalizing its settlement.

Failure to complete the settlement within the timeframe established in the lease agreement decreases the time available to review the data in the settlement for compliance with underlying revenue sharing stipulations and for assurance that the proper amount has been calculated by both parties. Therefore, the delays in finalizing the settlement increase the risk of errors going undetected.

Because of the magnitude of the amounts owed from ULAA to LAA and the financial challenges facing LAA, this delay in settlement could also lead to cash flow issues for LAA.

LOUISVILLE ARENA AUTHORITY, INC.
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2016

FINDING 2016-01: The Louisville Arena Authority And The University Of Louisville Athletic Association Are Not Finalizing The Net Annual Payment By The Deadline Established In The Lease Agreement (Continued)

The continuing disclosure agreement for LAA's bonds sets an Annual Report Filing Date of 15 days prior to 150 days after the end of LAA's fiscal year. By that date, financial statements must be filed with the dissemination agent. LAA has made it clear their desire is to present audited financial statements as part of their annual report. Because certain financial statement accounts cannot be confirmed until review of a completed settlement with ULAA has occurred, the further past due the settlement is completed, the more difficult it becomes to effectively review the settlement and complete the audit in a timeframe that meets the bond reporting requirements.

Section 7.1(j) of the lease agreement between LAA and ULAA, dated July 3, 2008 states in relevant part:

> In lieu of Landlord and Tenant making multiple periodic payments of the amounts that are owed to each other under this Lease, all Landlord Payables and all Tenant Payables shall be paid solely through calculation and payment of the Annual Net Payment as provided in this Section 7.1(j). No portion of the Landlord Payables or Tenant Payables shall be due or payable except at the time and in the amount provided in this Section 7.1(j). The Annual Net Payment shall be calculated mutually by Landlord and Tenant not later than April 20 of each year during the Term and shall be based on all Landlord Payables and all Tenant Payables accrued through the date of calculation. Within 10 days after the date on which Landlord and Tenant have mutually determined the Landlord Payables and the Tenant Payables, but not later than April 30, Landlord or Tenant, as the case may be, will pay to the other Party the amount of the Annual Net Payment.

Recommendation

We recommend coordination between LAA, ULAA, and other third parties be improved so that the annual net payment can be finalized by April 20 and the corresponding payment be made by April 30. This will improve the oversight and review of the annual net payment by providing more time for the parties to confirm the information prior to the final compilation of the financial statements and the Annual Report Filing Date. Improving coordination and complying with the agreement will also ensure LAA receives amounts owed to them by ULAA in a timely manner.

FINDING 2016-01: The Louisville Arena Authority And The University Of Louisville Athletic Association Are Not Finalizing The Net Annual Payment By The Deadline Established In The Lease Agreement (Continued)

Management's Response and Planned Corrective Action

The Louisville Arena Authority, Inc. ("LAA") recognizes the importance of calculating the annual settlement with ULAA by the deadlines set forth in the Lease Agreement. The State Auditor noted that the delay in calculating the 2017 settlement was due to both parties not providing information timely. The timeline for calculating the settlement amount is extremely compressed, because the contractual deadline for making the calculation is April 20 of each year, and some of the revenue amounts cannot be calculated until after March 31 of each year (the end of the final month of each home season for Men's and Women's basketball). An example is concession and catering revenue, which information must be provided by LAA to ULAA. In other situations, LAA is reliant on a vendor for information and the vendor may be simply late in providing that information (the State Auditor's Finding noted a delay in obtaining information from LAA's signage contract vendor). In each case, LAA must annually obtain information from its concession and signage vendors and forward that information to ULAA.

In order to improve the information gathering process so that the annual settlement amount can be calculated and paid in a timely manner, LAA will take the following steps:

- *Through electronic calendaring, provide an internal reminder on each March 25 for AEG, manager of the Arena for LAA, requiring that it send notice on April 1 to each vendor responsible for providing information to ULAA and stating that such information will be due by April 10.*
- *Develop a form notice to be sent to each vendor on each April 1, requesting the required information by April 10.*
- *Send a reminder notice to ULAA on April 1 that the settlement calculation is due by April 20, and requesting that ULAA use best efforts to provide its information to LAA by April 15. LAA will also indicate its best effort to provide its required information to ULAA by April 15.*
- *Through electronic calendaring, follow-up on April 10 with all vendors required to provide information.*
- *Through electronic calendaring, provide required information to ULAA by each April 15.*
- *Finalize and reach agreement on the settlement calculation with ULAA by each April 20, and confirm with ULAA (which makes the settlement payment) that the settlement payment will be made by April 30.*

LOUISVILLE ARENA AUTHORITY, INC.
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2016

FINDING 2016-01: The Louisville Arena Authority And The University Of Louisville Athletic Association Are Not Finalizing The Net Annual Payment By The Deadline Established In The Lease Agreement (Continued)

Management's Response and Planned Corrective Action (Continued)

- *Through electronic calendaring, verify that the settlement payment is made by April 30.*
- *In addition, the LAA will require language in all new or amended contracts with vendors/subcontractors whose revenue streams may be associated with this settlement to provide the necessary information in advance of the deadlines.*

LAA believes that these steps will enable it to gather information such that the annual settlement amount can be calculated and paid to LAA on or before the deadlines set forth in the ULAA Lease Agreement.

Louisville Arena Authority, Inc. (LAA)
September 30, 2017 and 2016 - Cash Basis

Balance Sheet

	9/30/17	9/30/16
Assets		
Cash and cash equivalents	2,773,305	2,898,355
Restricted cash	130,481	630,381
Assets limited as to use - restricted to bond indenture	35,263,419	31,195,155
Property and equipment, net	334,181,175	342,804,068
Other assets	10,000	10,000
	372,358,380	377,537,959
Liabilities and Net Assets		
Retainage payable	341,359	341,359
Bonds payable	346,763,905	347,675,417
	347,105,264	348,016,776
Net assets		
Unrestricted	25,253,116	29,521,183
	372,358,380	377,537,959

These financial statements have not been audited, reviewed, or compiled and therefore no assurance is provided on them. Selected information - substantially all disclosures required by the cash basis of accounting are not included.

Louisville Arena Authority, Inc. (LAA)
September 30, 2017 and 2016 - Cash Basis

Profit and Loss

	9/30/17	9/30/16
Operating revenues and support		
Metro Louisville guarantee	9,800,000	9,800,000
Tax increment financing payments (Note 1)	11,235,067	10,297,345
Naming Rights revenue	1,352,520	1,326,000
Sponsorship revenue	3,430,110	3,373,546
Suite and premium seating revenue	1,356,528	1,381,474
Revenue from operations contract	1,393,439	1,993,399
Signing bonus from operations contract	-	1,000,000
	28,567,664	29,171,764
Operating expenses		
Depreciation	8,988,203	9,902,502
Amortization - bond costs	661,113	908,518
U of L	1,282,423	1,353,134
General and administrative	1,193,774	1,506,532
	12,125,513	13,670,686
Change in net assets before other revenue (expense)	16,442,151	15,501,078
Other revenue (expense)		
Interest income	774,362	750,464
Interest expense	(21,484,580)	(21,546,452)
Total other revenue (expenses)	(20,710,218)	(20,795,988)
Change in net assets	(4,268,067)	(5,294,910)
Net assets at beginning of year	29,521,183	34,816,093
Net assets at end of year	25,253,116	29,521,183

Note 1 - The TIF revenues are based on the actual TIF amounts collected for the fiscal periods shown above. The actual collection dates may be different. These amounts are also included in the cash balances on the balance sheets as of 9/30.

These financial statements have not been audited, reviewed, or compiled and therefore no assurance is provided on them. Selected information - substantially all disclosures required by the cash basis of accounting are not included.

APPENDIX D

Comprehensive Annual Financial Report of Metro Louisville Fiscal Year Ended June 30, 2016.

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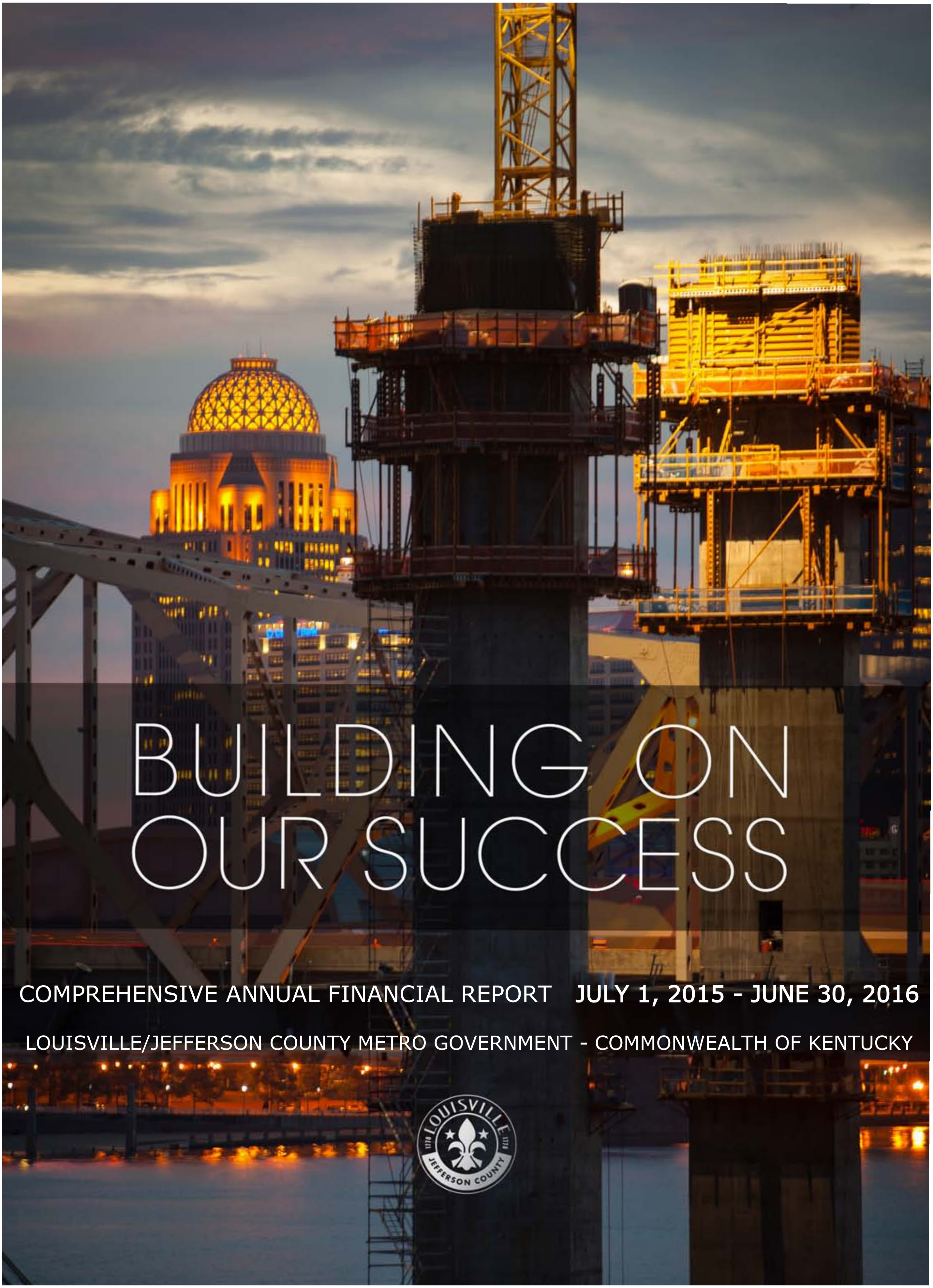

BUILDING ON OUR SUCCESS

COMPREHENSIVE ANNUAL FINANCIAL REPORT JULY 1, 2015 - JUNE 30, 2016

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT - COMMONWEALTH OF KENTUCKY

COMPREHENSIVE ANNUAL FINANCIAL REPORT

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT

LOUISVILLE, KENTUCKY

Fiscal Year Ended June 30, 2016

GREG FISCHER
Mayor

Prepared by:
Office of Management & Budget

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2016

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LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2016

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FINANCIAL SECTION (continued)

STATISTICAL SECTION

OFFICE OF THE MAYOR
LOUISVILLE, KENTUCKY

GREG FISCHER
MAYOR

December 23, 2016

To the citizens of Louisville,

I am pleased to present the Comprehensive Annual Financial Report of the Louisville/Jefferson County Metro Government ("Metro Government") for the fiscal year ending on June 30, 2016. This financial report details how Metro Government has managed the resources entrusted to us by our fellow citizens.

The fiscal year can best be described with one word: **infrastructure**. At both the governmental and the private sector levels Louisville has seen unprecedented investment. Within the governmental realm, FY16 included:

- Completion of the $1.1 billion Abraham Lincoln downtown interstate bridge
- Groundbreaking on the $200 million Kentucky International Convention Center (KICC) expansion
- Groundbreaking on the $14.5 million South Central Regional Library—the second in three planned regional facilities as part of our library masterplan
- An initial investment of $13.6 million in roads, bike lanes, and sidewalks—the largest amount since I came into office in 2011—which was augmented with additional funds at mid-year due to a revenue surplus
- The creation of $12 million affordable housing program, Louisville C.A.R.E.S. (Creating Affordable Residences for Economic Success), to increase affordable housing stock by 1,500 units
- Investment of approximately $10 million to upgrade our 9-1-1 radio infrastructure and provide on-officer police body cameras to our sworn force

From the private sector, FY16 investments included:

- Groundbreaking on the $300 million multi-use downtown Omni hotel/apartment/retail complex
- Groundbreaking for Thorntons' $28 million support center
- Expansion began of Ford's $1.3 billion investment in the Kentucky Truck Plant
- Opening of El Toro's $2.1 million downtown headquarters

In addition to physical infrastructure, Louisville has continued to investment in human capital with a prioritized focus on compassion, health, and equity. To that end, FY16 included investments in:

- Cradle to Career (focusing on four distinct areas of pre-kindergarten, elementary/secondary education, college, and workforce readiness)
- Louisville Loop expansion to further the planned 100 mile multi-use path around and throughout the city
- Youth oriented programs from expanding community center hours to expanded programming focused on youth at risk for violent behavior
- Addiction services through Public Health & Wellness along with first responder training for immediate intervention when necessary

These investments represent a vote of confidence in the course that we as a city have charted. The governmental infrastructure was made possible by sound stewardship of our resources and a growing economy—unemployment dropped from 5% in June, 2015 to 4.8% in June, 2016 as our occupational license fees grew from $363.2 million in FY15 to $383.9 million in FY16 — a 5.7% increase. At the close of FY16, the undesignated General Fund balance increased by 2.7% to $67.9 million, which represents 11.2% of total general fund revenues.

As a result of continued strong financial operations and management policies, the nation's most respected credit rating agencies—Moody's, Standard and Poor's, and Fitch— have rated Metro Government among the highest rated large cities in America, with Aa1, AA+ and AAA ratings, respectively.

This is the sixth Comprehensive Annual Financial Report that I have presented to the citizens of Louisville. We will continue our work to grow economic activity that increases our tax base, while finding innovative ways to reduce expenses—ensuring our city remains a strong and vibrant community committed to excellence and compassion.

Sincerely,

Greg Fischer
Mayor

OFFICE OF MANAGEMENT AND BUDGET
LOUISVILLE, KENTUCKY

GREG FISCHER
MAYOR

DANIEL FROCKT
CHIEF FINANCIAL OFFICER

December 23, 2016

To the citizens of Louisville:

As the Chief Financial Officer of the Louisville/Jefferson County Metropolitan Government ("Metro Government"), I have the distinct pleasure of submitting the Comprehensive Annual Financial Report ("CAFR") for the year ended June 30, 2016.

Responsibility for the accuracy, completeness and fairness of the data, including all disclosures, rests with the management of Metro Government. I have overseen completion of this CAFR, and to the best of my knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to report fairly the financial position and results of operations of this government. All disclosures necessary to enable the reader to gain an understanding of the government's financial activities are included. There were no changes to any financial policies that had a significant impact on the current year's financial statements.

On January 6, 2003 the Jefferson County Fiscal Court and the City of Louisville Governments merged and formed a new entity called the Louisville/Jefferson County Metropolitan Government. Metro Government is a public body corporate and politic, duly created and existing as a political subdivision of the Commonwealth of Kentucky under the Constitution and laws of the Commonwealth. Metro Government is governed by an elected Mayor and the Metro Council composed of twenty-six council members. All executive and administrative power of the consolidated local government is vested in the office of the Mayor. As outlined in the organizational chart included in this report, the administration of Metro Government has divided operations among eight senior staff reporting directly to the Mayor.

Among the services that Metro Government provides are public safety, streets and roads, sanitation, health and social services, culture and recreation, public improvements, planning and zoning, and other administrative services.

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611 WEST JEFFERSON STREET LOUISVILLE, KENTUCKY 40202

("GAAP"). On or before June 1 of each year, in accordance with state statute, the Mayor proposes an Executive Budget to the Metro Council. On or before June 30 of each year, in accordance with state statute, the Metro Council adopts the Executive Budget as it may have been amended, as the approved budget for the fiscal year beginning July 1. An affirmative vote of a majority of the Metro Council is required to enact the proposed appropriations, to amend the budget once it has been approved, or to approve any supplemental appropriations. All budget adjustments at the department level must be approved by the Chief Financial Officer consistent with the approved budget. The capital improvements budget and program for Metro Government is prepared annually to include a program of proposed capital expenditures for the ensuing fiscal year.

FY16 was a positive year in terms of Metro's income statement. The balanced budget that was adopted in June, 2015 was adjusted upward by approximately $10 million at mid-year due to better than anticipated revenue growth. Strong growth continued into the spring with the government in a position to recommend carrying more than $5 million into the FY17 budget for pay-go capital purposes. By FY16 year-end an additional $6 million surplus (beyond the previously identified $15 million) was available due to revenue growth and strong financial management at the departmental level. The surplus allowed Metro to add $1.8 million to our unassigned fund balance, bringing the total to $67.9 million. The $1.8 million addition represents one twelfth of Metro's General Fund revenue growth during FY16 on a budgetary basis and is therefore consistent with our Unassigned Fund Balance Policy of maintaining one to two months of General Fund expenditures.

Metro also had a positive year in terms of debt issuance. In December, 2015, an active capital market provided favorable interest rates to Metro on a series of four bonds. The 2015A 20-year tax-exempt General Obligation (GO) $53 million bond had a true interest cost (TIC) of 2.60% while the 2015B 30-year taxable GO $12 million bond had a 4.08% TIC. The Omni-associated 30-year taxable $23 million bond was bid at a TIC of 3.42% while the 1-year tax-exempt Omni-associated $88 million Bond Anticipation Note (BAN) had a TIC of 0.49%. Metro subsequently paid off the BAN with a 30-year tax-exempt GO at a TIC of 2.91% during FY17. In conformance with Metro's Debt Management Policy each of the above issues was sold competitively with the resulting aggregate annual net debt service at less than ten percent of the General Fund operating expenses and with greater than 55% of the outstanding principal to be paid within ten years.

In contrast to the strong income statement, Metro continues to recover from a long period of deferred maintenance investments in its roads, sidewalks, facilities, technology, and parks. Additionally, FY16 saw challenges for our unfunded pension liability as well as the risk and health components of our internal service funds. The unfunded pension liability grew from $549 million to $694.5 million. Metro is primarily part of the County Employee Retirement System (CERS), a multi-employer retirement plan over which Metro does not have exclusive control.

Metro's Risk Fund (a self-insurance fund for items such as worker's compensation, auto liability, property damage, unemployment, etc.) had liability growth of $9 million, moving from $32 million to $41 million—the percentage of liabilities funded grew slightly from 59% to 61% due to growth in the fund's assets. Metro's Health Fund (a self-insurance health plan for our employees) saw its days of operating reserve decrease from 67 days to 23 days due to increased costs.

To gather a more complete understanding of the fiscal condition of Metro Government, this letter should be read in conjunction with the Management's Discussion & Analysis, beginning on page 5 of this report.

FINANCIAL INFORMATION

Management is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of Metro Government are protected from loss, theft or misuse, and to ensure that adequate accounting data is compiled to allow for the presentation of financial statements in conformity with GAAP. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: a) the cost of a control should not exceed the benefits likely to be derived, and b) the valuation of costs and benefits requires estimates and judgments by management.

Single Audit. As a recipient of federal and state funding, Metro Government is responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control structure is subject to periodic evaluation by management.

Metro Government is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1984 and the Single Audit Act Amendments of 1996 and U.S. Office of Management and Budget Circular A-133, Audits of State and Local Governments. Information related to this single audit, including the Schedule of Expenditures of Federal Awards, findings and recommendations, and auditor's reports on the internal control structure and compliance with applicable laws and regulations, is provided in a separate report.

As a part of Metro Government's single audit described above, tests are made to determine the adequacy of the internal control structure, including that portion related to federal financial assistance programs, as well as to determine that we have complied with applicable laws and regulations. Metro Government believes that the statements and schedules included in the financial section of this report continue to meet its responsibility for sound financial management.

OTHER INFORMATION

Independent Audit. Kentucky law (KRS 64.810) allows the Auditor of Public Accounts ("APA") to perform the annual audit of the funds of Metro Government. The APA has granted permission for Metro Government to employ a private certified public accounting firm to conduct the audits of the basic financial statements for fiscal year 2015.

Awards. The Government Finance Officers Association of the United States and Canada ("GFOA") awarded a Certificate of Achievement for Excellence in Financial Reporting to Metro Government for the 2015 CAFR. In order to be awarded a Certificate of Achievement, Metro

Government published an easily readable and efficiently organized CAFR. The report satisfied both GAAP and applicable legal requirements.

Acknowledgments. The preparation of the 2016 CAFR for Metro Government was made possible by the dedicated service of the staff of the Office of Management & Budget. Each member of the department has my sincere appreciation for the contributions made in the preparation of this report. In addition, I would like to thank Crowe Horwath, without whose efficient services, this report could not have been presented on a timely basis.

Respectfully submitted,

Daniel Frockt
Chief Financial Officer

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

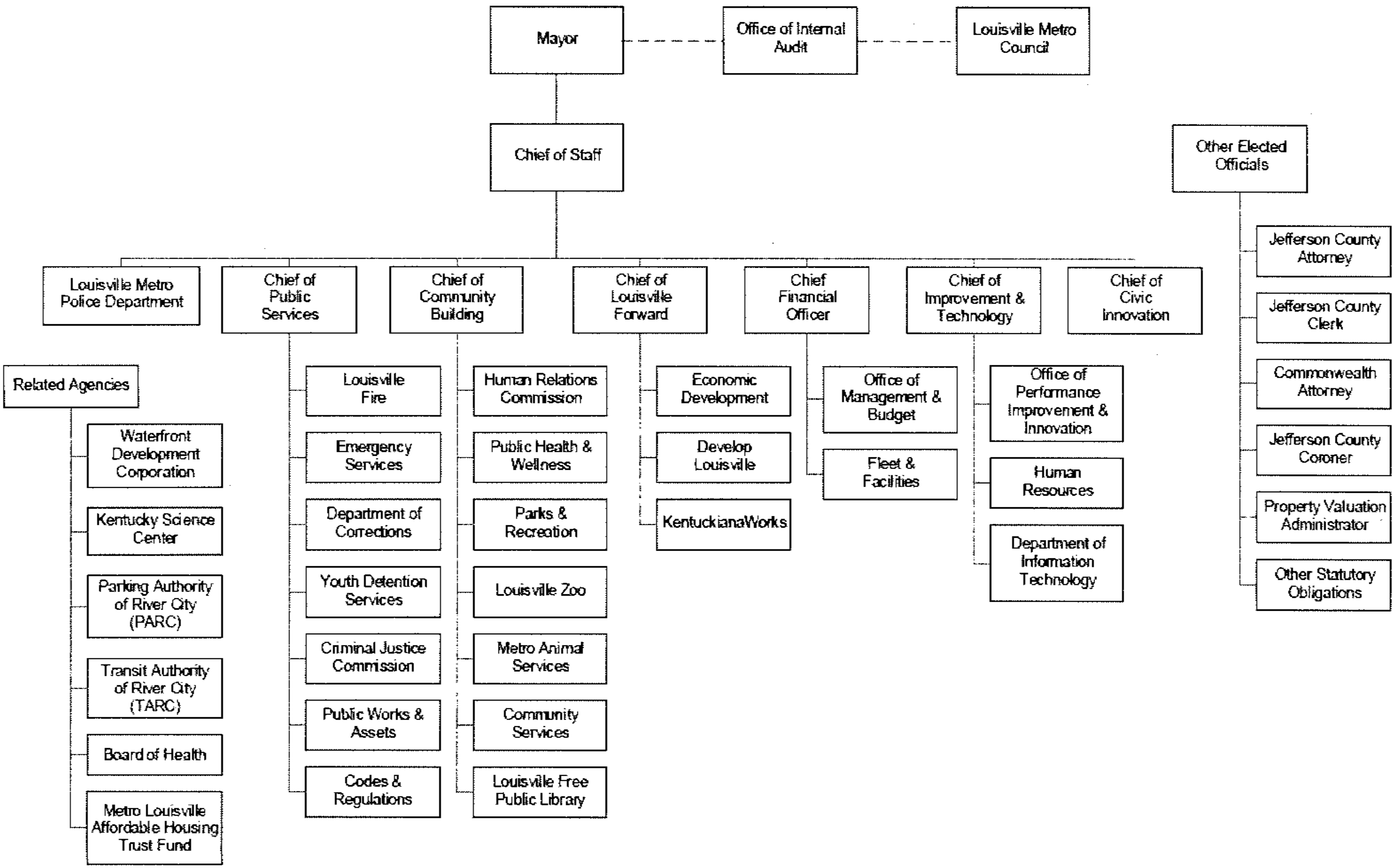
Louisville/Jefferson County Metro Government, Kentucky

For its Comprehensive Annual Financial Report for the Fiscal Year Ended

June 30, 2015

Executive Director/CEO

Louisville Metro Government



LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT

Fiscal Year Ended June 30, 2016

HONORABLE GREG FISCHER	MAYOR
Ellen Hesen	CHIEF OF STAFF

METRO COUNCIL MEMBERS

JESSICA GREEN	DISTRICT 1
BARBARA SHANKLIN	DISTRICT 2
MARY C. WOOLRIDGE	DISTRICT 3
DAVID TANDY	DISTRICT 4
CHERI BRYANT HAMILTON	DISTRICT 5
DAVID JAMES	DISTRICT 6
ANGELA LEET	DISTRICT 7
TOM OWEN	DISTRICT 8
BILL HOLLANDER	DISTRICT 9
PAT MULVIHILL	DISTRICT 10
KEVIN KRAMER	DISTRICT 11
RICK BLACKWELL	DISTRICT 12
VICKI AUBREY WELCH	DISTRICT 13
CINDI FOWLER	DISTRICT 14
MARIANNE BUTLER	DISTRICT 15
KELLY DOWNARD	DISTRICT 16
GLEN STUCKEL	DISTRICT 17
MARILYN PARKER	DISTRICT 18
JULIE DENTON	DISTRICT 19
STUART BENSON	DISTRICT 20
DAN JOHNSON	DISTRICT 21
ROBIN ENGEL	DISTRICT 22
JAMES PEDEN	DISTRICT 23
MADONNA FLOOD	DISTRICT 24
DAVID YATES	DISTRICT 25
BRENT ACKERSON	DISTRICT 26

OFFICE OF MANAGEMENT AND BUDGET

DANIEL FROCKT	CHIEF FINANCIAL OFFICER
MONICA L. HARMON	DIRECTOR OF FINANCE

INDEPENDENT AUDITOR'S REPORT

Honorable Greg Fisher, Mayor, and
The Louisville Metro Council
Louisville, Kentucky

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Louisville/Jefferson County Metro Government ("Metro Government"), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Metro Government's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Waterfront Development Corporation, the Kentucky Science Center, Inc., KentuckianaWorks, and Family Health Centers, Inc., a component unit of the Board of Health, which represent approximately 1.6% of total component unit assets, 2.4% of total component unit net position and 9.9% of total component unit program revenues. Those statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for those entities, are based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Metro Government, as of June 30, 2016 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management Discussion and Analysis as listed in the table of contents, the required supplemental information including the budgetary comparison information, the schedule of proportionate share of the net pension liability and schedule of contributions for the County Employees' Retirement System, and the schedule of changes in net pension liability, schedule of contributions and schedule of investment returns for the Policemen's and Firefighter's pension funds as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Metro Government's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. This information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Crowe Horwath LLP

Crowe Horwath LLP

Louisville, Kentucky
December 23, 2016

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JEFFERSON COUNTY

LOUISVILLE

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JEFFERSON COUNTY

Our discussion and analysis of Louisville/Jefferson County Metro Government's ("Metro Government") financial performance provides an overview of Metro Government's financial activities for the fiscal year ended June 30, 2016. Please read it in conjunction with the Metro Government's financial statements, which begin on page 17.

Financial Highlights

- Total assets plus deferred outflows of resources of the primary government exceeded total liabilities and deferred inflows of resources by approximately $802.6 million at the close of fiscal year 2016. This amount includes a surplus of approximately $153.5 million in unrestricted net position.
- Metro Government's net position includes an equity interest in Louisville Water Company of $874.9 million.
- Total net position changed by ($74.1) million.
- At the end of fiscal year 2016, Metro Government's governmental funds reported a combined ending fund balance of $253.0 million. This was an increase of $50.3 million for the year ending June 30, 2016.
- At the end of fiscal year 2016, unassigned general fund balance was $67.9 million or approximately 11.2% of total general fund expenditures.
- In 2016, Metro Government reevaluated related agencies for treatment as a component unit as specified in GASB Statement No. 61, *The Financial Reporting Entity: Omnibus.* It was determined the Board of Health and Louisville Metro Affordable Housing Trust Fund, Inc. should be treated as Component Units and there were two Blended Component Units identified: Louisville Zoo Foundation, Inc. and the Louisville Metro Parks Foundation, Inc.

Overview of the Financial Statements

Management's Discussion and Analysis ("MD&A") are provided to serve as an introduction to the basic financial statements of the primary government that follow. Metro Government's basic financial statements consist of the following: government-wide financial statements, fund financial statements, and notes to the financial statements. This report also contains other required supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The government-wide financial statements provide information about the activities of Metro Government as a whole and present a longer-term view of the Metro Government's finances.

One of the most important questions raised about the Metro Government's finances is whether the Metro Government as a whole is better off or worse off as a result of the year's activities. The Statement of Net Position (page 17) and the Statement of Activities (pages 18-19) report information about the Metro Government as a whole and about its activities in a way that helps answer this question. These statements include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Metro Government's net position as of June 30, 2016, and the changes in net position during fiscal year 2016.

Metro Government's net position, the difference between assets (what the citizens own), deferred outflows of resources, liabilities (what the citizens owe), and deferred inflows of resources, is one way to measure the Metro Government's financial health or financial position. Increases or decreases in the Metro Government's net position over time are one indicator of whether its financial health is improving or deteriorating. Additional non-financial factors should be considered in assessing the overall health of the Metro Government, such as changes in the Metro Government's property tax base and the condition of the Metro Government's capital assets (roads, buildings, etc.).

Metro Government's basic services are reported in the governmental activities section of the government-wide financial statements, including public safety, public works, community services, parks, and general administration. Occupational taxes, property taxes, fines, and state and federal grants finance most of these activities.

If a fee is charged to customers to help the Metro Government cover all or most of the cost of certain services it provides, those activities are considered to be business-type activities in most cases. The primary government did not report any business-type activities in fiscal year 2016.

The Metro Government includes the Louisville Water Company, the Parking Authority of River City, Inc., the Transit Authority of River City, the Louisville and Jefferson County Riverport Authority, the Louisville and Jefferson County Metropolitan Sewer District, the Kentuckiana Works, the Kentucky Science Center, Inc., the Board of Health, the Affordable Housing Trust Fund, and the Waterfront Development Corporation in its report as discretely presented Component Units. The Metro Government is financially accountable for these legally separate Component Units, and in the case of the Louisville Water Company, 100% of its stock is owned by the Metro Government. All of the component units separately issue their own respective financial statements, including MD&A, which should be read in conjunction with these statements.

Fund Financial Statements

The fund financial statements provide detailed information about Metro Government's most significant funds. Fund financial statements begin on page 20. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending.

Some funds are required to be established by State law and by bond covenants. However, other funds are established, as needed, to help control and manage money for particular purposes or to show that Metro Government is meeting legal responsibilities for using certain taxes, grants, and other money.

The Metro Government's two kinds of funds, governmental and proprietary, use different accounting approaches (as discussed further in Note 1). The Metro Government also uses fiduciary funds, which are separate funds from the governmental and proprietary funds described below. Fiduciary funds are not included in the Metro Government's government-wide financial statements.

Governmental funds: Most of the Metro Government's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Metro Government's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Metro Government's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliations within the governmental fund financial statements.

Proprietary funds: Proprietary funds are reported in the same way that business-type activities are reported in the Statement of Net Position and the Statement of Activities. Metro Government's proprietary funds only include internal service funds, such as the Metro Government's Insurance and Risk Management Fund and the Louisville/Jefferson County Revenue Commission, a blended Component Unit, to report activities that provide supplies and services to the Metro Government's other programs and activities. The ending balances in these funds are consolidated in the Governmental Activities column of the government-wide financial statements.

Fiduciary funds: Fiduciary funds are used to account for resources held for the benefit of parties outside the government. These funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the Metro Government's own activities or programs. The basis of accounting for fiduciary funds is similar to that of proprietary funds.

<u>Notes to the Financial Statements</u>

The notes provide additional information that is essential to a full understanding of the information provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 35.

<u>Other Information</u>

In addition to the basic financial statements and accompanying notes, this report also presents certain required and other supplementary information. Required supplementary information includes a budgetary to actual comparison of Metro Government's general fund and a schedule of funding progress and employer contributions for Metro Government's pension and benefit trust fund. Required supplementary information begins on page 110. Metro Government presents combining financial statements for the non-major, internal service, and agency funds as other supplementary information beginning on page 118.

In 2016, Metro Government reevaluated related agencies for treatment as a component unit as specified in GASB Statement No. 61, *The Financial Reporting Entity: Omnibus.* It was determined the Board of Health and it Component Unit, Family Health Centers, Inc. and Louisville Metro Affordable Housing Trust Fund, Inc. should be treated as Component Units of Metro Louisville. Also identified were two Blended Component Units: Louisville Metro Parks Foundations, Inc. and Louisville Zoo Foundation, Inc.

In addition, both the Waterfront Development Corporation and KentuckianaWorks have Component Unit foundations in support of their missions which are now reflected in the Louisville Metro financial reports. The inclusion of this information required a restatement of the July 1, 2015 Net Position which is detailed in Note 1, section S.

Government-wide Financial Analysis

Net position serves as a useful indicator of a government's financial condition over time. Metro Government's assets plus deferred outflows of resources exceeded liabilities plus deferred inflows of resources by $802.6 million at June 30, 2016. Metro Government's net position includes the equity interest in the Louisville Water Company of $874.9 million.

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
STATEMENT OF NET POSITION
June 30
(amounts in thousands)

	Governmental Activities 2016	Governmental Activities 2015	Total Percentage Change 2015-2016
Current and other assets	$ 372,623	$ 322,436	15.6%
Equity interest in component unit	874,880	886,548	-1.3%
Capital assets	863,309	832,591	3.7%
Total assets	**2,110,812**	**2,041,575**	3.4%
Deferred Outflows of Resources	**3,865**	**55,107**	-93.0%
Long-term liabilities	651,727	517,690	25.9%
Other liabilities	774,062	634,501	22.0%
Total liabilities	**1,425,789**	**1,152,191**	23.7%
Deferred Inflows of Resources	**6,945**	**67,820**	-89.8%
Net invested in capital assets	519,384	613,704	-15.4%
Restricted	129,777	108,157	20.0%
Unrestricted	153,454	154,811	-0.9%
Total net position	**$ 802,615**	**$ 876,672**	-8.4%

Current assets increased by 15.6% from fiscal year 2015 to fiscal year 2016. Cash and investments increased by 8.3%. The $13.3 million change was due in part to higher than anticipated revenues and delayed spending on bond proceeds. Receivables decreased $7.2 million. Contributing to this change was a reduction in the outstanding amount due for Federal Grants and decrease in the amount due from the Sinking Fund. Metro Government's equity interest in the LWC decreased by approximately $11.7 million and directly correlates to the LWC's change in net position as a result of recognizing the net pension liability. Net capital assets increased by $30.7 million due to the addition of the upgraded 911 System classified as Specialized Equipment and the increased investment in infrastructure improvements primarily in roads and sidewalks. Metro also continued to invest in updating the aging equipment and fleet.

A change in short-term liabilities including accounts payable, accrued payroll, accrued interest, and amounts due to other governmental agencies decreased by $6.0 million to $79.5 million, which arises primarily due to changes in Revenue Commissions Sinking Fund payables and Other Liabilities. Long-term liabilities increased $279.6 million or 26.2%. This material change was the result of a large increase in net pension liability of $145.6 million and the additional long term debt for financing of the Omni Project and other capital needs of $134.0 million.

Metro Government's net investment reports the amount invested in capital assets (e.g. land, buildings, and infrastructure) less any related debt outstanding used to acquire those assets. Metro Government uses these capital assets to provide services to its citizens. These assets are not available for future spending and cannot be liquidated to repay the related debt.

Metro Government reviews third-party restrictions to determine amounts that will be classified as restricted net position each year. In fiscal year 2016, the capital projects restricted net position increased $30.2 million primarily due to the increase of funds with grant restrictions in place and the spend down of funds restricted for capital purposes. The resources set aside for capital and other projects will provide support to ensure continued economic growth and development in Jefferson County.

A summary of the Metro Government's changes in net position is shown below.

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT

CHANGES IN NET POSITION
For the Year Ended June 30
(amounts in thousands)

	Governmental Activities		Total Percentage Change	Amount change
	2016	2015	2015-2016	2015-2016
Revenues				
Program revenues:				
Charges for services	$ 98,275	$ 94,162	4.4%	$ 4,113
Operating grants and contributions	77,917	65,470	19.0%	12,447
Capital grants and contributions	31,589	40,427	-21.9%	(8,838)
General revenues:				
Property taxes	151,685	145,215	4.5%	6,470
Other taxes	383,942	363,248	5.7%	20,694
Gain on equity interest in LWC	31,462	30,928	1.7%	534
Other	39,606	37,207	6.4%	2,399
Total revenues	814,476	776,657	4.9%	37,819
Expenses				
General Government & Administrative Functions	118,609	112,940	5.0%	5,669
Public Safety	196,518	185,696	5.8%	10,822
Police	179,486	174,574	2.8%	4,912
Develop Louisville	17,258	17,355	-0.6%	(97)
Economic Development	127,987	21,211	503.4%	106,776
Codes & Regulations	8,212	6,756	21.6%	1,456
Parks & Recreation	40,756	36,768	10.8%	3,988
Community Services & Revitalization	32,796	33,455	-2.0%	(659)
Public Health & Wellness	20,040	25,589	-21.7%	(5,549)
Public Works & Assets	88,810	71,093	24.9%	17,717
Louisville Free Library	21,443	19,796	8.3%	1,647
Louisville Zoological Gardens	21,550	15,420	39.8%	6,130
Interest on long-term debt	15,068	12,577	19.8%	2,491
Total expenses	888,533	733,230	21.2%	155,303
Increase (decrease) in net position	(74,057)	43,427		(117,484)
Net position—beginning, restated	876,672	833,245		43,427
Net position—ending	$ 802,615	$ 876,672		$ (74,057)

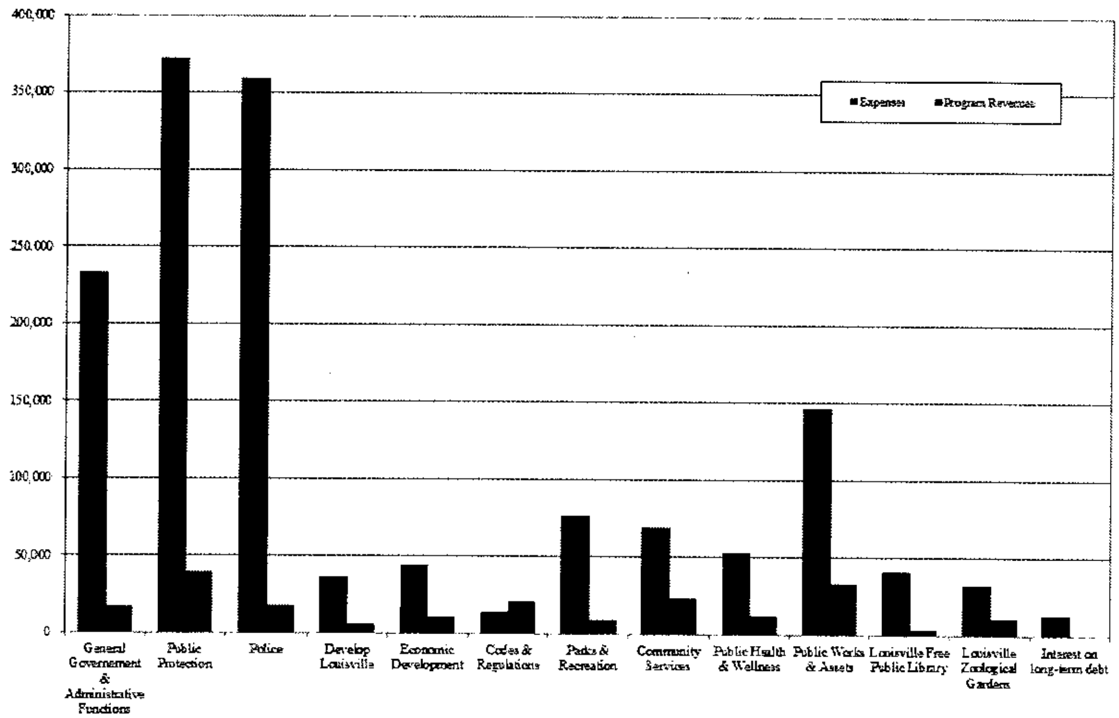
The change in net position Government-wide was $74.1 million in fiscal year 2016 as compared to $43.4 million in 2015. Property tax collections increased approximately $6.4 million primarily due to growth in assessments. Metro Government collected an additional $20.7 million of other taxes which includes occupational license fees. This growth was in large part due to the continued job market and personal income growth.

Charges for services increased 4.4% or $4.1 million, most of which is reflected in Belle receipts shown as revenue and expense in Parks and not the net operations. Operating grants and contributions reversed trend, increasing $12.4 million in fiscal year 2016 and compared to a decrease of $23.9 million in fiscal year 2015. In contrast, Capital Grants and contributions decreased $8.8 million in 2016. Grants and contributions are often inconsistent from one year to another based on available funding and resources available to devote to the share revenues.

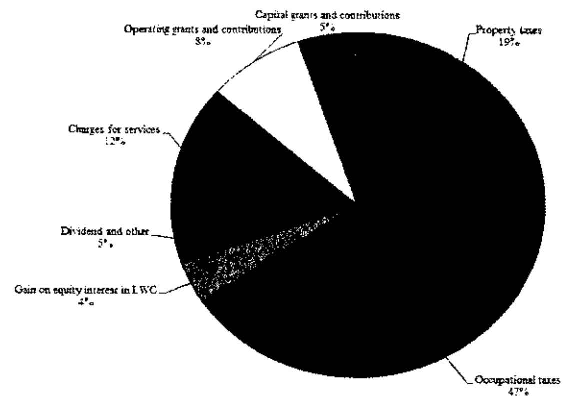
Operating expenses were $151.5 million or 20.7% higher in fiscal year 2016 as compared to fiscal year 2015. Two drivers of this increase were the funding of the Omni Project represent $106 million increase and Public Works infrastructure for $17.7 million. The Omni Project involves private and Metro funds totaling $381.6 million with $122 million from Metro, of which $109 million was financed. The Commonwealth of Kentucky also provided economic incentives estimated at $204 million. The estimated 30 year economic impact is anticipated to approach $700 million with revenues from sales tax, occupational tax, property taxes and transient room taxes. The downtown structure will include 600 rooms, 225 apartments, meeting rooms, ballrooms and a grocery. The other large fluctuation was investment by Metro to improve the streets, roads and sidewalk infrastructure.

The following charts provide more information on Metro Government's operating results.

Expenses and Program Revenue – Governmental Activities – For the Year Ended June 30, 2016:



Revenues by Source – Governmental Activities – For the Year Ended June 30, 2016:



Financial Analysis of Governmental Funds

At the close of fiscal year 2016, Metro Government's governmental funds reported a combined ending fund balance of $253.0 million. This is an increase of $50.3 million from fiscal year 2015. Metro Government reports fund balance as nonspendable, restricted, committed, assigned, or unassigned (refer to Note 1 for detailed information on the fund balance classifications). Metro Government had $67.9 million of unassigned fund balance available in the General Fund at June 30, 2016. Unassigned fund balance of the General Fund (Metro Government's main operating fund) represents approximately 11.2% of total General Fund expenditures for fiscal year 2016.

The General Fund's fund balance increased $8.7 million during fiscal year 2016 as compared to an increase of $13.5 million in fiscal year 2015. Overall, the General Fund benefited from the same operating factors and higher occupational tax revenues ($20.7 million) we noted for the government as a whole. Fiscal year 2016 expenses were $35.4 million, or 6.2%, higher than 2015. This increase was caused by a number of factors including the early retirement of two notes: one with Louisville Water Co. for $7.7 million and a second with a private party for economic development, operational expenditures for infrastructure improvements, additional funding for LAGIT trust fund, and health insurance. Another factor leading to higher spending was the full year payment for the Johnson Controls Inc. contract for HVAC and lighting improvements and inclusion of two blended units, the Zoo and Parks Foundations.

The Special Revenue Fund's fund balance increased $3.5 million during fiscal year 2016 as compared to a decrease of $1.8 million in fiscal year 2015. Grant programs are the primary activity in Special Revenue Fund and grant awards and donations can vary significantly from one year to the next. The primary driver for this increase was increased donations for programs offset by reduced expenditures. The Capital Projects Fund's fund balance increased $35.2 million during fiscal year 2016 as compared to a $4.7 million increase in fiscal year 2015.

The 66.9% increase in fund balance was attributed to donations for capital projects capital projects, such as the South Central Library and Animal Services Facility, an increase influx of debt funding for infrastructure related to road and sidewalks, and attention to deferred maintenance issues across Louisville Metro Government. Capital expenditures saw another material increase of $29.5 million over fiscal year 2015 due to ongoing increased infrastructure improvements, 9-1-1 public safety communication update, and the planning of the new South Central Regional Library.

General Fund Budgetary Highlights

The Budgetary Comparison schedule presented on page 110 in the Required Supplementary Information section of this report highlights the original and final adopted budgets for Metro Government as compared to the actual revenues and expenditures. Metro Government uses the cash basis for budgeting, so this schedule also includes adjustments to convert the modified accrual reporting in the governmental funds to the cash basis reporting in the Budgetary Comparison Schedule.

On a GAAP comparative basis both revenues and expenses exceeded budget, by $2.3 million and $8.7 million respectively. The largest variances between budget and actual revenue amounts continue to relate to interdepartmental adjustments which are eliminated in the financial statements. These amounts are included in budgeted recoveries, within charges for services, and budgeted departmental expenditures but are not reflected in the actual totals presented in the financial statements. Transfers out include amounts required for debt service and grant matches in the other governmental funds. Agencies exceeding GAAP adjusted budgets in excess or near one million were Information Technology, Economic Development, and Public Works.

Capital Asset And Debt Administration

Metro Government held $863.1 million of capital assets, net of accumulated depreciation, at June 30, 2016. Depreciation charges for fiscal year 2016 totaled $35.7 million.

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
CAPITAL ASSETS
(net of accumulated depreciation)

	2016	2015	Total Percentage Change 2015-2016
Land	$ 311,627,735	$ 311,618,975	0.0%
Land improvements	46,682,660	51,037,011	-8.5%
Buildings	262,449,284	265,168,960	-1.0%
Machinery and equipment	52,569,549	32,119,786	63.7%
Vehicles	21,869,791	17,670,853	23.8%
Collections and works of art	615,697	931,435	-33.9%
Infrastructure	95,549,840	82,674,095	15.6%
Construction in progress	71,689,833	71,370,113	0.4%
Total	$ 863,054,389	$ 832,591,228	3.7%

Metro Government purchased approximately $20.0 million of various heavy machinery and vehicles for Public Works and Assets, Fleet and Facilities, Louisville Metro EMS, and Louisville Metro Police. The majority of these purchases were financed through notes payable issued during the year totaling $20 million. Another related equipment expansion was the 9-1-1 update of an existing system to improve public safety communications. Additional detail on the notes can be found in Note 4.

As of June 30, 2016, Metro Government had several major construction projects in the works. In addition, the planning and design of the South Central Regional Library was completed in fiscal year 2016. The Louisville Zoo completed additions for two animal exhibits. Metro Government also saw continued improvements to the infrastructure with additional funds dedicated to various street paving projects as well as the continued addition of bike lanes to many major thoroughfares.

Debt Administration

At fiscal year-end, the Metro Government has outstanding debt as shown in the following table:

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
OUTSTANDING DEBT ADMINISTRATION
(amounts in thousands)

	2016	2015	Total Percentage Change 2015-2016
General obligation debt	$ 414,636	$ 268,358	54.5%
Revenue bonds	53,764	62,480	-14.0%
Capital Lease Obligations	26,158	27,742	-5.7%
Note	-	7,705	-100.0%
Total	$ 494,558	$ 366,285	35.0%

During the fiscal year, total debt of Metro Government increased by $128.3 million. New debt totaling $174.1 million was issued to fund the purchase of vehicles, heavy equipment and 9-1-1 communications upgrade, and various deferred maintenance and budgeted capital projects. In addition, debt was secured to fund the Omni Project, an economic development project in partnership with the Commonwealth of Kentucky. It is anticipated the revenues generated from sales tax, occupational taxes, and related economic development will substantially offset the debt service on Metro's debt obligations related to the project.

Future Economic Factors

The most recent unemployment rate for Metro Louisville (June 2016) was 4.9% compared to the national unemployment rate of 5.1% for the same period. The Louisville Metropolitan Statistical Area ("MSA") includes eight surrounding counties in Kentucky and four additional counties in southern Indiana. In June 2016, the MSA had a civilian labor force of 644,268 compared to 619,804 in June 2015. Metro Government's fiscal year 2017 budget projects a modest growth rate of only 1.3% of overall revenue with a higher increase of 1.6% growth in General Fund revenues.

Due to the anticipated employment and wage growth trend, employee withholdings are estimated to grow by 3.4% in fiscal year 2017. This would be the seventh straight year of wage growth. Local corporate profits and insurance premium fees are expected to grow 5.0% and 2.0%, respectively, in fiscal year 2017. Growth is also anticipated for real and personal property taxes based on initial property assessments and the assumption of flat tax rates adopted in fiscal year 2016 at 4.2%

Contacting Metro Government's Financial Management

This financial report is designed to provide citizens, taxpayers, customers, investors, and creditors with a general overview of Metro Government's finances and to show Metro Government's accountability for the money it receives. If you have questions about this report or need additional information, contact Metro Government's Office of Management & Budget, 611 West Jefferson Street, Louisville, KY 40202.

BASIC FINANCIAL STATEMENTS

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
STATEMENT OF NET POSITION
June 30, 2016

	Primary Government Governmental Activities	Component Unit
ASSETS		
Cash and cash equivalents	$ 146,493,682	$ 222,475,906
Investments	96,115,165	23,298,564
Receivables, net of allowance for uncollectible amounts	59,086,273	77,681,594
Capital sublease receivable	5,210,241	-
Accrued interest receivable	55,553	1,539,711
Inventories	406,021	21,431,621
Prepaid items	288,093	40,917,278
Assets restricted by bond indentures and other legal provisions	64,967,752	249,688,627
Non-utility property	-	2,617,400
Equity interest in LWC	874,880,092	-
Capital assets:		
Land and improvements	422,249,066	44,132,298
Construction in progress	71,689,833	554,822,250
Works of art	2,790,234	-
Infrastructure	994,216,733	3,070,518,629
Other capital assets	660,141,657	1,972,943,535
Less accumulated depreciation	(1,287,778,134)	(1,757,100,760)
Total capital assets	863,309,389	3,885,315,952
Total assets	2,110,812,261	4,524,966,653
DEFERRED OUTFLOWS OF RESOURCES		
Unamortized outflows on sale of future revenues	-	9,527,591
Unamortized loss on refundings	3,864,539	18,902,312
Other deferred outflows-swaps	-	636,010
Pension related deferred outflows	130,199,679	37,231,113
Total deferred outflows of resources	134,064,218	66,297,026
LIABILITIES		
Accounts payable and accrued payroll	65,059,481	75,544,700
Accrued interest payable	2,021,690	19,721,922
Due to other government agencies	11,188,890	10,734,310
Notes payable	-	2,429,355
Unearned revenue	220,761	1,168,055
Other liabilities	1,045,426	13,867,313
Long-term liabilities:		
Due within one year	161,540,742	289,242,154
Due in more than one year	490,186,664	2,218,324,413
Net pension liability	694,525,877	210,175,177
Total liabilities	1,425,789,531	2,841,207,399
DEFERRED INFLOWS OF RESOURCES		
Unamortized inflows on sale of future revenues	9,527,591	-
Deferred tax credit receipts	3,995,093	-
Deferred inflows on swap agreements	-	108,488,000
Pension related deferred inflows	2,949,998	486,294
Total deferred inflows of resources	16,472,682	108,974,294
NET ASSETS		
Net investment in capital assets	519,383,561	1,433,866,916
Restricted for:		
Grant programs	50,934,598	-
Capital projects	36,155,169	46,544,629
Debt service	5,083,285	94,715,021
Other purposes	37,603,795	758,400
Total restricted	129,776,847	142,018,050
Unrestricted	153,453,858	65,197,020
Total net position	$ 802,614,266	$ 1,641,081,986

The accompanying notes are an integral part of the financial statements.

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2016

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue
Primary government:					
Governmental activities:					
General Government:					
Metro Council	$ 6,358,864	$ -	$ 26,824	$ -	$ (6,332,040)
Mayor's Office	2,557,985	-	-	-	(2,557,985)
County Attorney	8,453,382	100,000	31,628	-	(8,321,754)
Other Elected Officials	11,579,566	282,790	385,720	-	(10,911,056)
Louisville Fire	57,620,190	618,982	2,057,060	327,099	(54,617,049)
Emergency Medical Services	28,049,055	17,034,887	18,034	-	(10,996,134)
Emergency Management/MetroSafe	31,319,757	2,660,047	438,876	2,022,483	(26,198,351)
Department of Corrections	55,939,266	1,743,606	9,684,957	-	(44,510,703)
Youth Detention Services	10,234,325	1,021	99,320	-	(10,133,984)
Metro Animal Services	4,032,597	1,104,159	71,165	7,408	(2,849,865)
Criminal Justice Commission	725,719	-	163,122	300,255	(262,342)
Firefighters' Pension Fund	5,098,104	-	-	-	(5,098,104)
Policemen's Retirement Fund	3,499,111	-	-	-	(3,499,111)
Police Department	179,485,583	5,458,814	8,713,876	546,551	(164,766,342)
Economic Development	127,986,735	4,190,442	1,304,528	382,750	(122,109,015)
Develop Louisville	17,257,539	600,632	4,447,010	1,412,098	(10,797,799)
Air Pollution Control	5,202,729	3,821,583	388,624	-	(992,522)
Codes & Regulations	8,212,418	19,793,127	861,854	-	12,442,563
Parks & Recreation	40,756,427	8,644,257	1,168,800	5,784,318	(25,159,052)
Community Services	32,796,195	1,465,349	13,920,801	4,964,799	(12,445,246)
Public Health & Wellness	20,040,431	1,544,161	10,448,400	-	(8,047,870)
Public Works & Assets	88,810,401	3,484,595	19,875,775	10,139,635	(55,310,396)
Metro Technology Services	14,342,681	1,004,343	-	-	(13,338,338)
Office of Management & Budget	63,140,900	13,654,995	409,779	804,392	(48,271,734)
Office of Performance Improvement	1,324,155	-	-	-	(1,324,155)
Human Resources	3,984,022	-	-	-	(3,984,022)
Related Agencies:					
Human Relations Commission	1,004,163	-	225,798	-	(778,365)
Louisville Free Public Library	21,442,671	564,480	1,773,468	1,122,693	(17,982,030)
Louisville Zoological Gardens	21,549,842	10,502,885	1,401,119	3,774,635	(5,871,203)
Internal Audit	660,635	-	-	-	(660,635)
Interest expense	15,068,075	-	-	-	(15,068,075)
Total governmental activities	$ 888,533,523	$ 98,275,155	$ 77,916,538	$ 31,589,116	$ (680,752,714)
Component units:					
Louisville Water Company	$ 153,087,653	$ 174,385,609	$ -	$ 9,394,095	$ 30,692,051
Parking Authority of River City, Inc.	14,847,986	19,857,263	300,892	-	5,310,169
Transit Authority of River City	92,469,379	13,366,045	65,858,954	12,635,772	(608,608)
Louisville and Jefferson County Riverport Authority	2,493,543	2,391,120	-	-	(102,423)
Metropolitan Sewer District	250,708,000	243,290,000	10,332,000	5,037,000	7,951,000
Board of Health	31,661,420	32,318,290	7,573,374	66,624	8,296,868
Total Other Component Units	21,137,831	4,223,492	17,274,427	-	360,088
Total component units	$ 566,405,812	$ 489,831,819	$ 101,339,647	$ 27,133,491	$ 51,899,145

(Continued)

The accompanying notes are an integral part of the financial statements.

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
STATEMENT OF ACTIVITIES (continued)
For the Year Ended June 30, 2016

	Primary Government	
	Governmental Activities	**Component Units**
Net (expense) revenue (from preceding page)	$ (680,752,714)	$ 51,899,145
General revenues:		
Taxes:		
Property taxes, levied for general purposes	151,684,603	-
Occupational taxes	383,942,352	-
Investment income	806,261	8,373,753
Gain on equity interest in LWC	31,462,285	-
Dividends	20,558,305	-
Amortization of sale of future revenue	532,019	-
Other intergovernmental revenue	14,448,839	-
Gain on sale of assets	1,261,750	(46,585)
Other taxes	441,673	-
Miscellaneous	1,557,362	-
Total general revenues	606,695,449	8,327,168
Change in net position	(74,057,265)	60,226,313
Net position--beginning	876,671,531	1,580,855,673
Net position--ending	$ 802,614,266	$ 1,641,081,986

The accompanying notes are an integral part of the financial statements.

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2016

	General Fund	Special Revenue Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	$ 38,143,177	$ 6,988,365	$ 15,606,174	$ 3,820,280	$ 64,557,996
Investments	46,425,594	8,505,820	18,994,901	4,649,817	78,576,132
Receivables, net of allowance for uncollectible amounts:					
Taxes receivable	1,899,104	-	-	-	1,899,104
Accounts receivable and accrued interest	17,700,444	1,923,081	60,522	-	19,684,047
Loans receivable	850,074	31,345,055	1,766,684	-	33,961,813
Due from federal government	-	5,808,576	-	-	5,808,576
Due from state government	-	1,740,448	-	-	1,740,448
Due from other funds	35,195,637	-	-	140,761	35,336,398
Due from other agencies	5,976,453	1,178,340	-	-	7,154,793
Inventories	406,021	-	-	-	406,021
Prepaid items	10,250	202,843	-	-	213,093
Restricted assets:					
Cash and cash equivalents	-	-	59,886,438	5,081,314	64,967,752
Total assets	$ 146,606,754	$ 57,692,528	$ 96,314,719	$ 13,692,172	$ 314,306,173
LIABILITIES					
Accounts payable	$ 20,031,949	$ 5,565,698	$ 8,436,412	$ 174,196	$ 34,208,255
Accrued payroll and withholdings	22,736,987	1,017,709	-	-	23,754,696
Due to other governments	114	-	-	-	114
Matured bonds and interest payable	-	-	-	140,761	140,761
Other liabilities	1,045,426	-	-	-	1,045,426
Total liabilities	43,814,476	6,583,407	8,436,412	314,957	59,149,252
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenues	2,119,865	22,357	-	-	2,142,222
Total deferred inflows of resources	2,119,865	22,357	-	-	2,142,222
FUND BALANCES					
Nonspendable	1,543,084	31,547,898	1,766,682	-	34,857,664
Restricted for:					
Debt service reserve	-	-	-	5,083,285	5,083,285
Grant programs	-	(152,166)	-	-	(152,166)
Other capital projects	-	-	59,886,439	-	59,886,439
Committed	18,122,565	18,338,639	-	-	36,461,204
Assigned to:					
Capital projects	-	-	26,225,186	8,293,930	34,519,116
Other purposes	13,097,525	1,352,393	-	-	14,449,918
Unassigned	67,909,239	-	-	-	67,909,239
Total fund balances	100,672,413	51,086,764	87,878,307	13,377,215	253,014,699
Total liabilities, deferred inflows of resources, and fund balances	$ 146,606,754	$ 57,692,528	$ 96,314,719	$ 13,692,172	$ 314,306,173

Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets of $832,591,228 net of accumulated depreciation, reported in the government wide financial statements less $201,417 of capital assets held by the internal service funds used in governmental activities are not financial resources and therefore are not reported in the funds.	863,152,057
Equity investment in a component unit is reported as an asset in the government wide statements, but is not included in the governmental funds.	874,880,092
Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individnal funds. The assets and liabilities of the internal service funds, including deferred charges, are included in governmental activities in the Statement of Net Position.	(13,551,526)
Certain revenues are earned but not available and therefore are deferred in the fund financial statements but are recognized as revenue in the government-wide statements.	1,921,461
Accrued interest payable on long-term liabilities is reported in the government-wide statements, but is not reported in the funds.	(2,021,690)
Loss on debt refunding has been deferred in the Statement of Net Position (see Note 1(O)(i)).	3,864,539
Proceeds sale of future revenues on parking lots and garages bas been recognized in fund statements, but is a deferred inflow in the Statement of Net Position (see Note 18).	(9,527,591)
Capital sublease receivable and accrued interest receivable.	5,265,794
Long-term liabilities of $491,026,000, including bonds payable, less $34,901,509 reported in internal service funds are not due and payable in the current period and therfore are not reported in the funds.	(607,107,373)
Pension related habilies are reported in the government-wide statements but is not reported in the fund financial statements.	(692,411,153)
Deferred Inflows and Outflows of resources related to pension liability.	125,134,957
Net position of governmental activities.	$ 253,014,699

LOUISVILLE

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JEFFERSON COUNTY

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2016

	General Fund	Special Revenue Fund	Capital Projects Fund	Total Nonmajor Funds	Total Governmental Funds
REVENUES					
Property taxes	$ 151,559,429	$ -	$ -	$ -	$ 151,559,429
Occupational taxes	383,942,352	-	-	-	383,942,352
Licenses and permits	17,451,637	-	225,000	-	17,676,637
Intergovernmental	27,148,479	77,518,349	516,564	8,379,128	113,562,520
Charges for services	65,360,340	7,941,228	1,363,798	261,381	74,926,747
Fees and fines	5,204,719	-	-	14,242	5,218,961
Investment income	431,244	94,942	266,268	13,807	806,261
Dividends	20,558,305	-	-	-	20,558,305
Donations	3,875,542	2,071,962	5,295,354	-	11,242,858
Miscellaneous	421,749	737,633	108,645	-	1,268,027
Total revenues	675,953,796	88,364,114	7,775,629	8,668,558	780,762,097
EXPENDITURES					
Current operating:					
Metro Council	6,083,873	-	-	-	6,083,873
Mayor's Office	2,453,924	-	-	-	2,453,924
County Attorney	8,074,566	-	-	-	8,074,566
Other Elected Officials	10,921,022	190,397	-	-	11,111,419
Fire	53,778,385	327,099	-	-	54,105,484
Emergency Medical Services	25,080,835	97,285	-	-	25,178,120
Emergency Management/MetroSafe	14,823,725	5,237,771	-	5,685	20,067,181
Corrections	53,121,018	89,783	-	-	53,210,801
Youth Detention Services	9,713,780	12,494	-	-	9,726,274
Metro Animal Services	3,787,207	33,226	-	-	3,820,433
Criminal Justice Commission	308,913	358,877	-	-	667,790
Firefighters' Pension Fund	3,780,217	-	-	-	3,780,217
Policemen's Retirement Fund	2,707,929	-	-	-	2,707,929
Louisville Metro Police Department	168,095,579	2,262,823	-	-	170,358,402
Develop Louisville	11,193,389	5,304,741	-	-	16,498,130
Economic Growth & Innovation	12,059,369	111,078,230	-	-	123,137,599
Air Pollution Control	3,047,882	1,836,656	-	-	4,884,538
Codes & Regulations	6,171,977	861,854	-	-	7,033,831
Parks & Recreation	29,782,084	3,932,585	-	-	33,714,669
Community Services & Revitalization	8,380,629	18,776,550	-	-	27,157,179
Public Health & Wellness	8,601,698	10,096,877	-	-	18,698,575
Public Works & Assets	41,228,233	29,958,435	-	-	71,186,668
Information Technology	13,545,096	-	-	-	13,545,096
Office of Management & Budget	58,384,542	1,137,302	-	-	59,521,844
Office of Performance Improvement	1,276,651	-	-	-	1,276,651
Human Resources	3,813,502	-	-	-	3,813,502
Human Relations Commission	701,508	255,520	-	-	957,028
Louisville Free Public Library	17,797,977	1,272,587	-	-	19,070,564
Louisville Zoological Gardens	15,078,942	155,053	-	-	15,233,995
Internal Audit	650,742	-	-	-	650,742
Debt service principal	8,482,347	-	-	40,016,467	48,498,814
Debt service interest and other charges	3,425,302	-	-	14,898,202	18,323,504
Capital outlay	-	-	58,630,313	3,602,683	62,232,996
Total expenditures	606,352,843	193,276,145	58,630,313	58,523,037	916,782,338
Excess (deficiency) of revenues over (under) expenditures	69,600,953	(104,912,031)	(50,854,684)	(49,854,479)	(136,020,241)

(Continued)

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2016

	General Fund	Special Revenue Fund	Capital Projects Fund	Total Nonmajor Funds	Total Governmental Funds
OTHER FINANCING SOURCES (USES)					
Proceeds from sale of capital assets	-	-	1,261,750	-	1,261,750
Issuance of bonds	-	110,214,562	69,703,798	-	179,918,360
Note revenue	-	-	-	149,940	149,940
Transfers in	3,101,459	2,020,223	20,714,939	52,725,632	78,562,253
Transfers out	(70,206,489)	(3,812,651)	(6,609,743)	(149,940)	(80,778,823)
Total other financing sources (uses)	(67,105,030)	108,422,134	85,070,744	52,725,632	179,113,480
Net change in fund balances	2,495,923	3,510,103	34,216,060	2,871,153	43,093,239
Fund balances--beginning	98,176,490	47,576,661	53,662,247	10,506,062	209,921,460
Fund balance--ending	$ 100,672,413	$ 51,086,764	$ 87,878,307	$ 13,377,215	$ 253,014,699

(Continued)

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2016

Net change in fund balances--total governmental funds	$	43,093,239
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. This is the amount by which the increase in capital assets of $71,062,241 was greater than depreciation of $35,667,764 in the governmental funds, less $44,085 of depreciation in the internal service funds, for the current period.		35,438,562
In the Statement of Activities, the change in net position from Metro Government's investment in the LWC is included as investment income, while governmental funds only report the dividend income from the investment.		31,462,285
In the Statement of Activities, only the loss on the disposal of assets is reported, while in the governmental funds, the proceeds from the disposal increase financial resources. Thus, the change in net position differs from the change in fund balance by the basis of the assets disposed.		(4,655,565)
Unearned revenues added to the net position in the prior year are deducted in the current year.		(1,792,041)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		2,453,480
Bond proceeds of $179,918,300 from new issues provide current financial resources to governmental funds, but issuing debt increases the long-term liabilities in the Statement of Net Position. Repayment of $42,578,906 of bond principal and $1,617,635 of notes payable and capital lease payments are expenditures in the governmental funds, but these items reduce long-term liabilities in the Statement of Net Position.		(130,551,391)
The changes in compensated absences, other commitments, and claims and judgments are reported in the Statement of Activities and do not require the use of current financial resources, therefore the changes are not reported as expenditures in governmental funds.		(3,879,006)
Internal Service Funds are used by management to charge the costs of certain activities, such as insurance to individual funds. The change in net position of the internal service funds is reported with governmental activities.		(6,581,630)
Governmental funds report the effect of original issue premiums, discounts, and similar items when debt is first issued, whereas these amounts are recorded on the Statement of Net Position and amortized in the Statement of Activities.		2,886,586
Accrued expense payable due to other governmental agencies was reported in the government-wide statements in the prior year and in the fund statements in the current year.		(26,901,535)
Capital sublease receivable of $5,210,241 and accrued interrest of $55,553 was reported in the government-wide statements and not in the fund financial statements.		5,265,794
Pension related expenses.		(20,296,043)
Change in net position of governmental activities	$	(74,057,265)

The accompanying notes are integral part of the financial statements.

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
STATEMENT OF FUND NET POSITION
PROPRIETARY FUNDS
June 30, 2016

	Governmental Activities — Internal Service Fund
ASSETS	
Current assets:	
Cash and cash equivalents	$ 81,935,686
Investments	17,539,034
Accounts receivable	585,659
Deposits with paying agents	75,000
Total current assets	100,135,379
Capital assets:	
Furniture and equipment, net	157,332
Total capital assets	157,332
Total assets	100,292,711
LIABILITIES	
Current liabilities:	
Accounts payable	2,953,705
Refunds payable	3,579,566
Claims and judgments, current	24,308,742
Accounts payable to related parties, Louisville Metro Government	422,498
Due to other funds	58,273,341
Total current liabilities	89,537,852
Noncurrent liabilities:	
Claims and judgments	20,311,291
Total noncurrent liabilities	20,311,291
Total liabilities	109,849,143
DEFERRED INFLOWS OF RESOURCES	
Deferred tax credit receipts	3,995,093
Total deferred inflows of resources	3,995,093
NET POSITION	
Net investment in capital assets	157,332
Restricted	3,488,228
Unrestricted	(17,197,085)
Total net position	$ (13,551,525)

The accompanying notes are an integral part of the financial statements.

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the Year Ended June 30, 2016

	Governmental Activities Internal Service Fund
OPERATING REVENUES:	
Collection, investment and other fees	$ 61,388,064
Insurance income	16,871,081
Metro funding	2,500,676
Total operating revenues	80,759,821
OPERATING EXPENSES:	
Professional services	5,170,255
Contractual services	437,517
Repairs and maintenance	2,443
Other supplies and expenses	424,693
Insurance claims, settlements and losses	78,958,297
Insurance premiums	2,405,517
Depreciation	44,085
Total operating expenses	87,442,807
Operating loss	(6,682,986)
NONOPERATING REVENUES:	
Investment income	101,356
Total nonoperating revenues	101,356
Change in net position	(6,581,630)
Total net position--beginning	(6,969,895)
Total net position--ending	$ (13,551,525)

The accompanying notes are an integral part of the financial statements.

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2016

	Governmental Activities Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from collection, investment, and other fees	$ 5,644,596
Insurance income	72,584,728
Payments to employees	(3,982,006)
Payments to suppliers	(1,929,896)
Payments from Metro	2,500,000
Contractual services	98,350
Claims paid	(68,458,485)
Insurance premiums paid	(2,405,517)
Decrease in cash collected for others	(2,437,159)
Other payments	(7,699)
Net cash used by operating activities	1,606,912
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Transfers from other funds	-
Net cash provided by noncapital financing activities	-
CASH FLOWS FROM CAPITAL AND FINANCING ACTIVITIES:	
Acquisition and construction of capital assets	-
Net cash used in capital activities	-
CASH FLOWS FROM INVESTING ACTIVITIES:	
Change in investment pool participation	(1,635,492)
Investment income	101,356
Net cash used by investing activities	(1,534,136)
Net increase in cash and cash equivalents	72,776
Cash and cash equivalents, beginning of the year	86,825,374
Cash and cash equivalents, end of the year	$ 86,898,150
Reconciliation of Operating Loss to Net Cash Used By Operating Activities	
Operating loss	$ (6,682,986)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation expense	44,085
Increase (decrease) in cash due to changes in assets and liabilities:	
Accounts receivable	(30,497)
Prepaid expenses	-
Accounts and other payables	202,337
Liability for incurred claims	9,718,524
Due to other funds and governmental agencies	(2,089,927)
Deferred inflows of resources	445,376
Net cash used by operating activities	$ 1,606,912

During fiscal year 2016, there was no non-cash change to the fair value of investments.

The accompanying notes are integral part of the financial statements.

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2016

	Pension Trust Funds	Private-purpose Trust	Agency Funds
ASSETS			
Cash and cash equivalents	$ 1,286,288	$ 1,098,481	$ 15,861,538
Equity mutual funds	11,582,686	-	-
Bond mutual funds	707	-	-
Other investments	8,582	-	-
Accounts receivable and accrued interest	2,689,599	44,250	32
Due from other funds	-	-	22,936,943
Due from other governmental agencies	-	-	6,036,258
Total assets	15,567,862	1,142,731	44,834,771
LIABILITIES			
Accounts payable	10,798	26,930	61
Due to other governmental agencies	-	-	34,877,522
Refundable deposits	-	-	9,957,188
Health insurance reimbursement	449,388	-	-
Unearned appropriations	167,350	-	-
Total liabilities	$ 627,536	$ 26,930	$ 44,834,771
NET POSITION			
Held in trust for pension benefits	14,940,326	-	
Held in trust for private purpose	-	1,115,801	
Total net position	$ 14,940,326	$ 1,115,801	

The accompanying notes are an integral part of the financial statements.

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
For the Year Ended June 30, 2016

	Pension Trust Funds	Private-purpose Trust
ADDITIONS		
Contributions:		
Employer	$ 4,924,088	$ -
Member	4,331	591,418
Total contributions	4,928,419	591,418
Investment earnings:		
Increase/(decrease) in fair value of investments	(848,678)	-
Realized gains	628,660	-
Interest and dividends	106,560	-
Total investment earnings	(113,458)	-
Investment expense	(102,871)	-
Other income	1,592,973	-
Total additions	6,305,063	591,418
DEDUCTIONS		
Benefit payments	4,877,546	-
Administrative expense	536,023	569,027
Health insurance reimbursement	917,040	-
Total deductions	6,330,609	569,027
Net increase/(decrease)	(25,546)	22,391
Net position--beginning of the year	14,965,872	1,093,410
Net position--end of the year	$ 14,940,326	$ 1,115,801

The accompanying notes are an integral part of the financial statements.

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
COMBINING STATEMENT OF NET POSITION (continued)
COMPONENT UNITS
June 30, 2016

	Louisville Water Company	Parking Authority of River City, Inc	Transit Authority of River City	Louisville and Jefferson County Riverport Authority	Metropolitan Sewer District	Board of Health	Other Component Units	Total
ASSETS								
Current assets:								
Cash and cash equivalents	$ 133,769,930	$ 7,201,112	$ 266,298	$ 2,430,669	$ 69,481,000	$ 6,726,595	$ 2,600,302	$ 222,475,906
Investments	-	-	-	3,051,691	100,000	4,805,772	15,341,101	23,298,564
Accounts receivable	11,196,164	618,240	17,435,743	341,577	26,696,000	6,058,353	4,413,810	66,759,887
Accrued interest receivable	337,441	-	-	9,270	1,193,000	-	-	1,539,711
Contract and assessments receivable, current	479,182	-	-	-	-	26,792	-	505,974
Notes receivable, current portion	1,573,680	-	-	-	-	-	-	1,573,680
Pledges receivable, current, net	-	-	-	-	-	-	413,653	413,653
Inventories	7,680,107	-	1,268,096	8,087,686	4,210,000	158,415	27,317	21,431,621
Reserves, current portion	13,008,426	-	-	-	-	-	-	13,008,426
Prepaid expenses	1,946,659	17,765	717,289	70,019	1,991,000	587,943	101,019	5,431,694
Restricted cash and cash equivalents, current	-	1,262,606	-	-	5,379,000	-	-	6,641,606
Restricted investments, current	-	-	-	-	14,999,000	-	-	14,999,000
Totla current assets	169,991,589	9,099,723	19,687,426	13,990,912	124,049,000	18,363,870	22,897,202	378,079,722
Noncurrent assets:								
Restricted cash and cash equivalents, noncurrent	-	24,387,822	-	-	29,235,000	5,000,000	290,412	58,913,234
Restricted investments, noncurrent	-	9,468,000	31,000	-	120,212,000	-	566,566	130,277,566
Pledges receivable, net	-	-	-	-	-	-	370,076	370,076
Reserves, less current portion	25,848,795	-	-	-	-	-	-	25,848,795
Note receivable	6,131,320	823,099	-	-	-	-	138,250	7,092,669
Issuance costs	2,180,914	-	-	-	-	-	-	2,180,914
Contract and assessments receivable, less CP	965,655	-	-	-	-	-	-	965,655
Regulatory assets and costs	3,554,061	-	-	-	-	-	-	3,554,061
Non-utility property	2,617,400	-	-	-	-	-	-	2,617,400
Other assets	400,063	-	-	3,925	29,315,000	-	31,621	29,750,609
Capital assets:								
Land	12,145,158	11,461,424	3,177,782	8,101,986	-	477,220	8,580,673	43,944,243
Land improvements	-	-	-	-	-	188,055	-	188,055
Buildings and improvements	196,213,914	157,611,636	39,697,086	29,771,477	1,202,827,000	28,571,276	6,379,151	1,661,071,540
Machinery and equipment	91,170,076	7,242,533	127,353,158	175,271	60,043,000	4,594,926	1,257,290	291,836,254
Museum exhibits	-	-	-	-	-	-	20,035,741	20,035,741
Infrastructure	1,177,692,629	-	-	-	1,892,826,000	-	-	3,070,518,629
Construction in progress	65,515,842	1,513,543	-	-	487,674,000	94,365	24,500	554,822,250
Less accumulated depreciation	(465,489,312)	(62,729,812)	(96,193,756)	(20,599,929)	(1,070,108,000)	(19,210,946)	(22,769,005)	(1,757,100,760)
Capital assets, net of accumulated depreciation	1,077,248,307	115,099,324	74,034,270	17,448,805	2,573,262,000	14,714,896	13,508,350	3,885,315,952
Total noncurrent assets	1,118,946,515	149,778,245	74,065,270	17,452,730	2,752,024,000	19,714,896	14,905,275	4,146,886,931
Total assets	1,288,938,104	158,877,968	93,752,696	31,443,642	2,876,073,000	38,078,766	37,802,477	4,524,966,653
DEFERRED OUTFLOWS OF RESOURCES								
Unamortized amount on sale of future revenues	-	9,527,591	-	-	-	-	-	9,527,591
Unamortized loss on refunding	6,774,312	-	-	-	12,128,000	-	-	18,902,312
Other deferred outflows-swap	-	636,010	-	-	-	-	-	636,010
Pension related deferred outflows	9,068,774	299,056	11,696,248	126,987	11,580,000	3,984,923	475,125	37,231,113
Total deferred outflows of resources	15,843,086	10,462,657	11,696,248	126,987	23,708,000	3,984,923	475,125	66,297,026

(continued)

The accompanying notes are an integral part of the financial statements.

COMBINING STATEMENT OF NET POSITION (continued)
COMPONENT UNITS
June 30, 2016

	Louisville Water Company	Parking Authority of River City, Inc	Transit Authority of River City	Louisville and Jefferson County Riverport Authority	Metropolitan Sewer District	Board of Health	Other Component Units	Total
LIABILITIES								
Current liabilities:								
Accounts payable	13,344,496	165,807	5,334,492	180,503	50,691,000	642,104	1,306,962	71,665,364
Accrued payroll and withholdings	275,234	-	-	-	-	3,239,273	364,829	3,879,336
Compensated absences payable	1,799,389	-	2,982,000	-	-	-	190,569	4,971,958
Capital lease obligation, current portion	-	21,622	153,574	-	-	-	-	175,196
Due to other governmental agencies	1,456,622	-	6,036,258	-	-	-	3,241,430	10,734,310
Customer advances and deposits payable	5,740,719	105,386	-	-	2,557,000	-	209,459	8,612,564
Accrued interest payable	1,431,279	757,643	-	-	17,533,000	-	-	19,721,922
Notes payable, current portion	85,380	149,940	-	-	-	-	145,027	380,347
Bonds payable, current portion	18,000,000	2,765,000	-	-	31,825,000	-	-	52,590,000
Bond anticipation note	-	-	-	-	228,412,000	-	-	228,412,000
Other payables from restricted assets	2,283,276	288,534	-	-	-	-	-	2,571,810
Claims and judgments payable	-	-	3,093,000	-	-	-	-	3,093,000
Unearned revenue, current	-	-	148,574	123,978	-	-	400,774	673,326
Total current liabilities	44,416,395	4,253,932	17,747,898	304,481	331,018,000	3,881,377	5,859,050	407,481,133
Noncurrent liabilities:								
Capital lease, less current portion	-	4,946,552	51,805	-	-	-	-	4,998,357
Unearned revenue	494,729	-	-	-	-	-	-	494,729
Unamortized debt premiums and discounts	21,760,009	2,614,047	-	-	67,462,000	-	-	91,836,056
Notes payable, less current portion	1,507,274	149,940	-	-	-	-	391,794	2,049,008
Bonds payable, less current portion	306,600,000	92,145,000	-	-	1,722,745,000	-	-	2,121,490,000
Net pension liability	55,122,691	1,915,204	57,890,673	670,116	68,653,000	23,837,085	2,086,408	210,175,177
Other long term liabilities	-	-	1,992,939	-	690,000	-	-	2,682,939
Total noncurrent liabilities	385,484,703	101,770,743	59,935,417	670,116	1,859,550,000	23,837,085	2,478,202	2,433,726,266
DEFERRED INFLOWS OF RESOURCES								
Interest rate swaps	-	-	-	-	101,832,000	-	-	101,832,000
Other deferred inflows-swaps	-	-	-	-	6,656,000	-	-	6,656,000
Pension related deferred inflows	-	9,019	308,724	9,222	145,000	-	14,329	486,294
Total deferred inflows of resources	-	9,019	308,724	9,222	108,633,000	-	14,329	108,974,294
NET POSITION								
Net investment in capital assets	738,636,262	41,192,446	71,728,891	17,448,805	534,946,000	16,943,372	12,971,140	1,433,866,916
Restricted for capital projects	28,531,656	3,869,461	-	-	-	-	14,143,512	46,544,629
Restricted for debt service	-	10,076,021	-	-	84,639,000	-	-	94,715,021
Restricted for other purpose	-	-	-	-	-	-	758,400	758,400
Unrestricted	107,712,174	8,169,003	(44,271,986)	13,138,005	(19,005,000)	(2,598,145)	2,052,969	65,197,020
Total net position	$ 874,880,092	$ 63,306,931	$ 27,456,905	$ 30,586,810	$ 600,580,000	$ 14,345,227	$ 29,926,021	$ 1,641,081,986

The accompanying notes are an integral part of the financial statements.

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
COMBINING STATEMENT OF ACTIVITIES
COMPONENT UNITS
For the Year Ended June 30, 2016

		Program Revenues			Net (Expense) Revenue and Changes in Net Position							
Function/Program	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**	**Louisville Water Company**	**Parking Authority of River City, Inc**	**Transit Authority of River City**	**Louisville and Jefferson County Riverport Authority**	**Metropolitan Sewer District**	**Board of Health**	**Other Component Units**	**Total**
Component Units:												
Louisville Water Company	$ 153,087,653	$ 174,385,609		$ 9,394,095	$ 30,692,051							$ 30,692,051
Parking Authority of River City, Inc.	14,847,986	19,857,263	$ 300,892	-	-	$ 5,310,169	-	-	-	-	-	5,310,169
Transit Authority of River City	92,469,379	13,366,045	65,858,954	12,635,772	-	-	$ (608,608)	-	-	-	-	(608,608)
Louisville and Jefferson Co Riverport Authority	2,493,543	2,391,120	-	-	-	-	-	$ (102,423)	-	-	-	(102,423)
Metropolitan Sewer District	250,708,000	243,290,000	10,332,000	5,037,000	-	-	-	-	$ 7,951,000	-	-	7,951,000
Board of Health	31,661,420	32,318,290	7,573,374	66,624	-	-	-	-	-	$ 8,296,868	-	8,296,868
Other Component Units	21,137,831	4,223,492	17,274,427	-	-	-	-	-	-	-	$ 360,088	360,088
	$ 566,405,812	$ 489,831,819	$ 101,339,647	$ 27,133,491	$ 30,692,051	$ 5,310,169	$ (608,608)	$ (102,423)	$ 7,951,000	$ 8,296,868	$ 360,088	$ 51,899,145
Investment income					770,234	76,693	2,886	20,445	7,559,000	11,906	(67,411)	8,373,753
Gain on sale of assets					-	(46,585)	-	-	-	-	-	(46,585)
General Revenues and special items					770,234	30,108	2,886	20,445	7,559,000	11,906	(67,411)	8,327,168
Change in net position					31,462,285	5,340,277	(605,722)	(81,978)	15,510,000	8,308,774	292,677	60,226,313
Net position, beginning balance, as restated					843,417,807	57,966,654	28,062,627	30,668,788	585,070,000	6,036,453	29,633,344	1,580,855,673
Net position, ending					$ 874,880,092	$ 63,306,931	$ 27,456,905	$ 30,586,810	$ 600,580,000	$ 14,345,227	$ 29,926,021	$ 1,641,081,986

The accompanying notes are an integral part of the financial statements.

LOUISVILLE

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JEFFERSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

1. Summary of Significant Accounting Policies

Louisville/Jefferson County Metro Government ("Metro Government") began operations January 6, 2003, and was formed from the merger of the former City of Louisville (founded in 1778 and incorporated in 1828) and Jefferson County, Kentucky (created in 1780). Metro Government operates under a Mayor-Council form of government and provides the following services: public safety, streets and roads, sanitation, health and social services, culture and recreation, public improvements, planning and zoning, and general administrative services. The following is a summary of the significant accounting policies:

A. Basis of Presentation

The financial statements of Metro Government have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") as applied to government units by the Governmental Accounting Standards Board ("GASB") and the American Institute of Certified Public Accountants ("AICPA").

B. Reporting Entity

In accordance with GASB Statements No. 14, *The Financial Reporting Entity*, No. 39, *Determining Whether Certain Organizations Are Component Units*, and No. 61, *The Financial Reporting Entity: Omnibus*, as amended, Metro Government has included in its financial statements the departments, agencies, boards, commissions, authorities, and corporations that comprise the primary government along with its discretely presented Component Units. These standards require governments to include entities for which there is a financial benefit or burden between the primary government and the Component Unit or the primary government can impose its will on significant elements of the Component Unit's operations.

i. Blended Component Units

The following Component Units have been presented as blended Component Units because the boards of the Component Units are substantively the same as the primary government, and 1) there is a financial benefit or burden relationship between the Metro Government and the Component Unit, or 2) management of the primary government has operational responsibility for the Component Unit, or the Component Units provide services exclusively or almost exclusively to the primary government:

- The Louisville/Jefferson County Revenue Commission ("Revenue Commission")
  The Revenue Commission is reported as part of the primary government as its primary purpose is to collect certain taxes and fees on behalf of Metro Government and to collect and remit debt service requirements on Metro Government's general obligation bonds. To a lesser extent, the Revenue Commission is the collection agent of certain fees and taxes for other local governmental entities. The Commissioners of the Revenue Commission consist of the Metro Government Mayor, the Metro Council President, the Jefferson County Public School Superintendent, and three citizen members appointed by the Mayor and approved by the Metro Council.

1. Summary of Significant Accounting Policies, continued

The Revenue Commission is treated as an internal service fund of the primary government since Metro Government is the recipient and beneficiary of the Revenue Commission providing services to benefit Metro Government. Amounts held on behalf of other local governmental entities are reflected within a fiduciary fund.

- The Public Properties Corporation ("PPC") - The PPC is a non-profit municipal corporation that was incorporated by the City of Louisville, succeeded by Metro Government, which is used to account for certain property acquisitions and improvements financed by proceeds from the sale of various First Mortgage Revenue Bonds. PPC is reported as part of the primary government because its purpose is to issue bonds solely on behalf of Metro Government. There are currently no First Mortgage Revenue Bonds outstanding.

- Capital Projects Corporation ("CPC") - The CPC, a non-profit municipal corporation, was incorporated by the Jefferson County Fiscal Court, succeeded by Metro Government, as its agency and instrumentality in the financing of public improvements and projects of a capital nature. The business of CPC is conducted by a four-member Board of Directors consisting of the Mayor of Metro Government, the Deputy Mayor for Development of Metro Government, the President of the Metro Council, and the Chief Financial Officer of Metro Government. The CPC undertakes projects and issues bonds at the direction of and pursuant to ordinances adopted by the Metro Council and provides services to directly benefit Metro Government. All debt obligations of the CPC are serviced with rental payments made by Metro Government as consideration from annually renewable leases of the financed properties by Metro Government.

- Louisville Zoo Foundation, Inc. ("LZF") - The LZF, a non-profit organization, was incorporated as a 501(c)(3) corporation in 1980. The LZF's mission is to raise funds for the benefit of the Louisville Zoological Gardens ("Zoo"). Fundraising initiatives include, but are not limited to, fundraising for the design and construction of new exhibits, support for educational programs, and the administration of endowment funds. LZF business is conducted by a 39-member Board of Directors, with 32 members appointed by the Mayor of Metro Government and seven ex officio members.

- Louisville Metro Parks Foundation, Inc. ("Parks Foundation") - The Parks Foundation, a non-profit organization, was incorporated as a 501(c)(3) corporation whose mission is to support local government public parks and recreation programs. The business of the Parks Foundation is conducted by a 25-member Board of Directors, three of whom are appointed by the Mayor of Metro Government including one ex officio member.

1. Summary of Significant Accounting Policies, continued

Complete financial statements for each of the individual Component Units may be obtained by contacting Metro Government's Office of Management and Budget, 611 West Jefferson Street, Louisville, KY 40202.

ii. Discretely Presented Component Units

The Component Units column in the government-wide financial statements includes the financial data of Metro Government's discretely presented Component Units. They are reported in a separate column to emphasize that they are legally separate from Metro Government. The following 10 Component Units are included in the reporting entity because the primary government is financially accountable for and is able to impose its will on the organizations.

All discretely presented Component Units have a June 30 fiscal year end except the Louisville Water Company, which has a December 31 year end and Family Health Centers, Inc., a Component Unit of Board of Health, which has a November 30 year end.

- Louisville Water Company ("LWC") – The LWC is a legally separate entity that provides water utility services to the residents of the Louisville metropolitan area and charges fees for those services. It is shown as a discretely presented Component Unit because the Metro Government is the sole shareholder of LWC stock, receives a quarterly dividend, and the Mayor appoints the LWC's Board of Directors. Water services valued at $16.7 million were provided to Metro Government in lieu of taxes during the year ended December 31, 2015. LWC remitted $20,558,305 in dividends to Metro Government during Metro Government's fiscal year ended June 30, 2016. Complete financial statements of the LWC can be requested from the Louisville Water Company, 550 South Third Street, Louisville, KY 40202.

- Parking Authority of River City, Inc. ("PARC") - PARC is a non-profit corporation, which was established by the City of Louisville, succeeded by Metro Government, to serve Metro Government's existing parking facility needs and to develop strategies for the redevelopment of the downtown riverfront area. PARC serves as an agency and instrumentality of Metro Government in financing the acquisition of on-street and off-street parking facilities. PARC is shown as a discretely presented Component Unit because the Mayor appoints a voting majority of its Board of Directors, and Metro Government has the ability to approve or overrule decisions of PARC in financing of new facilities and equipment. Complete financial statements of PARC can be requested from the Parking Authority of River City, 222 South First St., Suite 400, Louisville, KY 40202.

1. Summary of Significant Accounting Policies, continued

- Transit Authority of River City ("TARC") - TARC is a legally separate entity, which was established by the City of Louisville and Jefferson County Fiscal Court, succeeded by Metro Government. TARC operates the mass transit system in the Louisville metropolitan area. TARC is shown as a discretely presented Component Unit because the Mayor appoints a voting majority of its Board of Directors, and Metro Government has the ability to approve, disapprove, revise, amend, or otherwise alter TARC's annual budget. Metro Government does not provide any funding to TARC, but it does administer the Mass Transit Trust Fund ("MTTF"), which receives occupational tax revenues and remits those amounts to TARC. Payments to TARC from the MTTF for the fiscal year ended June 30, 2016, totaled $50,977,967. Audited financial statements of MTTF can be requested from Metro Government's Office of Management and Budget, 611 West Jefferson Street, Louisville, KY 40202. Complete financial statements of TARC can be requested from the Transit Authority of River City, 1000 West Broadway, Louisville, KY 40203.

- Louisville and Jefferson County Riverport Authority ("Riverport") - Riverport is a legally separate entity that acquires, develops, and markets land for operation of a riverport industrial complex. It is shown as a discretely presented Component Unit because the Mayor appoints a voting majority of its Board of Directors, and Metro Government has the ability to impose its will on Riverport's decisions. Complete financial statements can be requested from the Louisville and Jefferson County Riverport Authority, 6900 Riverport Drive, Louisville, KY 40258.

- Louisville and Jefferson County Metropolitan Sewer District ("MSD") - The MSD is a legally separate entity that provides sewer services to the residents of the metropolitan area and charges fees for those services. MSD is shown as a discretely presented Component Unit because the Mayor appoints a voting majority of its Board of Directors and Metro Government has the ability to veto, overrule, or modify decisions of MSD regarding expansion of infrastructure and sewage facilities and must approve any rate increases over 7%. Metro Government does not provide any funding to MSD. The amount of free services provided to Metro Government in fiscal year ended June 30, 2016, was approximately $4,200,000. Complete financial statements of MSD can be requested from Louisville and Jefferson County Metropolitan Sewer District, 700 West Liberty Street, Louisville, KY 40203.

1. **Summary of Significant Accounting Policies, continued**

- Board of Health ("BOH") – The BOH is a body politic and corporate, whose mission is to promote and protect equitable physical, mental, and environmental health in the Louisville community through advocacy, education, regulation, and collaboration with public and private entities. BOH is shown as a discretely presented Component Unit because the Mayor serves and appoints all members of its Board of Directors; thus Metro Government has the ability to impose its will on BOH's decisions. The Family Health Centers, Inc. ("FHC") is organized under 501(c)(3) and is a community health center with multiple locations within the Louisville Metro area. FHC is recognized as a Component Unit of the BOH as the FHC board of governors are all appointed by the BOH.

The following four Component Units are grouped under "Other Component Units" as non-major based on significance of relationship with LMG:

- Kentucky Science Center, Inc. ("KSC") - The KSC is a legally separate, non-profit entity that provides museum exhibits and scientific programs to the public. Financial support is received from admissions, merchandise sales, memberships, parking fees, donations, and an appropriation from Metro Government. KSC is shown as a non-major other Component Unit because the Mayor appoints a voting majority of its Board of Directors. During the year ended June 30, 2016, Metro Government paid $762,500 as an appropriation to the KSC. Complete financial statements of KSC can be requested from Kentucky Science Center, 727 West Main Street, Louisville, KY 40202.

- Waterfront Development Corporation ("WDC") – WDC is a legally separate entity operating as a governmental activity that provides planning, construction services, maintenance, and event production and coordination for public parks along the Ohio River waterfront in the Metro Louisville area. WDC is shown as a non-major other Component Unit because the Mayor appoints a voting majority of its Board of Directors, and Metro Government has the ability to impose its will on WDC's decisions. The Waterfront Park Foundation, Inc., which provides supplemental support for WDC, is included in the Component Unit financial statements. During the year ended June 30, 2016, Metro Government paid $1,515,200 as an appropriation to WDC. Complete financial statements of WDC can be requested from the Waterfront Development Corporation, 129 East River Road, Louisville, KY 40202.

1. **Summary of Significant Accounting Policies, continued**

- KentuckianaWorks ("KW") - KW is a legally separate entity operating as a governmental activity that oversees Kentucky career centers for the Greater Louisville region consisting of Jefferson, Bullitt, Henry, Oldham, Spencer, Shelby and Trimble counties. KentuckianaWorks is the legally assumed name of the Greater Louisville Workforce Investment Board, Inc. KW is classified as a non-major other Component Unit because the Mayor appoints a voting majority of its Board of Directors and Metro Government has the ability to impose its will on KW decisions. The KentuckianaWorks Foundation, Inc. which provides supplemental support for KW, is included in the Component Unit financial statements. During the year ended June 30, 2016, Metro Government paid $1,431,600 as an appropriation to KW. Complete financial statements can be requested from KentuckianaWorks, 410 West Chestnut St., Suite 200, Louisville, KY 40202.

- Louisville Metro Affordable Housing Trust Fund, Inc. ("AFHT") - The AFHT was organized as a 501(c)(3) corporation when AFHT was formed by Metro Council in 2008 by ordinance. The mission of the AFHT is to provide affordable housing for individuals who qualify in the Louisville Metro area. AFHT is shown as a non-major other Component Unit because the Mayor appoints a voting majority of its Board of Directors and Metro Government has the ability to impose its will on AFHT's decisions. During the year ended June 30, 2016, Metro Government made no funding appropriation to AFHT. Complete financial statements of AFHT can be requested from the Louisville Metro Affordable Housing Trust Fund, Inc., 1469 South Fourth Street, 3rd Floor, Louisville, KY 40208.

iii. Related Organizations

The following organizations are related to Metro Government, but are not considered Component Units, because there is no financial accountability, financial benefit, or burden relationship between these organizations and Metro Government. In addition, Metro Government does not impose its will on these organizations.

- Louisville Metro Housing Authority ("Housing Authority") - The Housing Authority is a legally separate entity that plans for the construction, operation, and management of low cost housing projects within the metropolitan area. The Board consists of the Mayor and eight other members appointed by the Mayor and approved by the Metro Council. Financial support is received from the federal government and from fees. The Housing Authority serves as its own fiscal agent and Metro Government is not financially accountable for the activities of the entity. Metro Government provided $1,582,675 in funding to the Housing Authority for the year ended June 30, 2016.

1. Summary of Significant Accounting Policies, continued

- Louisville Regional Airport Authority ("RAA") - The RAA was created by state statute and is responsible for the operation of Louisville International Airport and Bowman Field, both located in Louisville. The Board of the RAA consists of 11 members: the Mayor, seven members appointed by the Mayor, and three members appointed by the Governor of the Commonwealth of Kentucky. Metro Government does not provide any funding to the RAA.
- The Louisville and Jefferson County Convention and Visitors Bureau (the "Convention Bureau") - The Convention Bureau is a legally separate entity created by state statute and operates to promote convention and tourism activity in Louisville and Jefferson County. The Board consists of nine members, six of whom are appointed by Metro Government and three by the Commonwealth of Kentucky. Metro Government does not provide any funding to the Convention Bureau; however the Convention Bureau received $17,677,830 in transient room taxes collected by the Revenue Commission during the 2016 fiscal year.

C. Government-Wide and Fund Financial Statements

The government-wide financial statements (the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government and its Component Units. For the most part, the effect of interfund activity has been removed from these statements. The primary government is reported separately from certain legally separate Component Units for which the primary government is financially accountable.

The Statement of Net Position presents Metro Government's non-fiduciary assets and liabilities, with the difference reported as net position. Net position is reported in three categories:

- Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding debt that is related to the acquisition, construction, and improvement of capital assets. The outstanding debt is also offset by any unspent proceeds from such debt. Deferred inflows or outflows of resources that are related to capital assets or debt will also be included in this component.
- The restricted component of net position result from restrictions placed by external sources, such as creditors, grantors, and contributors, or imposed by law through constitutional provisions or enabling legislation. In addition, this component is adjusted for the liabilities and deferred inflows of resources that are related to restricted assets.
- The unrestricted component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

1. Summary of Significant Accounting Policies, continued

Metro Government has reported its equity interest in LWC as unrestricted net position.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or program. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or program, operating grants and contributions, and capital grants and contributions. Internally dedicated resources, such as taxes and other items not properly included among program revenues, are reported instead as general revenues. Metro Government allocates certain indirect costs to be included in the program expense reported for individual functions and activities in the government-wide statement of activities.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

D. Measurement Focus and Basis of Accounting

Accrual Basis of Accounting: The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements, except for agency funds. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Agency fund financial statements report only assets and liabilities and accordingly have no measurement focus. Agency funds use the accrual basis of accounting to recognize receivables and payables.

Modified Accrual Basis of Accounting: Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Each fund is a separate accounting entity with a self-balancing set of accounts. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible during the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, Metro Government considers revenues to be available if they are measurable and have reasonable certainty to be collected. Revenues susceptible to accrual are property taxes, intergovernmental, interest revenue, and charges for services. Occupational taxes, fees and fines, licenses, and permits are not susceptible to accrual because generally they are not measurable until received in cash.

1. Summary of Significant Accounting Policies, continued

Expenditures generally are recorded when a liability is incurred, as under accrual accounting; however, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Grant Advances: Metro Government reports grant advances in the government-wide statement of net position and the governmental funds balance sheet. Grant advances reported in these statements result from resources that Metro Government has received for grant projects prior to incurring eligible expenditures. These amounts are recorded as liabilities until Metro Government meets the eligibility requirements because the proceeds could be required to be returned to the grantor if the grant requirements are not satisfied. In a subsequent fiscal period, when the revenue is earned (requirements are satisfied), the liability is removed and revenue is recognized.

Governmental Revenue Recognition: Metro Government reports deferred inflows of resources - unavailable non-exchange imposed revenues in the governmental funds balance sheet. Deferred inflows of resources arise when revenue does not meet both the measurable and available criteria for recognition in the current period. Recognition of revenue for non-exchange transactions is not delayed pending completion of routine administrative tasks provided all other eligibility requirements have been met. Revenue recognition is deferred to the subsequent fiscal period when it is received for other revenues received in non-exchange transactions when time requirements have not been met.

Operating Revenues/Expenses: Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations and consist primarily of charges to customers or agencies, cost of sales and services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. All of Metro Government's proprietary activities, except for the internal service fund (governmental activity), qualify and are reported as discretely presented Component Units. The primary government does not include a business-type activities column in the government-wide financial statements.

Allocation of Restricted and Unrestricted Resources: When both restricted and unrestricted resources are available for use, it is Metro Government's policy to use restricted resources first, then unrestricted resources as they are needed. Likewise, fund balances that are committed or assigned would be used first for their approved purposes and unassigned fund balances are used as needed.

1. Summary of Significant Accounting Policies, continued

Fund Classification: Funds are classified into three categories: governmental, proprietary, and fiduciary.

Metro Government reports the following major governmental funds:

- The General Fund, Metro Government's primary operating fund, which accounts for all of the activities of the general government not required to be accounted for in another fund.
- The Special Revenue Fund, which accounts for the resources of specific revenues that are restricted or committed to spend for specified purposes other than debt service or capital projects. Metro Government reports federal and state grant money in the Special Revenue Fund.
- The Capital Projects Fund, which accounts for the acquisition or construction of general capital assets.

Non-major Funds are comprised of the Special Purpose Capital Fund, Debt Service Funds, and Capital Projects Funds of certain blended Component Units. The Special Purpose Capital Fund accounts for the acquisition of assets, such as vehicles and data processing equipment, which are funded by specific revenue sources. The Debt Service Fund accounts for resources set aside to meet current and future debt service requirements on general long-term debt. The Capital Projects Fund accounts for the acquisition or construction of general capital assets.

The Internal Service Fund, a proprietary fund, accounts for the cost of purchased insurance, the operation and administration of the Metro Government's self-insurance programs, and the cost of administering and collecting the Metro Government's occupational tax.

Metro Government reports for the following internal service funds:

- The Insurance & Risk Management Fund is used to account for Metro Government's self-insurance programs, including the employee health care fund.
- The Revenue Commission Fund is used to account for the blended Component Unit the Louisville/Jefferson County Metro Revenue Commission.

Fiduciary funds are used to account for assets held on behalf of outside parties, including other governments. Metro Government reports the following fiduciary funds:

- The Private Purpose Trust Fund is used to account for a discount loan program and funds held for the inmate commissary program.
- The Pension & Benefit Trust Fund is used to account for the Firefighters' Pension Fund and the Policemen's Retirement Fund. These funds are reported on a calendar year basis as of December 31, 2015, which reflects the reporting period adopted by the respective pension Boards during the year.

1. Summary of Significant Accounting Policies, continued

- Agency Funds are used to account for assets that Metro Government holds on behalf of others as their agent, including TARC, the Police Property Room, and others.

E. Budgets

An annual appropriated budget is adopted for the General Fund on a cash basis (non-GAAP). This appropriated budget includes all transfers to capital projects funds for which transfers are designated for subsequent years' capital expenditures or for transfer to other capital or debt service funds or accounts.

Formal budgets are not adopted for the Special Revenue Fund or for the Debt Service Funds because bond indentures and other relevant contractual provisions require specific payments to and from these funds annually, and transfers are budgeted in the General Fund to comply with these requirements. All annual appropriations from the General Fund lapse at year end. Departments may request Metro Council approval for budgetary carry forwards. These amounts are reported as committed or assigned fund balance.

On or before June 1 of each year, pursuant to state statute, the Mayor proposes an Executive Budget to the Metro Council, incorporating an estimate of revenues and recommended appropriations from the General Fund. The Metro Council may hold hearings and discuss and amend the Executive Budget. On or before June 30 of each year, as required by state statute, the Metro Council adopts the Executive Budget, as it may have been amended, as the approved budget for the fiscal year beginning July 1. An affirmative vote of a majority of the Metro Council is required to change the proposed appropriations or to revise revenue estimates contained in the Executive Budget. An affirmative vote of the majority of the Metro Council is also required to amend the budget once it has been approved or to approve any supplemental appropriations.

All budget adjustments at the department level must be approved by the Chief Financial Officer consistent with the approved budget.

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriations, is utilized in the governmental funds. Encumbrances are not treated as expenditures or liabilities because the commitments will be honored during the subsequent year. Outstanding encumbrances for the governmental funds at June 30, 2016, were as follows:

General Fund	$	8,278,479
Special Revenue Fund		8,432,089
Major Capital Projects		28,756,166
Special Purpose		1,737,628
Total Governmental Funds	$	47,204,362

1. Summary of Significant Accounting Policies, continued

F. Cash Deposits and Iuvestments

Cash and cash equivalents include amounts in demand deposits as well as various short-term investments, which consist of highly liquid investments with maturities of three months or less when purchased. The cash and cash equivalents of Metro Government's funds are invested in pooled accounts. Funds with negative cash and cash equivalents report the negative amount as due to other funds of Metro Government, and the lending fund reports an offsetting due from other funds of Metro Government.

State statutes authorize Metro Government to invest in instruments guaranteed by the U.S. Government or its agencies and in repurchase agreements with banks that conduct business in the state. The Firefighters' Pension Fund and the Policemen's Retirement Fund have no restrictions on the type of investments that they enter into as long as due diligence is exercised. See Note 2 for additional information.

In accordance with GASB reporting standards, investments are reported at fair value. Certain cash and investment amounts are classified on the statement of net position as restricted because applicable bond indentures, external funders, or other legal provisions limit their use.

G. Taxes Receivable

Net taxes receivable not expected to be collected within 60 days after the close of the fiscal year, thus not available to pay current liabilities at June 30, 2016, have been recorded in the balance sheet of the General Fund as deferred inflows of resources. In the government-wide financial statements, these amounts are recognized as revenues in the fiscal year for which the taxes are levied. Metro Government's property tax calendar is as follows:

Date	Event
January 1, year of levy	Assessment date
October 1, year of levy	Taxes levied
November 30, year of levy	2% discount allowed
December 31, year of levy	Gross amount due
January 1 - January 31, following year	5% penalty added
April 15, following year	10% interest plus 10% penalty added to above

The Jefferson County Clerk collects personal property tax on vehicles when registered. The Jefferson County Sheriff bills and collects all property taxes on real estate and personal property excluding vehicles. Delinquent property tax bills are turned over to the County Clerk on May 1 of each year. Property tax revenues are recognized when levied to the extent that they result in current receivables.

1. Summary of Significant Accounting Policies, continued

The allowance for uncollectible amounts is composed of taxes receivable which have been deemed uncollectible based on a trend analysis of collections over the past five fiscal years.

H. Interfund Transactions

During the course of operations, certain transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the governmental funds balance sheet. These accounts exist solely to balance transactions between funds and are eliminated on the government-wide statement of net position.

Interfund services provided and used are accounted for as revenues, expenditures, or expenses. Transactions that constitute reimbursements to a fund for expenditures or expenses initially made from it that are properly applicable to another fund are recorded as expenditures or expenses in the reimbursing fund and as reductions of expenditures or expenses in the fund that is reimbursed. All other interfund transactions are reported as transfers.

I. Land Held for Development

Land held for development is stated at cost. Land and related costs are capitalized as incurred and charged to operations as related parcels are sold or otherwise transferred.

J. Inventories and Prepaid Items

Inventories are valued at cost, which approximates market, using the first-in, first-out method. The costs of certain inventories are recorded as expenditures when purchased.

In the fund financial statements, reported inventories in the General Fund are equally offset in fund balance as nonspendable, which indicates that they do not constitute "available spendable resources" even though they are a component of total assets.

Payments made to vendors for goods and services that will benefit periods beyond June 30, 2016, are recorded in assets as prepaid items, under the consumption method.

K. Capital Assets and Depreciation

Capital assets, including property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the governmental activities column in the government-wide financial statements. Metro Government defines capital assets as assets with an initial individual cost of more than $5,000 and an estimated useful life in excess of one year.

1. Summary of Significant Accounting Policies, continued

All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist, including infrastructure acquired prior to June 30, 1980. Donated capital assets are valued at their estimated fair market value on the date received. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable. Depreciation of capital assets for the primary government is computed using the straight-line method over the following estimated useful lives:

Assets	Useful life
Land Improvements	20
Buildings & Improvements	25-40
Machinery & Equipment	3-12
Vehicles	4-20
Treasures	25
Infrastructure	10-40

Information regarding depreciation methods and useful lives of Metro Government's Component Units is available in each of the respective Component Unit's financial reports.

L. Compensated Absences

Vested and accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported in the fund's financial statements as expenditures and a fund liability of the governmental fund that will pay it only when the liability has matured. In the government-wide Statement of Net Position, the total amount of vested or accumulated vacation leave is reported within the liabilities. Vested and accumulated vacation leave of proprietary funds is recorded as an expense and liability of those funds as the benefits accrue to employees. Vacation pay may be accumulated up to 60 days. Earned vacation pay up to a maximum of 40 days is payable upon termination of employment.

In accordance with GASB Statement No. 16, *Accounting for Compensated Absences*, no liability is recorded for sick pay benefits in Metro Government's fund financial statements or the government-wide financial statements. Sick leave, which has no maximum accumulation, is charged to expense when paid. Accrued sick leave balances are not paid when employees terminate or retire. However, qualified participants in the County Employees' Retirement System ("CERS"), under certain circumstances, are eligible to convert accrued sick pay benefits into additional credit for years of service. This conversion requires no payment from Metro Government.

1. Summary of Significant Accounting Policies, continued

M. Long-term Debt and Obligations

In the government-wide financial statements, proprietary fund types in the fund financial statements and Component Unit financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts are recorded in the Statement of Net Position and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs are reported as expenses and amortized over the term of the related debt. LWC and MSD have adopted GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which permits the capitalization of issuance costs for regulated entities.

Losses on advance refunding issues are reported as deferred outflows of resources and recognized as an outflow as required by GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities.* Additional details are outlined in Item O below.

In the fund financial statements, governmental fund types recognize bond premiums, discounts, and issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums and discounts on debt issuances are reported as other financing sources or other financing uses, respectively, and issuance costs are reported as debt service expenditures.

N. Claims and Judgments Payable

Claims and judgments payable represents estimates for medical, automobile liability, workers' compensation, and other claims incurred as of June 30, 2016. This liability includes both reported and unreported events. This amount was determined by Metro Government's management and also includes actuarially determined amounts by Metro Government's independent insurance administrators.

O. Deferred Inflows of Resources and Deferred Outflows of Resources

Metro Government has recorded a net pension liability reflecting the difference between the total pension liabilities and the fiduciary net positions of the single employer defined benefit plans and the CERS plan. For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions and pension expense, information about the fiduciary net position of the single employer defined benefit plans and the CERS plan and additions to/deductions from the single employer defined benefit plan and the CERS plan fiduciary net position have been determined on the same basis as they are reported by the single employer defined benefit plan and the CERS plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

1. Summary of Significant Accounting Policies, continued

With the implementation of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, Statements of Net Position for Metro Government entities and the governmental Balance Sheet include deferred inflows (or outflows) of resources when appropriate. Deferred outflows of resources represent a consumption of net position that applies to a future period(s). Deferred inflows of resources represent an acquisition of net position that applies to a future period(s). These amounts will not be recognized as expense or revenue until the applicable period.

Metro Government's governmental activities have deferred outflows of resources reported in the government-wide financial statements, which include the unamortized loss on refundings, employer pension contributions, and pension related deferrals. Metro Government's deferred inflows reported in the government wide financial statements, include unamortized amounts for the sale of future revenues to a Component Unit (see Note 18), and deferred tax credit receipts, and pension related deferrals.

Component Units have deferred outflows of resources for loss on refundings, swap agreements, pension contributions, pension related deferrals and the sale of future revenues. Deferred inflows of resources are reported for swap agreements, and pension related deferrals.

Deferred inflows of resources reported in the governmental fund financial statements include amounts recorded for property tax receivable that do not meet the "available" criteria discussed earlier for the modified accrual basis of accounting in the governmental fund statements.

P. Fund Balances

In the fund financial statements, governmental funds report the following classifications of fund balance:

- Nonspendable – includes amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact. All amounts reported as nonspendable at June 30, 2016, by the Metro Government are nonspendable in form. Metro Government has not reported any amounts that are legally or contractually required to be maintained intact.
- Restricted – includes amounts restricted by external sources (creditors, laws of other governments, etc.) or by constitutional provision or enabling legislation. Metro also maintains restricted fund balance to meet debt service obligations.

1. Summary of Significant Accounting Policies, continued

- Committed – includes amounts that can only be used for specific purposes. Committed fund balance is classified, rescinded, or modified pursuant to ordinances passed by the Metro Council, Metro Government's highest level of decision making authority.

Committed fund balance for the General Fund and Special Revenue Fund, are further classified as follows:

Committed for:	General Fund	Special Revenue Fund	Total
General Government^	$ 9,690,000	$ 4,328,535	$ 14,018,535
Neighborhood Development Funds	2,875,173	-	2,875,173
Other Statutory	811,450	-	811,450
Fire	48,750	-	48,750
Department of Corrections	-	74,557	74,557
Emergency Medical Services	-	18,004	18,004
Criminal Justice Commission	-	100,000	100,000
Police	9,795	228,221	238,016
Economic Development	850,000	7,593,814	8,443,814
Develop Louisville	1,667,649	23,317	1,690,966
Air Pollution Control	315,124	-	315,124
Parks & Recreation	87,925	208,804	296,729
Community Services	279,596	(632,299)	(352,703)
Public Health & Wellness	1,369,347	1,381,009	2,750,356
Public Works & Assets	-	4,741,655	4,741,655
Human Relations Commission	-	273,022	273,022
Louisville Free Public Library	117,756	-	117,756
Committed Fund Balance	$ 18,122,565	$ 18,338,639	$ 36,461,204

^ General Fund General Government consists of $4.4 million surplus which council voted for appropriation in the FY16 Year end ordinance in December, 2016 and $5.3 million which was committed for FY17 Budget appropriations more specifically capital expenditures.

1. Summary of Significant Accounting Policies, continued

- Assigned – includes amounts that Metro Government intends to use for a specific purpose, but do not meet the definition of restricted or committed fund balance. Amounts may be assigned by the Chief Financial Officer under the authorization of the Mayor's Office. Amounts classified as assigned have gone before Metro Council subsequent to June 30, 2016 for approval through Ordinance.

Assigned for:	General Fund	Special Revenue	Capital Projects Fund	Non Major Funds	Total
Agency and Fund Transfers	$ 315,983	-	-	-	315,983
Capital Projects	-	-	26,225,186	8,293,930	34,519,116
Economic incentives and pending litigation	3,374,167	-	-	-	3,374,167
Grant Programs	-	1,352,393	-	-	1,352,393
Internal Service Fund Transfer	399,906	-	-	-	399,906
General Government	$ 4,090,056	$ 1,352,393	$ 26,225,186	$ 8,293,930	$ 39,961,565
Belle of Louisville	653,094	-	-	-	653,094
Develop Louisville	610,636	-	-	-	610,636
Economic Development	1,129,933	-	-	-	1,129,933
Parks Foundation	546,568	-	-	-	546,568
Zoo Foundation	6,067,238	-	-	-	6,067,238
Assigned Fund Balance	$ 13,097,525	1,352,393	$ 26,225,186	$ 8,293,930	$ 48,969,034

- Unassigned – includes amounts that have not been assigned to other funds or restricted, committed, or assigned to a specific purpose within the General Fund. Metro Government reports all amounts that meet the unrestricted General Fund Balance Policy described below as unassigned.

Metro Government developed and adopted an Unrestricted General Fund Balance ("Financial Stabilization Fund") Policy on November 14, 2003. The stabilization fund is represented by unassigned fund balance. The unassigned fund balance is $67.9 million at June 30, 2016. It is Metro Government's policy to:

- Maintain a Financial Stabilization Fund balance between one and two months of monthly average current year general fund budgeted expenditures.
- Generate additional revenues or reduce expenditures to maintain or replenish the Financial Stabilization Fund balance to meet the policy amount.
- Utilize the Financial Stabilization Fund balance for one-time capital project or emergency operational expenditures consistent with this policy.

1. Summary of Significant Accounting Policies, continued

The Financial Stabilization Fund balance may only be used if all of the following conditions exist:

- A rare and extraordinary event (e.g. natural disaster, large and unanticipated reduction, or elimination of state revenue), or the one-time funding of a capital project, or an operating initiative that will result in material, recurring reductions in future operating expenditures or material, recurring increases in operating revenues.
- Metro Government has made a complete and rational analysis, with justifying evidence that the Financial Stabilization Fund can be maintained in the future.

Q. Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

R. Louisville Water Company Dividends

The LWC has a quarterly dividend policy. Because the reporting period of the LWC covers the year ended December 31, 2015, a timing difference arises and causes a difference in the dividends paid and received.

Date paid	Revenue Commission Dividends Received
September 30, 2015	5,132,135
December 31, 2015	5,132,135
March 31, 2016	5,201,268
June 30, 2016	5,092,767
	$ 20,558,305

S. Change in Reporting Entity and Change in Accounting Principle

Based on management's review of Metro Government's reporting entity, certain component units were identified to be added to the overall reporting entity. Two new entities: 1) the Board of Health, and its component unit Family Health Centers, Inc and 2) Louisville Metro Affordable Housing Trust , Inc. were added as Discretely Presented Component Units. In addition, two existing Discretely Presented Component Units, KentuckianaWorks and Waterfront Development Corporation, have foundations that were added their respective reporting units. The financial activities of these entities were added to the Metro Government Reporting Entity beginning of year net position and current year activities. The net impact on the beginning of year net position was an addition of approximately $19,000,000.

Louisville Water Company reports on December 31 year end. In 2015, the entity implemented GASB Statement No. 68. The beginning net position was reduced by approximately $43,100,000 to reflect the effect of recording a net pension liability and deferred outflows and inflows of resources for this Discretely Presented Component Unit.

I. Summary of Significant Accounting Policies, continued

In addition, Louisville Water Company, Waterfront Development Corporation and KentuckianaWorks implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27, as amended by GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68.*

The July 1, 2015 Combining Statement of Activities for Component Units reflects the following changes in Metro Government's reporting entity and the impact of changes in Accounting Principal as follows:

	July 1, 2015	Changes	July 1, 2015
Louisville Water Company	$ 886,548,399	$ (43,130,592)	$ 843,417,807
Parking Authority of River City, Inc.	57,966,654	-	57,966,654
Transit Authority of River City	28,062,627	-	28,062,627
Louisville and Jefferson Co. Riverport Authority	30,668,788	-	30,668,788
Metropolitan Sewer District	585,070,000	-	585,070,000
Kentucky Science Center	5,816,865	-	5,816,865
Waterfront Development Corporation	10,887,806	11,821,911	22,709,717
Kentuckiana Works	(7,898)	(117,235)	(125,133)
Louisville Board of Health	-	6,036,453	6,036,453
Metro Louisville Affordable Housing Trust Fund	-	1,231,895	1,231,895
Total Net Position	$ 1,605,013,241	$ (24,157,568)	$ 1,580,855,673

2. Cash Deposits and Investments

A. Governmental Funds

Metro Government's pooled portfolio includes investments from all funds with the exception of Fiduciary Funds, funds held by the Revenue Commission, and debt related investments restricted in the non-pooled portfolio. The following schedule presents the investments in Metro Government's pooled portfolio as of June 30, 2016, at fair value, with maturities (using the weighted average method that is rated for credit risk and interest rate risk) and credit risk ratings (from Moody's Investors Service). Non-pooled portfolio investments of the primary government include all restricted assets of the Capital Projects Funds, the Insurance & Risk Management Fund, and Debt Service Funds. These investments are subject to the same Metro Government investment policies as the pooled portfolio investments. Investments as of June 30, 2016, rated for credit risk and interest rate risk are summarized below:

	Governmental Funds	Bond Funds	Totals	Weighted Average Maturity in Years	Credit Rating
Investments					
Commercial paper	$ 9,998,110	$ 14,785,325	$ 24,783,435	0.07	Aaa-mf
Municipals	12,607,636	-	12,607,636	1.86	Aaa-Aa3
U.S. Treasury Notes	2,372,468	-	2,372,468	0.58	Aaa
U.S. Agency Obligations	52,130,990	4,220,636	56,351,626	1.81	Aaa
Total Investments	$ 77,109,204	$ 19,005,961	$ 96,115,165	1.55	

GASB 72 requires Louisville Metro to disclose how fair value of investments and the underlying valuation techniques are measured. Debt and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for these securities or repurchase agreements. Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing approach. Matrix pricing is used to value securities based on the securities' relationship to the benchmark quoted prices.

Fair Value Measurements at June 30, 2016 are shown below.

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Investments				
Commercial paper	$ -	$ 24,783,435	$ -	$ 24,783,435
Municipals	-	12,607,636	-	12,607,636
U.S. Treasury Notes	2,372,468	-	-	2,372,468
U.S. Agency Obligations	-	56,351,626	-	56,351,626
Total Investments	$ 2,372,468	$ 93,742,697	$ -	$ 96,115,165

2. Cash Deposits and Investments, continued

B. Custodial Credit Risk

Custodial credit risk for deposits and investments is the risk that, in the event of failure by a financial institution, Metro Government may not be able to recover the value of its deposits and investments or collateral securities that are in the possession of the financial institution. Metro Government's investment policy dictates that all cash maintained in any financial institution named as a depository be collateralized, the collateral held in the name of the Metro Government, and that investments be registered in the name of the Metro Government. Collateral must be held by an independent third-party custodian. Metro Government was fully collateralized, and all investments were held in the its name as of June 30, 2016. Only cash and cash equivalents that are not fully collateralized and are not held in Metro Government's name are included in this disclosure.

C. Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of investments will adversely affect the fair value of an investment. Metro Government's investment policy does limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Investments are made based upon prevailing market conditions at the time of the transaction. According to the Metro Government's investment policy, maintenance of adequate liquidity to meet the cash flow needs of Metro Government is essential. Assets categorized as short–term operating funds will be invested in permitted investments maturing in 12 months or less, with an average weighted maturity not to exceed six months. The core portfolio may be invested in permitted investments with a stated maturity of up to five years, with an average weighted maturity not to exceed two years.

D. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Investments are made under the "prudent investor" standard outlined in Metro Government's investment policy to ensure that due diligence is exercised in accordance with state law, any negative deviations are reported timely, and reasonable action is taken to control any adverse developments. Metro Government's investment policy dictates that investments in commercial paper have a credit rating of no less than 'A1' (or its equivalent) at the time of purchase.

2. Cash Deposits and Investments, continued

E. Concentration of Credit Risk

Metro Government's investment policy requires diversification to eliminate the risk of loss from an over-concentration of assets in a specific class of security, a specific maturity, and/or a specific issuer. The maximum percentage of the portfolio (book value at the date of acquisition) permitted in each eligible security is as follows:

U.S. Treasury Obligations	100%
Federal Agency Obligations	100%
Federal Agency Obligations (Callable)	100%
Repurchase Agreements	100%
Commercial Paper	*20%
Bankers' Acceptances	*20%
Collateralized/Insured Certificates of Deposit	100%
Uncollateralized Certificates of Deposit	*20%
Municipal Obligations	*10%
Money Market Mutual Funds	100%

* The combined amount of these investments shall not exceed 20% of the total book value of the portfolio at the date of acquisition.

The investment policy dictates that the Metro Government portfolio will be further diversified to limit the exposure to any one issuer. No more than 5% of the Metro portfolio will be invested in the securities of any single issuer with the following exceptions:

	Maximum
U.S. Treasury	100%
Each Federal Agency	35%
Each Repurchase Agreement Counterparty	25%
Money Market Mutual Funds	50%

F. Fiduciary Funds

The MTTF is required to follow investment policies in accordance with Kentucky Revised Statutes ("KRS") 66.480 (See the MTTF audit report for additional discussion of allowed investments). The Escrow and Deposit Fund is governed by the Metro Government's investment policy described within this note.

The Firefighters' Pension Fund had a bank balance of $421,918, and book balance of $416,193, the difference representing outstanding checks and deposits at December 31, 2015. Of this amount, $250,000 was covered by the FDIC. Of the remaining deposits, $180,943 was collateralized by securities held by the pledging financial institution's trust department or agent but not in the Firefighters' Pension Fund's name. The Policemen's Retirement Fund had a bank balance of $323,521, and book balance of $870,090, the difference representing outstanding checks and deposits at December 31, 2015. The bank balance was insured by the FDIC, and none was uncollateralized.

2. Cash Deposits and Investments, continued

The Firefighters' Pension Fund and Policemen's Retirement Fund are each governed by a Board of Trustees, which is ultimately responsible for the appropriateness of its investment policies and the execution of those policies to meet the funds' investment objectives. The Boards' work in conjunction with investment managers and financial advisors to determine the appropriate asset mix within each investment type pursuant to asset allocation parameters set by the Boards.

Investments are to be made with "care, skill, and prudence" under the market circumstances prevailing at the time with the primary objectives of preserving principal, producing a combination of income and liquidity sufficient to meet monthly pension payment requirements, and on a long-term basis, producing real total returns sufficient to meet the lifetime pension requirements.

The Firefighters' Pension Fund and Policemen's Retirement Fund trustees desire a balanced portfolio diversified appropriately among the three primary asset classes of marketable securities: liquid reserves, fixed income securities, and common stock. Allowable investments include domestic and international common stocks, government and corporate bonds, and short-term fixed income securities maturing in one year or less all fixed income investments in the Firefighters' Pension Fund and Policemen's Retirement Fund must be rated Baa or greater at the time of purchase. The Firefighters' Pension Fund and the Policemen's Retirement Fund categorize their fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The total amount of securities for each fund are categorized as Level 1 inputs, which GASB 72 considers as quoted prices in active markets for identical assets.

Metro Government's fiduciary fund investments rated for credit risk and interest rate risk are summarized in the table below as of June 30, 2016:

Investment Type	Fair Value	Weighted Average Maturity in Years	Credit Rating
Firefighters' Pension Fund			
Bond Mutual Funds	$ 707	1.00	Aaa
Equity Mutual Funds	6,871,390	6.53	Not Rated
Total	$ 6,872,097		
Portfolio weighted average maturity		3.77	
Policemen's Retirement Fund			
Equity Mutual Funds	4,711,296		
Other Investments	8,582		
Total	$ 4,719,878		
Portfolio weighted average maturity		0.09	
Total Fiduciary	$ 11,591,975		

2. Cash Deposits and Investments, continued

G. Component Units

For complete information on custodial credit risk, interest rate risk, credit risk, and concentration of credit risk, refer to the individual reports of each component unit. As of December 31, 2015, the LWC had $143,603,162 in deposits that were uninsured and collateralized with securities held by the pledging financial institution.

As of June 30, 2016, the KSC had $293,676 in deposits that were uninsured and collateralized with securities held by the pledging financial institution. Summarized information for the investments that are rated for credit risk and interest rate risk held by Metro Government's discretely presented component units is included in the table below:

Investment Type	Fair Value	Weighted Average Maturity in Years	Credit Rating
LWC			
U.S. Agency Obligations	$ 4,235,885	-	Aaa
Money Market Mutual Funds	12,938,920	1	Aaa
Repurchase Agreements	10,729,318	9	Aaa
Total	$ 27,904,123		
Portfolio weighted average maturity		4	
PARC			
U.S. Government Money Market Funds	$ 33,450,721	-	Aaa
TARC			
U.S. Government Money Market Funds	$ 89,941	-	Aaa-mf
MSD			
Certificates of Deposit	$ 100,000		
Tax Exempt Municipal Bonds	92,264,000	23	Aa
Money Market Funds	77,201,000	-	Aaa
U.S. Agency Obligations	42,947,000	1	Aaa
Repurchase Agreements	26,894,000		
Total	$ 239,406,000		
Portfolio weighted average maturity		10	
KSC			
Bond Mutual Funds	$ 119,693	5	NR
Money Market Funds	48,843	-	Aaa-mf
Equity Mutual Funds	398,030		NR
Total	$ 566,566		
Portfolio weighted average maturity		3	
WDC			
Certificates of Deposit	$ 3,350,421	NA	NR
Bond Mutual Funds	100,000	NA	NR
State and Municipal Obligations	100,000	NA	NR
Fixed Income	3,845,348	NA	NR
Equities	6,157,173	NA	NR
Alternative Strategies	998,059	NA	NR
Real Estate Equities and Trust	790,100	NA	NR
Total	$ 15,341,101		
Portfolio weighted average maturity		NA	

4. Capital Assets

A. Metro Government

Capital asset activity for the year ended June 30, 2016, was as follows:

	Primary Government			
	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 311,618,975	$ 78,760	$ (70,000)	$ 311,627,735
Land improvements	8,561,306	22,833	-	8,584,139
Construction in progress	71,370,113	28,382,128	(28,062,408)	71,689,833
Works of art	255,000	-	-	255,000
Total capital assets not being depreciated	391,805,394	28,483,721	(28,132,408)	392,156,707
Other capital assets:				
Land improvements	101,795,732	294,460	(53,000)	102,037,192
Buildings	437,555,627	6,601,217	(627,237)	443,529,607
Machinery and equipment	92,242,344	31,217,085	(4,726,661)	118,732,768
Vehicles	91,170,436	9,470,237	(2,761,391)	97,879,282
Collections and works of art	2,537,544	45,000	(47,310)	2,535,234
Infrastructure	972,806,707	23,012,929	(1,602,903)	994,216,733
Total other capital assets	1,698,108,390	70,640,928	(9,818,502)	1,758,930,816
Less accumulated depreciation for:				
Land improvements	(59,320,027)	(4,671,644)	53,000	(63,938,671)
Buildings	(172,386,667)	(8,962,831)	269,175	(181,080,323)
Machinery and equipment	(60,122,558)	(8,660,481)	2,619,820	(66,163,219)
Vehicles	(73,499,583)	(4,751,800)	2,241,892	(76,009,491)
Collections and works of art	(1,861,109)	(98,940)	40,512	(1,919,537)
Infrastructure	(890,132,612)	(8,542,819)	8,538	(898,666,893)
Total accumulated depreciation	(1,257,322,556)	(35,688,515)	5,232,937	(1,287,778,134)
Other capital assets, net	440,785,834	34,952,413	(4,585,565)	471,152,682
Governmental activities capital assets, net	$ 832,591,228	$ 63,436,134	$ (32,717,973)	$ 863,309,389

4. Capital Assets, continued

Depreciation expense was charged to governmental activities as follows:

General Government:		
Metro Council	$	3,417
Human Resources		581
Fire		1,073,166
Emergency Medical Services		1,591,072
Emergency Management		5,590,160
Corrections		154,105
Youth Detention Services		39,831
Metro Animal Services		40,509
Criminal Justice Commission		18,840
Police		727,418
Economic Growth & Innovation		1,937,424
Air Pollution Control		116,521
Parks & Recreation		5,457,865
Community Services & Revitalization		7,039
Public Health & Wellness		195,298
Public Works		14,428,641
Other Elected Officials		396
Information Technology		252,247
Office of Management & Budget		787,155
Louisville Free Public Library		1,456,615
Louisville Zoological Gardens		1,810,215
Total depreciation expense	$	35,688,515

B. Louisville Water Company

Capital asset activity for the LWC for the year ended December 31, 2015, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	$ 11,942,755	$ 202,403	$ -	$ 12,145,158
Construction in progress	69,089,084	83,479,409	(87,052,651)	65,515,842
Total capital assets not being depreciated	81,031,839	83,681,812	(87,052,651)	77,661,000
Other capital assets:				
Buildings	188,727,466	9,878,475	(2,392,027)	196,213,914
Machinery and equipment	62,771,066	32,896,320	(4,497,310)	91,170,076
Infrastructure	1,139,546,895	44,274,077	(6,128,343)	1,177,692,629
Total other capital assets	1,391,045,427	87,048,872	(13,017,680)	1,465,076,619
Less accumulated depreciation for:				
Buildings	(54,240,286)	(6,209,731)	2,264,181	(58,185,836)
Machinery and equipment	(49,280,511)	(4,123,199)	4,200,772	(49,202,938)
Infrastructure	(338,799,708)	(23,466,552)	4,165,722	(358,100,538)
Total accumulated depreciation	(442,320,505)	(33,799,482)	10,630,675	(465,489,312)
Other capital assets, net	948,724,922	53,249,390	(2,387,005)	999,587,307
Capital assets, net	$ 1,029,756,761	$ 136,931,202	$ (89,439,656)	$ 1,077,248,307

4. Capital Assets, continued

C. Parking Authority of River City, Inc.

Capital asset activity for PARC for the year ended June 30, 2016, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	$ 11,461,424	$ -	$ -	$ 11,461,424
Construction in progress	13,512	1,945,540	(445,509)	1,513,543
Total capital assets not being depreciated	11,474,936	1,945,540	(445,509)	12,974,967
Other capital assets:				
Buildings and Improvements	157,107,725	536,907	(32,996)	157,611,636
Machinery and equipment	7,323,727	82,483	(163,677)	7,242,533
Total other capital assets	164,431,452	619,390	(196,673)	164,854,169
Less accumulated depreciation	(58,763,018)	(4,026,504)	59,710	(62,729,812)
Other capital assets, net	105,668,434	(3,407,114)	(136,963)	102,124,357
Capital assets, net	$ 117,143,370	$ (1,461,574)	$ (582,472)	$ 115,099,324

D. Transit Authority of River City

Capital asset activity for TARC for the year ended June 30, 2016, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	$ 3,177,782	$ -	$ -	$ 3,177,782
Other capital assets:				
Buildings	37,035,738	2,661,348	-	39,697,086
Vehicles	98,318,214	8,793,997	(2,629,968)	104,482,243
Office and computer equipment	6,498,760	382,136	(745,112)	6,135,784
Machinery and equipment	16,230,285	1,441,971	(937,125)	16,735,131
Total other capital assets	158,082,997	13,279,452	(4,312,205)	167,050,244
Less accumulated depreciation	(89,032,933)	(9,402,233)	2,241,410	(96,193,756)
Other capital assets, net	69,050,064	3,877,219	(2,070,795)	70,856,488
Capital assets, net	$ 72,227,846	$ 3,877,219	$ (2,070,795)	$ 74,034,270

4. Capital Assets, continued

E. Louisville and Jefferson County Riverport Authority

Capital asset activity for Riverport for the year ended June 30, 2016, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land and improvements	$ 8,101,986	$ -	$ -	$ 8,101,986
Other capital assets:				
Buildings	29,771,477	-	-	29,771,477
Other	175,271	-	-	175,271
Total other capital assets	29,946,748	-	-	29,946,748
Less accumulated depreciation for:				
Buildings	(19,955,187)	(470,918)	-	(20,426,105)
Other	(168,426)	(5,398)	-	(173,824)
Total accumulated depreciation	(20,123,613)	(476,316)	-	(20,599,929)
Other capital assets, net	9,823,135	(476,316)	-	9,346,819
Capital assets, net	$ 17,925,121	$ (476,316)	$ -	$ 17,448,805

F. Metropolitan Sewer District

Capital asset activity for MSD for the year ended June 30, 2016, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Construction in progress	623,181,000	208,792,000	(344,299,000)	487,674,000
Other capital assets:				
Buildings	995,524,000	442,000	206,861,000	1,202,827,000
Machinery and equipment	58,335,000	-	1,708,000	60,043,000
Infrastructure	1,723,929,000	33,324,000	135,573,000	1,892,826,000
Total other capital assets	2,777,788,000	33,766,000	344,142,000	3,155,696,000
Less accumulated depreciation	(1,008,503,000)	(61,605,000)	-	(1,070,108,000)
Other capital assets, net	1,769,285,000	(27,839,000)	344,142,000	2,085,588,000
Capital assets, net	$ 2,392,466,000	$ 180,953,000	$ (157,000)	$ 2,573,262,000

G. Board of Health

Capital asset activity for the BOH for the year ended June 30, 2016, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	$ 477,220	$ -	$ -	$ 477,220
Other capital assets:				
Land improvements	188,055	-	-	188,055
Building and improvements	19,856,888	8,714,388	-	28,571,276
Equipment	3,786,493	808,433	-	4,594,926
Construction in progress	7,888,931	1,710,106	(9,504,672)	94,365
Total other capital assets	31,720,367	11,232,927	(9,504,672)	33,448,622
Less accumulated depreciation	(17,805,735)	(1,405,211)	-	(19,210,946)
Other capital assets, net	13,914,632	9,827,716	(9,504,672)	14,237,676
Capital assets, net	$ 14,391,852	$ 9,827,716	$ (9,504,672)	$ 14,714,896

H. Other Component Units

Other Component Units net capital assets were $13,508,350 and included the following component units:

i. Kentucky Science Center

Capital asset activity for the KSC for the year ended June 30, 2016, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Exhibits in progress	$ -	$ 24,500	$ -	$ 24,500
Equipment not installed	-	-	-	-
Other capital assets:				
Leasehold improvements	6,365,950	13,201	-	6,379,151
Machinery and equipment	1,221,410	43,418	(544,703)	720,125
Museum exhibits	19,747,174	288,567	-	20,035,741
Total other capital assets	27,334,534	345,186	(544,703)	27,135,017
Less accumulated depreciation	(22,034,416)	(904,448)	544,703	(22,394,161)
Other capital assets, net	5,300,118	(559,262)	-	4,740,856
Capital assets, net	$ 5,300,118	$ (534,762)	$ -	$ 4,765,356

ii. Waterfront Development Corporation

Capital asset activity for the WDC for the year ended June 30, 2016, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	$ 8,580,673	$ -	$ -	$ 8,580,673
Other capital assets:				
Office equipment	14,923	-	-	14,923
Park maintenance equipment	444,945	34,966	(71,666)	408,245
Total other capital assets	459,868	34,966	(71,666)	423,168
Less accumulated depreciation	(318,045)	(40,104)	66,862	(291,287)
Other capital assets, net	141,823	(5,138)	(4,804)	131,881
Capital assets, net	$ 8,722,496	$ (5,138)	$ (4,804)	$ 8,712,554

4. Capital Assets, continued

iii. KentuckianaWorks

Capital asset activity for the KW for the year ended June 30, 2016, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	$ -	$ -	$ -	$ -
Other capital assets:				
Land improvements	-	-	-	-
Building and improvements	-	-	-	-
Equipment	113,026	-	-	113,026
Construction in progress	-	-	-	-
Total other capital assets	113,026	-	-	113,026
Less accumulated depreciation	(72,641)	(10,334)	-	(82,975)
Other capital assets, net	40,385	(10,334)	-	30,051
Capital assets, net	$ 40,385	$ (10,334)	$ -	$ 30,051

iv. Affordable Health Care Trust

Capital asset activity for the AHCT for the year ended June 30, 2016, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	$ -	$ -	$ -	$ -
Other capital assets:				
Land improvements	-	-	-	-
Building and improvements	-	-	-	-
Equipment	971	-	-	971
Construction in progress	-	-	-	-
Total other capital assets	971	-	-	971
Less accumulated depreciation	(485)	(97)	-	(582)
Other capital assets, net	486	(97)	-	389
Capital assets, net	$ 486	$ (97)	$ -	$ 389

5. Land Held for Development

Land held for development in the amount of $8,087,686 is all held by Riverport at June 30, 2016. Land held for development is stated at cost, which does not exceed its net realizable value. These costs include land acquisition, improvements, and other capitalized costs associated with the development along the Ohio River.

6. Risk Management

Metro Government is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; professional liability exposures; injuries to employees; and natural disasters.

The Insurance and Risk Management Fund ("Fund"), an internal service fund, was established in 1976 to consolidate all of the former City of Louisville's insurance or self-insurance under a comprehensive risk management program.

Under merger, this program now includes all Metro Government departments, PARC, WDC, and the former Jefferson County Fiscal Court Risk Management Fund established in 1974. The Fund consists of a comprehensive self-insurance program relating to the following:

- Automobile Liability: Self-insured up to $500,000 per occurrence. Excess coverage is purchased through the Louisville Area Governmental Self-Insurance Trust ("LAGIT").
- Workers' Compensation (covering all employees): Self-insured up to $2,000,000 per occurrence. Excess coverage is purchased above this retained level.
- Unemployment Compensation: Completely self-insured.
- Group Health Coverage: Eligible Metro Government employees participated in group health coverage through three Preferred Provider Organization ("PPO") plans offered through Metro Government's health self-insurance fund, which are administered by Humana, Inc. In addition to the plans offered to all eligible Metro Government employees, eligible members of the Fraternal Order of Police may participate in two additional PPO plans offered through Metro Government's health self-insurance fund, which is also administered by Humana, Inc.
- General Liability: Various general liability exposures (including public official liability, law enforcement liability, medical professional liability, employer's liability, and employment practices liability) are self-insured up to a $500,000 deductible per occurrence. Employer's liability has a $1,500,000 per occurrence deductible ($1,000,000 limit of liability above a $500,000 self-insured retention is provided by an underlying commercial excess insurance policy). Excess coverage is purchased through LAGIT.
- Automobile Physical Damage: Excess coverage is purchased for catastrophic losses through Louisville Area Governmental General Insurance Trust ("LAGGIT") above a $100,000 self-insured retention per occurrence.

6. Risk Management, continued

- Real and Business Personal Property: Metro Government's property exposures are self-insured up to $250,000 per occurrence, except for flood coverage which carries a deductible of $250,000 in addition to the amount of insurance available under the National Flood Insurance Program, whether purchased or not. Excess coverage is purchased on a blanket limit basis under LAGGIT for up to $250 million, subject to certain sub-limits for specific exposures.

Revenues for this fund come from either Metro Government's General Fund or from interagency charges developed through an independent actuarial study each year. Revenues are forecasted to match expenses, which include estimated incurred losses for both known and incurred but not reported claims, premiums for excess insurance coverage to complement the self-insurance programs, various taxes and assessments, and administrative operating expenses.

It is Metro Government's policy to fund its reserves for all property and liability exposures by charging to expense the estimated reserve amounts anticipated for claims reported during the fiscal year in which the claim occurs.

The reserves have sustained higher than estimated claims and the reserves have failed to meet the needs despite higher rates and transfers. Metro Government continues to assess the funding needs as well as work towards an enterprise-wide Risk Management solution. An additional expense is charged at the end of the fiscal year for claims which may have occurred during the fiscal year but have not yet been reported.

In addition to the comprehensive self-insurance programs mentioned above, Metro Government purchases various types of primary insurance coverage, including government crime coverage (employee dishonesty and faithful performance coverage), aircraft and watercraft liability and hull coverage, and long-term disability coverage for full-time employees.

The claims liability of $44,620,033 reported in the Fund at June 30, 2016, is based on the requirements of GASB Statement No. 30, *Risk Financing Omnibus.*

Claims liabilities are estimates of the ultimate cost of reported claims (including future claim adjustment expenses) and an estimate for claims incurred but not reported based on historical experience.

Claims liabilities include specific incremental claim adjustment expenses and allocated loss adjustments, and are reduced for estimated recoveries on unsettled claims.

6. Risk Management, continued

Changes in the Fund's claims liability amount in fiscal years 2014, 2015, and 2016 were as follows:

Year ending June 30	Beginning Balance	Claims and Changes in Estimates	Claim Payments	Ending Balance
2014	32,995,710	63,608,103	64,082,821	32,520,992
2015	32,520,992	67,272,539	64,892,022	34,901,509
2016	34,901,509	78,958,297	69,239,773	44,620,033

The current liability associated with the health self-insurance fund as of June 30, 2016, is $4,159,000, while assets total $5,593,286. Total risk management assets total $25,016,443, while unfunded current liabilities are $16,152,291. The net position of the risk fund has improved from $28.4 million as of June 30, 2015 to $32.6 million as of June 30, 2016.

Metro Government is also a member of LAGIT (for general liability exposures) and LAGGIT (for property exposures), which are separate risk-sharing mechanisms formed for public entities located in Jefferson County, Kentucky. The administrative responsibility for actual operations of LAGIT and LAGGIT is through Risk and Insurance Solutions, LLC. Independently audited financial statements for each trust are available by contacting LAGIT or LAGGIT's Executive Director.

Metro Government's annual accounting and investment service fees for LAGIT and LAGGIT were $49,237 and $41,497, respectively. Metro Government has delegated certain administrative functions for LAGIT and LAGGIT to Risk and Insurance Solutions, LLC. Risk and Insurance Solutions, LLC was paid $73,320 and $31,020 for services provided to LAGIT and LAGGIT, respectively.

Total assets in LAGGIT increased $844,923 or 20.5% as of June 30, 2016. Total net position of the trust increased from $3,892,296 to $4,722,305 as of June 30, 2016. Assets of LAGIT increased $583,128 or 4.5% as of June 30, 2016. Total net position of LAGIT increased $404, 403 from $4,736,092 as of June 30, 2015 to $5,140, 495 as of June 30, 2016.

The LWC, Riverport, KSC, MSD, and TARC have established and administer various insurance and self-insurance programs in the areas of Automobile Liability, General Liability, Employee Dishonesty, Workers' Compensation, and Real and Personal Property with various retentions and deductibles to protect their assets.

Excess insurance for automobile liability and general liability, as well as real and personal property, are maintained through LAGIT and LAGGIT for MSD and TARC.

Metro Government, by contract, is responsible for KSC's primary general liability exposures; therefore, they are also members of LAGIT.

7. Long-Term Debt

A. Summary of Long-Term Liability Transactions

Long-term liability activity for the year ended June 30, 2016, was as follows (in thousands):

	Beginning Balance	Additions and Accreted Interest	Reductions	Ending Balance	Amounts Due Within One Year
GOVERNMENTAL ACTIVITIES:					
Bonds and notes payable:					
General obligation debt	$ 258,786	$ 174,070	$ (30,351)	$ 402,505	$ 119,724
Revenue bonds	62,408	959	(9,665)	53,702	4,166
Notes payable	7,705	-	(7,705)	-	-
Bonds and notes payable	328,899	175,029	(47,721)	456,207	123,890
Net of bond premiums and discounts	9,643	4,754	(2,667)	11,730	-
Total bonds and notes payable	338,542	179,783	(50,388)	467,937	123,890
Other liabilities:					
Capital lease	27,742	-	(1,583)	26,159	1,449
Commitments	96,499	5,999	(9,800)	92,698	9,800
Claims and judgments	34,901	78,958	(69,240)	44,619	24,309
Compensated absences	20,006	24,487	(24,178)	20,315	2,093
Total other liabilities	179,148	109,444	(104,801)	183,791	37,651
Governmental activities long-term liabilities	$ 517,690	$ 289,227	$ (155,189)	$ 651,728	$ 161,541
COMPONENT UNITS:					
Bonds and notes payable:					
LWC	$ 227,497	$ 119,445	$ (20,749)	$ 326,193	$ 18,085
PARC	80,665	18,700	(4,155)	95,210	2,915
MSD	1,612,805	256,750	(114,985)	1,754,570	31,825
MSD BAN	228,508	226,340	(226,436)	228,412	228,412
Bonds and notes payable	2,149,475	621,235	(366,325)	2,404,385	281,237
Net of bond premiums and discounts	73,889	5,433	(2,694)	76,628	-
Total bonds and notes payable	2,223,364	626,668	(369,019)	2,481,013	281,237
Other liabilities:					
Capital lease	5,566	-	(321)	5,245	321
Claims and judgments	5,250	4,600	(4,169)	5,681	3,093
Compensated absences	5,565	81	-	5,646	582
Total other liabilities	16,381	4,681	(4,490)	16,572	3,996
Component units long-term liabilities	$ 2,239,745	$ 631,349	$ (373,509)	$ 2,497,585	$ 285,233

For the Governmental Activities, compensated absences are generally liquidated by the General Fund.

B. Metro Government

Upon merger, Metro Government assumed all long-term debt of the former City of Louisville and Jefferson County. Prior to merger, the City and County each issued General Obligation Bonds, First Mortgage and Lease Revenue Bonds, and notes to provide funds for the acquisition and construction of major capital facilities or to refund prior bond issues. The General Obligation Bonds are direct obligations and pledge the full faith and credit of Metro Government. All general obligation and lease revenue debt were issued at fixed interest rates.

7. **Long-Term Debt, continued**

There is $402,504,495 of General Obligation Bonds and Notes outstanding at June 30, 2016. The amount does not consider premiums and discounts. The primary collateral for the General Obligation Bonds and Notes are the occupational license tax and net profits license tax collected by the Revenue Commission. The Revenue Commission is the fiscal agent for general obligation bonded debt issued by the City of Louisville before January 6, 2003, and by Metro Government thereafter. Metro Government is the fiscal agent for general obligation bonded debt issued before January 6, 2003, by Jefferson County Fiscal Court. Metro Government's general fund is contingently liable as guarantor of the general obligation bonded debt.

On December 1, 2015, Metro Government issued $52,660,000 of General Obligation Bonds, Series 2015A (Tax-Exempt) to finance the acquisition, construction, and equipping of various public projects as described in the Metro Government 2015-16 Capital Budget. The Series 2015A bonds, issued at a premium, are payable in semi-annual principal installments ranging from $970,000 to $6,810,000 beginning June 1, 2016, at coupon interest rates ranging from 3.125% to 5.00% over 20 years.

On December 1, 2015, Metro Government issued $12,290,000 of General Obligation Bonds, Series 2015B to finance the funding of an affordable housing program for the benefit of residents of Louisville Metro. The Series 2015B bonds, issued at a discount, are payable in semi-annual principal installments ranging from $170,000 to $675,000 beginning June 1, 2016, at couponinterest rates ranging from 3.00% to 4.125% over 30 years.

On December 17, 2015, Metro Government issued $86,480,000 of General Obligation Bonds, Series 2015A BAN Omni Hotel (Tax-Exempt) to finance a grant issued to Omni Louisville, LLC to facilitate the development of the Center City Project, consisting of the construction of a 600-room hotel, 225 rental apartment units, a grocery, retail, and public infrastructure and amenities to be located in the central business district. The Series 2015A BAN Omni bonds, issued at a premium, have a principal payment of $86,480,000 due on December 1, 2016. The 2015A BAN was refinanced in September 2016.

On December 17, 2015, Metro Government issued $22,640,000 of General Obligation Notes, Series 2015B Omni Hotel (Taxable) to finance a grant issued to Omni Louisville, LLC. The Series 2015B Omni Hotel bonds, issued at a discount, are payable in semi-annual principal installments ranging from $20,000 to $2,470,000 beginning December 1, 2018, at coupon interest rates ranging from 1.40% to 4.35% over 30 years.

7. Long-Term Debt, continued

i. General Obligation Bonds

General Obligation Bonds and Notes outstanding, including accreted interest, at June 30, 2016, are as follows (in thousands):

Description of Issue	Original Issue Amount	Interest Rate	Maturity During Year End June 30	Debt Outstanding June 30
Louisville/Jefferson Co. Metro Government General Obligation Bonds:				
Series 2006A (Blueprint for our Future)	33,255	4.00	2017	1,575
Series 2009A (Refunding)	8,150	3.00 to 4.00	2023	4,840
Series 2009B (Refunding)	33,285	2.75 to 3.00	2019	10,870
Series 2009C (Refunding)	14,740	3.50 to 4.00	2019	4,945
Series 2009D (Refunding)	7,700	5.00	2016	-
Series 2009E (Refunding)	41,275	4.00 to 5.00	2020	18,145
Series 2009F (BAB's & RZEDB's)	63,250	4.40 to 5.65	2030	63,250
Series 2010 (Firefighter's settlement)	33,105	4.00	2020	16,080
Series 2010B (Energy equipment)	1,985	2.00	2016	-
Series 2010C (QECB's)	7,400	4.70	2028	7,400
Series 2010D (Refunding)	34,805	3.00 to 4.00	2014	25,250
Series 2010E (Refunding)	6,495	2.25 to 4.00	2024	4,710
Series 2013A (Library construction)	10,250	2.00 to 3.50	2033	8,995
Series 2013B (Refunding)	16,685	1.50 to 5.00	2025	16,340
Series 2013C (Refunding)	710	0.85	2016	-
Series 2013D (Refunding)	9,910	4.00 to 5.00	2020	2,540
Series 2014D (Improvements)	710	2.00 to 5.00	2035	9,490
Series 2014F (Refunding)	19,650	2.00 to 4.00	2027	19,650
Series 2015A (Capital Projects)	52,660	3.13 to 5.00	2035	49,660
Series 2015B (Capital Projects)	12,290	3.00 to 4.13	2046	12,120
Series 2015A OMNI (Special Projects)	86,480	2.00	2017	86,480
Series 2015B OMNI (Special Projects)	22,640	1.4 to 4.33	2048	22,640
Total General Obligation Bonds				384,980
Net of premiums and discounts				12,131
Total Net General Obligation Bonds				$ 397,111
Louisville/Jefferson Co. Metro Government General Obligation Notes:				
Series 2014A Note	$ 2,000	1.27	2019	$ 1,013
Series 2014B Note	4,962	1.30	2019	2,507
Series 2014E Note	19,555	2.00 to 5.00	2020	14,005
Total General Obligation Notes				17,525
Total Net General Obligation Bonds and Notes				$ 414,636

7. Long-Term Debt, continued

Debt service requirements to maturity for General Obligation Bonds, without premiums, are as follows (in thousands):

Year end June 30		Principal		Interest		Total
2017	$	119,724	$	13,334	$	133,058
2018		34,667		11,195		45,862
2019		35,443		9,815		45,258
2020		28,120		8,509		36,629
2021		19,460		7,505		26,965
2022-2026		79,950		26,639		106,589
2027-2031		60,770		10,282		71,052
2032-2036		18,495		2,742		21,237
2037-2041		2,630		949		3,579
2042-2046		3,205		351		3,556
2047-2048		40		2		42
Totals	$	402,504	$	91,323	$	493,827

ii. Lease Revenue Bonds

There are $53,763,918 of Lease Revenue Bonds outstanding at June 30, 2016. They are collateralized by mortgages on improvements to facilities acquired or constructed with debt proceeds. Annual debt service requirements are provided from the General Fund in amounts pursuant to contracts and lease arrangements. Metro Government has pledged revenues approximately $11.47 million for debt service coverage in 2016. Lease Revenue Bonds outstanding, including accreted interest, at June 30, 2016, are as follows (in thousands):

Description of Issue		Original Issue Amount	Interest Rate	Maturity During Year End June 30		Debt Outstanding June 30
Jefferson County Capital Projects Corporation Lease Revenue Bonds:						
1992A Municipal Multiplier Term Bonds	$	16,764	6.95 to 7.00%	2018	$	13,532
2007A Current Interest Bonds		58,855	4.00 to 4.375	2028		40,170
Total Lease Revenue Bonds						53,702
Net of premiums and discounts						62
Total Net Lease Revenue Bonds					$	53,764

7. Long-Term Debt, continued

Debt service requirements to maturity for Lease Revenue Bonds, excluding accreted interest of $10,832,239 and bond discount, are as follows (in thousands):

Year end June 30		Principal		Interest		Total
2017	$	4,166	$	7,320	$	11,486
2018		4,204		7,391		11,595
2019		2,850		1,474		4,324
2020		2,965		1,360		4,325
2021		3,080		1,241		4,321
2022-2026		17,495		4,122		21,617
2027-2028		8,110		536		8,646
Totals	$	42,870	$	23,444	$	66,314

iii. Financial Guarantee to Louisville Arena Authority

On September 3, 2008 the Kentucky Economic Development Authority issued $349,218,518 Louisville Arena Project Revenue Bonds, Series 2008. The proceeds from these bonds were used to fund the acquisition, development, construction, and financing of the Arena Project in downtown Louisville, a public project intended for multiple uses as a public recreational, cultural, and sports facility. Pursuant to Metro Government Ordinance 143, Series 2007 ("Arena Ordinance"), Metro Government has agreed to pay up to $309,000,000 to or on behalf of the Louisville Arena Authority ("the Authority") for debt service over 30 years beginning in fiscal year 2011. As of June 30, 2016, Metro Government has paid $52,266,599 to the Louisville Arena Authority, reducing the remaining maximum to $256,733,401. Metro Government made payments of $9,800,000 during the year ended June 30, 2016.

Metro Government's minimum and maximum annual guaranteed payments are as follows:

Years		Minimum Annual Guaranteed Payments		Maximum Annual Guaranteed Payments
2017-2019	$	6,533,333	$	9,800,000
2020-2029		7,200,000		10,800,000
2030-2039		6,866,667		10,300,000

7. Long-Term Debt, continued

Metro Government has recorded a liability of $92,698,843 in the Statement of Net Position for this guarantee. The amount of the liability recognized is the best estimate of the discounted present value of the future outflows expected to be incurred as a result of the guarantee. Metro Government calculated the present value of these future outflows using a rate of 6.217%, which is the Authority effective interest rate for the related debt.

The change in the liability recognized for nonexchange financial guarantees by Metro Government at June 30, 2016, is as follows:

	Beginning of Year	Increases	Decreases	End of Year
2016	$ 96,499,471	$ 5,999,372	$ (9,800,000)	$ 92,698,843

The present value of the estimated requirements to the maturity of this guarantee are as follows:

Year end June 30	Future Estimated Payment	Present Value of Payments
2017	9,800,000	9,225,922
2018	9,800,000	8,686,284
2019	9,800,000	8,177,626
2020	7,200,000	5,656,284
2021	7,200,000	5,324,761
2022-2026	36,000,000	22,303,115
2027-2031	35,333,334	16,216,413
2032-2036	34,333,335	11,635,583
2037-2039	20,600,001	5,472,855
Total	$ 170,066,670	$ 92,698,843

On or prior to October 1 each fiscal year through 2039, the Authority will determine whether there are sufficient gross revenues, as defined by the Arena Ordinance, to pay in full all debt service due on the bonds on the next two scheduled semi-annual payments. In the event of a shortfall of revenues, Metro Government is required to appropriate additional funds to cover such shortfalls up to the Maximum Annual Guaranteed Payment. Beginning on March 31, 2011, and each March 31 thereafter, the Authority shall determine whether there is any "Excess Net Cash Flow," as defined by the Arena Ordinance, during the past fiscal year.

In the event there is any "Excess Net Cash Flow" from the Authority's gross revenues, after meeting Debt Service Reserve and Renovation Fund requirements, Metro Government will receive 45% of such excess, not to exceed Metro Government's Guaranteed Payment for that fiscal year. There were no payments of "Excess Net Cash Flow" to Metro Government during the year ended June 30, 2016.

7. Long-Term Debt, continued

iv. Arbitrage

Pursuant to the Internal Revenue Code of 1986, as amended, Metro Government computes rebatable arbitrage on each of its outstanding bonds a minimum of every five years and at maturity. Metro Government has covenanted to rebate excess earnings on invested bond proceeds to the United States Treasury for each five-year computation period in accordance with the law. There was no arbitrage rebate liability for Metro Government at June 30, 2016.

v. Refunded Bonds and Notes

The aggregate principal amount outstanding on any refunded bonds and notes that are still be being paid from escrow funds at June 30, 2016, relates to the 2006A Series General Obligation Bonds that were refunded by the 2014F Series Bonds. The total principal being paid from escrow at June 30, 2016 is $23,090,000.

C. Discretely Presented Component Units

i. Louisville Water Company

Bonds payable at December 31, 2015, consist of the following (in thousands):

Description of Issue	Original Issue Amount	Interest Rate	Maturity During Year End December 31	Debt Outstanding December 31
Water System Revenue Bonds				
Series 2006	$ 83,845	4.0 to 5.0%	2031	$ -
Series 2009A	116,220	2.25 to 5.0	2025	55,940
Series 2009B	86,710	3.75 to 5.5	2029	86,710
Series 2014	63,195	2.5 to 5.0	2031	62,505
Series 2015	119,445	2.5 to 5.0	2035	119,445
Total Water System Revenue Bonds				324,600
Net of premiums and discounts				15,072
Total Net Water System Revenue Bonds				$ 339,672

Annual debt service requirements to maturity for Water System Revenue Bonds are as follows (in thousands):

Year end December 31	Principal	Interest	Total
2016	18,000	13,318	31,318
2017	19,025	12,519	31,544
2018	19,440	11,682	31,122
2019	18,690	10,810	29,500
2020	19,445	9,877	29,322
2021-2025	98,525	35,617	134,142
2026-2030	85,210	15,655	100,865
2031-2035	46,265	3,428	49,693
Totals	$ 324,600	$ 112,906	$ 437,506

7. Long-Term Debt, continued

On November 18, 2015, LWC cash defeased $2,870,000 of the remaining outstanding Series 2006 Bonds with interest rates of 4.0%. The U.S. government securities have been deposited in an irrevocable escrow fund to provide for all future debt service on the defeased portion of the Series 2006 Bonds. LWC has removed the defeased amounts from its accounts. The defeased amounts outstanding as of December 31, 2015, was $64,175.

LWC issued $119,445,000 in tax-exempt bonds on December 16, 2015. The Series 2015 Bonds are being issued for the purposes of making provisions for the costs of issuance of the Series 2015 Bonds and new money.

LWC's notes payable at December 31, 2015 consist of the following:

Description of Issue	Interest Rate	Maturity During Year End	Debt Outstanding December 31
Kentucky Infrastructure Authority, Drinking Water State Revolving Fund Loan Program	2.00%	2031	$ 1,592,654

Annual debt service requirements to maturity for LWC's notes payable are as follows:

Year end December 31	Principal	Interest	Total
2016	$ 85,380	$ 31,428	$ 116,808
2017	87,095	29,712	116,807
2018	88,847	27,962	116,809
2019	90,632	26,176	116,808
2020	92,454	24,354	116,808
2021-2025	490,903	93,137	584,040
2026-2030	542,264	41,778	584,042
2031-2035	115,079	1,729	116,808
Totals	$ 1,592,654	$ 276,276	$ 1,868,930

7. Long-Term Debt, continued

ii. Parking Authority of River City, Inc.

PARC's First Mortgage Revenue Bonds payable at June 30, 2016, consist of the following (in thousands):

Description of Issue	Original Issue Amount	Interest Rate	Maturity During Year End June 30	Debt Outstanding June 30
First Mortgage Revenue Bonds				
Series 2009A	$ 39,265	3.5 to 5.75%	2040	$ 34,915
Series 2009B	16,110	3.25 to 4.125	2021	3,085
Series 2010A	1,590	2.2	2016	-
Series 2010B	16,220	3.9 to 6.375	2041	16,220
Series 2013A	10,095	3.0 to 5.0	2033	8,965
Series 2013B	17,080	3.0 to 5.0	2032	13,025
Series 2016A	18,700	3.0 to 5.0	2046	18,700
Total First Mortgage Revenue Bonds				94,910
Net of premiums and discounts				2,614
Total Net First Mortgage Revenue Bonds				$ 97,524

Annual debt service requirements to maturity for PARC Revenue Bonds are as follows (in thousands):

Year end June 30	Principal	Interest	Total
2017	$ 2,765	$ 4,265	$ 7,030
2018	3,135	4,213	7,348
2019	3,235	4,106	7,341
2020	3,345	3,989	7,334
2021	4,105	3,867	7,972
2022-2026	18,415	17,310	35,725
2027-2031	21,780	12,987	34,767
2032-2036	19,905	7,440	27,345
2037-2041	18,125	2,366	20,491
2037-2041	100	13	113
Totals	$ 94,910	$ 60,556	$ 155,466

During February 2013, PARC acquired two parking garages from the Jefferson County, Kentucky Capital Projects Corporation ("CPC"). PARC acquired the garages with cash of $4,200,300 and promissory notes of $374,700 and $375,000. Principal payments are due annually in the amounts of $74,940 and $75,000, respectively, on or before June 30, 2014, to June 30, 2018.

7. Long-Term Debt, continued

The notes are interest free and the imputed rate was determined to be 1.84%.

Description of Issue	Interest Rate	Maturity During Year End		Debt Outstanding June 30
Louisville Metro Government Promissory Note	-	2018	$	299,880

Annual payments on the note payable to maturity are as follows:

Year end June 30		
2017		149,940
2018		149,940
Total	$	299,880

iii. Metropolitan Sewer District

On October 6, 2015, MSD issued $175,000 of Sewer and Drainage System Revenue Bonds, Series 2015A. Proceeds of the 2015A bonds, net of issuance cost were used to pay the cost of improvements to MSD's sewer and drainage system. On October 6, 2015, MSD issued $81,750 of Sewer and Drainage System Revenue Bonds, Series 2015B. Proceeds of the 2015B bonds, net of issuance cost and together with funds released from the reserve account were used to currently refund $87,290 of MSD's outstanding Sewer and Drainage System Revenue Bonds, Series 2006A. The refunded bonds are considered defeased, and the liability was removed from MSD's Statement of Net Position. The refunding reduced debt service payments over the next 23 years by $18,420 and resulted in a net present value savings of $12,278. MSD's various bonds outstanding at June 30, 2016, are listed in the following table (in thousands):

Description of Issue	Original Issue Amount	Interest Rate	Maturity During Year End June 30	Debt Outstandin g June 30
Sewer and Drainage System				
Revenue Bonds:				
Series 2006A	$ 100,000	4.00 to 5.00%	2038	$ -
Series 2007A	61,125	4.00 to 5.00	2025	44,425
Series 2008A	105,000	4.00 to 5.00	2038	97,860
Series 2009A	76,275	5.00	2022	41,485
Series 2009B	225,770	2.00 to 5.00	2023	136,115
Series 2009C	180,000	5.98	2040	180,000
Series 2010A	330,000	6.25	2043	330,000
Series 2011A	263,360	3.00 to 5.00	2034	254,590
Series 2013A	115,790	4.00	2036	115,790
Series 2013B	119,515	4.00 to 5.00	2038	118,255
Series 2013C	100,000	3.00 to 5.00	2044	99,750
Series 2014A	100,000	4.00 to 5.00	2045	79,950
Series 2015A	175,000	3.13 to 5.00	2046	175,000
Series 2015A	81,750	2.63 to 5.00	2038	81,350
Series 2016A BAN	228,412	5.00	2017	228,412
Total Sewer and Drainage System Revenue Bonds				1,982,982
Net of premiums and discounts				67,462
Total Net Sewer and Drainage System Revenue Bonds				$ 2,050,444

7. Long-Term Debt, continued

Annual debt service requirements to maturity for Sewer and Drainage System Revenue Bonds are as follows (in thousands):

Year end June 30	Principal	Interest	Total
2017	$ 31,825	$ 87,597	$ 119,422
2018	33,415	86,016	119,431
2019	35,100	84,353	119,453
2020	36,875	82,601	119,476
2021	39,655	80,840	120,495
2022-2026	209,680	373,205	582,885
2027-2031	217,810	315,706	533,516
2032-2036	292,755	272,094	564,849
2037-2041	504,965	180,248	685,213
2042-2046	352,490	40,585	393,075
Totals	$ 1,754,570	$ 1,603,245	$ 3,357,815

November 3, 2015, MSD issued $226,340 of Sewer and Drainage System Subordinated Bond Anticipation Notes, Series 2015 Notes with an interest rate of 5.00%. The proceeds of the notes were used to refinance the 2014A Notes. The 2015 Notes mature on November 22, 2016.

On November 4, 2014, MSD issued $226,340 of Sewer and Drainage System Subordinated Bond Anticipation Notes, Series 2014A Notes with an interest rate of 2.00%. The proceeds of the notes were used to refinance the 2013A Notes. The 2014A Notes matured on November 24, 2015, and refinanced with 2015 Notes.

The following table outlines activity on short-term notes during fiscal year 2016 (in thousands):

Year ending June 30	Beginning Balance	Additions	Reductions	Ending Balance
2,016	$ 228,508	$ 226,340	$ (226,436)	$ 228,412

MSD enters into swaps and other derivative contracts to lock in long-term rates in advance of issuing long-term debt, to create and manage variable rate exposure in its debt portfolio, and to take advantage of market opportunities that hedge embedded interest rate and tax regulation risk that exists on its Statement of Net Position.

MSD originally entered into interest rate swaps as a hedging derivative instrument. The interest rate swaps were found to be ineffective as of June 30, 2010, based on evaluation and consideration of consistent critical terms and quantitative methods. The total of investment derivatives are reported as interest rate swaps on the Statement of Net Position. All changes in fair value of the derivatives are recorded as a separate component of non-operating revenue (expense). MSD's outstanding swaps consist of two Floating-to-Fixed swaps described as follows:

7. Long-Term Debt, continued

Floating-to-Fixed Swaps are structured so that the notional amount of the swap decreases over time corresponding to the maturity and sinking fund schedule of the actual or expected bond issue being hedged.

The Floating-to-Fixed swaps have been done on a forward basis with the swap payments starting at a future date when MSD anticipates refunding outstanding debt, which can be issued as variable rate bonds or short-term notes.

In 2001, MSD entered into two swaps (A and B) for a synthetic advance refunding of its Series 1999A Bonds. In 2002, MSD entered into two swaps (C and D) for a synthetic advance refunding of its Series 1993 Bonds, and subsequently issued variable-rate Series 2003 Bonds to complete the refunding.

On June 30, 2016, MSD had the following derivative instruments outstanding (in thousands):

	Initial Notional Amount	Current Notional Amount	Effective Date	Termination Date	Payment Terms	Receipt Terms	Fair Value	Change in Fair Value
Wells Fargo	$ 180,716	$ 180,716	11/15/2009	5/15/2033	4.4215%	67% of 30-day LIBOR	$ (81,445)	$ (18,359)
Bank of America	56,433	45,284	11/15/2009	5/15/2033	4.4215%	67% of 30-day LIBOR	(20,386)	(4,592)
	$ 237,149	$ 226,000					$ (101,831)	$ (22,951)

LIBOR = London Interbank Offering Rate
SIFMA = Securities Industry and Financial. Markets Association

MSD has implemented steps to safeguard it against the risks associated with the aforementioned swap transactions. If the counter-party does not maintain A1/A+ ratings from Moody's and Standard and Poor's, the swaps contain provisions that require them to be marked to market weekly with monthly statements sent to MSD.

The value will be collateralized with U.S. Treasury and Agency securities with the securities held by a tri-party custodian approved by MSD.

8. Capital Lease Obligations

A. Metro Government

i. On December 19, 2011, Metro Government executed a Master Equipment Lease/Purchase Agreement with an outside entity for $3,500,000. The capital lease financed the purchase of various heavy duty vehicles and accessories for the Public Works and Assets Department. The lease payments require quarterly installments of $182,019 in principal and interest through December 2016. The interest rate of the obligation is 1.51%. Heavy equipment purchases totaling $3,499,671 were made with the remaining balance of the lease proceeds being applied to the outstanding principal of the lease obligation.

Annual debt service requirements to maturity for the capital leases are as follows:

Year ending June 30	Principal	Interest	Total
2017	361,988	2,051	364,039
Totals	$ 361,988	$ 2,051	$ 364,039

ii. Metro Government has an agreement with Johnson Controls, Inc. (JCI) to implement and finance capital improvements to enhance energy efficiency and decrease related utility expense. It is intended that the improvements will generate energy cost savings sufficient to make the lease payments or from guaranteed payments from JCI to the extent that energy costs savings are not achieved based on an annual energy savings calculation. Metro Government's internal reporting units are utilizing 80.46% of the project improvements, and PARC's properties are utilizing 19.54% of the overall project improvements.

The Energy Savings Performance Contract called for the project to be financed through a separate lease purchase agreement with payments made annually through August 2038. Payments for the Energy Savings Project are to be made from energy cost savings achieved through the capital improvements or from guaranteed payments from JCI should the desired energy costs savings not be achieved.

At June 30, 2016, Metro Government has recorded a capital lease liability for the capital lease commitment and a capital sublease receivable for $5,040,501, reflecting payments that will come from PARC's share of the project.

At June 30, 2016, capital assets with net book value of $20,755,068 were recorded on the statement of net position, reflecting Metro's share of project.

8. Capital Lease Obligations, continued

Future minimum lease payments are shown below for total payments on the lease, as well as the net financial commitment of Metro Government and from PARC sublease:

Fiscal year	Total	Metro Government	PARC
2017	$ 1,800,905	$ 1,449,008	$ 351,897
2018	1,748,359	1,406,730	341,629
2019	1,821,670	1,465,716	355,954
2020	1,900,119	1,528,836	371,283
2021	1,961,655	1,578,348	383,307
2022-2026	10,308,533	8,294,246	2,014,287
2027-2031	11,530,618	9,277,535	2,253,083
2032-2036	13,300,624	10,701,682	2,598,942
2037-2039	10,769,669	8,665,276	2,104,393
Total	55,142,152	44,367,377	10,774,775
Less amounts representing interest	(29,346,344)	(23,612,068)	(5,734,276)
Present value of net minimum lease payments	$ 25,795,808	$ 20,755,309	$ 5,040,499
Less current portion	(110,655)	(89,033)	(21,622)
	$ 25,685,153	$ 20,666,276	$ 5,018,877

B. Transit Authority of River City

TARC entered into an agreement with Fifth Third Bank to lease 20 paratransit vehicles under a capital lease. The lease agreement contains a bargain purchase option at the end of the lease term. Amortization of assets held under capital leases is included with depreciation expense. Total assets under capital lease were $746,890, net of accumulated amortization of $541,511 at June 30, 2016. The following is a schedule by years of future minimum payments required under the lease together with their present value as of June 30, 2016:

Year ending June 30	
2017	$ 155,995
2018	51,998
Total Minimum Lease Payments	207,993
Less amount representing interest	(2,614)
Present Value of Lease Payments	205,379
Current Portion of Long-term Capital Lease Obligation	153,574
Long-term Capital Lease Obligation, Less Current Portion	$ 51,805

9. Conduit Debt Obligations

Metro Government occasionally issues Industrial Revenue Bonds to assist local private-sector entities in financing new or expanded industrial, commercial, or residential facilities deemed to be in the public interest. The bonds are collateralized by the facilities financed with the bond proceeds and are payable solely from a pledge of revenues to be derived from those facilities. The bonds and related interest do not represent or constitute an indebtedness of Metro Government or a pledge of faith and credit of Metro Government or any political subdivision thereof. Accordingly, the bonds and related assets are not included in Metro Government's financial statements.

Since the merger which formed Metro Government in January 2003, the Metro Council has authorized approximately $2,744,815,139 of Industrial Revenue Bonds through June 30, 2016. During the year ended June 30, 2016, the Metro Council authorized approximately $34,610,000 of Industrial Revenue Bonds. The aggregate principal amount outstanding at June 30, 2016, could not be determined.

10. Interfund Receivables, Payables, and Transfers

Interfund receivable and payable balances at June 30, 2016, are as follows:

Fund	Interfund Receivable	Interfund Payable
General	$ 35,195,637	$ -
Non-major Governmental	140,761	-
Agency:		
Revenue Commission	17,983,977	-
Escrow	543,208	-
Mass Transit	4,409,758	-
Internal Service:		
Revenue Commission	-	58,273,341
Totals	$ 58,273,341	$ 58,273,341

These balances resulted from a timing difference between when taxes were collected by the Revenue Commission for June 2016 and were distributed to the appropriate funds. Interfund transfers during the fiscal year ended June 30, 2016, were as follows:

	Interfund Transfers				
Transfers out:	Transfers in:				
	General Fund	Special Revenue Fund	Capital Projects Fund	Non-major Governmental Funds	Total
General Fund		$ 2,020,223	$ 17,450,377	$ 42,162,390	$ 61,632,990
Special Revenue Fund	548,089	-	3,264,562		3,812,651
Capital Projects Fund	2,130,877	-	-	3,483,586	5,614,463
Non-major Governmental Funds	422,493	-	-	7,079,656	7,502,149
Total	$ 3,101,459	$ 2,020,223	$ 20,714,939	$ 52,725,632	$ 78,562,253

Transfers are used to move revenues from the fund that statute or budget requires to collect to the fund that statute or budget requires to expend, move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and move unrestricted revenues collected in the General Fund to finance various programs in other funds in accordance with budgetary authorizations.

11. Customer Contributions for Water Pipeline Construction

The LWC requires consumers to make a deposit for the cost of construction of pipelines and special services. These advances are refundable, within certain time limits up to 20 years, under the terms of the various contracts.

The customer advances and deposits payable account reflects the liability for probable refunds of construction advances at some future date. When the period during which the refund can be made has expired, any balance is transferred to contributions in aid of construction. The net increase in contributions in aid of construction during the year totaled $9,394,095 and is shown on the component unit's Statement of Activities as a capital contribution.

12. Contingencies and Commitments

A. Litigation

The Metro Government has been named as a defendant in various legal actions, but the ultimate outcome of these various legal actions cannot be determined with certainty. Management does not anticipate that such actions will have a material impact on the financial statements of Metro Government.

B. Federal and State Grants

In the course of operations, Metro Government receives grant funds from various federal and state government agencies to be used for designated purposes only. The grant programs are subject to audit by agents of the granting authorities, the purpose of which is to ensure compliance with conditions surrounding the granting of funds. If a grantor's review indicates that the funds have not been used for the intended purpose, the grantor may request a refund of monies advanced or refuse to reimburse Metro Government for its expenditures. In management's opinion, any liability for any refunds or reimbursements which may arise as a result of audits of grant funds would not have a material impact on the financial position of Metro Government. Continuation of Metro Government's grant programs is predicated upon the grantor's satisfaction that the funds provided are being spent as intended and the grantor's intent to continue their programs.

C. Construction Commitments

The Metro Government has active construction projects including improvements to major roadways, government buildings, parks, and other various ongoing projects. The remaining committed budget for these projects is approximately $72.5 million as of June 30, 2016.

13. Landfill Closure and Post-Closure Care Costs

Metro Government owns three landfill sites that were operated by the former City of Louisville, which are closed and not accepting waste. State and federal laws and regulations require certain maintenance and monitoring functions at the sites for 30 years after closure.

If the landfills were still in operation, Metro Government would be required to report a portion of the closure and post-closure care costs as an operating expense in each period based on landfill capacity used as of each fiscal year end.

Because all landfills were closed in prior years, 100% of landfill closure and post-closure care costs, estimated at $1,747,462, were originally recorded as a liability in the general long-term debt account group of the former City of Louisville at June 30, 1995. The beginning balance of the liability for fiscal year 2016 was $0. No payments were made during fiscal year 2016, and changes in estimates this year reflect no liability exists at June 30, 2016. Future costs may vary from that amount because of inflation, changes in technology, or changes in regulations.

14. Deferred Compensation

Metro Government, LWC, MSD, and Board of Health offer their employees deferred compensation plans created in accordance with Internal Revenue Code, Section 457. MSD also offers their employees a deferred compensation plan created in accordance with IRC, Section 401(k). The plans, available to all employees, permit them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans,* allows entities with little or no administrative involvement who do not perform the investing function for these plans to omit plan assets and related liabilities from the statement of net position. Metro Government, LWC, MSD and BOH, and therefore, do not show these assets and liabilities on their respective Statements of Net Position.

15. Post-Employment Health Care Benefits

All eligible retired Metro Government employees receive health care benefits after retirement. The benefits offered are dependent on the length of service of the employee and the retirement system in which they participate.

A. Employees Participating in CERS

All current Metro Government employees participating in CERS are eligible for healthcare benefits provided by KRS in conjunction with their pension service benefits described in Note 17. Retiree cost depends on length of service prior to retirement. Employer contribution rates are established annually by the KRS Board of Trustees. KRS, as described in Note 17(A)(i), issues separate stand-alone financial statements for the statewide multiple employer cost-sharing plan that provides other post-employment benefits for local government employees participating in CERS.

Under the provisions of Kentucky Revised Statute Section 61.701, the Board of Trustees of KRS administers the KRS Insurance Fund. The KRS Insurance Fund was established as a single insurance fund to provide group hospital and medical benefits to retirees drawing a benefit from the three pension funds administer by KRS: (1) KERS; (2) CERS; and (3) SPRS. The assets of the KRS Insurance Fund are commingled for investment purposes.

The employer rates allocable to the health insurance benefits was 4.92% in 2016 and 2015 for nonhazardous employees and 13.58% for hazardous employees in 2016 and 2015. The contribution rates are created by statute and were 100% funded during 2016, 2015, and 2014.

At the time of completion of this CAFR, the KRS has not yet released their CAFR for the fiscal year ended June 30, 2016. The following information was extracted from the KRS CAFR for the fiscal year ended June 30, 2015.

The KRS Insurance Fund pays a prescribed contribution for whole or partial payment of required premiums to purchase hospital and medical insurance. For the fiscal year ended June 30, 2015, insurance premiums withheld from benefit payments for members of the CERS non-hazardous and hazardous plans were $22.6 million and $1.7 million, respectively. For the fiscal year ended June 30, 2014, insurance premiums withheld from benefit payments for members of the CERS non-hazardous and hazardous plans were $24.2 million and $1.9 million, respectively. The KRS Insurance Fund pays the same proportion of hospital and medical insurance premiums for the spouse and dependents of retired hazardous members killed in the line of duty.

As of June 30, 2015, the KRS Insurance Fund had 108,952 retirees and beneficiaries, across all plans, for whom benefits were available. The amount of contribution paid by the funds is based on years of service.

15. Post-Employment Health Care Benefits, continued

For members participating prior to July 1, 2003, years of service and respective percentages of the maximum contribution are as follows.

Years of Service	Portion Paid by KRS Insurance Fund
20+ years	100%
15-19 years	75%
10-14 years	50%
4-9 years	25%
Less than 4 years	0%

As a result of the 2004 House Bill 290 enacted by the Kentucky General Assembly, medical insurance benefits are calculated differently for members who began participating on, or after, July 1, 2003. Once members reach a minimum vesting period of ten years, non-hazardous employees whose participation began on, or after, July 1, 2003, earn $10 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Hazardous employees earn $15 per month with the same participation dates. In addition, a hazardous employee's spouse receives $10 per month for insurance benefits for each year of a deceased employee's earned hazardous service. This dollar amount is subject to adjustment annually based on the retiree cost of living adjustment, which is updated annually due to change in the Consumer Price Index for all urban consumers.

Health insurance benefits are not protected under the inviolable contract provisions of Kentucky Revised Statutes 16.652, 61.692, and 78.852. The Kentucky General Assembly reserves the right to suspend or reduce this benefit if, in its judgment, the welfare of the Commonwealth so demands.

In prior years, the employers' required medical insurance contribution rate was being increased annually by a percentage that would result in advance-funding the medical liability on an actuarially determined basis using the entry age normal cost method within a 20-year period measured from 1987. In November 1992, the Board of Trustees adopted a fixed percentage contribution rate and suspended future increases under the current medical premium funding policy until the next experience study could be performed. In May 1996, the Board of Trustees adopted a policy to increase the insurance contribution rate by the amount needed to achieve the target rate for full entry age normal funding within 20 years.

15. Post-Employment Health Care Benefits, continued

The following table presents the schedule of funding progress for the KRS Insurance Fund as a whole:

System	Actuarial Value of Assets	AAL Entry Age Normal	Funded	Covered Payroll	Unfunded as a % of Covered Payroll
KERS Non-Haz	$ 695,018,262	$ 2,413,705,252	28.8%	$ 1,544,234,409	111.3%
KERS Haz	451,514,191	374,904,234	120.4%	128,680,130	-59.5%
CERS Non-Haz	1,997,456,463	2,907,827,440	1	2,296,715,957	39.6%
CERS Haz	1,087,707,118	1,504,015,233	72.3%	483,640,601	86.1%
SPRS	167,774,940	254,838,710	65.8%	45,764,515	190.2%
Total Insurance Funds	$ 4,399,470,974	$ 7,455,290,869	59.0%	$ 4,499,035,612	67.9%

B. Policemen and Firefighters Participating in Metro Plan

Retired policemen's and firefighters' benefits, as outlined in their respective union contracts covered under the Pension Trust Funds may purchase health care and life insurance through Metro Government or through a separately purchased plan. These retirees pay the full cost of the plans and are eligible to receive reimbursement from Metro Government up to the maximum Metro Government contribution to the cost of single coverage health insurance premiums offered for Metro Government employees, but no less than the rate in effect as of January 2012.

The annual reimbursements required for health insurance premiums for retired policemen and firefighters participating in the Metro Government retirement plans that were closed in 1986 and 1989 (see Note 17(B)), respectively, are outlined in the table below. These other post-employment benefit commitments are funded on a pay-as-you-go funding approach.

Management has determined that an actuarial analysis to determine the Annual Required Contribution is not necessary because these annual payments are immaterial to the financial position and results of operations for Metro Government as a whole. Further, since these funds are closed and the number of retirees and beneficiaries decreases each year, the annual reimbursement amounts also decline.

The table below shows the amount of reimbursement for health care benefits paid by Metro Government to these plans over the past three years:

Fiscal Year Ended	Policemen's Retirement Fund	Firefighters' Pension Fund	Total
06/30/14	$ 437,677	$ 587,285	1,024,962
06/30/15	397,293	564,897	962,190
06/30/16	396,364	539,899	936,263

16. Defined Benefit Pension Plans

Metro Government's aggregate information for the fiscal year ending June 30, 3016 on pension reporting is as follows:

	CERS Cost-Sharing	Firefighters' Pension Fund	Policemen's Retirement Fund	Total
Net Pension Liability	$ 669,512,880	$ 14,421,826	$ 10,591,171	$ 694,525,877
Deferred Inflows of Resources	2,852,073	23,250	74,675	2,949,998
Deferred Outflows of Resources	125,604,053	2,690,410	1,905,216	130,199,679
Pension Expense	68,313,421	1,291,492	772,274	70,377,187

Information about the cost-sharing and single employer defined benefit plans follows:

A. County Employees' Retirement System

i. Plan Description

Metro Government, LWC, TARC, MSD, Riverport, Revenue Commission, PARC, KW, and WDC contribute to CERS, which is a cost-sharing multiple-employer defined benefit pension plan administered by KRS, an agency of the Commonwealth of Kentucky. KRS was created by state statute under Kentucky Revised State Section 61.645. LWC, TARC, MSD, and Riverport have separate accounts with CERS. Revenue Commission, PARC, KW, and WDC participate as a part of Metro Government's CERS Plan. Revenue Commission is a blended Component Unit. PARC, KW, and WDC are a business-type activities operating as a proprietary fund (enterprise). They are not direct participants in CERS, but are allocated their fair share of Metro Government net pension liabilities, related deferrals and pension expense based on their percentage of employer contributions relative to Metro Government as a whole.

KRS issues a publicly available financial report that includes financial statements and required supplementary information for the CERS. The report may be obtained by writing to Kentucky Retirement System, Perimeter Park West, 1260 Louisville Road, Frankfort, KY 40601 or it may be found at the KRS website at www.kyret.ky.gov.

ii. Benefits Provided

The plan provides for retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances. Kentucky Revised Statute Section 61.645 establishes the benefit terms and can be amended only by the Kentucky General Assembly. The chief legislative body may adopt the benefit terms permitted by statute. Members are eligible to retire with an unreduced benefit at age 65 with four years of service credit or after 27 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Reduced benefits for early retirement are available at age 55 and vested or 25 years of service credit. Members vest with five years of service credit. Service related disability benefits are provided after five years of service.

16. Defined Benefit Pension Plans, continued

Prior to July 1, 2001, cost-of-living adjustments ("COLA") were provided annually equal to the percentage increase in the annual average of the Consumer Price Index for all urban consumers for the most recent calendar year, not to exceed 5% in any plan year. Effective July 1, 2009, and on July 1 or each year thereafter, the COLA is limited to 1.5% provided the recipient has been receiving a benefit for at least 12 months prior to the effective date of the COLA.

If the recipient has been receiving a benefit for less than 12 months prior to the effective date of the COLA, the increase shall be reduced on a pro-rata basis for each month the recipient has not been receiving benefits in the 12 months preceding the effective date of the COLA. The Kentucky General Assembly reserves the right to suspend or reduce cost-of-living adjustments if, in its judgment, the welfare of the Commonwealth so demands.

iii. Funding Policy

Plan members are required to contribute 5% for participants in the Non-Hazardous Duty Plan and 8% for participants in the Hazardous Duty Plan of creditable compensation if hired before September 1, 2008. Plan members who began participating on, or after, September 1, 2008, are required to contribute 6% for participants in the Non-Hazardous Duty Plan and 9% for participants in the Hazardous Duty Plan of creditable compensation. Employers are required to contribute at an actuarially determined rate. The rate for the fiscal year ended June 30, 2016, is 17.06% in the Non-Hazardous Duty Plan and 32.95% under the Hazardous Duty Plan of participating employees' creditable compensation.

The contribution requirements of employers and plan members are established and may be amended by the CERS Board of Trustees. Metro Government was required to contribute at an actuarially determined rate determined by Statute. Per Kentucky Revised Statute Section 78.545(33) normal contribution and past service contribution rates shall be determined by the KRS Board on the basis of an annual valuation last preceding July 1 of a new biennium. The KRS Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the KRS Board.

Metro Government has met its funding requirement for the fiscal years ended June 30, 2016, and June 30, 2015.

16. Defined Benefit Pension Plans, continued

Metro Government's contribution (which includes Revenue Commission, PARC, KW, and WDC) to the CERS for the years ending June 30, 2016 and 2015 are outlined in the table below.

Fiscal Year Ended	Total Contributions	Hazardous Contribution Rate	Non-Hazardous Contribution Rate
06/30/16	$ 48,017,806	32.95%	17.06%
06/30/15	48,095,460	34.31%	17.67%

Contributions of Metro Government's Component Units met the funding requirements for the 2 years as follows:

- LWC's contribution to the CERS for years ending December 31, 2015, and 2014 were $5,100,943 and $5,378,219, respectively.
- TARC's contribution to the CERS for the years ended June 30, 2016, and 2015, were $3,905,260 and $3,825,610, respectively.
- PARC's portion of the employer contributions was $144,266 and $154,167 for the years ended June 30, 2016, and 2015.
- Riverport's contribution to the CERS for the years ended June 30, 2016, 2015, and 2014 were $47,837, $46,363, and $46,216, respectively.
- MSD's contribution to the CERS for the years ended June 30, 2016, and 2015 were $3,471,000 and $3,301,000, respectively.
- WDC's contribution to the CERS for the years ended June 30, 2016, and 2015 were $163,963 and $162,121, respectively.
- KW's contribution to the CERS for the years ended June 30, 2016, and 2015 were $150,865 and $132,316, respectively.

16. Defined Benefit Pension Plans, continued

iv. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2016, Metro Government reported a net pension liability of $669,512,880 ($423,013,298 hazardous and $246,499,582 non-hazardous) for its proportionate share of the CERS net pension liability, this is an increase of $145,825,880 from what was reported in FY15. The net pension liability, which is calculated by KRS, was initially measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. No update procedures were used to determine the total pension liability.

Metro Government's proportion of the net pension liability was based on Metro Government's contributions to the pension plan relative to the contributions of all participants. At June 30, 2015, Metro Government's proportion share of CERS was 5.826% for non-hazardous employees and 27.556% for hazardous employees, and there are no expected changes in proportion for the current year. The proportionate share from the June 20, 2014 CERS valuation was 5.893% and 27.666% for non-hazardous and hazardous employees.

For the year ended June 30, 2016, Metro Government recognized Pension Expense of $27,960,809 for nonhazardous employees and $40,352,612 for hazardous employees. The Deferred Outflows of Resources and Deferred Inflows of Resources related to pensions from the following sources are reflected below:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual investment earnings on plan investments	$ 4,871,625	$ -
Change in proportion and difference between employer contribution and proportional share	-	2,852,073
Difference between projected and actual experience	11,241,170	-
Change in assumptions	61,473,452	-
	77,586,247	2,852,073
Contributions subsequent to the measurement date	$ 48,017,806	-
Total	$ 125,604,053	$ 2,852,073

The Schedule of Deferred Inflows and Outflows and Pension Expense include only certain categories of deferred outflows of resources and deferred inflows of resources. These include differences between expected and actual experience and contributions made subsequent to the measurement date. The net pension liability as of June 30, 2016, is based on the June 30, 2015 actuarial valuation for the first year of implementation.

16. Defined Benefit Pension Plans, continued

The amount of $48,017,806 reported as deferred outflows of resources related to pensions resulting from Metro Government's contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year-ended June 30, 2017.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year end June 30:		
2017	$	19,442,200
2018		19,442,200
2019		14,508,778
2020		21,340,996
	$	74,734,174

v. Actuarial Assumptions

The total pension liability determined for Kentucky Retirement Systems in the June 30, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2015
Experience Study	July 1, 2008 – June 30, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	28 years
Asset Valuation Method	5-year smoothed marked
Inflation	3.3%
Salary Increase	4.0%, average, including inflation
Investment Rate of Return	7.5%, net of pension plan investment expense, including inflation

The rates of mortality for the period after service retirement are according to the 1983 Group Annuity Mortality Table for retired members and beneficiaries as of June 30, 2006, and the 1994 Group Annuity Mortality Table for all other members. The Group Annuity Mortality Table set forward five years is used for the period after disability retirement.

The long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years for KRS. The most recent analysis, performed for the period covering fiscal years 2009 through 2013, is outlined in a report dated November 10, 2015.

16. Defined Benefit Pension Plans, continued

Several factors are considered in evaluating the long-term rate of return assumption including long term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense, and inflation) were developed by the investment consultant for each major asset class (See chart below).

These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Combined equity	44.00%	5.40%
Combined fixed income	19.00%	1.50%
Real return (diversified inflation strategies)	10.00%	3.50%
Private equity	10.00%	8.50%
Real estate	5.00%	4.50%
Absolute return (diversified hedge funds)	10.00%	4.25%
Cash	2.00%	-0.25%
	100%	

The long-term expected rate of return on pension plan investments was established by the KRS Board of Trustees as 7.5% based on a blending of the factors described above.

Changes in Assumptions and Benefit Terms: Since the prior measurement date, the demographic and economic assumptions that affect the measurement of the total pension liability have been updated as described below:

- The assumed investment rate of return was decreased from 7.75% to7.50%.
- The assumed rate of inflation was reduced from 3.50% to 3.25%.
- The assumed rate of wage inflation was reduced from 1.00% to 0.75%.

16. Defined Benefit Pension Plans, continued

- Payroll growth assumption was reduced from 4.50% to 4.00%.
- The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females).
- For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.
- The assumed rates of Retirement, Withdrawal and Disability were updated to more accurately reflect experience.

vi. Discount rate

The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment return of 7.5%. The long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

vii. Changes Since Measurement Date

There were no changes between the measurement date of the collective net position liability and the employer's reporting date.

16. Defined Benefit Pension Plans, continued

viii. Sensitivity of Metro Government's proportionate share of the net pension liability to changes in the discount rate.

The following presents Metro Government's proportionate share of the net pension liability calculated using the discount rate of 7.5%, as well as what its proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.5%) or 1% higher (8.5%) than the current rate:

Metro Government's Proportionate Share of the Net Pension Liability	Decrease -	Current Discount Rate -	Increase -
Non-Hazardous	$ 314,687,332	$ 246,499,582	$ 188,102,812
Hazardous	541,471,476	423,013,298	324,868,561
Total	$ 856,158,808	$ 669,512,880	$ 512,971,373

ix. Pension plan fiduciary net position.

Detailed information about the pension plan's fiduciary net position is available in the separately issued KRS financial report.

B. Fire and Police Pension Trust Funds - Single Employer Plans

i. Plan Descriptions and Benefits

Most of the former City of Louisville's firefighters and police officers transferred to CERS in 1989 and 1986, respectively. For those who did not transfer, Metro Government contributes to the Firefighters' Pension Fund and the Policemen's Retirement Fund (collectively the "Funds"). Both Funds are single-employer defined benefit pension plans. The plans report on a calendar-year basis. These plans do not issue reports on a stand-alone basis. Membership of each plan consisted of the following at June 30, 2016:

	Firefighters' Pension Fund	Policemen's Retirement Fund
Retirees and beneficiaries currently receiving benefits and terminated employees not yet receiving benefits	161	133
Vested active plan participants	-	1

16. Defined Benefit Pension Plans, continued

Benefits - A member may retire under the provisions of the:

- **Firefighters' Pension Fund** after reaching the age of 62 or having completed 20 years of service (25 years of service if hired after July 1, 1984). Employee accounts vest after 10 years of service. Employees who retire with 20 years of service are eligible to receive 50% of their three-year average salary (25 years of service are eligible to receive 56% of their three-year average salary, if hired after July 1, 1984) under the Firefighters' Pension Fund. The three-year average salary is the sum of the three highest fiscal years of annual base salary plus overtime and supplemental pay. The fund provides up to a maximum of 75% of the three-year average salary as the length of service increases. Upon termination, employees having completed 10 years of service but not considered eligible for normal retirement, shall receive a refund of contributions without interest under the Firefighters' Pension Fund.
- **Policemen's Retirement Fund** after reaching age 62 or having completed 20 years of service (25 years of service if hired on or after April 1, 1985). Employee accounts vest after 5 years of services. Under the Policemen's Retirement Fund, employees who retire at or after age 62 with 5 or more years of service are entitled to receive payments for the remainder of their lives equal to 2% of their three-year average base salary times the number of years of service. The fund provides up to a maximum of 75% of the three-year average salary as the length of service increases. Under the Policemen's Retirement Fund, an employee who completes 5 years of service but is not yet eligible for normal retirement shall receive 75% of his or her contributions to the Fund without interest, upon termination.

Both Funds include death and disability benefits whereby the surviving spouse or disabled employee is entitled to receive certain benefits as follows:

- **Firefighters' Pension Fund -** Death benefits may reach 75% of base pay (at time of death) plus overtime and supplemental pay for firefighters. Disability payments may reach 75% of base pay (at time of disability) plus overtime and supplemental pay for firefighters A disabled employee is entitled to receive disability payments for life, while the surviving spouse may receive death benefits for life or as long as the spouse does not remarry.
- **Policemen's Retirement Fund -** Death benefits may reach 75% of base pay (at time of death) for police officers. Disability payments may reach 75% of base pay (at time of disability). A disabled employee is entitled to receive disability payments for life, while the surviving spouse may receive death benefits for life or as long as the spouse does not remarry.

16. Defined Benefit Pension Plans, continued

Contributions - The contribution requirements and benefit provisions for the Funds are established by state statute and Metro Government ordinance. Employees covered under the Firefighters' Pension Fund were required to pay 7.0% of their gross earnings to the Fund. The employee contribution rate is 6.5% for the Policemen's Retirement Fund. Metro Government contributed the required amount the Firefighters' Pension Fund and the Policemen's Retirement Fund for each of the past three fiscal years.

Based on the actuarial valuations performed by consulting actuaries at January 1, 2016, 2015, and 2014, Metro Government made the required annual contributions in fiscal years ended June 30, 2016, 2015, and 2014 of $1,976,165, $1,896,693, and $1,625,938, respectively, to the Policemen's Retirement Fund and $2,906,318, $3,143,954, and $2,989,564, respectively, to the Firefighters' Pension Fund. These payments were equal to 100% of the required contribution in each fiscal year reported.

Based on the actuarial valuations performed by consulting actuaries at January 1, 2016, Metro Government will be required to make contributions to the Policemen's Retirement Fund of $1,663,300 and to the Firefighters' Pension Fund of $2,673,328 for the fiscal year beginning July 1, 2016.

ii. Summary of Significant Accounting Policies and Plan Asset Matters

Basis of Accounting - The preparation of the financial statements of the Funds generally conform to the provisions of the GASB on financial reporting for pension plans. The financial statements of the Funds are prepared on the accrual basis. Plan member contributions are recognized in the period in which the contributions are due. Metro Government's contributions are recognized when due and a formal commitment to provide the contributions has been made. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. The cost of administering the plans is financed by Metro Government and is based on budgets submitted by the administrators on an annual basis. The plan's reporting period is the calendar year.

Investments - Investments are stated at fair value. Securities traded on a national exchange are valued at the last reported sales price. Gains or losses on the sale of fixed income securities are recognized using the completed transaction method.

There are no significant investments (other than U.S. Government and U.S. Government Agencies) in any one organization that represents 5% or more of net position available for benefits. There are no investments or other assets legally reserved for purposes other than the payment of member benefits for either Fund. The historical asset allocation is similar to the target allocation of investments.

The annual money-weighted rate of return, net of investment expense was 7.825% for the Firefighters' plan and 9.30% for the Policemen's plan at December 31, 2015.

16. Defined Benefit Pension Plans, continued

Total Pension Liability and Net Pension Liability - The net pension liability of the Funds was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

	Firefighters' Pension Fund	Policemen's Pension Fund
Total Pension Liability	$ 22,852,523	$ 17,100,800
Plan Fiduciary Net Position	8,430,697	6,509,629
Net Pension Liability	$ 14,421,826	$ 10,591,171
Plan fiduciary net position as a percentage of the total pension liability	36.89%	38.06%

16. Defined Benefit Pension Plans, continued

The changes in the total pension liability, plan fiduciary net position and net pension liability follow for each Fund:

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
CHANGES IN TOTAL PENSION LIABILITY, PLAN FIDUCIARY NET POSITION & NET PENSION LIABILITY
FIREFIGHTERS' PENSION FUND
For the Year Ended December 31, 2015

	Increase (Decrease)		
	Total Pension Liability (a)	**Plan Fiduciary Net Position (b)**	**Net Pension Liability (a) – (b)**
Balances - Beginning of year	$ 24,135,093	$ 9,505,109	$ 14,629,984
Changes for the year:			
Interest	1,585,619	-	1,585,619
Differences between expected and actual experience	(129,606)	-	(129,606)
Contributions—employer	-	2,906,318	(2,906,318)
Net investment income	-	(1,242,147)	1,242,147
Benefit payments, including refunds of employee contributions	(2,738,583)	(2,738,583)	-
Assumption changes	-	-	-
Net changes	(1,282,570)	(1,074,412)	(208,158)
Balances - End of year	$ 22,852,523	$ 8,430,697	$ 14,421,826

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
CHANGES IN TOTAL PENSION LIABILITY, PLAN FIDUCIARY NET POSITION & NET PENSION LIABILITY
POLICEMEN'S PENSION FUND
For the Year Ended December 31, 2015

	Increase (Decrease)		
	Total Pension Liability (a)	**Plan Fiduciary Net Position (b)**	**Net Pension Liability (a) – (b)**
Balances - Beginning of year	$ 18,299,029	$ 7,661,800	$ 10,637,229
Changes for the year:			
Interest	1,155,210	-	1,155,210
Differences between expected and actual experience	(369,491)	-	(369,491)
Contributions—employer	-	1,976,165	(1,976,165)
Contributions—employee	-	-	-
Net investment income	-	(987,623)	987,623
Benefit payments, including refunds of employee contributions	(2,140,468)	(2,140,468)	-
Assumption changes	156,520	-	156,520
Administrative expense	-	(245)	245
Net changes	(1,198,229)	(1,152,171)	(46,058)
Balances - End of year	$ 17,100,800	$ 6,509,629	$ 10,591,171

16. Defined Benefit Pension Plans, continued

Actuarial assumptions and other information used to determine the annual required contributions are presented in the following table:

Assumption	Firefighters' Pension Fund	Policemen's Retirement Fund
Valuation Date	December 31, 2015	December 31, 2015
Actuarial Cost Method	Entry Age Normal	Entry Age Nonnal
Amortization Method	Level Percent, Closed	Level Percent, Closed
Remaining Amortization Period	15 years	15 years
Asset Valuation Method	Market Value	Market Value
Inflation	2%	2%
Salary Increase	No Longer Applicable	No Longer Applicable
Investment Rate of Return	6.99%	6.74%

Mortality rates for the Firefighters' Pension Fund were based on the RP-2000 Mortality Table for Healthy Annuitants for Males or Females, as appropriate. For the Policemen's Retirement Fund, mortality rates were Pre-retirement Mortality – RP-2000 Mortality Table for Healthy Annuitants (static table), Pre-retirement Mortality Type – 25% in line of duty and 75% not in line of duty, and Post-retirement Mortality Table for Healthy Annuitants (static table) for Males or Females, as appropriate.

The underlying method for selecting the long-term expected rate of return is based on the asset allocation of the Plans which target an 80% equity and 20% fixed income portfolio. The long-term expected rate of return for each Fund is 7.00% established by Metro Government based on a blending of the factors described above.

For both Funds, the target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equity portfolio	80.00%	8.00%
Fixed income portfolio	20.00%	3.00%
	100.00%	

16. Defined Benefit Pension Plans, continued

Discount Rate – Information about the discount rate follow:

- **Firefighters:** The discount rate used to measure the total pension liability was 7.00% for 43 years and 3.80% thereafter. The resulting uniform discount rate is 6.99% for the plans after considering the projected solvency.
- **Policemen:** The discount rate used to measure the total pension liability was 7.00% for 23 years and 3.80% thereafter. The resulting uniform discount rate is 6.74% for the plans after considering the projected solvency.

The projection of cash flows used to determine the discount rate assumed that the employer contributions will be made on the basis of the current funding policy. Based on those assumptions, the Funds' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members through December 31, 2057, for the Firefighters' Pension Fund and through December 31, 2037, for the Policemen's Retirement Fund.

For both Funds, the long-term expected rate of return on pension plan investments was applied to the periods of projected benefit payments through this date, and a 20 year municipal bond rate was used for the period thereafter to determine the total pension liability. The source of the municipal bond rate at the valuation date was from www.bondsonline.com/Corporate_Bond_Yield_Index.

Sensitivity of the Net Pension Liability - The following represents the net pension liability calculated using the stated discount rate, as well as what the net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate:

	Decrease 5.99%	Current Rate 6.99%	Increase 7.99%
Net Pension Liability			
Louisville Firefighters' Pension Fund	$ 15,991,846	$ 14,421,826	$ 13,032,413
	Decrease 5.99%	**Current Rate 6.99%**	**Increase 7.99%**
Policeman's Retirement Fund of the City of Louisville	$ 11,709,170	$ 10,591,171	$ 9,597,203

16. Defined Benefit Pension Plans, continued

iii. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2016, the recognized pension expense will be $1,291,492 for the Firefighters' Pension Fund and $772,274 for the Policeman's Retirement Fund.

At June 30, 2016, the Funds reported deferred outflows of resources and deferred inflows of resources in relation to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Remaining Amort. Period
Firefighters' Pension Fund			
Contributions subsequent to measurement date	$ 1,291,492	$ -	N/A
Net difference between projected and actual earnings on investments	1,398,918	23,250	4 years
Total	$ 2,690,410	$ 23,250	
Policeman's Retirement Fund			
Contributions subsequent to measurement date	$ 772,274	$ -	N/A
Net difference between projected and actual earnings on investments	1,132,942	74,675	N/A 4 years
Total	$ 1,905,216	$ 74,675	

Actual investment earnings above (or below) projected earnings are amortized over 5 years. Changes due to assumptions and experience losses (gains) are amortized over the average remaining service period of actives and inactives (0 years of future service is assumed for inactives for this calculation).

The amounts of $772,274 for Policeman's Retirement Fund and $1,291,492 for Firefighters' Pension Fund reported as deferred outflows of resources related to pensions resulting from Metro Government contributions subsequent to the measurement date will be recognized as a reduction of net pension liability in the year-ended June 30, 2017.

16. Defined Benefit Pension Plans, continued

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	Louisville Firefighters' Pension Fund	Policeman's Retirement Fund of the City of Louisville
Year ended June 30:		
2017	$ 341,980	$ 258,344
2018	341,980	258,344
2019	341,980	258,344
2020	349,728	283,235
	1,375,668	1,058,267

Pension & Benefit Trust Funds activity follows:

PENSION & BENEFIT TRUST FUNDS
For the Year Ended December 31, 2015

	Firefighters' Pension Trust	Policemen's Retirement Fund	Total Pension & Benefit Trust
ASSETS			
Cash and cash equivalents	$ 416,193	$ 870,095	$ 1,286,288
Investments:			
Equity mutual funds	6,871,390	4,711,296	11,582,686
Bond mutual funds	707	-	707
Other investments	-	8,582	8,582
Accounts receivable and accrued interest	1,582,672	1,106,927	2,689,599
Total assets	8,870,962	6,696,900	15,567,862
			-
LIABILITIES			
Accounts payable and accrued liabilities	3,983	6,815	10,798
Health insurance reimbursement and accrued liabilities	352,782	96,606	449,388
Unearned appropriations	83,500	83,850	167,350
Total liabilities	440,265	187,271	627,536
NET POSITION			
Held in trust for pension benefits	$ 8,430,697	$ 6,509,629	$ 14,940,326

16. Defined Benefit Pension Plans, continued

PENSION & BENEFIT TRUST FUNDS
For the Year Ended December 31, 2015

	Firefighters' Pension Trust	Policemen's Retirement Fund	Total Pension & Benefit Trust
ADDITIONS			
Contributions:			
Employer	$ 3,025,159	$ 1,898,929	$ 4,924,088
Member	-	4,331	4,331
Total contributions	3,025,159	1,903,260	4,928,419
Investment earnings:			
Increase (decrease) in fair value of investments	(118,280)	(730,398)	(848,678)
Realized gains and losses	231,428	397,232	628,660
Interest and dividends	1,719	104,841	106,560
Total investment earnings	114,867	(228,325)	(113,458)
Investment expense	(44,546)	(58,325)	(102,871)
Net investment earnings	70,321	(286,650)	(216,329)
Other income	877,129	715,844	1,592,973
Total additions	3,972,609	2,332,454	6,305,063
DEDUCTIONS			
Benefit payments	2,737,078	2,140,468	4,877,546
Administration expense	270,267	265,756	536,023
Health insurance reimbursement	534,680	382,360	917,040
Total deductions	3,542,025	2,788,584	6,330,609
Net increase/(decrease) in net position	430,584	(456,130)	(25,546)
Net position--beginning of the year	8,000,113	6,965,759	14,965,872
Net position--end of the year	$ 8,430,697	$ 6,509,629	$ 14,940,326

17. Sale of Future Revenues

During fiscal year 2013, Metro Government transferred two parking lots to PARC. The two lots were located on the south side of Jefferson Street between 7th and 8th Streets (the "Mud Lot") and behind City Hall on the south side of Market Street between 6th and 7th Streets (the "City Hall Lot"). The lots were transferred at a net book value of $1,280,400.

During fiscal year 2013, the Board of Directors of the Capital Projects Corporation approved a resolution to transfer the parking garages located at 415 South 6th Street (the "Louisville Gardens Garage") and 536 West Market Street (the "Market Street Garage") to PARC. The garages were recorded on Metro Government's books at a net book value of approximately $3,261,400.

In addition to the transfers of assets, there was intra-entity sale of revenues. The valuation of the sale of future revenues was based on the premise that Metro Government was a primary user of the parking facilities, and Metro was committing to continued usage of the parking facilities over the remaining useful life of the assets.

The value of the future revenues was estimated at $11,148,200, with $9,459,600 allocated to the parking lots and $1,688,600 allocated the garages, which are reported as a deferred charge to be amortized over the duration of the transfer agreement.

GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues* allows for a deferred inflow of resources for Metro Government and the deferred outflow for PARC that will be amortized over the life of the agreement.

The remaining unamortized balance is $9,527,591 at June 30, 2016.

18. Implementation of GASB Pronouncements

A. Accounting Pronouncements Adopted during the Fiscal Year ended June 30, 2016

The financial statements of Metro Government are prepared in conformity with the accounting principles generally accepted in the United States of America as applied to government units. GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. During the current year, Metro Government adopted the following GASB pronouncements:

- Statement No. 72: *Fair Value Measurement and Application*
- Statement No. 73: *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*
- Statement No. 76: *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*
- Statement No. 79: *Certain External Investment Pools and Pool Participants*

The impact of GASB Statement No. 72, which gives a clearer definition of fair value, has been implemented in this report. GASB Statement No. 76 is intended to give a framework that simplifies the hierarchy of GAAP for state and local governments. GASB Statement Nos. 73 and 79 did not have an impact on financial reporting at this time.

B. Future Implementation of GASB Pronouncements

In addition to the pronouncements discussed above, the GASB has issued additional guidance for state and local governments that is not yet effective. Metro Government is currently reviewing the provisions of the following pronouncements to determine the impact of implementation in future periods.

- Statement No. 74: *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* (FY2017)
- Statement No. 75: *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (FY2018)
- Statement No. 77: *Tax Abatement Disclosures* (FY2017)
- Statement No. 78: *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans* (FY2017)
- Statement No. 80: *Blending Requirements for Certain Component Units* (FY2017)
- Statement No. 81: *Irrevocable Split-Interest Agreements* (FY2017)
- Statement No. 82: *Pension Issues* (FY2018)
- Statement No. 83: *Certain Asset Retirement Obligations* (FY2019)

19. Subsequent Events

A. Metro Government

On September 28, 2016, Metro Government issued $63,145,000 of General Obligation Bonds, Series 2016A to finance the acquisition, construction, and equipping of various public projects as described in the Metro Government 2016-17 Capital Project Budget. The Series 2016A bonds, issued at a premium, are payable in semi-annual principal installments ranging from $450,000 to $8,610,000 beginning June 1, 2017, at coupon interest rates ranging from 2.75% to 5.00% over 20 years.

On September 28, 2016, Metro Government issued $89,495,000 of General Obligation Bonds, Series 2016 to refund in advance of maturity the outstanding principal of Metro Government's General Obligation Bonds, Series 2015A BAN Omni Hotel. The proceeds of the Series 2016 Bonds combined with amounts remaining in the Series 2015A BAN fund will be used to redeem the Series 2015A BAN at a total price of $87,344,800 on December 1, 2016. The Series 2016 Bonds, issued at a premium, have an initial principal payment of $1,250,000 on December 1, 2019. The remaining payments are payable in semi-annual principal installments ranging from $1,310,000 to $7,275,000 ending on December 1, 2047, at coupon interest rates ranging from 2.25% to 5.0%.

The schedules in Note 7 do not reflect the impact of the issues above.

B. Component Units

i. Louisville and Jefferson County Metropolitan Sewer District

On August 1, 2016, MSD's rates for wastewater and stormwater charges increased by 6.9%.

On August 30, 2016, MSD issued $175,000 of Revenue Bonds (Series 2016A) to fund capital projects and to make a deposit to the reserve account.

On August 30, 2016, MSD issued $30,875 of Revenue Refunding Bonds (Series 2016B), together with amounts from the reserve account, to refund in advance of maturity the outstanding principal amount of MSD's Sewer and Drainage System Revenue Bonds, Series 2008A.

On August 30, 2016, MSD issued $71,755 of Revenue Refunding Bonds (Series 2016C), together with amounts from the reserve account, to refund in advance of maturity a portion of the outstanding principal amount of MSD's Sewer and Drainage System Revenue Bonds, Series 2009A.

On November 2016, MSD issued $226,340 of Bond Anticipation Notes to refinance the 2015 Bond Anticipation Notes.

19. Subsequent Events, continued

ii. Parking Authority of River City

In September 2016, PARC issued $32,800,000 of First Mortgage Revenue Refunding Bonds (Series 2016B) to refinance the 2009A Bonds relating to the Yum Center Arena garage. Principal payments are scheduled on December 1, 2016, for $175,000 and end on December 1, 2039. Interest rates range from 2.25% to 5%.

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JEFFERSON COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL ON BASIS OF BUDGETING - GENERAL FUND
For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual Amounts - GAAP Basis	Reconciliation of Basis Difference	Actual Amounts - Budgetary Basis
REVENUES					
Property taxes	149,190,000	149,190,000	151,559,429	(151,149)	151,710,578
Occupational taxes	327,406,600	327,406,600	383,942,352	(322,014)	384,264,366
Licenses and permits	17,825,100	17,825,100	17,451,637	698,489	16,753,148
Intergovernmental	25,651,500	25,678,157	27,148,479	508,995	26,639,484
Charges for services	67,622,900	67,990,400	65,360,340	(2,911,042)	68,271,382
Fees and fines	5,073,500	5,073,500	5,204,719	96,327	5,108,392
Investment income	230,000	230,000	431,244	-	431,244
Dividends	20,660,000	20,660,000	20,558,305	-	20,558,305
Donations	4,746,200	4,603,900	3,875,542	(229,911)	4,105,453
Miscellaneous	456,700	456,700	421,749	(19,835)	441,584
Total revenues	618,862,500	619,114,357	675,953,796	(2,330,140)	678,283,936
EXPENDITURES					
Current operating:					
General Government:					
Metro Council	7,993,900	6,345,610	6,083,873	27,079	6,110,952
Mayor's Office	2,401,400	2,401,400	2,453,924	1,638	2,455,562
County Attorney	8,004,500	8,004,500	8,074,566	91,468	8,166,034
Other Elected Officials	10,874,000	10,874,000	10,921,022	37,254	10,958,276
Fire	53,392,200	53,350,213	53,778,385	88,441	53,866,826
Emergency Medical Services	26,128,900	26,058,900	25,080,835	66,178	25,147,013
Emergency Management	14,759,900	14,759,900	14,823,725	109,487	14,933,212
Corrections	54,940,800	54,557,500	53,121,018	351,152	53,472,170
Youth Detention Services	9,777,100	9,777,100	9,713,780	655,495	10,369,275
Animal Control Services	3,848,000	3,839,660	3,787,207	41,838	3,829,045
Criminal Justice Commission	322,400	322,400	308,913	9,005	317,918
Firefighters' Pension Fund	3,808,300	3,808,300	3,780,217	-	3,780,217
Policemen's Retirement Fund	2,733,600	2,733,600	2,707,929	-	2,707,929
Police	168,539,200	168,675,929	168,095,579	603,439	168,699,018
Economic Growth & Innovation	12,770,600	13,666,052	11,193,389	1,171,015	12,364,404
Develop Louisville	12,304,600	12,348,880	12,059,369	109,333	12,168,702
Air Pollution Control	5,131,800	5,064,800	3,047,882	5,468	3,053,350
Codes & Regulations	6,068,400	6,072,167	6,171,977	309,318	6,481,295
Parks & Recreation	27,898,200	28,487,037	29,782,084	535,358	30,317,442
Community Services & Revitalization	8,650,100	9,012,097	8,380,629	462,357	8,842,986
Public Health & Wellness	9,806,600	9,708,700	8,601,698	442,116	9,043,814
Public Works & Assets	38,933,500	38,444,941	41,228,233	968,682	42,196,915
Information Technology	13,072,300	13,076,148	13,545,096	1,525,265	15,070,361
Office of Management & Budget	60,631,700	58,032,571	58,384,542	340,700	58,725,242
Office of Performance & Imporvement	1,275,400	1,275,400	1,276,651	22,073	1,298,724
Human Resources	3,960,900	3,960,900	3,813,502	12,825	3,826,327
Related Agencies:			-		
Human Relations Commission	701,000	677,200	701,508	-	701,508
Louisville Free Public Library	17,749,900	17,368,499	17,797,977	262,415	18,060,392
Louisville Zoological Gardens	14,964,100	14,679,092	15,078,942	471,105	15,550,047
Internal Audit	726,000	726,000	650,742	-	650,742
Debt service principal	3,831,600	9,901,900	8,482,347	-	8,482,347
Debt service interest and other charges	8,027,100	8,027,100	3,425,302	-	3,425,302
Total expenditures	614,028,000	616,038,496	606,352,843	8,720,504	615,073,347
Excess (deficiency) of revenues over expenditures	4,834,500	3,075,861	69,600,953	6,390,364	63,210,589
OTHER FINANCING SOURCES (USES)					
Proceeds of bonds, par			-		-
Proceeds of bonds, premium			-		-
Transfers in			3,101,459		3,101,459
Transfers out			(70,206,489)		(70,206,489)
Total other financing sources and uses			(67,105,030)		(67,105,030)
Net change in fund balances			2,495,923		(3,894,441)
Fund balances--beginning			98,176,490		98,176,490
Prior period adjustment					
Fund balances--ending			$ 100,672,413		$ 94,282,049

The accompanying notes are an integral part of the financial statements.

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
REQUIRED SUPPLEMENTARY INFORMATION - CERS PENSION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
June 30, 2016

	2016	2015
Metro Government's proportionate share of the net pension liability	$ 669,512,880	$ 523,687,000
Metro Government's proportion of the net pension liability		
Non-Hazardous	5.83%	5.89%
Hazardous	27.56%	27.67%
Covered-employee payroll	286,403,760	277,606,379
Metro Government's share of the net pension liability as a percentage of its covered-employee payroll	233.77%	188.64%
Total Plan fiduciary net position as a percentage of the total pension liability	58.49%	51.61%

Note 1: This schedule is presented to illustrate the requriement to show information for 10 years. However, until a full 10-year trend is compiled, Metro Government is presenting information for those years for which information is available.

Note 2: The amounts presented for each fiscal year were determined as of the year-end that occurred one year prior.

Changes in Assumptions and Benefit Terms: Since the prior measurement date, the demographic and economic assumptions that affect the measurement of the total pension liability have been updated as described below:

- The assumed investment rate of return was decreased from 7.75% to7.50%.
- The assumed rate of inflation was reduced from 3.50% to 3.25%.
- The assumed rate of wage inflation was reduced from 1.00% to 0.75%.
- Payroll growth assumption was reduced from 4.50% to 4.00%.
- The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females).
- For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.
- The assumed rates of Retirement, Withdrawal and Disability were updated to more accurately reflect experience.

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
REQUIRED SUPPLEMENTARY INFORMATION - CERS PENSION
SCHEDULE OF CONTRIBUTIONS
June 30, 2016

	2016	2015
Contractually required contribution	$ 48,017,806	$ 48,095,460
Contributions in relation to the contractually required contribution	(48,017,806)	(48,095,460)
Contribution deficiency (excess)	-	-
Covered-employee payroll	286,403,760	279,213,055
Contributions as a percentage of covered-employee payroll	16.77%	17.23%

Note: This schedule is presented to illustrate the requriement to show information for 10 years. However, until a full 10-year trend is compiled, Metro Government is presenting information for those years for which information is available.

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
REQUIRED SUPPLEMENTARY INFORMATION - SINGLE EMPLOYER PENSIONS
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY
June 30, 2016

	Louisville Firefighters' Pension Fund	Policemen's Retirement Fund of the City of Louisville
Total Pension Liability		
Total Pension Liability - January 1, 2015	$ 24,135,093	$ 18,299,029
Changes for the year:		
Interest cost	1,585,619	1,155,210
Differences between expected and actual experience	(129,606)	(369,491)
Changes of assumptions	-	156,520
Benefit payments	(2,738,583)	(2,140,468)
Total Pension Liability - December 31, 2015	22,852,523	17,100,800
Plan Fiduciary Net Position		
Plan Fiduciary Net Position - January 1, 2015	9,505,109	7,661,800
Changes for the year:		
Contributions - employer	2,906,318	1,976,165
Net investment income	(1,242,147)	(987,623)
Benefit payments/refunds	(2,738,583)	(2,140,468)
Administrative expenses and reimbursements	-	(1,328)
Other charges	-	1,083
Plan Fiduciary Net Position - December 31, 2015	8,430,697	6,509,629
Net Pension Liability - December 31, 2015	$ 14,421,826	$ 10,591,171
Plan fiduciary net position as a percentage of the total pension liability	36.89%	38.06%
Covered-employee payroll	N/A	$ 61,877
Net pension liability as a percentage of employee covered payroll	N/A	17362.00%

Note 1: This schedule is presented to illustrate the requriement to show information for 10 years. However, until a full 10-year trend is compiled, Metro Government is presenting information for those years for which information is available.

Note 2: The amounts presented for each fiscal year were determined as of the year-end that occurred one year prior.

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
REQUIRED SUPPLEMENTARY INFORMATION - SINGLE EMPLOYER PENSIONS
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY
June 30, 2015

	Louisville Firefighters' Pension Fund	Policemen's Retirement Fund of the City of Louisville
Total Pension Liability		
Total Pension Liability - January 1, 2014	$ 24,630,219	$ 18,472,218
Changes for the year:		
Interest cost	1,731,650	1,293,881
Differences between expected and actual experience	(166,665)	(43,156)
Changes of assumptions	785,839	829,265
Benefit payments	(2,845,950)	(2,253,179)
Total Pension Liability - December 31, 2014	24,135,093	18,299,029
Plan Fiduciary Net Position		
Plan Fiduciary Net Position - January 1, 2014	8,688,396	7,457,171
Changes for the year:		
Contributions - employer	3,143,954	1,896,693
Net investment income	518,709	561,918
Benefit payments/refunds	(2,845,950)	(2,253,179)
Administrative expenses and reimbursements	-	(1,145)
Other charges	-	342
Plan Fiduciary Net Position - December 31, 2014	9,505,109	7,661,800
Net Pension Liability - December 31, 2014	$ 14,629,984	$ 10,637,229
Plan fiduciary net position as a percentage of the total pension liability	39.38%	41.87%
Covered-employee payroll	N/A	$ 60,590
Net pension liability as a percentage of employee covered payroll	N/A	174

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
REQUIRED SUPPLEMENTARY INFORMATION - SINGLE EMPLOYER PENSIONS
SCHEDULE OF CONTRIBUTIONS
June 30, 2016

	Louisville Firefighters' Pension Fund	Policemen's Retirement Fund of the City of Louisville
Actuarially determined contribution	$ 2,906,318	$ 1,976,165
Contribution in relation to the actuarially determined contributions	(2,906,318)	(1,976,165)
Contribution deficiency (excess) covered employee payroll	$ -	$ -
Covered payroll	$ -	$ 61,877
Contributions as a % of employee covered payroll	0%	3193.70%

Note: This schedule is presented to illustrate the requriement to show information for 10 years. However, until a full 10-year trend is compiled, Metro Government is presenting information for those years for which information is available.

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
REQUIRED SUPPLEMENTARY INFORMATION - SINGLE EMPLOYER PENSIONS
SCHEDULE OF CONTRIBUTIONS
June 30, 2015

	Louisville Firefighters' Pension Fund	Policemen's Retirement Fund of the City of Louisville
Actuarially determined contribution	$ 3,143,954	$ 1,896,693
Contribution in relation to the actuarially determined contributions	(3,143,954)	(1,896,693)
Contribution deficiency (excess) covered employee payroll	$ -	$ -
Covered payroll	$ -	$ 60,590
Contributions as a % of employee covered payroll	0%	3130.37%

SCHEDULE OF INVESTMENT RETURNS
Annual money-weighted rate of return, net of investment expense

	2015	2014	2013	2012	2011	2010	2009	2008	2007
Louisville Firefighters' Pension Fund	1.52%	7.82%	21.62%	11.44%	4.13%	5.50%	21.78%	-21.65%	7.45%
Policemen's Retirement Fund	-3.62%	9.30%	23.20%	11.56%	0.01%	8.87%	21.11%	-18.82%	-19.62%

OTHER SUPPLEMENTARY INFORMATION - COMBINING FINANCIAL STATEMENTS

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2016

	Debt Service		Capital Projects			
	General Obligation	Capital Projects Corporation	Special Purpose Fund	Public Properties Corporation	Capital Projects Corporation	Total Nonmajor Governmental Funds
ASSETS						
Cash and cash equivalents	$ -	$ 2,632	$ 2,552,324	$ 1,265,324	$ -	$ 3,820,280
Investments	-	-	3,828,374	821,443	-	4,649,817
Due from other funds	140,761	-	-	-	-	140,761
Restricted assets:						
Cash and cash equivalents	5,080,653	-	-	-	661	5,081,314
Total assets	5,221,414	2,632	6,380,698	2,086,767	661	13,692,172
LIABILITIES						
Accounts payable	-	-	174,196	-	-	174,196
Matured bonds and interest payable	140,761	-	-	-	-	140,761
Total liabilities	140,761	-	174,196	-	-	314,957
FUND BALANCES						
Restricted for:						
Debt service reserve	5,080,653	2,632	-	-	-	5,083,285
Committed for:						
Assigned to:						
Capital projects	-	-	6,206,502	2,086,767	661	8,293,930
Total fund balances	5,080,653	2,632	6,206,502	2,086,767	661	13,377,215
Total liabilities and fund balances	$ 5,221,414	$ 2,632	$ 6,380,698	$ 2,086,767	$ 661	$ 13,692,172

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2016

	Debt Service		Capital Projects			
	General Obligation	Capital Projects Corporation	Special Purpose Fund	Public Properties Corporation	Capital Projects Corporation	Total Nonmajor Governmental Funds
REVENUES						
Intergovernmental	$ 2,265,755	$ 4,393,249	$ 1,720,124	$ -	$ -	$ 8,379,128
Charges for services	-	-	261,381	-	-	261,381
Fees and fines	-	-	14,242	-	-	14,242
Investment income	2,820	-	10,987	-	-	13,807
Total revenues	2,268,575	4,393,249	2,006,734	-	-	8,668,558
EXPENDITURES						
Current:						
Emergency Management/MetroSafe	-	-	-	5,685	-	5,685
Debt service:						
Principal	30,351,467	9,665,000	-	-	-	40,016,467
Interest and other charges	13,090,423	1,807,779	-	-	-	14,898,202
Capital outlay	-	-	3,602,683	-	-	3,602,683
Total expenditures	43,441,890	11,472,779	3,602,683	5,685	-	58,523,037
Deficiency of revenues under expenditures	(41,173,315)	(7,079,530)	(1,595,949)	(5,685)	-	(49,854,479)
OTHER FINANCING SOURCES (USES)						
Note revenue	-	-	-	-	149,940	149,940
Transfers in	43,989,876	7,079,656	1,656,100	-	-	52,725,632
Transfers out	-	-	-	-	(149,940)	(149,940)
Total other financing sources (uses)	43,989,876	7,079,656	1,656,100	-	-	52,725,632
Net change in fund balances	2,816,561	126	60,151	(5,685)	-	2,871,153
Fund balances--beginning	2,264,092	2,506	6,146,351	2,092,452	661	10,506,062
Fund balances--ending	$ 5,080,653	$ 2,632	$ 6,206,502	$ 2,086,767	$ 661	$ 13,377,215

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
June 30, 2016

	Insurance and Risk Management Fund	Louisville Jefferson Co Metro Revenue Commission	Total
ASSETS			
Current assets:			
Cash and cash equivalents	$ 14,410,037	$ 67,525,649	$ 81,935,686
Investments	17,539,034	-	17,539,034
Accounts receivable	585,659	-	585,659
Deposits with paying agents	75,000	-	75,000
Total current assets	32,609,730	67,525,649	100,135,379
Capital assets:			
Furniture and equipment, net	-	157,332	157,332
Total capital assets	-	157,332	157,332
Total assets	32,609,730	67,682,981	100,292,711
LIABILITIES			
Current liabilities:			
Accounts payable	1,559,779	1,393,926	2,953,705
Refunds payable	-	3,579,566	3,579,566
Claims and judgments, current	24,308,742	-	24,308,742
Accounts payable to related parties, Louisville Metro Government	-	422,498	422,498
Due to other funds	-	58,273,341	58,273,341
Total current liabilities	25,868,521	63,669,331	89,537,852
Noncurrent liabilities:			
Claims and judgments	20,311,291	-	20,311,291
Total noncurrent liabilities	20,311,291	-	20,311,291
Total liabilities	46,179,812	63,669,331	109,849,143
DEFERRED INFLOWS OF RESOURCES			
Deferred tax credit receipts	-	3,995,093	3,995,093
Toal deferred inflows of resources	-	3,995,093	3,995,093
NET POSITION			
Net investment in capital assets	-	157,332	157,332
Restricted	3,488,228	-	3,488,228
Unrestricted	(17,058,310)	(138,775)	(17,197,085)
Total net position	$ (13,570,082)	$ 18,557	$ (13,551,525)

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
COMBINING STATEMENT OF REVENUES, EXPENSES & CHANGES IN NET POSITION
INTERNAL SERVICE FUNDS
For the Year Ended June 30, 2016

	Insurance and Risk Management Fund	Louisville Jefferson Co Metro Revenue Commission	Total
OPERATING REVENUES:			
Collection, investment and other fees	$ 55,743,468	$ 5,644,596	$ 61,388,064
Insurance income	16,871,081	-	16,871,081
Metro funding	2,500,676	-	2,500,676
Total operating revenues	75,115,225	5,644,596	80,759,821
OPERATING EXPENSES:			
Professional services	254,638	4,915,617	5,170,255
Contractual services	115,307	322,210	437,517
Repairs and maintenance	-	2,443	2,443
Other supplies and expenses	11,051	413,642	424,693
Insurance claims, settlements and losses	78,958,297	-	78,958,297
Insurance premiums	2,405,517	-	2,405,517
Depreciation	-	44,085	44,085
Total operating expenses	81,744,810	5,697,997	87,442,807
Operating loss	(6,629,585)	(53,401)	(6,682,986)
NONOPERATING REVENUES:			
Investment income	101,356	-	101,356
Total nonoperating revenues	101,356	-	101,356
Change in net position	(6,528,229)	(53,401)	(6,581,630)
Total net position--beginning	(7,041,853)	71,958	(6,969,895)
Total net position--ending	$ (13,570,082)	$ 18,557	$ (13,551,525)

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Year Ended June 30, 2016

	Insurance and Risk Management Fund	Louisville Jefferson Co. Metro Revenue Commission	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from collection, investment, and other fees	$ -	$ 5,644,596	$ 5,644,596
Insurance income	72,584,728	-	72,584,728
Payments to employees	(254,638)	(3,727,368)	(3,982,006)
Payments to suppliers	(3,352)	(1,926,544)	(1,929,896)
Payments from Metro	2,500,000	-	2,500,000
Contractual services	98,350	-	98,350
Claims paid	(68,458,485)	-	(68,458,485)
Insurance premiums paid	(2,405,517)	-	(2,405,517)
Decrease in cash collected for others	-	(2,437,159)	(2,437,159)
Other payments	(7,699)	-	(7,699)
Net cash provided/(used) by operating activities	4,053,387	(2,446,475)	1,606,912
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers from other funds	-	-	-
Net cash provided by noncapital financing activities	-	-	-
CASH FLOWS FROM CAPITAL ACTIVITIES:			
Acquisition and construction of capital assets	-	-	-
Net cash used in capital activities	-	-	-
CASH FLOWS FROM INVESTING ACTIVITIES:			
Change in investment pool participation	(1,635,492)	-	(1,635,492)
Investment income	101,356	-	101,356
Net cash used by investing activities	(1,534,136)	-	(1,534,136)
Net increase (decrease) in cash and cash equivalents	2,519,251	(2,446,475)	72,776
Cash and cash equivalents, beginning of the year	16,853,250	69,972,124	86,825,374
Cash and cash equivalents, end of the year	$ 19,372,501	$ 67,525,649	$ 86,898,150
Reconciliation of Operating Loss to Net Cash Provided/(Used) By Operating Activities			
Operating loss	$ (6,629,585)	$ (53,401)	$ (6,682,986)
Adjustments to reconcile operating loss to net cash provided /(used) by operating activities:			
Depreciation expense	-	44,085	44,085
Increase (decrease) in cash due to changes in assets and liabilities:			
Accounts receivable	(30,497)	-	(30,497)
Prepaid expenses	-	-	-
Accounts and other payables	994,945	(792,608)	202,337
Liability for incurred claims	9,718,524	-	9,718,524
Due to other funds and governmental agencies	-	(2,089,927)	(2,089,927)
Deferred inflows of resources	-	445,376	445,376
Net cash provided/(used) by operating activities	$ 4,053,387	$ (2,446,475)	$ 1,606,912

During fiscal year 2016, there was no non-cash change to the fair value of investments.

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
COMBINING STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS
June 30, 2016

	Mass Transit	Escrow and Deposit	Revenue Commission	Total
ASSETS				
Cash and cash equivalents	$ 6,405,508	$ 9,456,030	$ -	$ 15,861,538
Interest receivable	32	-	-	32
Due from other funds	4,409,758	543,208	17,983,977	22,936,943
Due from other governmental agencies	6,036,258	-	-	6,036,258
Total assets	16,851,556	9,999,238	17,983,977	44,834,771
	-	-	-	-
LIABILITIES				
Accounts payable	-	61	-	61
Due to other governmental agencies	16,851,556	41,989	17,983,977	34,877,522
Refundable deposits	-	9,957,188	-	9,957,188
Total liabilities	$ 16,851,556	$ 9,999,238	$ 17,983,977	$ 44,834,771

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
For the fiscal year ended June 30, 2016

Mass Transit

	Balance July 1, 2015	Additions	Deductions	Balance June 30, 2016
ASSETS				
Cash and cash equivalents	$ 2,095,021	$ 40,648,701	$ 36,338,214	$ 6,405,508
Interest receivable	28	32	28	32
Due from other funds	4,934,973	4,409,758	4,934,973	4,409,758
Due from other governmental agencies	3,685,865	6,036,258	3,685,865	6,036,258
Total assets	10,715,887	51,094,749	44,959,080	16,851,556
LIABILITIES				
Due to other governmental agencies	10,715,887	57,113,636	50,977,967	16,851,556
Total liabilities	$ 10,715,887	$ 57,113,636	$ 50,977,967	$ 16,851,556

Escrow and Deposit

	Balance July 1, 2015	Additions	Deductions	Balance June 30, 2016
ASSETS				
Cash and cash equivalents	$ 8,210,332	$ 19,162,784	$ 17,917,086	$ 9,456,030
Investments	3	-	3	-
Due from other funds	545,502	-	2,294	543,208
Total assets	8,755,837	19,162,784	17,919,383	9,999,238
LIABILITIES				
Notes payable	-	-	-	-
Accounts payable	64	-	3	61
Due to other governmental agencies	41,989	-	-	41,989
Refundable deposits	8,713,784	9,690,621	8,447,217	9,957,188
Total liabilities	$ 8,755,837	$ 9,690,621	$ 8,447,220	$ 9,999,238

Revenue Commission

	Balance July 1, 2015	Additions	Deductions	Balance June 30, 2016
ASSETS				
Due from other funds	$ 17,791,042	$ 188,409,175	$ 188,216,240	$ 17,983,977
Total assets	17,791,042	188,409,175	188,216,240	17,983,977
LIABILITIES				
Due to other governmental agencies	17,791,042	188,409,175	188,216,240	17,983,977
Total liabilities	$ 17,791,042	$ 188,409,175	$ 188,216,240	$ 17,983,977

Statistical Section

This part of the Metro Government's CAFR presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about Metro Government's overall financial health.

Contents

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT

SUMMARY OF NET POSITION AND CHANGES IN NET POSITION

Last Ten Fiscal Years

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Primary Government/Governmental Activities:										
Net investment in capital assets	$ 574,279,092	$ 556,217,633	$ 752,726,047	$ 562,313,226	$ 564,365,332	$ 561,495,114	$ 665,614,641	$ 592,136,882	$ 613,703,722	$ 519,383,561
Restricted	48,854,645	62,193,363	63,000,419	110,554,680	117,847,207	105,432,176	114,534,971	102,447,018	108,156,832	129,776,847
Unrestricted	(1,167,710)	(13,411,709)	(219,649,735)	(77,056,948)	(68,207,245)	(73,702,597)	612,809,973	673,254,749	154,810,977	153,453,858
Total Primary Government/Governmental		-								
Activities Net Position	$ 621,966,027	$ 604,999,287	$ 596,076,731	$ 595,810,958	$ 614,005,294	$ 593,224,693	$ 1,332,959,585	$ 1,367,838,649	$ 876,671,531	$ 802,614,266
Primary Government/Governmental Activities:										
Expenses (1)										
General Government	$ 27,142,783	$ 27,463,380	$ 25,757,030	$ 26,038,922	$ 24,642,512	$ 24,356,217	$ 25,551,288	$ 24,959,340	$ 27,667,424	$ 28,949,797
Public Protection	156,867,814	168,125,697	166,736,527	179,177,567	165,249,244	180,560,832	173,165,530	178,457,835	185,695,917	196,089,364
Police	135,962,267	140,438,253	147,980,259	154,758,199	146,109,848	149,203,869	154,390,579	166,543,751	174,573,333	179,485,583
Develop Louisville	-	-	-	-	-	-	-	-	17,355,055	17,257,539
Economic Development	30,710,291	25,275,680	39,617,092	41,026,189	46,807,358	40,714,536	39,022,221	36,586,292	21,210,884	127,986,735
Codes & Regulations	8,640,257	11,289,044	12,220,294	11,363,294	10,260,304	10,162,793	13,203,773	12,689,355	6,755,777	8,212,418
Parks & Recreation	25,515,919	25,131,824	24,615,331	31,235,451	27,335,066	34,427,841	32,020,006	35,381,854	36,768,286	40,756,427
Community Services & Revitalization	30,304,444	28,844,976	29,871,809	40,596,137	48,008,957	37,987,193	38,238,990	33,276,562	33,455,039	32,796,195
Public Health & Wellness	38,132,320	26,795,986	25,066,813	27,846,578	26,097,549	37,286,740	30,902,897	29,051,919	25,589,495	20,040,431
Neighborhoods (2)	7,068,336	8,194,903	6,878,355	-	-	-	-	-	-	-
Public Works & Assets	127,157,541	130,173,516	117,838,351	121,630,180	115,037,984	121,557,241	107,057,482	97,489,191	71,092,808	88,810,401
Information Technology	10,111,462	11,858,166	12,428,088	11,113,289	10,284,427	11,410,236	12,111,989	12,049,036	12,671,624	14,342,681
Office of Management & Budget	13,789,994	24,813,303	23,929,387	25,184,029	30,926,357	25,968,370	28,750,138	28,005,568	66,090,396	63,140,900
Office of Performance Improvement	-	-	-	-	-	-	-	786,196	1,086,780	1,324,155
Human Resources	4,176,072	4,521,110	4,492,419	4,238,428	3,643,413	3,683,658	4,029,030	3,838,145	3,826,529	3,984,022
Related Agencies	48,736,693	53,572,010	41,302,782	41,933,564	38,706,100	35,595,222	34,884,831	35,710,144	36,812,637	44,682,539
Interest expense	17,214,454	14,425,027	19,424,674	19,405,824	19,397,158	17,886,190	16,133,319	14,433,550	12,577,236	15,068,075
Total Expenses	681,530,647	700,922,875	698,159,211	735,547,651	712,506,277	730,800,938	709,462,073	709,256,738	733,229,220	888,533,523
Program Revenues:										
Charges for Services										
Emergency Medical Services	12,087,525	11,621,333	13,431,725	14,188,669	14,857,817	15,827,599	14,875,428	15,016,285	17,397,699	17,034,887
Codes & Regulation	13,954,629	14,215,180	13,126,794	11,366,206	11,476,715	12,240,045	13,714,006	15,050,262	19,817,678	19,793,127
Louisville Zoological Gardens	8,224,299	8,667,497	8,519,092	8,696,270	9,337,769	14,347,717	9,674,461	10,055,819	10,048,797	10,502,885
Economic Growth & Innovation	9,007,348	10,082,408	8,080,332	20,095,174	12,377,407	11,837,685	5,766,022	4,965,184	2,425,472	4,196,442
Other	40,182,710	33,471,796	32,930,586	39,842,923	65,108,525	34,959,342	39,137,833	39,752,384	44,472,266	46,753,814
Total Charges for Services	83,456,511	78,058,214	76,088,529	94,189,242	113,158,233	89,212,388	83,167,750	84,839,934	94,161,912	98,275,155
Operating Grants and Contributions	73,451,393	82,810,321	99,301,526	101,747,787	92,108,658	99,653,680	94,956,266	89,354,359	65,469,606	77,916,538
Capital grants and Contributions	42,118,743	31,815,335	37,242,327	55,753,672	47,352,771	30,007,843	30,619,786	18,032,812	40,427,419	31,589,116
Total Primary Government Program Revenues	199,026,647	192,683,870	212,632,382	251,690,701	252,619,642	218,873,911	208,743,802	192,227,105	200,058,937	207,780,809
Net (Expense) Revenue	(482,504,000)	(508,239,005)	(485,526,829)	(483,856,950)	(459,886,635)	(511,927,027)	(500,718,271)	(517,029,633)	(533,170,283)	(680,752,714)
General Revenues:										
Taxes										
Property taxes, levied for general purposes	126,741,678	133,966,466	134,091,146	144,034,671	135,553,293	134,925,775	146,224,312	140,252,274	145,215,158	151,684,603
Occupational taxes	307,856,301	309,491,515	301,344,426	292,400,027	304,470,948	311,921,717	332,642,106	342,160,707	363,247,789	383,942,352
Investment income	9,189,326	8,413,117	3,950,500	1,812,116	1,185,714	803,261	317,716	866,649	446,799	806,261
Gain on equity interest in LWC	-	-	-	-	-	-	27,767,655	27,368,502	30,927,799	31,462,285
Dividends	14,625,718	18,531,912	17,288,555	18,148,381	18,232,699	18,873,435	18,937,347	20,055,060	20,768,549	20,558,305
Other intergovernmental revenue	13,591,805	11,419,069	11,291,887	5,141,872	13,499,503	14,409,201	13,466,456	13,961,702	13,694,877	14,448,839
Amortization of intra-entity transfer	-	-	-	-	-	-	-	532,020	532,019	532,019
Fees and fines	-	-	-	-	-	-	-	-	-	-
Gain on sale of assets	1,047,399	2,626,001	1,622,208	32,174	323,156	34,705	4,861,434	3,994,793	11,001	1,261,750
Other taxes	271,059	209,376	269,634	7,679,701	3,480,660	984,143	309,135	299,836	355,117	441,673
Rental receipts (3)	1,256,226	1,832,428	1,950,901	5,284,108	-	-	-	-	-	-
Miscellaneous	3,982,753	4,782,381	4,795,016	8,995,989	4,635,565	9,194,189	1,960,028	2,417,254	1,398,184	1,557,362
Total General Revenues	478,562,265	491,272,265	476,604,273	483,529,039	481,381,538	491,146,426	546,486,189	551,908,797	576,597,292	606,695,449
Change in Net Position	(3,941,735)	(16,966,740)	(8,922,556)	(327,911)	21,494,903	(20,780,601)	45,761,918	34,879,064	43,427,009	(74,057,265)
Net Position - beginning, restated	615,532,861	621,966,027	604,999,287	596,076,731	595,810,958	614,005,294	1,287,197,667	1,332,959,585	833,244,522	876,671,531
Increase due to acquired agency	-	-	-	-	-	-	-	-	-	-
Prior period adjustment	10,374,901	-	-	62,138	(3,300,567)	-	-	-	-	-
Net Position - ending	$ 621,966,027	$ 604,999,287	$ 596,076,731	$ 595,810,958	$ 614,005,294	$ 593,224,693	$ 1,332,959,585	$ 1,367,838,649	$ 876,671,531	$ 802,614,266

(1) Amounts reported for fiscal years 2003 - 2007 have been restated to conform with current year presentation.
(2) During fiscal year 2010, Neighborhoods was disbanded and its divisions were moved to Parks & Recreation.
(3) Rental receipts were reclassified into program income.
(4) The July 1, 2014 balance was adjusted by prior period adjustment related to GASB Statement No. 68 and 71. Prior years have not been revised.

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT

FUND BALANCE, GOVERNMENTAL FUNDS

Last Ten Fiscal Years

	2007	2008	2009 (1)	2010	2011	2012	2013	2014	2015	2016
General Fund										
Reserved	$ 6,931,347	$ 3,469,429	$							
Unreserved	97,232,552	84,397,148								
Nonspendable			3,787,983	2,429,896	$ 2,152,746	$ 2,201,362	$ 2,234,245	$ 1,827,935	$ 1,383,067	$ 1,543,084
Committed			6,499,730	7,006,904	8,398,077	5,516,769	12,145,968	9,121,441	7,208,401	18,122,565
Assigned			5,390,322	4,776,333	3,237,648	4,782,910	-	5,075,503	17,324,373	13,097,525
Unassigned			65,407,107	65,413,735	61,481,800	62,427,431	60,993,761	62,487,554	66,081,010	67,909,239
Total General Fund	$ 104,163,899	$ 87,866,577	$ 81,085,142	$ 79,626,868	$ 75,270,271	$ 74,928,472	$ 75,373,974	$ 78,512,433	$ 91,996,851	$ 100,672,413
All Other Governmental Funds										
Reserved	$ 37,478,627	$ 53,123,245	$							
Unreserved, reported in										
Special Revenue Fund	-	(5,723,981)								
Capital Projects Fund	55,858,957	40,137,381								
Other Nonmajor Governmental Funds	23,093,360	23,957,871								
Nonspendable			12,649,445	21,915,616	$ 30,601,612	$ 31,876,842	$ 42,194,182	$ 36,686,860	$ 35,403,863	$ 33,314,580
Restricted										
Debt service reserve			24,645	640,728	702,588	1,188,444	1,549,007	1,874,159	2,264,092	5,083,285
Grant programs										(152,166)
Other capital projects			7,720,089	44,510,631	33,149,813	22,193,090	16,471,248	22,212,134	29,694,105	59,886,439
Committed			-	19,358,238	13,420,935	14,477,155	18,712,355	16,462,358	13,686,363	18,338,639
Assigned										
Capital projects			63,806,231	55,475,794	56,415,646	43,955,089	49,828,695	30,660,936	29,690,390	34,519,116
Grant programs			6,269,161	-	1,695,405	1,317,853	-	-	-	1,352,393
Unassigned			-	(9,326,830)	-	-	-	-	-	-
Total all other Governmental Funds	$ 116,430,944	$ 111,494,516	$ 90,469,571	$ 132,574,177	$ 135,985,999	$ 115,008,473	$ 128,755,487	$ 107,896,447	$ 110,738,813	$ 152,342,286

(1) Metro Government elected to implement GASB Statement No. 54, Fund Balance Reporting and the Governmental Fund Type Definitions, in fiscal year 2009.
This statement allows the entity to apply prospectively in the statistical section. Therefore, Metro Government has not reclassified prior information.

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT

CHANGES IN FUND BALANCE, GENERAL FUND

Last Ten Fiscal Years

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
REVENUES										
Property taxes	$ 127,919,524	$ 134,259,325	$ 133,501,705	$ 141,716,498	$ 138,778,419	$ 135,292,983	$ 146,395,352	$ 140,114,870	$ 145,930,479	$ 151,559,429
Occupational taxes	307,856,301	309,491,515	301,344,426	292,406,027	304,470,948	311,921,717	332,642,106	342,160,707	363,247,789	383,942,352
Licenses and permits	11,811,402	11,600,220	10,521,865	11,057,738	11,368,388	11,605,120	11,310,699	12,751,256	17,501,754	17,451,637
Intergovernmental	122,899,040	123,701,933	140,964,634	164,305,785	155,184,610	143,345,773	135,815,730	121,489,356	116,222,595	27,148,479
Charges for services	68,620,013	65,046,880	65,033,024	75,707,838	87,881,294	75,011,225	68,797,114	62,197,666	70,985,287	65,360,340
Fees and fines	3,395,450	1,491,118	2,473,251	2,216,160	3,198,045	3,343,794	4,109,364	4,594,366	4,933,455	5,204,719
Investment income	9,189,326	8,413,117	3,950,500	1,812,116	1,185,714	803,261	317,716	866,649	446,799	431,244
Dividends	14,625,718	18,531,912	17,288,555	18,148,381	18,232,699	18,873,435	18,931,347	20,055,060	20,768,549	20,558,505
Donations	7,736,520	4,755,423	6,029,542	10,462,409	10,092,130	5,149,786	6,420,941	5,455,900	4,465,835	3,875,542
Miscellaneous	3,667,409	4,332,278	4,443,665	9,825,235	4,398,396	9,232,820	1,964,512	2,267,202	828,470	421,749
Total revenues	677,720,763	681,623,721	685,551,167	727,652,187	734,790,643	714,579,914	726,704,881	711,953,032	745,331,012	675,953,796
EXPENDITURES (1)										
General Government	24,679,207	25,525,729	23,478,816	23,437,183	24,666,853	24,090,917	24,326,121	24,505,744	26,623,663	27,533,385
Public Protection	142,118,284	155,794,072	153,421,244	158,587,753	161,712,743	164,487,923	167,301,188	169,421,490	169,852,405	167,102,009
Police	125,522,471	131,670,127	137,290,564	138,444,511	145,142,734	146,384,294	145,861,874	162,414,323	166,916,128	168,095,579
Develop Louisville	-	-	-	-	-	-	-	-	16,704,960	11,193,389
Economic Growth & Innovation	26,620,960	21,911,769	34,880,087	34,809,826	45,274,868	38,142,444	35,307,818	32,577,093	18,388,191	15,107,251
Codes & Regulations	7,998,515	10,615,953	10,192,927	10,212,326	10,260,927	10,055,407	12,573,693	12,462,632	6,502,716	6,171,977
Parks & Recreation	22,641,942	22,558,585	21,751,602	24,680,213	24,637,647	28,386,403	25,287,010	28,320,015	29,790,919	29,782,084
Community Services & Revitalization	28,133,973	27,177,609	27,848,133	31,076,886	46,153,340	37,568,161	36,398,441	32,666,551	32,190,468	8,380,629
Public Health & Wellness	35,181,838	25,011,628	23,148,305	24,863,141	25,963,966	36,693,912	29,261,333	28,364,636	24,469,644	8,601,698
Neighborhoods (2)	6,559,384	7,717,628	6,409,530	-	-	-	-	-	-	-
Public Works & Assets	71,262,503	73,676,326	82,986,482	81,172,938	87,164,736	87,164,736	80,831,064	80,908,231	53,611,347	41,228,233
Information Technology	7,813,687	9,589,440	9,975,852	9,236,175	9,337,569	10,309,590	10,682,818	10,990,985	11,601,162	13,545,096
Office of Management & Budget	12,802,901	23,281,270	22,246,348	22,552,036	30,855,010	25,583,709	27,289,853	30,737,314	63,455,842	58,384,542
Office of Performance Improvement	-	-	-	-	-	-	-	772,149	1,046,071	1,276,651
Human Resources	3,877,455	4,259,117	4,187,516	3,817,202	3,647,513	3,643,159	3,836,766	3,769,569	3,683,193	3,813,502
Related Agencies	39,521,940	44,246,849	32,429,223	33,778,047	34,632,946	31,446,405	31,629,495	32,275,766	32,840,695	34,229,169
Debt service principal	24,252,500	25,960,000	28,820,000	29,820,000	36,100,000	38,306,051	40,419,497	39,884,168	44,196,641	8,482,347
Debt service interest and other payments	17,892,454	14,425,027	15,227,787	16,682,756	16,426,350	15,014,147	14,293,180	13,018,262	12,844,244	3,425,302
Capital outlay	89,555,809	83,759,227	124,587,884	92,816,423	39,852,354	36,228,306	32,379,439	33,758,724	37,478,308	-
Total expenditures	686,435,823	707,180,356	758,882,500	735,987,416	741,829,556	733,505,564	717,679,530	736,847,652	752,196,597	606,352,843
Other Financing Sources (Uses)										
Proceeds from sale of capital assets	1,047,399	2,626,001	1,622,208	32,174	323,156	34,705	15,985,084	3,994,793	11,001	-
Issuance of bonds, par	33,255,000	-	44,000,000	96,355,000	9,385,000	-	10,100,000	6,961,900	-	-
Issuance of bonds, premium/(discount)	(60,278)	-	448,800	2,743,343	58,702	-	-	-	-	-
Issuance of refunding bonds, par	58,855,000	-	63,875,000	41,275,000	41,300,000	-	16,835,000	9,380,000	52,218,362	-
Issuance of refunding bonds, premium/(discount)	(137,152)	-	874,372	3,976,585	1,341,521	-	2,804,708	693,069	2,085,609	-
Issuance of debt, capital lease	-	-	-	-	-	3,500,000	-	-	-	-
Bond issuance costs paid	-	-	-	-	-	-	-	(9,880,000)	-	-
Refunded bond principal, interest, and premium	-	-	(65,295,627)	(44,000,000)	-	-	-	(109,673)	-	-
Proceeds from long term note	-	-	-	-	10,000,000	-	-	-	-	-
Payment to bond refunding escrow agent	(58,220,426)	-	-	-	(42,030,940)	-	(19,223,684)	-	(21,517,816)	-
Note Revenue	-	-	-	-	-	-	-	-	149,940	-
Transfers in	65,293,175	72,426,546	85,953,962	67,870,287	61,262,097	62,640,229	69,340,694	48,756,830	60,989,622	3,101,459
Transfers out	(65,293,175)	(72,426,546)	(85,953,962)	(110,511,156)	(75,545,398)	(68,568,949)	(90,674,937)	(52,622,580)	(70,144,604)	(70,206,489)
Total other financing sources (uses)	34,739,543	2,626,001	45,524,753	57,741,233	6,094,138	(2,394,015)	5,166,865	7,174,339	23,792,114	(67,105,030)
Net change in fund balance	$ 26,024,423	$ (22,930,634)	$ (27,806,380)	$ 49,406,004	$ (944,775)	$ (21,319,665)	$ 14,192,216	$ (17,720,281)	$ 16,926,529	$ 2,495,923
Ratio of total debt service expenditures to noncapital expenditures	6.74%	6.24%	6.90%	7.30%	7.55%	8.55%	8.07%	7.46%	7.46%	8.23%

(1) Amounts reported for fiscal years 2003 - 2007 have been restated to conform with current year presentation.
(2) During fiscal year 2010, Neighborhoods was disbanded and its divisions were moved to Parks & Recreation.

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT

GENERAL GOVERNMENTAL REVENUES BY SOURCE (1)

Last Ten Fiscal Years

Fiscal Year	Taxes	Licenses and Permits	Inter-governmental	Charges for Services	Fines and Forfeitures	Investment Income	Donations and Miscellaneous Revenue	Total Revenues
2007	$ 435,775,825	$ 11,811,402	$ 116,583,482	$ 65,952,416	$ 3,326,004	$ 6,391,247	$ 7,059,292	$ 646,899,668
2008	443,750,840	11,600,220	122,314,139	63,750,509	1,491,118	6,017,749	7,075,098	655,999,673
2009	434,846,131	10,521,865	140,138,472	64,239,245	2,447,186	2,658,807	6,261,891	661,113,597
2010	434,116,525	11,057,738	163,208,703	73,983,795	2,171,987	1,064,124	4,475,069	690,077,941
2011	443,249,367	11,168,192	153,497,428	85,845,830	3,198,045	567,731	7,058,190	704,584,783
2012	447,214,700	11,605,120	141,088,592	73,142,640	3,311,544	519,963	12,113,961	688,996,520
2013	479,037,458	11,310,699	134,470,127	66,212,186	4,109,364	62,864	3,971,153	699,173,851
2014	482,275,577	12,751,256	118,913,528	58,513,390	4,594,366	611,253	4,010,244	681,669,614
2015	509,178,268	17,501,754	113,582,408	70,948,853	4,933,455	226,126	3,475,096	719,845,960
2016	535,501,781	17,451,637	111,325,834	73,392,941	5,204,720	537,537	6,195,129	749,609,579

(1) Includes General, Special Revenue and Debt Service Funds.

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT

GENERAL FUND TAX REVENUES BY SOURCE

Last Ten Fiscal Years

Fiscal Year	Total Taxes	General Property Taxes	Bank and Life Insurance Shares	Public Service Corporations	Occupational Taxes	Other (1)	Interest, Penalties and Other Fees
2007	435,775,825	106,223,290	5,131,435	7,819,890	307,856,301	8,152,922	591,987
2008	443,750,840	112,610,250	5,001,374	7,883,195	309,491,515	8,336,658	427,848
2009	434,846,131	116,505,210	4,560,570	7,681,607	301,344,426	4,483,331	270,987
2010	434,116,525	117,949,837	9,147,243	7,428,378	292,400,027	6,647,248	543,792
2011	443,249,367	117,583,514	4,790,507	6,595,542	304,470,948	8,389,009	1,419,847
2012	447,214,700	117,758,838	4,769,261	6,156,154	311,921,717	5,894,287	714,443
2013	479,037,458	119,461,158	4,976,240	12,049,982	332,642,106	9,184,756	723,216
2014	482,275,592	120,956,463	5,028,818	7,765,117	342,160,722	5,666,983	697,489
2015	509,178,269	123,213,176	4,983,804	10,299,465	363,247,789	6,794,760	639,275
2016	535,501,781	128,546,766	5,410,201	10,466,682	383,942,352	6,448,576	687,204

(1) Tax revenues designated as Other include deed taxes, delinquent taxes and other miscellaneous property taxes.

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
EMPLOYMENT, INCOME AND OCCUPATIONAL TAX REVENUES
Last Ten Fiscal Years

Fiscal Year	Employment (2)	Unemployment Rate (2)	Per Capita Income (1) (2) (3)	Percent Income Growth	Occupational Tax Revenue	Percent Revenue Growth
2007	339,832	5.6%	39,877	7.42%	307,856,301	7.81%
2008	340,011	5.3%	41,626	4.39%	309,491,515	0.53%
2009	335,398	6.4%	41,517	-0.26%	301,344,426	-2.63%
2010	326,820	10.3%	41,345	-0.41%	292,400,027	-2.97%
2011	326,802	10.6%	39,407	-4.69%	304,470,948	4.13%
2012	327,926	10.0%	41,828	6.14%	311,921,717	2.45%
2013	334,034	8.6%	43,408	3.78%	332,642,106	6.64%
2014	339,429	8.1%	44,482	2.47%	342,160,722	2.86%
2015	355,616	6.1%	45,111	0.04%	363,247,789	6.16%
2016	352,193	4.9%	45,421	2.07%	383,942,352	5.70%

Source: Bureau of Economic Analysis website: www.bea.gov
Workforce Kentucky website: www.workforcekentucky.ky.gov

(1) Per capita income for 2016 is an estimate based on the average annual percentage increase over the last ten years. Per capita income for 2015, which had been an estimate, has been changed to reflect published figures as of March 2015.

(2) Employment, unemployment and per capita figures represent the annual average for the full calendar year previous to fiscal year end. The sources referenced above have continually updated these figures subsequent to the publishing of prior years reports. For consistency, Metro Government has elected to not revise prior year information and is presenting our previously published data.

(3) Total personal income is shown as part of the Schedule for Ratios of Outstanding Debt by Type on page 140.

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT

PRINCIPAL WITHHOLDING TAXPAYERS

Fiscal Year Ended June 30, 2016

Rank	Employer
1	Humana, Inc.
2	Jefferson County Board of Education
3	Norton Healthcare, Inc.
4	University of Louisville
5	General Electric Company
6	Ford Motor Company
7	Humana Insurance Co.
8	United Parcel Service, Inc. (Ohio)
9	Louisville/Jefferson County Metro Government
10	United Parcel Service, Co.
11	U.S. Department of Defense
12	Baptist Healthcare System
13	Jewish Hospital & St. Mary's Healthcare, Inc.
14	Kentucky State Treasurer
15	UPS Worldwide Forwarding, Inc.
16	Brown Forman Corporation
17	KentuckyOne Health, Inc.
18	Kroger Limited Partnership
19	L G & E and KU Services Company
20	University of Louisville Physicians, Inc.
21	United States Postal Service
22	UPS Supply Chain Solutions, Inc.
23	Baptist Medical Associates, Inc.
24	Kindred Healthcare Operating, Inc.
25	The Anthem Companies, Inc.
26	Jewish Physician Group
27	Papa Johns USA, Inc.
28	Wal-Mart Associates, Inc.
29	U.S. Department of Agriculture
30	Archdiocese of Louisville

Information obtained from the Louisville/Jefferson County Revenue Commission.

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY (1)
METRO GOVERNMENT
Last Ten Fiscal Years

Fiscal Year	Real Property: Assessed Value (2)	Real Property: Estimated Actual Value	Personal Property: Assessed Value	Personal Property: Estimated Actual Value	Total: Assessed Value	Total: Estimated Actual Value	Ratio of Total Assessed Value to Total Estimated Actual Value	Direct Rates: Real	Direct Rates: Personal	Homestead Exemption (3)
2007	12,683,955,249	13,269,920,329	1,347,895,696	1,347,895,696	14,031,850,945	14,617,816,025	95.99%	0.126	0.166	29,400
2008	13,378,169,974	13,949,476,154	1,531,404,667	1,531,404,667	14,909,574,641	15,480,880,821	96.31%	0.126	0.166	31,400
2009	13,326,407,151	13,933,743,911	1,657,693,699	1,657,693,699	14,984,100,850	15,591,437,610	96.10%	0.126	0.166	31,400
2010	13,221,353,224	13,819,232,754	1,392,226,642	1,392,226,642	14,613,579,866	15,211,459,396	96.07%	0.126	0.166	33,700
2011	13,105,246,418	13,688,841,348	1,687,391,277	1,687,391,277	14,792,637,695	15,376,232,625	96.20%	0.126	0.166	33,700
2012	51,480,204,902	54,041,866,872	8,018,563,988	8,018,563,988	59,498,768,890	62,060,430,860	95.87%	0.126	0.166	34,000
2013	52,680,900,802	55,287,731,992	9,641,449,953	9,641,449,953	62,322,350,755	64,929,181,945	95.99%	0.126	0.166	34,000
2014	52,784,193,990	55,550,817,680	8,554,120,377	8,554,120,377	61,338,314,367	64,104,938,057	95.68%	0.126	0.166	36,000
2015	53,719,598,239	56,472,371,339	9,368,489,178	9,202,006,137	63,088,087,417	65,674,377,476	96.06%	0.126	0.166	36,000
2016	56,429,647,046	59,228,065,186	9,528,743,615	9,528,743,615	65,958,390,661	68,756,808,801	96.39%	0.126	0.166	36,900

(1) Pursuant to the Constitution of Kentucky and applicable statutes, real property is to be revalued annually at 100 percent of its fair cash value.

(2) Metro Government tax is levied on properties within the entire Metropolitan area. Urban Services District ("USD") tax is an additional tax levied on properties with the USD. All properties within the Metropolitan area are taxed at the Metro Government general rate. Only those properties within the USD are taxed at the additional USD tax rates.

(3) Under the provisions of the Homestead Amendment to the Kentucky Constitution, persons 65 years or older are granted exemptions of these amounts on the assessed value of their bona fide residence.

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT

ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY (1)

URBAN SERVICES DISTRICT

Last Ten Fiscal Years

	Real Property		Personal Property		Total		Ratio of Total	Direct Rates		
Fiscal Year	Assessed Value (2)	Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value to Total Estimated Actual Value	Real	Personal	Homestead Exemption (3)
2007	11,971,085,907	12,513,155,067	1,575,229,335	1,575,229,335	13,546,315,242	14,088,384,402	96.15%	0.372	0.566	29,400
2008	12,683,955,249	13,269,920,067	1,347,895,696	1,347,895,696	14,031,850,945	14,617,816,025	95.99%	0.368	0.566	31,400
2009	13,378,169,974	13,949,476,154	1,531,404,667	1,531,404,667	14,909,574,641	15,480,880,821	96.31%	0.367	0.566	31,400
2010	13,326,407,151	13,933,743,911	1,657,693,699	1,657,693,699	14,984,100,850	15,591,437,610	96.10%	0.367	0.566	33,700
2011	13,221,353,224	13,819,232,754	1,392,226,642	1,392,226,642	14,613,579,866	15,211,459,396	96.07%	0.367	0.566	33,700
2012	13,105,246,418	13,688,841,348	1,687,391,277	1,687,391,277	14,792,637,695	15,376,232,625	96.20%	0.367	0.566	34,000
2013	13,540,026,278	14,127,735,908	2,434,463,209	2,434,463,209	15,974,489,487	16,562,199,117	96.45%	0.367	0.566	34,000
2014	13,499,447,592	14,116,984,162	1,700,346,488	1,700,346,488	15,199,794,080	15,817,330,650	96.10%	0.367	0.566	34,000
2015	13,549,601,362	14,164,569,942	2,037,843,994	2,037,843,994	15,587,445,356	16,202,413,936	96.20%	0.367	0.566	34,000
2016	14,782,238,903	15,404,694,453	2,164,868,863	2,164,868,863	16,947,107,766	17,569,563,316	96.46%	0.367	0.566	34,000

(1) Pursuant to the Constitution of Kentucky and applicable statutes, real property is to be revalued annually at 100 percent of its fair cash value.

(2) The Urban Services District ("USD") lies within the Metropolitan boundaries. The above schedule represents the assessed value of the properties within the USD. Metro Government tax is levied on properties within the entire Metropolitan area. USD tax is an additional tax levied on properties within the USD. All properties within the Metropolitan area are taxed at the Metro Government general rate. Only those properties within the USD are taxed at the additional USD tax rates.

(3) Under the provisions of the Homestead Amendment to the Kentucky Constitution, persons 65 years or older are granted exemptions of these amounts on the assessed value of their bona fide residence.

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
PROPERTY TAX RATES
DIRECT AND OVERLAPPING GOVERNMENTS
TAX RATES (PER $100 OF ASSESSED VALUATION)
Last Ten Fiscal Years

Fiscal Year	Metro Government Direct Rates (1) (2)					Overlapping Rates			Total Direct & Overlapping			
	Metro Government		Urban Services District			Consolidated School District						
	Real	Personal	Real	Personal	Total Direct	Real	Inventory	Personal	Real	Inventory	Personal	Total
2007	0.126	0.166	0.372	0.566	1.230	0.615	0.625	0.625	1.113	0.625	1.357	3.095
2008	0.126	0.166	0.368	0.566	1.226	0.615	0.627	0.627	1.109	0.627	1.359	3.095
2009	0.126	0.166	0.367	0.566	1.225	0.625	0.631	0.631	1.118	0.631	1.363	3.112
2010	0.126	0.166	0.367	0.566	1.225	0.646	0.646	0.646	1.139	0.646	1.378	3.163
2011	0.126	0.166	0.367	0.566	1.225	0.676	0.676	0.676	1.169	0.676	1.408	3.253
2012	0.126	0.166	0.367	0.566	1.225	0.677	0.677	0.677	1.170	0.677	1.409	3.256
2013	0.126	0.166	0.367	0.566	1.225	0.700	0.700	0.700	1.193	0.700	1.432	3.325
2014	0.126	0.166	0.367	0.566	1.225	0.710	0.710	0.710	1.203	0.710	1.442	3.355
2015	0.125	0.166	0.354	0.566	1.211	0.710	0.710	0.710	1.189	0.710	1.442	3.341
2016	0.125	0.166	0.354	0.566	1.211	0.710	0.710	0.710	1.189	0.710	1.442	3.341

Tax rates obtained from the Jefferson County Clerk's Office.

(1) Beginning in fiscal year 2004, property tax rates were set for the Urban Services District, which includes the prior boundaries of the City of Louisville, and for Metro Government as a whole which encompasses the entire area within Jefferson County.

(2) All taxpayers within Jefferson County are subject to the Metro Government rates. The Total Direct Rate applies to taxpayers residing within the Urban Services District.

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
PRINCIPAL PROPERTY TAXPAYERS
Current Year and Nine Years Ago

		June 30, 2016			June 30, 2007		
Taxpayer	Type of Business	Assessed Valuation	Rank	Percent of Total Assessed Valuation of 82,905,498,427	Assessed Valuation	Rank	Percent of Total Assessed Valuation of 67,115,159,813
Louisville Gas & Electric Co.	Energy Utility	$ 1,834,450,610	1	2.2%	$ 1,044,264,132	1	1.6%
United Parcel Service, Inc.	Air Express and Distribution	406,396,307	2	0.5%	160,061,542	7	0
Southwest Airlines	Airline	349,378,256	3	0.4%			
AT&T Communications	Telecommunications	306,460,224	4	0.4%			
Humana, Inc.	Healthcare	298,997,782	5	0.4%	172,654,408	5	0
Galt House, Inc.	Hotel	249,518,019	6	0.3%			
Republic Airways Holding	Airline Holding	201,968,850	7	0.2%			
Thomas W. Bullitt	Retail	200,775,500	8	0.2%	124,473,414	9	0.2%
Home Supply Co.	Lumber/Building Materials	146,693,640	9	0.2%			
Louisville Trophy LLC	Miscellaneous Services	136,208,400	10	0.2%	167,800,081	6	0.3%
BellSouth Telecommunications	Telecommunications				435,476,143	2	0.6%
Insight Midwest LP	Cable Media				292,704,309	3	0.4%
Cingular Wireless LLC	Telecommunications				224,375,527	4	0.3%
MRI NCT LLC	Real Estate				152,749,032	8	0.2%
Information Systems Corp.	Information Services				100,288,146	10	0.1%
	TOTAL	$ 4,130,847,588		5.0%	$ 2,874,846,734		4.3%

Source: Jefferson County Sheriff's Office

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT

PROPERTY TAX LEVIES AND COLLECTIONS

Last Ten Fiscal Years

Fiscal Year	Amount of Levy	Amount Collected in Year of Levy	Percentage Collected in Year of Levy	Collections in Subsequent Years	Total Tax Collections to Date	Percentage of Levy Collected	Total Outstanding Delinquent Taxes Receivable at June 30, 2016
2007	122,324,736	121,888,305	99.6%	22,778	121,911,083	99.7%	5,679,253
2008	128,569,436	128,045,919	99.6%	256,067	128,301,986	99.8%	5,401,922
2009	133,040,752	129,573,177	97.4%	3,269,071	132,842,248	99.9%	7,25,768
2010	137,034,214	132,148,914	96.4%	7,638,573	136,787,487	99.8%	12,006,630
2011	133,193,647	131,954,594	99.1%	704,442	132,659,036	99.6%	6,614,735
2012	132,050,675	131,350,289	99.5%	318,841	131,669,130	99.7%	6,344,686
2013	142,495,713	141,489,737	99.3%	455,322	141,945,059	99.6%	6,110,372
2014	136,518,821	135,353,735	99.1%	564,966	135,918,701	99.6%	5,205,643
2015	141,445,826	138,541,249	99.9%	1,861,775	140,403,024	99.3%	4,794,405
2016	147,637,046	145,744,061	98.7%	876,084	146,620,145	99.3%	5,727,128

Levies do not include autos. These are levied and collected by the Jefferson County Clerk's Office as required by Kentucky Revised Statutes Chapter 134 and City of Louisville Ordinance #185, Series 1984.

LOUISVILLE/ JEFFERSON COUNTY METRO GOVERNMENT

LEGAL DEBT MARGIN

Last Ten Fiscal Years

	Fiscal Year								
	2007	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**
Debt Limit - 10% of assessed valuation	$ 6,711,515,981	$ 7,001,070,521	$ 7,362,934,479	$ 7,439,897,820	$ 7,364,974,039	$ 7,429,140,658	$ 7,829,684,024	$ 7,653,810,845	$ 7,867,553,277
Total bonded debt applicable to limit	378,309,052	357,226,453	377,246,329	444,678,003	424,406,850	389,674,245	361,564,765	331,386,311	318,927,099
Legal debt margin	$ 6,333,206,929	$ 6,643,844,068	$ 6,985,688,150	$ 6,995,219,817	$ 6,940,567,189	$ 7,039,466,413	$ 7,468,119,259	$ 7,322,424,534	$ 7,548,626,178
Total net debt applicable to the limit as a percentage of debt limit	5.64%	5.10%	5.12%	5.98%	5.76%	5.25%	4.62%	4.33%	4.05%

Legal Debt Margin Calculation for Fiscal Year 2016

Assessed Valuation -	
January 1, 2016	$ 82,905,498,427
Debt Limit (10% of assessed value)	8,290,549,843
Debt applicable to limit:	
Bonded debt outstanding	347,086,037
Less: Amount set aside for repayment of bonded debt	(2,667,510)
Total debt margin applicable to limit	344,418,527
Legal debt margin	$ 7,946,131,316

Metro Government is authorized by Section 158 of the Kentucky Constitution to incur indebtedness to a maximum of ten percent of the value of the taxable property located within the boundaries of Jefferson County Value of taxable property is to be estimated by the assessment next before the assessment previous to incurring of additional indebtedness.

LOUISVILLE/ JEFFERSON COUNTY METRO GOVERNMENT
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
June 30, 2016

Governmental Unit	Debt Outstanding	Percentage Applicable to Louisville Metro Taxpayers	Louisville Metro Taxpayers Share of Debt
Direct Debt:			
Revenue bonds	$ 53,763,918	100.00%	$ 53,763,918
Notes payable	-	100.00%	-
Capital lease	26,157,797	100.00%	26,157,797
General obligation debt	414,635,612	100.00%	414,635,612
Total direct debt	494,557,327		494,557,327
Overlapping debt:			
Jefferson County Public Schools	375,886,754	100.00%	375,886,754
Total direct and overlapping debt	$ 870,444,081		$ 870,444,081

Note: Both the Louisville Metro Government and the Jefferson County Public Schools taxing district occupy the entire geopraphical boundaries of Jefferson County. Therefore, the outstanding debt of both overlapping governments is borne by all residents within Jefferson County.

LOUISVILLE/ JEFFERSON COUNTY METRO GOVERNMENT
RATIOS OF OUTSTANDING DEBT BY TYPE
Last Ten Fiscal Years
(amounts in thousands except per capita)

	Governmental Activities								
Fiscal Year	General Obligation Bonds	First Mortgage Revenue Bonds (2)	Lease Revenue Bonds	Notes Payable	Capital Leases	Total Primary Government	Percentage of Total Personal Income	Total Personal Income (1)	Per Capita
2007	250,568	26,680	103.705	57	433	381,443	1.14%	27,122,740	544
2008	229,307	25,260	105,096	-	361	360,024	1.22%	29,497,015	508
2009	278,647	-	101.550	2,000	284	382,481	1.28%	29,785,092	536
2010	356,203	-	97.710	2,000	203	456,116	1.53%	29,834,474	632
2011	339,814	-	93,622	12,000	116	445,552	1.52%	29,247,199	601
2012	309,133	-	88,528	11,737	3,186	412,584	1.32%	31,241,331	546
2013	292.734	-	78.146	11.282	2,478	384.640	1.19%	32,228.455	512
2014	269,260	-	70,561	8,618	1.783	350.222	1.08%	32,297,938	463
2015	268,358	-	62,480	7,705	27,742	366,285	1.10%	33,262,475	482
2016	414,635	-	62.480	-	26.158	503.273	1.08%	35,633,856	504

Source: Bureau of Economic Analysis website: www.bea.gov

(1) Personal Income for 2016 is an estimate based on the average annual percentage increase over the last ten years.

(2) During fiscal year 2009 all remaining outstanding First Mortgage Revenue Bonds were refunded in full.

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
Last Ten Fiscal Years

Fiscal Year	Population	Assessed Value	General Obligation Bonds	Ratio of General Bonded Debt to Assessed Value	General Bonded Debt Per Capita
2007	701,500	67,115,159,813	250,567,506	0.37%	357
2008	709,264	70,010,705,206	229,306,542	0.33%	323
2009	713,877	73,629,344,788	278,647,191	0.38%	390
2010	721,594	74,398,978,196	356,203,171	0.48%	494
2011	741,096	73,649,740,393	339,813,578	0.46%	459
2012	746,906	74,291,406,584	309,133,318	0.42%	414
2013	750,828	78,296,840,242	292,734,431	0.37%	390
2014	756,832	76,538,108,447	269,260,239	0.35%	356
2015	760,026	78,675,532,773	268,357,550	0.34%	353
2016	763,623	82,905,498,427	414,635,612	0.50%	399

Source: US Census Bureau website: www.census.gov

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT

PLEDGED REVENUE COVERAGE

Last Ten Fiscal Years

	First Mortgage Revenue Bonds				Lease Revenue Bonds			
		Debt Service				Debt Service		
Fiscal Year	Gross Revenue (1)	Principal (2)	Interest	Coverage	Gross Revenue (1)	Principal (3)	Interest	Coverage
2007	2,902,850	1,350,000	1,552,433	1.00	2,810,307	-	1,998,724	1.41
2008	2,898,058	1,420,000	1,479,930	1.00	4,048,781	1,640,000	2,448,179	0.99
2009	2,904,294	1,500,000	1,402,233	1.00	8,865,673	6,505,000	2,448,179	0.99
2010	-	-	-	-	9,046,194	6,690,000	2,368,179	1.00
2011	-	-	-	-	9,103,779	6,820,000	2,283,779	1.00
2012	-	-	-	-	9,845,779	7,650,000	2,195,779	1.00
2013	-	-	-	-	14,559,379	12,455,000	2,104,379	1.00
2014	-	-	-	-	11,304,379	9,295,000	2,009,379	1.00
2015	-	-	-	-	11,340,579	9,430,000	1,910,579	1.00
2016	-	-	-	-	11,472,779	9,665,000	1,807,779	1.00

Note: Metro Government makes annual lease payments in amounts sufficient to pay the required principal and interest payments on the First Mortgage Revenue Bonds and the Lease Revenue Bonds.

(1) Gross revenues include lease income and nonoperating interest income in debt service and debt service reserve funds.

(2) In fiscal year 2007, excess revenues received for the Lease Revenue Bonds were paid to an escrow agent as partial payment in the refunding of all the outstanding Series 1997 Lease Revenue Bonds.

LOUISVILLE/ JEFFERSON COUNTY METRO GOVERNMENT
DEMOGRAPHIC & ECONOMIC INDICATORS
POPULATION GROWTH
June 30, 2016

			% Change	Estimated (1)				% Change
Area	2000	2010	2000-2010	2012	2013	2014	2015	2000-2015
Louisville/Jefferson County	693,604	741,096	6.8%	751,327	757,282	760,026	763,623	10.1%
Kentucky	4,041,769	4,339,367	7.4%	4,383,465	4,399,583	4,413,457	4,425,092	9.5%
United States	281,421,906	308,745,538	9.7%	314,112,078	316,497,531	318,857,056	321,418,821	14.2%

Source: US Census Bureau website: www.census.gov

(1) Estimated population amounts for 2016 were not available from the Census Bureau.

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
PRINCIPAL EMPLOYERS
Current Year and Nine Years Ago

Employer	Industry/Product	June 30, 2016 Employees	June 30, 2016 Rank	June 30, 2016 Percentage of Total Employment	June 30, 2007 Employees	June 30, 2007 Rank	June 30, 2007 Percentage of Total Employment
United Parcel Service, Inc.	Diversified Distribution/Logistics Services	22,080	1	3.72%	18.398	1	3.10%
Jefferson County Public Schools	K-12 Public Education	14.739	2	2.48%	13.281	2	2.24%
Ford Motor Company	Automotive Manufacturer	12,990	3	2.19%	8,745	3	1.47%
Humana, Inc.	Healthcare	12,500	4	2.11%	7,458	5	1.26%
Norton Healthcare, Inc.	Healthcare	11,389	5	1.92%	7,783	4	1.31%
University of Louisville	Higher Education	6.375	6	1.07%	5,563	8	0.94%
Louisville Metro Government	Government Services	6,095	7	1.03%	5,993	6	1.01%
GE Appliances	Household Appliance Manufacturer	6,000	8	1.01%	5,000	10	0.84%
KentuckyOne Health, Inc.	Healthcare	6,000	8	1.01%			
Amazon.com LLC	Customer Service/Logistics Services	6.000	8	1.01%			
Baptist Healthcare System, Inc.	Healthcare	4,995	10	0.84%			
Jewish Hospital Healthcare Services	Healthcare				5,907	7	1.00%
The Kroger Company	Retail Grocer				5,177	9	0.87%
Total		109,163		18.39%	83,305		14.04%

Source: Business First of Louisville
Workforce Kentucky website: www.workforcekentucky.ky.gov

Note: Employee counts and employment figures are based on the eight county Louisville Metropolitan Statistical Area.

LOUISVILLE/ JEFFERSON COUNTY METRO GOVERNMENT
NUMBER OF GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM
June 30, 2016

	Full-Time Equivalent Employees as of June 30, (1) (2)										
	2006	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**
Metro Council	85	80	79	82	79	77	78	77	77	75	78
Mayor's Office	31	29	28	27	28	27	21	21	19	19	20
Policy and Strategic Planning	7	4	7	6	-	-	-	-	-	-	-
County Attorney	102	96	94	90	94	91	88	91	93	95	98
Other Elected Officials	64	64	64	40	37	39	38	37	38	41	43
Office of Performance Improvement	-	-	-	-	-	-	-	-	9	10	14
Fire (3)	553	547	529	538	498	466	473	457	486	506	477
Emergency Medical Services (3)	278	253	257	266	247	246	239	248	244	255	246
Emergency Management/MetroSafe (4)	171	160	169	180	193	192	197	182	192	190	190
Corrections	569	582	577	563	551	547	561	568	554	542	546
Youth Detention Services	129	129	130	133	132	128	128	129	122	119	113
Metro Animal Services	41	48	48	45	49	48	48	49	55	58	56
Criminal Justice Commission	5	5	5	4	4	4	2	4	4	4	4
Public Protection Cabinet	1	-	-	-	-	-	-	-	-	-	-
Police (4)	1,514	1,480	1,511	1,502	1,485	1,476	1,492	1,479	1,504	1,529	1,521
Economic Growth & Innovation	66	63	65	76	65	66	70	50	32	32	27
Redevelopment Authority	1	-	-	-	-	-	-	-	-	-	-
Air Pollution Control	62	65	63	66	68	67	66	66	53	55	51
Community Development	12	7	-	-	-	-	-	-	-	-	-
Develop Louisville (8)	-	-	-	-	-	-	-	-	-	146	154
Codes & Regulations	202	196	177	170	164	168	166	187	192	96	96
Parks & Recreation	576	566	476	529	542	508	587	489	551	508	473
Community Services (8)	327	307	250	250	240	226	197	192	158	120	111
Public Health & Wellness	321	302	288	280	293	285	259	251	228	203	204
Neighborhoods (6)	44	44	75	46	28	-	-	-	-	-	-
Public Works & Assets	686	682	653	681	706	684	631	608	622	633	642
Information Technology	59	66	68	69	62	65	63	67	62	67	74
Office of Management & Budget	114	113	107	105	115	110	166	173	177	181	190
Human Resources	49	44	47	43	37	38	35	37	39	39	38
Human Relations Commission	17	16	15	17	16	14	15	11	16	16	15
Kentuckiana Works (5)	11	12	14	-	-	-	-	-	17	15	23
Louisville Free Public Library	289	276	268	237	234	238	231	233	228	239	241
Louisville Zoological Gardens	180	184	193	235	249	254	248	260	255	261	261
Internal Audit	8	8	8	5	8	7	6	7	6	6	8
Waterfront Development Corporation (7)	67	112	66	77	87	79	-	-	-	80	82
Total	6,641	6,540	6,331	6,362	6,311	6,150	6,105	5,973	6,033	6,140	6,096

(1) Numbers represent actual employees for the last pay period of each fiscal year, with full-time employees counted at 100% and part-time and seasonal employees counted at 50%.
(2) During fiscal year 2008, a reorganization of departments was implemented by the Metro Government. Numbers of employees have been reclassified to conform to the current year presentation.
(3) In 2006, certain Fire department employees were transferred into Emergency Medical Services.
(4) In 2006, the communication division of the Police department was transferred to Emergency Management/MetroSafe.
(5) In 2009, Kentuckiana Works was brought under Economic Growth & Innovation.
(6) In 2010, Neighborhoods was dissolved and its employees were transferred to Parks & Recreation.
(7) In 2012, Waterfront Development Corporation became a component unit of the primary government.
(8) In 2015, the division of Housing, Community Action Partnership, and Planning and Design Services were merged under the new department Develop Louisville.

LOUISVILLE/ JEFFERSON COUNTY METRO GOVERNMENT
MISCELLANEOUS OPERATING INDICATORS AND CAPITAL ASSET INFORMATION
June 30, 2016

Date Founded (City of Louisville)	1778
Date of Incorporation (City of Louisville)	1828
Date of City/County Merger	2003
Form of Government	Mayor/Council
Area in Square miles	386

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Public Works & Assets										
Road Operations and Maintenance										
Miles of streets maintained	3,000	3,025	2,540	2,540	2,900	2,578	2,412	2,596	2,598	2,583
Miles of streets paved	231	175	42	37	35	44	19	50	35	135
Number of potholes filled	14,000	18,175	15,098	27,667	34,909	26,827	28,953	46,893	177,141	68,089
Overlay and pavement repairs (sq ft) (1)	203,000	123,274	71,147	150,329	225,062	174,191	154,923	154,618	95,262	130,048
Crack Seals (linear ft) (9)	-	-	-	-	-	190,073	114,630	31,674	18,675	28,901
Solid Waste Management										
Tons recycled	21,149	18,597	10,462	14,472	11,613	12,742	15,160	17,952	16,810	18,373
Tons composted	19,507	13,085	9,582	17,045	27,148	11,639	10,240	11,307	7,063	13,165
Tons landfilled	206,556	206,146	96,754	122,291	124,506	152,979	120,570	108,403	119,952	122,305
Office of Managment and Budget										
Fleet Services										
Number of vehicles maintained (2)	2,587	2,590	2,578	2,569	2,515	2,450	2,415	2,387	2,382	2,370
Facilities and Project Management										
Number of buildings maintained	67	68	73	68	75	68	89	89	89	89
Codes & Regulation										
Inspections, Permits and Licenses										
Number of inspections performed	164,467	179,118	183,330	174,540	173,751	153,104	144,071	114,662	119,231	92,805
Number of permits issued (3)	40,942	49,464	44,845	68,131	41,458	30,446	41,649	37,234	33,570	4,144
Planning and Design Services (4)										
Number of zoning adjustments	-	135	96	98	94	56	137	56	58	72
Number of plans submitted	-	1,179	1,340	1,297	1,464	1,091	1,705	1,934	1,702	1,836
Parks & Recreation										
Community centers	17	17	15	5	12	12	12	12	12	17
Number of parks	123	123	124	124	122	120	120	120	120	132
Park acreage	14,000	14,000	15,000	15,000	12,447	12,447	12,447	12,447	12,447	12,593
Golf courses	9	9	9	9	9	9	11	12	12	12
Swimming pools	11	5	5	5	5	5	4	4	4	5
Tennis courts	172	172	155	155	178	178	160	160	160	160
Number of walking trails/bike paths	40	41	33	33	52	54	54	54	54	87
Louisville Zoological Gardens										
Total acreage	151	151	151	151	151	151	151	151	151	151
Area developed in acres	90	90	88	90	90	90	90	90	90	90
Number of animals	1,300	1,300	1,747	1,761	1,757	1,496	1,515	1,410	1,409	1,393
Number of visitors	810,546	818,129	835,807	792,248	867,417	945,184	843,404	881,776	821,518	862,138

(continued)

LOUISVILLE/ JEFFERSON COUNTY METRO GOVERNMENT
MISCELLANEOUS OPERATING INDICATORS AND CAPITAL ASSET INFORMATION
June 30, 2016

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Louisville Free Public Library										
Number of branches	16	16	16	17	17	18	18	18	18	18
Number of library card holders	470,000	457,979	460,247	481,591	339,093	335,669	355,902	367,964	368,600	362,948
Number of computers	455	470	495	483	567	589	608	618	642	727
Number of items in circulation	1,288,941	1,264,123	1,418,570	1,366,625	1,309,345	1,257,787	1,222,480	1,349,880	1,435,632	1,495,558
Number of items borrowed	4,193,574	4,427,416	4,104,396	3,725,258	3,878,587	3,755,067	3,724,722	3,868,717	4,142,285	4,156,961
Fire Protection (Urban Service District)										
Number of stations	22	22	21	22	22	22	21	21	21	21
Number of incidents (calls answered)	11,478	11,645	14,777	11,917	10,097	12,469	12,446	12,813	12,847	13,500
Number of medical runs	9,850	13,063	21,904	20,639	16,452	20,456	20,197	19,978	21,062	22,755
Number of fires extinguished	1,975	1,829	1,856	1,392	1,093	1,364	1,412	1,452	1,514	1,333
Number of home inspections conducted	13,470	13,474	18,245	12,995	958	943	780	7,808	8,628	8,101
Number of building inspections conducted	8,992	8,343	5,833	4,310	5,725	6,912	6,884	7,032	9,122	9,664
Police Protection										
Number of sworn officers (8)	1,208	1,228	1,235	1,238	1,232	1,233	1,227	1,242	1,243	1,239
Number of incidents (calls answered) (5)	494,140	535,550	512,847	509,072	510,259	548,568	548,409	566,388	546,331	415,904
Number of arrests	52,024	47,315	55,349	58,898	57,831	53,254	53,793	42,499	48,079	45,180
Number of citations (6)	81,780	88,497	106,347	19,097	37,058	38,861	68,111	54,089	59,729	48,944
Corrections										
Number of prisoners	45,000	46,105	45,570	46,263	45,339	42,172	40,739	38,852	33,187	34,820
Number of beds	1,919	1,919	1,961	1,919	1,793	1,793	1,793	1,793	1,793	1,793
Youth Detention Services										
Number of youth monitored	852	964	799	836	918	1,155	986	879	989	982
Number of youth housed	2,045	1,790	1,674	1,879	2,001	1,717	1,547	1,120	1,295	568
Public Health & Wellness										
Number of clinics	12	12	12	11	12	12	12	12	8	8
Number of services provided	429,610	422,634	401,690	440,750	351,789	369,100	541,893	266,490	326,792	254,924
Emergency Medical Services										
Number of dispatches	140,086	136,977	129,684	109,938	115,618	115,892	111,243	116,637	137,599	136,550
Number of transports	60,282	64,901	62,200	65,236	69,716	69,228	76,214	83,182	89,991	86,112
Metro Animal Services										
Licensed pets	85,000	72,995	63,136	53,097	53,508	54,612	51,654	56,239	70,125	68,500
Number of animals spayed/neutered	1,800	3,886	3,776	3,030	3,135	2,462	3,159	3,091	4,187	5,232
Number of pets adopted	1,200	1,395	2,453	2,244	2,173	2,293	1,933	1,943	1,910	2,266
Economic Growth & Innovation										
Number of downtown market rate housing units	2,004	2,047	2,218	2,218	2,316	2,349	2,406	2,406	2,580	2,622
Community Services & Revitalization										
Number of families assisted	14,849	15,722	20,887	22,418	22,569	20,037	17,738	17,731	17,068	16,365
Number of individuals assisted	33,981	36,500	48,170	51,423	51,059	45,303	40,236	40,527	38,327	35,875

(continued)

LOUISVILLE/ JEFFERSON COUNTY METRO GOVERNMENT
MISCELLANEOUS OPERATING INDICATORS AND CAPITAL ASSET INFORMATION
June 30, 2016

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Louisville Water Company										
Number of residential customers	244,478	246,145	245,649	247,192	248,451	240,715	242,007	243,187	244,138	245,294
Annual residential consumption (1,000 Gallons)	15,305,832	17,479,922	16,390,030	14,973,777	16,067,929	14,037,669	14,067,469	13,227,765	13,253,377	13,152,138
Number of commercial and industrial customers	23,546	23,825	24,571	24,504	24,711	22,770	22,769	22,844	22,617	23,195
Annual comm. and ind. consumption (1,000 Gallons)	18,823,270	20,303,307	19,327,579	17,785,370	15,084,249	1,649,740	16,373,833	15,880,532	16,000,379	16,049,936
Number of fire hydrants	20,467	20,809	21,120	21,323	21,480	23,734	23,792	23,841	23,936	24,042
Parking Authority of River City, Inc.										
Number of PARC garages	12	12	12	13	16	15	15	14	14	14
Number of PARC surface lots	4	3	3	3	2	3	3	6	6	5
Number of parkers	7,332	8,322	8,777	9,399	9,429	9,008	8,990	9,922	10,225	10,455
Transit Authority of River City										
Total ridership	16,280,662	16,364,856	15,070,578	14,405,530	14,056,838	15,192,500	14,966,139	14,965,789	14,620,979	14,033,890
Total miles driven	12,167,757	12,072,337	12,169,443	11,901,732	11,200,334	11,708,182	11,541,025	11,636,956	12,062,268	11,970,727
Total hours driven	812,549	810,921	781,544	767,926	806,803	842,707	861,242	859,135	900,654	890,563
Buses in service	277	276	249	321	315	314	314	297	300	325
Number of hybrid buses (7)			12	21	21	21	32	32	32	32
Number of electric buses										15
Number of routes	52	51	54	49	46	43	40	41	41	44
Metropolitan Sewer District										
Miles of sewers	3,133	3,200	3,197	3,207	3,200	3,332	3,240	3,263	3,240	3,293
Number of treatment plants	21	21	21	21	20	20	19	19	16	5
Number of service connections	224,654	226,430	226,711	228,580	230,240	235,136	239,334	240,174	253,462	280,063
Daily average treatment (mgd)	134	152	127	143	142	145	131	141	143	139
Daily treatment capacity (mgd)	172	174	174	174	173	173	177	177	177	170
(mgd - millions of gallons per day)										
Facilities and services not included in the reporting entity:										
Jefferson County Public Schools										
Total enrollment	98,087	97,988	98,999	98,963	99,095	100,420	100,975	100,996	100,854	100,319
Number of elementary schools	87	89	89	89	9	89	89	89	90	90
Number of middle schools	22	22	23	23	23	23	23	23	23	23
Number of high schools	19	19	19	18	18	18	18	18	18	18
Number of instructors (8)	5,383	5,363	5,468	5,386	5,372	6,287	6,474	6,630	6,653	6,721

(1) During fiscal year 2007, the Public Works Department changed the method of reporting and tracking pothole repairs. Pothole repairs are now reported for any repair 2' x 2' or smaller and overlay and pavement repairs are anything larger than 2' x 2'.

(2) Fiscal year 2007 was the first year information related to number of vehicles maintained has been included with Metro Government's financial reports. Due to system limitations, information for fiscal years 2004-2006 was not available and therefore has not been included.

(3) Fiscal year 2005 was the first year information related to number of permits issued has been included with Metro Government's financial reports. Due to system limitations, information for fiscal years 2004 was not available and therefore has not been included

(4) Fiscal year 2008 was the first year information related to Planning and Design Services has been included with Metro Government's financial reports. Due to system limitations, information for fiscal years 2004-2007 was not available and therefore has not been included.

(5) Fiscal year 2006 was the first year that number of incidents have been included with Metro Government's financial reports. Archived information was not transferred to the new dispatch system and therefore information for fiscal years 2004-2005 was not available.

(6) Fiscal year 2010 was the first year that the number of paper citations was not available and therefore has not been included.

(7) Transit Authority of River City added hybrid buses in 2008.

(8) This information was not archived prior to fiscal year 2006 and therefore is not reported.

(9) This information was not archived prior to fiscal year 2011 and therefore is not reported.

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APPENDIX E

Comprehensive Annual Financial Report of
University of Louisville Athletic Association, Inc.
Fiscal Year Ended June 30, 2016.

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UNIVERSITY OF LOUISVILLE AND AFFILIATED CORPORATIONS

A Component Unit of the Commonwealth of Kentucky

Auditor's Report and Financial Statements
June 30, 2017 and 2016

UNIVERSITY OF LOUISVILLE AND AFFILIATED CORPORATIONS

A Component Unit of the Commonwealth of Kentucky

Table of Contents:

Crowe Horwath LLP
Independent Member Crowe Horwath International

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
University of Louisville and Affiliated Corporations
Louisville, Kentucky

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and aggregate discretely presented component units of the University of Louisville and Affiliated Corporations (the University), a component unit of the Commonwealth of Kentucky, as of and for the years ended June 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We did not audit the financial statements of the University of Louisville Physicians, Inc. (ULP), the University of Louisville Real Estate Foundation, Inc., (ULREF) and University of Louisville Foundation, Inc. and Affiliates (the Foundation), which make up the entire aggregate discretely presented component units of the University. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for ULP, the Foundation and ULREF is based solely on the reports of the other auditors. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of ULP, the Foundation and ULREF were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

(Continued)

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and aggregate discretely presented component units of the University, as of June 30, 2017 and 2016, and the respective changes in financial position and where applicable, the cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion, Analysis on pages 3 through 17 and the Post-employment Benefit Information on page 86 to be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 19, 2017 on our consideration of the University of Louisville's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University of Louisville's internal control over financial reporting and compliance.

Crowe Horwath LLP

Crowe Horwath LLP

Louisville, Kentucky
October 19, 2017

UNIVERSITY OF LOUISVILLE AND AFFILIATED CORPORATIONS

A Component Unit of the Commonwealth of Kentucky

Management's Discussion and Analysis (Unaudited)

Introduction

The following discussion and analysis provides an overview of the financial position and activities of the University of Louisville and Affiliated Corporations (the University) for the years ended June 30, 2017 and 2016. The affiliated corporations include the University of Louisville Research Foundation, Inc. (Research Foundation) and the University of Louisville Athletic Association (Association). This discussion contains highly summarized data and should be read in conjunction with the financial statements and the notes thereto, which follow this section.

Using the Financial Statements

The University's financial report includes three financial statements: the Statements of Net Position; the Statements of Revenues, Expenses and Changes in Net Position; and the Statements of Cash Flows. These financial statements have been prepared by University management in accordance with the Governmental Accounting Standards Board (GASB) principles.

The Statements of Net Position present the assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position of the University at fiscal year-end, June 30, 2017, 2016 and 2015. The change in net position is a simple snapshot of whether the university accumulated or consumed resources during the year. Items on the Statements of Net Position are generally measured using current values. Items representing cash or revenue receipts in excess of one year are discounted. Capital assets are stated at historical cost less accumulated depreciation.

The Statements of Revenues, Expenses, and Changes in Net Position present the total revenues earned and expenses incurred by the University during the fiscal year(s). The statements depict the major revenue streams of the University and expense categories supported by that revenue. Changes in net position indicate whether the University has accumulated or consumed resources during the periods reported.

The Statements of Cash Flows present cash inflows and outflows for each fiscal year. The statement reports major sources and uses of cash and assists with the assessment of the University's ability to meet cash obligations when due.

Please refer to footnote 1 for a summary of significant accounting policies.

Overview – Fiscal Year Ended June 30, 2017

The University's financial position remains strong as of June 30, 2017 with total assets reaching $1.3 billion and a $28.7 million increase in net position during the year. The University experienced operating revenue growth across nearly every source and the operating loss narrowed by $33.6 million. The following is a brief discussion of events during fiscal year 2017 that had substantial or multiple impacts on the financial performance and position of the University:

- KentuckyOne Healthcare, Inc. (KOH) – In November 2012, the University and KOH entered into an academic affiliation agreement (AAA) that called for KOH to make strategic programmatic investments in key clinical departments in addition to investments in research initiatives and academic support. At the same time, University Medical Center (UMC), the University's teaching hospital, engaged KOH to provide day-to-day management of the hospital and the Commonwealth of Kentucky, on behalf of the University, entered into a lease of the hospital to KOH. These agreements ended June 30, 2017 as UMC returned to managing the hospital and entered into a new AAA with the University and lease with the Commonwealth.

- With the end of the AAA with KOH, the University took remaining advances, primarily related to strategic programmatic investments, into revenue. This had the effect of reducing current and long-term Advances and increasing Clinical Revenue.
- In return for KOH waiving a termination payment, UMC agreed to assume programmatic investment payments KOH owed the University. Recognizing the new agreement with UMC had the effect of increasing Due from Affiliates and Other Operating Revenues.

- Capital Projects – During fiscal 2017, progress was made on an expansion and renovation of the Swain Student Activities Center, an expansion of Papa John's Football Stadium, and new construction of an academic building on Belknap Campus. New debt was issued to pay for a portion of the football stadium which will be repaid with private donations. This activity had the impact of increasing accounts payable (for contractor payments), restricted cash (for borrowings not yet spent), capital assets, bonds payable, capital gifts, and capital appropriations.

- New Concession Agreements – The University entered into 15 year arrangements for foodservice concessions and bookstore concessions with Aramark and Follett, respectively. These agreements had the effect of increasing short and long-term accounts receivable and deferred inflows of resources.

- Gift and Endowment Funding in fiscal 2017, the University of Louisville Foundation (Foundation) began reimbursing the University's gift and endowment-related expenses in arrears rather than funding them in advance as in fiscal year 2016. This change in funding had the effect of reducing Contributions from Foundation revenues and cash.

Statements of Net Position

Condensed Statements of Net Position
June 30, 2017, 2016, and 2015
(In Thousands)

	2017	2016	2015	2017 - 2016 Change	2016 - 2015 Change
ASSETS					
Current assets	$ 190,511	$ 232,242	$ 239,699	$ (41,731)	$ (7,457)
Long-term investments	26,840	27,940	37,912	(1,100)	(9,972)
Capital assets, net	891,944	868,398	864,686	23,546	3,712
Other	175,801	97,248	72,122	78,553	25,126
Total assets	1,285,096	1,225,828	1,214,419	59,268	11,409
DEFERRED OUTFLOWS OF RESOURCES	7,412	6,967	851	445	6,116
LIABILITIES					
Current liabilities	171,923	187,106	174,602	(15,183)	12,504
Noncurrent liabilities	322,935	326,023	330,417	(3,088)	(4,394)
Total liabilities	494,858	513,129	505,019	(18,271)	8,110
DEFERRED INFLOWS OF RESOURCES	49,436	175	3,671	49,261	(3,496)
NET POSITION					
Net investment in capital assets	660,316	632,789	612,364	27,527	20,425
Restricted-nonexpendable	1,633	1,633	1,791	-	(158)
Restricted-expendable	83,553	92,008	80,099	(8,455)	11,909
Unrestricted	2,712	(6,939)	12,326	9,651	(19,265)
Total net position	$ 748,214	$ 719,491	$ 706,580	$ 28,723	$ 12,911

Assets

Current Assets consist primarily of Cash; Loans, Accounts and Contributions Receivable; and Due from Affiliates.

In fiscal year 2017, current assets decreased $41.7 million due to a $47.1 million reduction in unrestricted Cash and Cash Equivalents, partially offset by an $11.3 million increase in Due from Affiliates. Reduction in cash was a result of a change in Foundation funding mechanics and normal operations. Whereas the University had cash reserves of approximately $20.3 million as of June 30, 2016 from prior Foundation advances, as of June 30, 2017 the University was awaiting reimbursement for approximately $16.3 million of these expenses.

In fiscal year 2016, Current Assets decreased $7.5 million, reflecting the decrease in Short-Term Investments of $9.8 million, and Cash and Cash Equivalents of $8.2 million partially offset by the $9.8 million increase in Loans, Accounts, and Contributions Receivable, Net. The decrease in cash and short-term investments was the result of an increase in operating expenses.

Capital Assets, Net of Accumulated Depreciation, represented 69% of total assets as of June 30, 2017. Other Noncurrent Long-Term Investments, Noncurrent Loans, Accounts and Contributions Receivable and Restricted Cash and Cash Equivalents comprise the remainder of assets.

Noncurrent Assets increased $101.0 million in fiscal 2017 driven by construction and related financing.

Restricted Cash and Cash Equivalents increased $34.7 million reflecting unspent construction bond proceeds. Capital Assets, Net increased $23.5 million due to construction projects. Long-Term Accounts Receivable increased $28.3 million primarily due to the addition of a $25.7 million long-term receivable related to a new foodservice concession arrangement. Due from Affiliates increased $14.6 million mainly due to a $24.4 million new receivable from UMC, partially offset by the write-off of a $10.4 million receivable from the Foundation related to an underperforming Tax Increment Financing project.

In fiscal year 2016, Noncurrent Assets increased $18.9 million. Restricted Cash and Cash Equivalents increased $11.0 million due to funds transferred for construction projects and the receipt of a $7.8 million capital appropriation to fund the Belknap Research & Technology Park, partially offset by progress payments to contractors. In addition, the University loaned $38.0 million to the University of Louisville Real Estate Foundation (ULREF) of which $9.8 million was outstanding at June 30, 2016. These increases were partially offset by a decrease in Other Long-Term Investments where matured investments were not reinvested as well as a decrease in market value for investments held with the Foundation on behalf of the Association.

Deferred Outflows of Resources

Deferred Outflows of Resources represent a consumption of net assets applicable to a future period. These balances consist primarily of losses on bond refinancing that will be amortized to interest expense over the life of the refinanced debt as well as the fair value of an interest rate swap agreement.

In fiscal year 2017 the University issued General Receipts Refunding Bonds 2016 Series F to refinance Metro Government Bonds Series 2008A and Series 2008B. The $0.4 million increase in Deferred Outflows of Resources reflects the addition of $1.7 million loss on refinancing related to the transaction, offset by a $0.4 million increase in the fair market value of an interest rate swap agreement (which has the effect of reducing Deferred Outflows of Resources), and amortization of $0.8 million of prior losses on refinance during the year.

In fiscal 2016, Deferred Outflows of Resources increased $6.1 million as the university incurred a $5.9 million loss on refinancing with the issuance of General Receipts Bonds 2016 Series A, Series B, and Series C which refunded Consolidated Educational Building Revenue Bonds (CEBRB) Series P and General Receipts Bonds Series 2007A, 2008A, and 2010A. A $0.3 million decrease in the value of an interest swap agreement had the effect of further increasing Deferred Outflows of Resources.

Liabilities

Accounts Payable and Accrued Liabilities and Advances comprise 83% of total current liabilities. Current Liabilities decreased $15.2 million in fiscal year 2017, primarily due to the expiration of agreements with KentuckyOne Health (KOH) at the end of the year. Approximately $17 million in Advances provided by KOH for strategic program investment were taken into revenue during the course of the year and the remaining $4 million balance was taken into revenue when the agreement ended June 30, 2017. This decrease was partially offset by a $8.6 million increase in Accounts Payable and Accrued Liabilities related to normal operations and a $5.9 million increase in construction-related Accounts Payable.

In fiscal year 2016, the $12.4 million increase in current liabilities related primarily to an $8.6 million increase in Advances principally from KOH.

Noncurrent liabilities consist primarily of the portion of bonds, notes, and leases payable in excess of one year. The $3.1 million decrease in Noncurrent Liabilities in fiscal year 2017 included a $29.2 million decrease in advances as KOH Advances taken into revenue at year end partially offset by $24.2 million additional long-term debt associated with stadium construction.

In fiscal year 2016, the $4.4 million decrease in noncurrent liabilities related to the decrease in bonds and notes payable from debt repayments and refinancing. Bonds, notes and leases payable decreased for maturities totaling $103.5 million partially offset by additions during the year of $99.6 million.

Deferred Inflows of Resources

Deferred Inflows of Resources represent an acquisition of net position that applies to future periods. In fiscal year 2017 the University recorded $49.4 million Deferred Inflows to reflect future receipts related to new foodservice and bookstore concession arrangements with Aramark and Follett, respectively. The fair market value of a prior forward delivery contract was reduced from $0.2 million to $0 when the associated debt was retired in December.

In fiscal 2016 the University re-bid its food service contract and selected a new provider. Due to the termination of the existing food service provider's contract, the remaining $3.4 million previously reflected as a Deferred Inflow of Resources was taken into revenue.

Net Position

The University's net position is summarized into four major categories in accordance with GASB Statement No. 35 *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities* reporting requirements as amended by GASB Statement No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position* as follows:

- *Net Investment in Capital Assets* represents the University's investment in capital assets such as land, buildings, equipment and depreciable library materials, net of accumulated depreciation, related deferred outflows of resources reduced by related deferred inflows of resources and debt attributable to the acquisition, construction, or improvement of those assets.

- *Restricted-nonexpendable* funds include amounts that are subject to externally imposed restrictions that require the University to maintain the assets in perpetuity. These balances are the permanent endowment for scholarships and other purposes.

- *Restricted-expendable* funds are those that are subject to externally imposed restrictions governing their use for a particular purpose or period of time. The University's most significant components in this category consist of amounts restricted for capital projects debt service, research, and public service.

- *Unrestricted* net position results primarily from net operating income in excess of expenses. Although unrestricted net position is not subject to externally imposed stipulations, substantially all of the University's unrestricted net position has been designated for various academic programs, research initiatives, and capital projects.

In fiscal year 2017, Total Net Position increased $28.7 million as compared to June 30, 2016. The University's operating loss narrowed by $33.6 million as operating revenues increased more than operating expenses, in large part due to Advances from KOH being taken into revenue as that agreement ended. Revenues associated with capital projects increased $19.2 million related to three construction projects. Contributions from University of Louisville Foundation decreased $40.0 million due to a small, planned reduction in endowment and gift support as well as a change in funding mechanics. The University received and recorded as revenue approximately $20 million in fiscal 2016 in advance of related expenses. In fiscal 2017, the Foundation adopted an in-arrears funding mechanism with reimbursements beginning after the $20 million cash reserves were utilized.

For fiscal year 2016 net position increased $12.9 million as compared to June 30, 2015. Operating revenues increased $42.4 million, including $16.9 million in Clinical Services and Practice Plan revenue and $15.9 million in Nongovernmental and Federal Grants and Contracts. A $9.0 million increase in Medicaid related patient revenue and intergovernmental transfers and an $8.2 million increase in revenue from the KOH agreement contributed to Clinical Revenues. Revenues from grants and contracts reflected increases in awards and timing of payments.

Operating expenses for fiscal year 2016 increased by $47.5 million (5%) including $26.8 million in institutional support and $13.9 million in public service. These increases are mainly the result of increases of $13.1 million of administrative expenses formerly accounted for by the Foundation and $9.5 million of expense funded from the KOH agreement. Administration costs funded by the Foundation were reported on separate Foundation financial statements for fiscal year 2015.

Net non-operating revenues and other revenue increased $5.2 million. Net assets contributed by the Foundation increased $28.8 million for transfer of gift revenue and funding supporting University administrative programs. An $8.6 million gift and an $8.7 million grant received in fiscal 2015 and not repeated resulted in lower Other Non-operating and Gift revenue.

Statements of Revenues, Expenses and Changes in Net Position

Condensed Statements of Revenues, Expenses and Changes in Net Position
Years ended June 30, 2017, 2016, and 2015
(In Thousands)

	2017	2016	2015	2017 - 2016 Change	2016 - 2015 Change
OPERATING REVENUES					
Student tuition and fees, net	$ 221,626	$ 209,503	$ 209,834	$ 12,123	$ (331)
Clinical services and practice plan	335,065	269,420	252,446	65,645	16,974
Grants and contracts	90,158	103,417	90,135	(13,259)	13,282
Facilities and administrative cost recoveries	25,064	24,611	22,596	453	2,015
Other	132,149	103,831	93,329	28,318	10,502
Total operating revenues	804,062	710,782	668,340	93,280	42,442
OPERATING EXPENSES					
Depreciation	48,503	51,295	53,339	(2,792)	(2,044)
Other	1,023,034	960,583	911,024	62,451	49,559
Total operating expenses	1,071,537	1,011,878	964,363	59,659	47,515
NONOPERATING REVENUES (EXPENSES)					
State appropriations	134,508	142,213	140,744	(7,705)	1,469
Other nonoperating revenues	161,690	171,794	168,052	(10,104)	3,742
Total nonoperating revenues	296,198	314,007	308,796	(17,809)	5,211
Increase/(decrease) in net position	28,723	12,911	12,773	15,812	138
Net position - beginning of year	719,491	706,580	693,807	12,911	12,773
Net position - end of year	$ 748,214	$ 719,491	$ 706,580	$ 28,723	$ 12,911

Operating Revenues

Revenues from tuition, clinical services, and certain grants and contracts are classified as operating revenues as defined by GASB Statement No. 35, Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities. While still an important source of support for University academic programs, other revenue sources, such as state appropriations and Contributions from University of Louisville Foundation are considered non-operating revenues.

Student tuition and fees, net of allowances for scholarships and fellowships were $221.6 million and $209.5 million, or 28% and 29% of total operating revenues for the years ended June 30, 2017 and 2016, respectively. The University adopted a 5% gross tuition rate increase in both fiscal years. Rates of scholarship and fellowship assistance provided by the University generally change at the same rate as tuition, though the types and number of students accepting financial aid can vary. In fiscal 2017, scholarship and financial aid expense was slightly lower than prior year resulting in an overall 5.8% increase in net tuition revenue. In fiscal year 2016, scholarship and financial aid expense increased by approximately the same dollar amount as gross tuition resulting in overall flat net tuition growth.

Clinical services and practice plan revenue amounted to $335.1 million and $269.4 million, or 42% and 38% of total operating revenues for fiscal years 2017 and 2016, respectively. These revenues relate to patient care performed in clinics under contractual arrangements with governmental and private insurers, laboratory services and clinical support provided by affiliated hospitals and the University's professional practice plan. Strategic programming revenues from an Academic Affiliation Agreement with KOH has contributed approximately 35% of the growth in Clinical Revenues over the last two fiscal years with additional growth related to increased patient volumes and expanded Medicaid revenues.

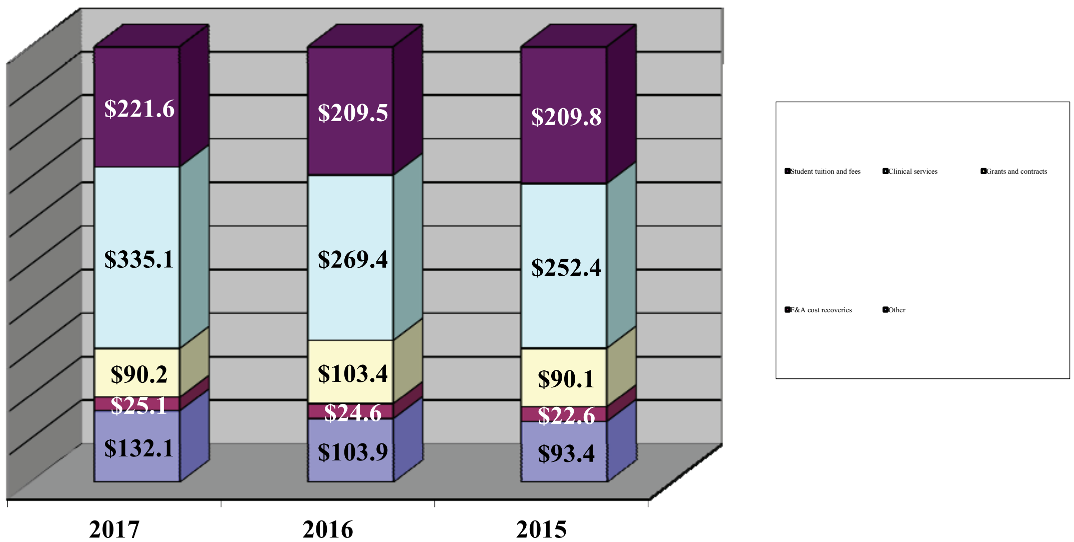
Revenue from grants and contracts were $90.2 million and $103.4 million for the years ended June 30, 2017 and 2016, respectively. This decrease reflects lower revenue from Federal and Nongovernmental sources. Changes in revenue can also reflect timing of start-up or reimbursement of expenses. In fact, the number and dollar amount of grants and contracts awarded in fiscal 2017 exceeded fiscal year 2016.

The University's contracts from government and private sources normally provide for the recovery of indirect or overhead costs. Facilities and administrative (F&A) cost recoveries were $25.1 million and $24.6 million for the years ended June 30, 2017 and 2016, respectively. F&A cost recovery revenues generally follow the trend in direct cost revenues and expenditures.

Other Operating Revenue increased $28.3 million in fiscal year 2017. This primarily related to the transfer of an obligation University Medical Center (UMC), the University teaching hospital, had to KOH to the University after the dissolution of the KOH agreement.

The following is a graphic illustration of revenues by source that are used to fund the University's operating activities for the years ended June 30, 2017, 2016 and 2015 (in millions):

Operating Revenues
Years ended June 30, 2017, 2016, and 2015

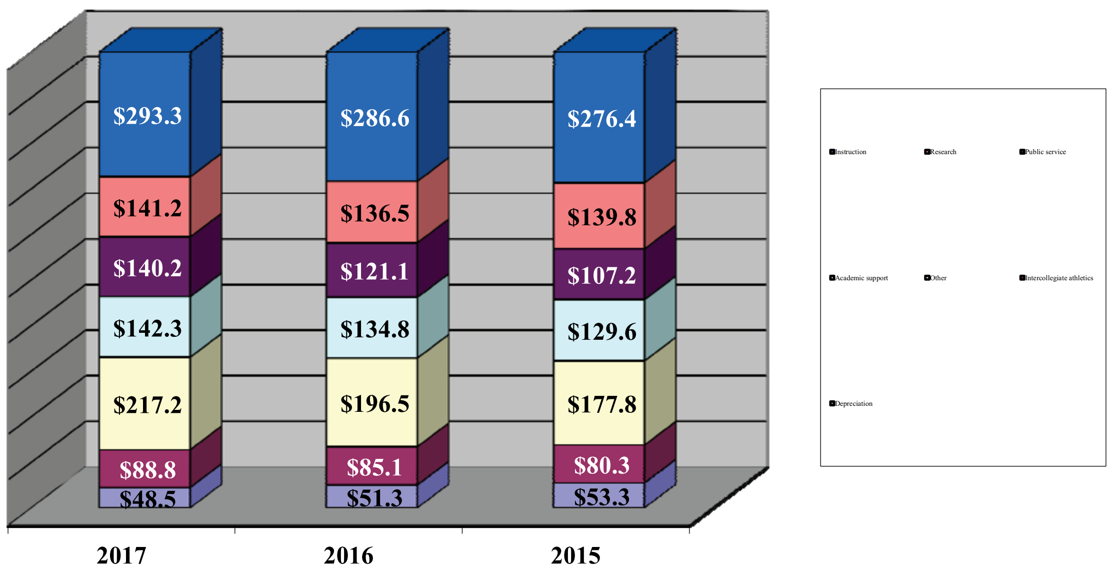


Operating Expenses

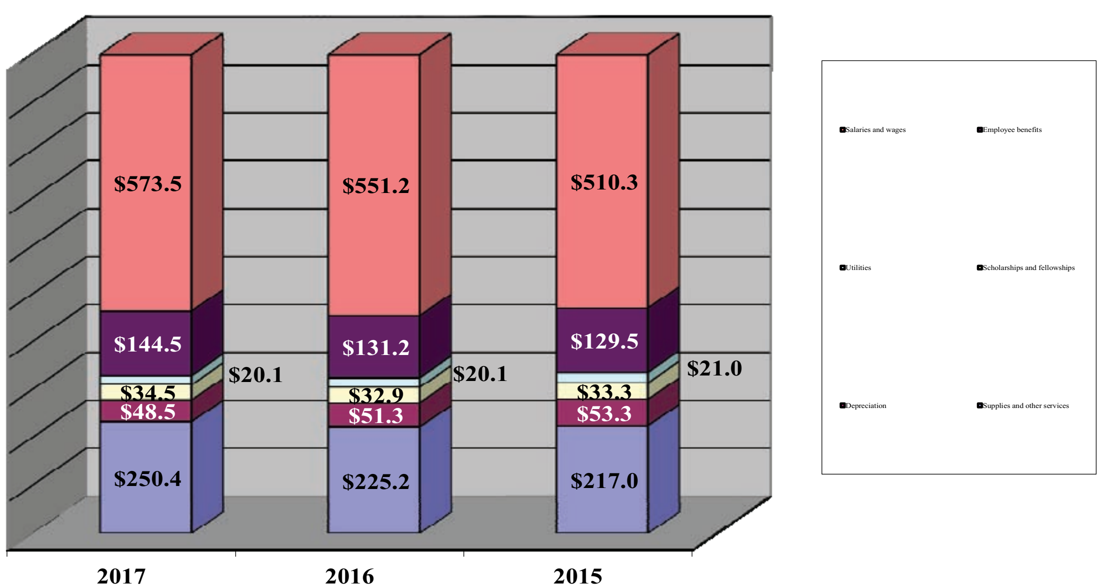
Operating expenses were $1.1 billion and $1.0 billion and exceeded operating revenues by $267.5 million and $301.1 million for the years ended June 30, 2017 and 2016, respectively. In fiscal 2017, operating expenses increased $59.7 million or 6%. Among functional classifications, public service increased $19.2 million, mainly due to programs funded by KOH under the Academic Affiliation Agreement, and institutional support increased $16.0 million including a $10.4 million write-off of a receivable for an underperforming Tax Increment Financing project.

Graphic illustrations of total expenses by functional and natural classifications for the years ended June 30, 2017, 2016 and 2015 (in millions) are summarized on the following pages:

Operating Expenses by Functional Classification
Years ended June 30, 2017, 2016, and 2015



Operating Expenses by Natural Classification
Years ended June 30, 2017, 2016, and 2015



Nonoperating Revenues (Expenses)

Net Non-Operating Revenues and Other Revenues decreased $17.8 million in fiscal 2017, primarily due to reduced State Appropriations and Contributions from University of Louisville Foundation. State appropriations decreased $7.7 million in fiscal 2017, slightly more than expected. Contributions from the Foundation were down $39.5 million in fiscal 2017 as a result of a change in funding mechanics. The University received and recorded as revenue approximately $20 million in fiscal 2016 in advance of related expenses. In fiscal 2017, the Foundation adopted an in-arrears funding mechanism with reimbursements beginning after the $20 million cash reserves were utilized. Non-Operating Revenue decreases were partially offset by a $19.2 million increase in Capital Gifts and Appropriations related to three construction projects underway on campus.

In fiscal 2016, Net Non-Operating Revenues and Other Revenues increased $5.2 million including the $28.8 million increase in Contributions from the Foundation, partially offset by decreases in Other Non-Operating revenues of $10.0 million, Gifts of $7.7 million and Capital Appropriation of $4.2 million. Contributions from the Foundation increased primarily as result of timing of the transfer of gift revenue and for funding administrative programs reported by the University during fiscal year 2016 previously reported by the Foundation. Gifts and Other Non-Operating Revenue decreased as the University received an $8.6 million gift and an $8.7 million grant in fiscal 2015 that were not repeated. Capital Appropriation revenue reimbursed expenses related to development of a new Belknap Campus research park.

Statements of Cash Flows

The statements of cash flows provide additional information about the University's financial results by reporting the major sources and uses of cash. The condensed statements of cash flows for the years ended June 30, 2017, 2016 and 2015 are summarized below:

Condensed Statements of Cash Flows
Years ended June 30, 2017, 2016, and 2015
(In Thousands)

	2017	2016	2015	2017 - 2016 Change	2016 - 2015 Change
Cash (used)/provided by:					
Operating activities	$ (237,803)	$ (251,278)	$ (205,947)	$ 13,475	$ (45,331)
Noncapital financing activities	230,658	290,621	293,610	(59,963)	(2,989)
Capital and related financing activities	(15,058)	(53,059)	(48,846)	38,001	(4,213)
Investing activities	9,730	16,523	14,545	(6,793)	1,978
Net (decrease)/increase in cash and cash equivalents	(12,473)	2,807	53,362	(15,280)	(50,555)
Cash and cash equivalents, beginning of year	151,849	149,042	95,680	2,807	53,362
Cash and cash equivalents, end of year	$ 139,376	$ 151,849	$ 149,042	$ (12,473)	$ 2,807

Total Cash and Cash Equivalents decreased by $12.5 million during fiscal year 2017. Operating activities consumed $13.5 million less cash during the year compared to prior year as increased receipts from nearly every source were higher than increased payments for supplies, employees, and scholarships. Notable increased receipts included $11.4 million increased clinical receipts, $13.9 million auxiliary receipts, and $7.4 million higher receipts for research grants and contracts.

Lower Noncapital Financing Activity Receipts related to a change in Foundation funding mechanics which resulted in $59.7 million lower receipts during the year together with $2.2 million lower State Appropriations.

The University consumed $15.1 million in cash for capital and related financing, $38.0 million less than prior year. Cash used decreased $45.0 million for principal repayments. Interest payments were also favorable by $4.6 million compared to prior year. Cash provided by Capital Appropriations and Capital Gifts increased $13.0 million during the year. Offsetting these cash sources, purchases of Capital Assets increased $21.0 million in fiscal 2017 as the University engaged in three construction projects. Debt refinancing continued at a slower pace in fiscal 2017 compared to prior year with $13.0 million lower proceeds from debt.

Investing activities produced $9.7 million in cash during fiscal year 2017, $6.8 million less than fiscal 2016. Lower proceeds from maturing investments were slightly offset by lower purchases of new investments.

Cash used by operating activities for fiscal year 2016 increased $45.3 million due to an increase in cash used for payments to employees of $37.5 million, payments to suppliers of $19.6 million and decreased cash provided by clinical services and practice plan of $12.4 million. Increased cash provided by grants and contracts of $6.8 million and intercollegiate athletics of $7.5 million partially offset the decreases.

Net cash provided by noncapital financing activities decreased $3.0 million due to the receipt of a grant in 2015 from the Pediatric Foundation of $8.7 million that was not repeated in 2016 and decreased cash provided by gifts and grants totaling $5.6 million. Partially offsetting these decreases is an increase in cash provided by contributions from related entities of $12.2 million.

Cash used for capital and related financing activities increased $4.2 million. The increase is the result of increased cash used for principal payments of $79.3 million, increased cash used for payment of issuance costs of $7.8 million, increased cash used for purchases of capital assets of $5.5 million, and decreased cash provided from capital appropriations of $4.2 million. Partially offsetting these cash uses was an increase in cash provided by proceeds from issuance of long-term liabilities totaling $92.6 million.

Cash from investing activities increased $2.0 million due mainly to the reduction in the purchase of investments from working capital.

Capital Asset and Debt Administration

The University continues to invest in new and renovated facilities to meet the needs of students, faculty and staff. Significant projects completed, in process and approved but not started are listed below.

COMPLETED IN 2017

MDR Building Masonry Restoration	$	1,288,000
Ekstrom Library 3rd Floor Delphi Renovation		2,750,000
Thornton Academic Center @ PJCS		19,300,000
Baxter I Supplemental Chiller		617,000
Ekstrom Delphi HVAC Upgrade		550,000
Donald Baxter Building Cardiology GMP Facility		2,079,000

COMPLETED IN 2016

Ekstrom Library 1st Floor Renovation	2,200,000
MDR 4th Floor Renovation - Phase 5	705,000
K-Wing 2nd Floor Classroom Renovation	1,075,000
Resurface Running Track at Cardinal Park	910,000

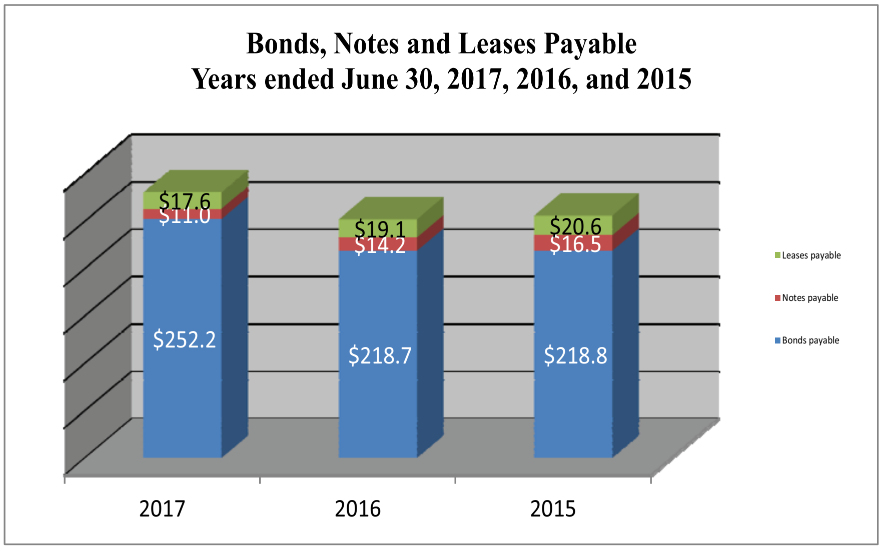
IN PROGRESS OR APPROVED AND NOT STARTED

Belknap Classroom Building	83,560,000
Student Activity Center Renovation	38,500,000
PJCS Stadium North End Zone Expansion	63,250,000
Vivarium Study	105,064
ULAA AV Production Studio	8,000,000

Debt and Financing Activities

At the end of fiscal year 2017, the University had outstanding $280.8 million of bonds, leases and notes payable (inclusive of discounts/premiums) as compared to $252.0 million and $255.9 million in 2016 and 2015, respectively. The 2017 increase includes the issuance of General Receipts Bonds 2016 Series D, Series E and Series F including funding $55.2 million of football stadium expansion cost and the refunding of Metro Government Series 2008 A and B bonds. The 2016 decrease represents the normal pay down of long term bonds and the refunding of certain bonds by the issuance of General Receipts Bonds 2016 Series A, Series B and Series C. The issuance of General Receipts Bonds, 2016 Series A included $9.6 million to expand and renovate the student activity center.

Graphic illustrations of bonds, notes and leases payable for the years ended June 30, 2017, 2016 and 2015 (in millions) are summarized below:



A complete discussion of bonds, notes and leases payable is included in Note 9.

Component Units

The University of Louisville Foundation, Inc. (Foundation), University of Louisville Real Estate Foundation, Inc. (ULREF), and University of Louisville Physicians, Inc. (ULP) are included as discretely presented component units of the University. The Foundation acts primarily as a fundraising organization to supplement the resources available to the University in support of its programs. The majority of the Foundation's assets relate to investments held for the benefit of the University. Investments at June 30, 2017, were $719.0 million, an increase of $79.0 million from the June 30, 2016 balance of $640.0 million.

The ULREF is a nonprofit corporation with the purpose to acquire, maintain, improve, leverage, manage, lease and convey real and personal property for the benefit of the University.

ULP is a private, nonprofit corporation that functions as the corporate structure for the clinical practices of the faculty of the University's School of Medicine and maintains close financial and operational relationships with the University.

All discretely presented component units have separate and independent governing boards. The University's Board of Trustees does not provide governance or administrative oversight for the discretely presented component units.

Economic Factors That May Affect the Future

The University is committed to achieving preeminence as a nationally recognized metropolitan research university. Senior leadership continues to believe the University is financially well-positioned to educate and serve its community through:

- Teaching diverse undergraduate, graduate, and professional students in order to develop engaged citizens, leaders, and scholars,

- Practicing and applying research, scholarship and creative activity, and
- Providing engaged service and outreach that improve the quality of life for local and global communities.

The following is a brief discussion of economic and other factors that could have an impact on the University in the future:

- At the national level, moderate growth in gross domestic product and a relatively improved unemployment picture suggest a stable near-term economic outlook for the country. However, proposed decreases in funding to the National Institutes of Health, which funds many research projects across the country including at UofL, and the amount of overhead that universities can recover for supporting federally-funded research, could have a negative impact on UofL if approved. The University continues to monitor the situation.
- The economic outlook for the Commonwealth of Kentucky is mixed. Personal income could grow 4.4 percent in FY 2018 compared to an expected 4.2 percent for the nation. Employment, though, continues to lag the country following the Great Recession. While national unemployment rates have dropped below 4.5 percent after peaking at 10 percent in 2009, Kentucky's unemployment rate was 5.1 percent in June 2017.
- The state ended FY 2017 with a $138 million revenue shortfall. Although the state balanced its books using a variety of short-term mechanisms, uncertainty exists about state finances for FY 2018 and beyond. In order to avoid further reductions in spending, state revenues will have to increase at a higher-than-anticipated pace. Persistent pressure to increase funding to the state's public pension system—which remains one of the lowest funded in the nation—could affect state appropriations to public universities, even if revenues increase. The University does not participate in these pension plans and is subject only to indirect effects of their funding shortfall.
- To help reduce the state's pension liability, Governor Matt Bevin has expressed a strong desire to modernize the state's tax code and increase tax revenues. Expected legislative action could occur as early as this fall. Approved changes could influence the development of the state's 2018-2020 biennial budget. The legislature must adopt a biennial budget by April 2018.
- Relatedly, a performance-funding model for public universities and colleges, first implemented in FY 2017, remains in place. Under existing statute, FY 2019 is a hold-harmless year; public universities and colleges will not lose state funds based on performance. In FY 2020 and beyond, a portion of each university's state appropriation will depend upon how it performs on several student and operational metrics relative to the other universities.
- Despite continued funding challenges at both the state and federal levels, the University has made significant progress in meeting its 2020 goals. Student enrollment remains steady. Demand, as measured by student applications, is strong.
- The University continues to support its mission through strategic construction projects:
    - A $39 million renovation of Swain Student Activity Center, including updated lobbies, lounges, and restaurants and a 32,775 square foot expansion to the current 365,000 square feet.
    - An $84 million, 161,000 square foot new academic building housing 17 state-of-the art classrooms as well as science labs, group study areas, gathering spaces and food service options.
    - The $60 million, 170,000 square foot, Novak Center for Children's Health to house UofL Physician's pediatric specialty clinical practices. When complete, it will be the largest outpatient center for pediatric care in the nation.
    - A $63 million, 70,000 square foot expansion of Papa John's football stadium funded entirely through private donations.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the University's finances and to show the University's accountability for the money it receives. Questions about this report and requests for additional financial information should be directed to the Controller, University of Louisville, Louisville, KY 40292.

University of Louisville and Affiliated Corporations
A Component Unit of the Commonwealth of Kentucky
Statements of Net Position
June 30, 2017 and 2016
(In Thousands)

	2017	2016
ASSETS		
Current Assets		
Cash and cash equivalents	$ 76,669	$ 123,803
Deposit with bond trustee and escrow agent	47	5,754
Short-term investments	2,242	918
Loans, accounts and contributions receivable, net	77,023	78,821
Due from affiliate	23,602	12,340
Inventories	853	883
Other assets	10,075	9,723
Total current assets	190,511	232,242
Noncurrent Assets		
Restricted cash and cash equivalents	62,707	28,046
Deposit with bond trustee and escrow agent	6,700	5,242
Loans, accounts and contributions receivable, net	71,748	43,455
Due from affiliate	34,333	19,762
Investments held with University of Louisville Foundation, Inc.	25,280	25,952
Other long-term investments	1,560	1,988
Other long-term assets	313	743
Capital assets, net	891,944	868,398
Total noncurrent assets	1,094,585	993,586
Total assets	1,285,096	1,225,828
DEFERRED OUTFLOWS OF RESOURCES	7,412	6,967
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	94,869	86,275
Unearned compensation and wages payable	1,686	1,686
Advances	47,537	75,962
Bonds and notes payable	27,831	23,183
Total current liabilities	171,923	187,106
Noncurrent Liabilities		
Due to University of Louisville Foundation, Inc.	316	316
Note payable to University of Louisville Foundation, Inc.	1,000	1,000
Unearned compensation and wages payable	4,688	7,895
Deposits	1,451	918
Advances	3,351	32,591
Amounts due to federal government for student loan programs	15,348	16,199
Other long-term liabilities	43,804	38,283
Bonds and notes payable	252,977	228,821
Total noncurrent liabilities	322,935	326,023
Total liabilities	494,858	513,129
DEFERRED INFLOWS OF RESOURCES	49,436	175
NET POSITION		
Net investment in capital assets	660,316	632,789
Restricted for:		
Nonexpendable		
Scholarships and fellowships	1,633	1,633
Expendable		
Scholarships and fellowships	1,263	2,587
Research	18,622	18,682
Instruction	6,272	5,158
Public service	12,922	13,333
Academic support	200	1,303
Institutional support	7,999	8,668
Loans	2,761	2,848
Capital projects	5,081	20,146
Debt service	28,433	19,283
Unrestricted	2,712	(6,939)
Total net position	$ 748,214	$ 719,491

See notes to the financial statements

University of Louisville Foundation, Inc. and Affiliates

Consolidated Statements of Financial Position
(In Thousands)

	June 30	
	2017	**2016**
Assets		
Cash	**$ 8,632**	$ 8,595
Accounts and notes receivable, net	**4,893**	4,038
Loans receivable, net	**15,720**	16,320
Contributions receivable, net	**24,600**	39,204
Due from University of Louisville Real Estate Foundation, Inc., net	**24,080**	28,906
Investments	**682,922**	640,478
Funds held in trust by others	**55,293**	50,798
Restricted investments	**6,100**	4,619
Prepaid expenses and other assets	**7,500**	7,169
Capital assets, net	**93,987**	97,241
Total assets	**$ 923,727**	$ 897,368
Liabilities and net assets		
Liabilities:		
Accounts payable	**$ 3,252**	$ 2,098
Funds held in trust for others	**33,757**	34,187
Other liabilities	**13,865**	22,118
Bonds and notes payable	**81,463**	86,969
Due to the University of Louisville	**18,256**	21,769
Total liabilities	**150,593**	167,141
Net assets:		
Unrestricted	**8,883**	3,298
Temporarily restricted	**308,513**	277,411
Permanently restricted	**455,738**	449,518
Total net assets	**773,134**	730,227
Total liabilities and net assets	**$ 923,727**	$ 897,368

See notes to the financial statements

University of Louisville Real Estate Foundation, Inc.

Consolidated Statements of Financial Position
(In Thousands)

	June 30	
	2017	**2016**
Assets		
Cash	$ 6,182	$ 3,467
Accounts receivable, net	455	343
Prepaids and other assets	198	120
Investments	5,997	264
Notes receivable	204	–
Due from UL AMCC	–	1,500
Investments in joint ventures	7,812	7,214
Tax incremental financing intangibles, net	108,634	112,998
In-place lease intangibles, net	747	1,024
Above market lease intangibles, net	2,715	2,876
Capital assets, net	102,672	100,505
Total assets	$ 235,616	$ 230,311
Liabilities and net assets		
Liabilities:		
Accounts payable	$ 679	$ 1,194
Unearned ground lease revenue	4,297	4,401
Unearned grant revenue	1,244	1,937
Other liabilities	598	463
Below market rate lease intangibles	–	–
Below market lease intangibles, net	984	1,247
Debt	35,747	27,680
Due to the University of Louisville	9,896	9,803
Due to the University of Louisville Foundation, Inc.	28,917	28,906
Total liabilities	82,362	75,631
Net assets:		
Unrestricted	152,259	153,703
Noncontrolling interest	995	977
Total net assets	153,254	154,680
Total liabilities and net assets	$ 235,616	$ 230,311

See notes to the financial statements

University of Louisville Physicians, Inc.
Statements of Financial Position
June 30, 2017 and 2016
(In Thousands)

	2017	2016
ASSETS		
Current assets:		
Cash and cash equivalents	$ 1,452	$ 196
Assets limited as to use	-	-
Patient accounts receivable, less allowance for uncollectible accounts of $37,815 and $27,941 for 2017 and 2016, respectively	13,029	11,649
Receivables, related parties	2,248	3,742
Other receivables	2,599	1,680
Prepaid expenses and other current assets	2,449	1,636
Total current assets	21,777	18,903
Investment in Kentuckiana Medical Reciprocal Risk Retention Group (KMRRRG)	18,773	16,482
Property and equipment:		
Furniture, fixtures, and equipment	2,973	2,062
Leasehold improvements	1,445	1,435
Information technology	12,720	12,239
	17,138	15,736
Accumulated depreciation and amortization	(9,633)	(7,053)
Total property and equipment, net	7,505	8,683
Total assets	$ 48,055	$ 44,068
LIABILITIES AND NET DEFICIT		
Current liabilities		
Accounts payable	$ 7,631	$ 13,893
Accrued payroll and related expenses	6,320	7,152
Line of credit	2,500	16,368
Current portion of capital lease obligations	615	1,769
Current portion of long-term debt	4,530	-
Total current liabilities	21,596	39,182
Long-term liabilities:		
Deferred gain on sale-leaseback of equipment	186	269
Capital lease obligations, net of current portion	-	615
Long-term accrual of University distributions (Dean's Tax)	5,627	-
Long-term debt, net of current portion	12,750	280
Total long-term liabilities	18,563	1,164
Total liabilities	40,159	40,346
Net assets (deficit):		
Unrestricted:		
Net deficit	1,193	(2,308)
Invested in property and equipment, net of related debt	6,703	6,030
Total net assets (deficit)	7,896	3,722
Total liabilities and net assets (deficit)	$ 48,055	$ 44,068

See notes to the financial statements

University of Louisville and Affiliated Corporations
A Component Unit of the Commonwealth of Kentucky
Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2017 and 2016
(In Thousands)

	2017	2016
OPERATING REVENUES		
Student tuition and fees, net of scholarship allowance of $89,937 in 2017 and $91,190 in 2016	$ 221,626	$ 209,503
Clinical services and practice plan	335,065	269,420
Federal grants and contracts	68,587	69,910
State and local grants and contracts	8,881	8,734
Nongovernmental grants and contracts	12,690	24,773
Sales and services of educational departments	9,438	8,431
Facilities and administrative cost recoveries	25,064	24,611
Auxiliary enterprises, net of discount of $2,138 in 2017 and $2,045 in 2016	13,842	12,135
Intercollegiate athletics	72,756	71,335
Other operating revenues	36,113	11,930
Total operating revenues	804,062	710,782
OPERATING EXPENSES		
Instruction	293,306	286,627
Research	141,177	136,477
Public service	140,221	121,062
Academic support	142,253	134,838
Student services	31,942	30,625
Institutional support	94,167	78,192
Operation and maintenance of plant	51,404	48,935
Scholarships and fellowships	32,278	30,842
Auxiliary enterprises	7,443	7,912
Intercollegiate athletics	88,843	85,073
Depreciation and amortization	48,503	51,295
Total operating expenses	1,071,537	1,011,878
Operating loss	(267,475)	(301,096)
NONOPERATING REVENUES (EXPENSES)		
State appropriations	134,508	142,213
Gifts	29,657	30,551
Nonexchange grants and contracts	44,629	43,418
Investment income	1,394	1,938
Realized and unrealized loss on investments	106	(4,657)
Interest on capital asset-related debt	(8,900)	(9,961)
Other nonoperating revenues	5,740	707
Net nonoperating revenues	207,134	204,209
Loss before other revenues, expenses, gains and losses	(60,341)	(96,887)
Capital appropriations	21,608	9,741
Capital gifts	17,000	9,623
Contributions to Affiliate	(2,491)	(3,088)
Contributions from University of Louisville Foundation, Inc.	52,947	93,522
Total other revenues	89,064	109,798
Increase in net position	28,723	12,911
NET POSITION		
Net position - beginning of year	719,491	706,580
Net position - end of year	$ 748,214	$ 719,491

See notes to the financial statements

University of Louisville Foundation, Inc. and Affiliates

Consolidated Statements of Activities and Changes in Net Assets

Years Ended June 30, 2017 and 2016
(In Thousands)

	Unrestricted		Temporarily Restricted		Permanently Restricted		Totals	
	2017	2016	2017	2016	2017	2016	2017	2016
				(In Thousands)				
Revenues, gains and other support:								
Gifts	**$ 18,957**	$ 24,334	**$ 4,566**	$ 24,619	**$ 3,227**	$ 5,483	**$ 26,750**	$ 54,436
Net investment return (loss)	**18,180**	(18,568)	**56,976**	13,473	**–**	–	**75,156**	(5,095)
Changes in funds held in trust	**–**	–	**–**	–	**5,647**	(1,240)	**5,647**	(1,240)
Net rental revenues	**12,751**	11,653	**–**	–	**–**	–	**12,751**	11,653
Actuarial loss on annuity and trust obligations	**–**	–	**32**	171	**–**	–	**32**	171
Other gains	**12,213**	–	**–**	–	**–**	–	**12,213**	–
Other revenues	**5,565**	4,976	**–**	–	**–**	–	**5,565**	4,976
Tax incremental financing revenues	**–**	17	**–**	–	**–**	–	**–**	17
Reclassifications	**–**	–	**–**	(9,000)	**–**	9,000	**–**	–
Net assets released from restrictions:	**27,113**	48,868	**(27,168)**	(48,628)	**55**	(240)	**–**	–
Total revenues, gains and other support	**94,779**	71,280	**34,406**	(19,365)	**8,929**	13,003	**138,114**	64,918
Expenses:								
Contributions and allocations to University of Louisville departments	**52,236**	97,494	**–**	–	**–**	–	**52,236**	97,494
Contributions to ULREF and related organizations:								
Contribution expense	**1,130**	37,237	**–**	–	**–**	–	**1,130**	37,237
Loss on disposal of capital assets	**–**	2,784	**–**	–	**–**	–	**–**	2,784
Loss on deconsolidation	**–**	99	**–**	–	**–**	–	**–**	99
Salaries	**6,082**	4,486	**–**	–	**–**	–	**6,082**	4,486
Utilities	**1,970**	2,135	**–**	–	**–**	–	**1,970**	2,135
General and administrative	**5,093**	6,743	**–**	–	**–**	–	**5,093**	6,743
Professional services	**3,792**	4,180	**–**	–	**–**	–	**3,792**	4,180
Repairs and maintenance	**3,100**	2,933	**–**	–	**–**	–	**3,100**	2,933
Depreciation and amortization	**5,719**	6,834	**–**	–	**–**	–	**5,719**	6,834
Interest expense	**3,716**	4,312	**–**	–	**–**	–	**3,716**	4,312
Other expenses	**5,156**	2,069	**–**	–	**–**	–	**5,156**	2,069
Total expenses	**87,994**	171,306	**–**	–	**–**	–	**87,994**	171,306
Loss on contributions receivable, net	**1,200**	–	**3,304**	–	**2,709**	–	**7,213**	–
Net change in assets	**5,585**	(100,026)	**31,102**	(19,365)	**6,220**	13,003	**42,907**	(106,388)
Net assets, beginning of year	**3,298**	103,324	**277,411**	296,776	**449,518**	436,515	**730,227**	836,615
Net assets, end of year	**$ 8,883**	$ 3,298	**$ 308,513**	$ 277,411	**$ 455,738**	$ 449,518	**$ 773,134**	$ 730,227

See notes to the financial statements

University of Louisville Real Estate Foundation, Inc.

Consolidated Statements of Activities and Changes in Net Assets

(In Thousands)

	Year Ended June 30	
	2017	**2016**
Revenues, gains, and other support:		
Rental revenue	$ 4,393	$ 2,928
Gift revenues	269	–
Contributions	1,173	175,717
Net investment return (loss)	259	(203)
Tax incremental financing revenues	6,388	1,722
Other revenue	1,603	969
Total revenues, gains, and other support	14,085	181,133
Expenses:		
Contribution expense	1,071	840
Salaries	710	848
General and administrative	1,253	623
Professional services	1,721	616
Utilities	721	605
Repairs and maintenance	936	704
Depreciation and amortization	7,279	5,409
Goodwill impairment	–	24,201
Interest expense	1,071	417
Property taxes	539	123
Loss on asset disposal	103	–
Other expenses	125	–
Total expenses	15,529	34,386
Change in net assets attributable to the University of Louisville Real Estate Foundation, Inc.	(1,444)	146,747
Capital contributions from noncontrolling interest	18	645
Total change in net assets	(1,426)	147,392
Net assets, beginning of year	154,680	7,288
Net assets, end of year	$ 153,254	$ 154,680

See notes to the financial statements

UNIVERSITY OF LOUISVILLE PHYSICIANS, INC.
Statements of Activities
Years Ended June 30, 2017 and 2016

	2017	2016
Unrestricted revenues, gains and other support:		
Net patient service revenue	$ 146,450	$ 148,423
Provision for bad debts	(39,833)	(46,403)
Net patient service revenue less provision for bad debts	106,617	102,020
University of Louisville	35,534	31,277
University Physicians Associates, Inc. (UPA)	178	184
Academic programmatic support - related parties	19,281	16,640
Academic programmatic support	3,348	3,682
Meaningful use income	2,230	3,117
Medical directorship	872	407
Other revenue	2,740	2,722
Gain on investment in KMRRRG	2,290	4,137
Interest income	153	87
Total unrestricted revenues, gains and other support	173,243	164,273
Expenses:		
Program services	141,518	138,820
Management and general	27,551	24,219
Total expenses	169,069	163,039
Change in net deficit	4,174	1,234
Net deficit, beginning of year	3,722	2,488
Net assets (deficit), end of year	$ 7,896	$ 3,722

See notes to the financial statements

University of Louisville and Affiliated Corporations
A Component Unit of the Commonwealth of Kentucky
Statements of Cash Flows
Years Ended June 30, 2017 and 2016
(In Thousands)

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Student tuition and fees	$ 219,318	$ 214,472
Clinical services and practice plan	280,413	269,000
Grants and contracts	101,682	94,255
Sales and services of educational departments	12,412	5,900
Payments to suppliers	(245,933)	(224,987)
Payments for utilities	(19,842)	(20,297)
Payments to employees	(567,080)	(547,059)
Payments for benefits	(136,053)	(129,031)
Payments for scholarships and fellowships	(34,743)	(32,410)
Loans issued to students and employees	(1,055)	618
Auxiliary enterprises	25,431	11,552
Facilities and administrative cost recoveries	25,064	24,611
Intercollegiate athletics	68,082	71,024
Other receipts	34,501	11,074
Net cash used by operating activities	(237,803)	(251,278)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations	137,290	139,443
Gifts	28,678	32,994
Nonexchange grants and contracts	44,628	43,417
Contributions from related entities	16,878	78,003
Contributions to related entities	(2,000)	(5,088)
Other noncapital financing activities	5,184	1,852
Net cash provided by noncapital financing activities	230,658	290,621
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital appropriations received	21,222	9,741
Capital gifts received	10,778	9,269
Purchases of capital assets	(71,775)	(50,776)
Proceeds from issuance of bonds and notes payables	86,564	99,536
Payments of issuance costs	(570)	(7,798)
Principal paid on bonds and notes payable	(57,003)	(101,453)
Interest paid on bonds and notes payable	(8,523)	(12,408)
Deposits with bond trustee and escrow agent	4,249	830
Net cash used by capital and related financing activities	(15,058)	(53,059)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	10,504	18,463
Purchase of investments	(2,333)	(3,555)
Interest on investments	1,559	1,615
Net cash provided by investing activities	9,730	16,523
Net increase/(decrease) in cash and cash equivalents	(12,473)	2,807
Cash and cash equivalents - beginning of year	151,849	149,042
Cash and cash equivalents - end of year	$ 139,376	$ 151,849

See notes to the financial statements

University of Louisville and Affiliated Corporations
A Component Unit of the Commonwealth of Kentucky
Statements of Cash Flows
Years Ended June 30, 2017 and 2016
(In Thousands)

	2017	2016
RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Operating loss	$ (267,475)	$ (301,096)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation and amortization	48,503	51,295
Loss on equipment disposals	2,037	121
Change in assets and liabilities:		
Loans, accounts and contributions receivable, net	(23,062)	(9,593)
Inventories	30	65
Other assets	(323)	(134)
Other long-term assets	250	250
Accounts payable and accrued liabilities	5,562	(926)
Advances	(56,325)	3,289
Deposits	533	16
Due from Affiliates	1,814	5,474
Unearned compensation and wages payable	(3,543)	1,444
Other long-term liabilities	5,280	1,950
Deferred inflows of resources	48,916	(3,433)
Net cash used by operating activities	$ (237,803)	$ (251,278)
Non cash transactions:		
Capital lease additions	$ 373	$ 33
Capital asset additions in accounts payable	$ 9,739	$ 8,150
Capital asset additions in other assets	$ 30	$ -
Gifts of capital assets	$ 380	$ 364

See notes to the financial statements

1. Nature of Operations, Basis of Presentation and Summary of Significant Accounting Policies

The University of Louisville (University) is a state supported metropolitan research university located in Kentucky's largest city and is a component unit of the Commonwealth of Kentucky.

The University has three campuses. The Belknap Campus is three miles from downtown Louisville and houses eight of the University's twelve colleges and schools. The Health Sciences Center is situated in downtown Louisville's medical complex and houses the University's health related programs and the University of Louisville Hospital (Hospital). On the Shelby Campus, located in eastern Jefferson County, are the National Crime Prevention Institute, the Center for Predictive Medicine regional biosafety lab and the Division of Distance and Continuing Education. In recent years, the University has also offered expanded campus courses at both off-site and international locations.

a. Basis of Presentation

The financial statements include the combined financial position and operations of the University, the University of Louisville Athletic Association, and the University of Louisville Research Foundation. The following affiliated corporations are included as blended component units since they are separate legal entities but are related through certain common management and trustees and exist exclusively for the benefit of the University:

University of Louisville Athletic Association, Inc. (Association) - The Association is a Kentucky not-for-profit corporation organized in 1984 for the purpose of promoting the intercollegiate athletic activities of the University of Louisville. The Association's mission to provide quality intercollegiate athletic programs through a comprehensive sports program requires a major financial commitment of both operating and capital resources. In addition, the Association is committed to achieving athletic excellence for its student athletes, maintaining National Collegiate Athletic Association (NCAA) compliance, ensuring full implementation of gender equity plans and offering a wide variety of sports and recreational outlets for the University community, alumni, and visitors.

University of Louisville Research Foundation, Inc. (Research Foundation) - The Research Foundation was established in 1989 for the purpose of promoting and supporting research projects, investigations, and other activities relating to the educational, scientific, literary, artistic, health care and public service missions of the University.

Under the provisions of GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*, the University reports the University of Louisville Foundation, Inc. (Foundation), the University of Louisville Real Estate Foundation, Inc. (ULREF) and the University of Louisville Physicians, Inc. (ULP) as discretely presented component units. Further descriptions of the Foundation, the ULREF and ULP may be found in footnote 21 Component Units.

All discretely presented component units have separate and independent governing boards. The University's Board of Trustees does not provide governance or administrative oversight for the discretely presented component units.

The financial statement presentation required by GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities,* as amended by GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, is intended to provide a comprehensive, entity-wide perspective of the University's assets, deferred outflow of resources, liabilities, deferred inflow of resources, net position, revenues, expenses, changes in net position and cash flows.

The separate financial statements of the Association, the Research Foundation and the consolidated financial statements of the University can be found at the following:

http://louisville.edu/finance/controller/univacct/finst-1

b. Cash and Cash Equivalents

The University considers all investments (not held for long-term purposes) with original maturities of three months or less to be cash equivalents.

c. Deposits With Bond Trustee and Escrow Agent

As of June 30, 2017 and 2016, deposits with bond trustee consist of cash and investments in governmental securities and repurchase agreements of $47,000 and $5.8 million, respectively, for the Stadium Project Revenue Bonds, and $6.7 million and $5.2 million for the Educational Building Bonds.

Investments in governmental securities are stated at market value. Repurchase agreements are stated at cost.

d. Contributions Receivable

In accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, as amended by GASB Statement No. 36, *Recipient Reporting for Certain Shared Nonexchange Revenues*, the University records operating and capital pledges as revenue when all eligibility requirements have been met. Endowment pledges are not recognized as revenue until the gifts are received.

e. Investments and Investment Income

Investments in marketable debt and equity securities are stated at current fair value. Fair value is determined using quoted market prices. Real estate is stated at fair value if acquired for resale or otherwise used as an investment as determined on the date of acquisition. Certificates of deposit are stated at cost plus accrued interest, which approximates fair value. Investment income consists of interest and dividend income, realized gains and losses and the net change for the year in the fair value of investments carried at fair value.

Investments held with the Foundation are invested under the policies and objectives established for the Foundation's general endowment pool. In an effort to mitigate market risk, the Foundation has adopted a policy of maintaining a diverse investment pool through the use of target asset allocation guidelines. These guidelines require the Foundation's investment pool be made up of a mix of publicly traded fixed income and equity securities, private equities and other nonmarketable securities and real estate investments.

The market risk inherent in certain of the Foundation's investments is primarily the potential loss arising from adverse changes in quoted market prices on equity securities and in interest rates on fixed income securities.

The Association's permanent endowment funds, held by the Foundation and invested in the Foundation's general endowment pool, are administered under the Uniform Prudent Management of Institutional Funds Act (UPMIFA), as adopted by the Commonwealth of Kentucky. The Foundation's board of directors has interpreted UPMIFA as requiring preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. The investment objectives of the Foundation are to preserve the principal of the endowment funds in both absolute and real terms while maximizing, over the long-term, the total rate of return (yield and appreciation) within reasonable risk parameters.

The Foundation invests in various corporate debt, equity, partnerships, marketable alternatives, mutual fund securities, U.S. Government securities, certificates of deposit, land and buildings. Investment securities, in general, are exposed to various risks, such as interest rates, credit and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the Foundation's consolidated statements of financial position.

f. Loans to Students

The University makes loans to students under various federal and other loan programs. Such loans receivable are recorded net of estimated uncollectible amounts. The allowance for uncollectible loans netted against loans to students was approximately $0.8 million at June 30, 2017 and 2016, respectively.

g. Inventories

Inventories are valued at the lower of cost or market, under the first-in, first-out method.

h. Capital Assets

Capital assets are stated principally at cost, or estimated acquisition value at date of receipt from donors. Capital assets are depreciated using the straight-line basis over the estimated useful lives of the assets as follows: buildings – 40 years or componentized using 15-50 years, infrastructure – 60 years, land improvements – 40 years, equipment – 3-15 years, leasehold improvements – 20 years and library materials – 10 years. Assets under capital leases are amortized on the straight-line basis over the estimated useful life of the asset, or the lease term, whichever is shorter.

The University has elected to capitalize collections which include art, rare books, photographs, letters, journals, manuscripts and musical instruments. These items are capitalized at cost, or if a gift, at the acquisition value on the date of the gift.

The University capitalizes interest costs as a component of construction in progress, based on interest costs of borrowing, net of interest earned on investments acquired with the proceeds of the borrowing.

Total interest incurred was (in thousands):

	2017	2016
Total interest expense incurred on borrowings for project	$ 5,192	$ 945
Interest income from investment of proceeds of borrowings for project	(299)	(35)
Net interest cost on borrowings for project	$ 4,893	$ 910
Interest capitalized	$ 1,290	$ 223
Interest charged to expense	8,900	9,961
Total interest incurred	$ 10,190	$ 10,184

i. Deferred Outflows and Inflows of Resources

In accordance with GASB No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*, the University reports deferred outflows of resources, deferred inflows of resources and net position in its statements of net position and related disclosures.

Deferred outflows of resources of $7.4 million and $7.0 million for the years ended June 30, 2017 and 2016, respectively, consist primarily of loss on bond refinancing of $7.4 million and $6.5 million as of June 30, 2017 and 2016, respectively and fair value of derivatives of $19,000 and $0.5 million as of June 30, 2017 and 2016. As the derivatives are considered effective hedging instruments, changes in the fair value of derivatives are recognized as deferred outflows of resources. Deferred outflows of resources related to the loss on bond refinancing will be amortized to interest expense using the effective interest method over the remaining life of the refinanced debt.

Deferred inflows of resources consist of $49.4 million of service concession arrangements as of June 30, 2017 and $.2 million of fair value of derivatives for the year ended June 30, 2016. As the derivatives are effective hedging instruments, changes in fair value are recognized as deferred inflows of resources. Deferred inflows of resources related to service concession arrangements were recorded during 2017 related to the net contributions from providers under a food service and a book store contract.

The University entered into 15 year arrangements for foodservice and bookstore concessions that meet the definition of service concession arrangements under GASB 60, *Accounting and Financial Reporting for Service Concession Arrangements*. The impact to the Statement of Net Position as of June 30, 2017, include $49.4 million of deferred inflows of resources, $10.9 million of cash and cash equivalents, $36.3 million of long-term receivables and $5.8 million of capital assets recorded. Under the agreement, the University maintains ownership of the facilities, while the 3rd parties will manage and operate the food service and bookstore operations. There is no on-going liability to the University. The University's objectives for entering the agreements include improving the infrastructure surrounding these operations as well as to improve experience for customers.

j. Unearned Compensation Expenses

Unearned compensation expenses are recognized as expense over the term of the related employment agreements.

k. Advances

Revenues of summer school academic terms are recognized in the fiscal year earned.

Advances related to amounts received from individual and season ticket holders for subsequent year intercollegiate athletic activities, suite rentals, parking and sponsorship revenue are recognized over the term of the related athletic activities.

The University receives revenues related to sponsored agreements via grants, contracts, cooperative agreements, or other agreements. The flow of funds relative to these sponsored agreements is in the form of cost reimbursement or advanced funding.

In the case of cost reimbursement, the University incurs costs on behalf of the granting authority and is then reimbursed for such costs pursuant to the terms of the sponsored agreement. Grant revenues are recognized as reimbursable costs are incurred.

In the case of advanced funding, the University receives funds prior to incurring costs pursuant to the sponsored agreement, with the stipulation that these funds may have to be returned to the sponsor. Grant revenues are recognized as the related grant costs are incurred.

l. Compensated Absences

University policies permit most employees to accumulate vacation and sick leave benefits that may be realized as paid time off or, in limited circumstances, as a cash payment. Expense and the related liability are recognized as vacation or sick benefits are earned, whether the employee is expected to realize the benefit as time off or in cash. Compensated absence liabilities are computed using the regular pay and termination pay rates in effect at the statement of net position date plus an additional amount for compensation-related payments such as Social Security and Medicare taxes computed using rates in effect at that date.

m. Net Bond Premium

The University amortizes the net bond premium using the effective interest method over the life of the bond.

n. Net Position

The net position of the University is classified in four components. Net investment in capital assets consists of the net amount of capital assets, accumulated depreciation, related deferred outflows and deferred inflows of resources, reduced by the outstanding balances of borrowings used to finance the purchase or construction of those assets. Restricted-nonexpendable net position is subject to externally imposed restrictions that require the University to maintain the assets in perpetuity. Restricted-expendable net position consists of the amount of assets and deferred outflows that must be used for a particular purpose as specified by creditors, grantors or donors external to the University, reduced by the outstanding balances of any related liabilities or deferred inflows of resources. Unrestricted net position is the remaining net amount of assets, related deferred outflows and deferred inflows of resources less liabilities that do not meet the definition of invested in capital assets, net of related debt or restricted.

o. Classification of Revenues

The University has classified its revenues as either operating or nonoperating revenues according to the following criteria:

Operating revenues - Operating revenues include activities that have the characteristics of exchange transactions, such as tuition, clinical operations, grants and contracts and intercollegiate activities.

Nonoperating revenues - Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as state appropriations, capital appropriations, Pell and other grants and contracts, gifts and contributions, and other revenue sources that are defined as nonoperating revenues by GASB No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Government Entities That Use Proprietary Fund Accounting*, and GASB No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments,* such as investment income.

p. Student Tuition and Fees

Student tuition and fees are presented net of scholarship allowances in the statements of revenues, expenses and changes in net position. Scholarship allowances are the difference between the stated charge for goods and services provided by the University and the amount that is paid by students and third parties making payments on the behalf of students. To the extent that revenues from such programs are used to satisfy tuition and fees, the University has recorded a scholarship allowance. Stipends and other payments made directly to students are presented as scholarships and fellowships expense.

q. Clinical Services and Practice Plan Revenue

The University has agreements with third-party payers that provide for payments to the University at amounts different from its established rates. Net clinical services and practice plan revenues are reported at the estimated net realizable amounts from patients, third-party payers and others for the services rendered and include estimated retroactive revenue adjustments and a provision for uncollectible accounts. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered and such estimated amounts are revised in future periods as adjustments become known.

r. Government and Nongovernment Grants

Support funded by grants is recognized as the University performs the contracted services or incurs outlays eligible for reimbursement under the grant agreements. Grant activities and outlays are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be made.

s. Tax Status

As a state institution of higher education, the income of the University is generally exempt from federal and state income taxes under Section 115(a) of the Internal Revenue Code and a similar provision of state law. However, the University is subject to federal income tax on any unrelated business taxable income.

t. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and deferred inflows and outflows of resources at the date of the financial statements and the reported amounts of revenues, expenses and other changes in net position during the reporting period. Actual results could differ from those estimates.

u. Reclassification of Prior Years' Financial Statements

In the statements of net position, revenues expenses and changes in net position, and cash flows certain prior year balances have been reclassified to conform to current year presentation. The reclassifications more accurately represent revenue and expense activities in the categories presented on the statements. These reclassifications had no effect on the change in net position.

2. Cash on Deposit and Investments

The University invests in various investment securities. Investment securities are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the investment amounts reported in the statements of net position. The risks related to deposits and investments held by the University are described within this disclosure.

a. Summary of Carrying Values

The value of deposits and investments as of June 30, 2017 and 2016 are as follows (in thousands):

	2017	2016
Deposits	$ 139,376	$ 151,849
Investments		
U.S. Treasury obligations	87	3,290
Other government obligations	2,242	421
Repurchase agreements	6,660	7,706
Investments held with the Foundation	25,280	25,952
Certificates of deposit	-	497
Annuities	1,558	1,986
Other long-term investments	2	2
	$ 175,205	$ 191,703

The deposits and investments shown are included in the statements of net position as follows (in thousands):

	2017	2016
Cash and cash equivalents	$ 76,669	$ 123,803
Deposit with bond trustee-current	47	5,754
Short-term investments	2,242	918
Restricted cash and cash equivalents	62,707	28,046
Deposit with bond trustee-noncurrent	6,700	5,242
Investments held with the Foundation	25,280	25,952
Other long-term investments	1,560	1,988
	$ 175,205	$ 191,703

b. Custodial Credit Risk

Custodial credit risk for deposits is the risk that in the event of a bank failure, a government's deposits or collateral securities may not be returned to it. The University currently uses commercial banks and the Commonwealth of Kentucky (Commonwealth) as its depositories. Deposits with commercial banks are substantially covered by federal depository insurance or collateral held by the bank in the University's name. At the Commonwealth, the University's accounts are pooled with other agencies of the Commonwealth. These Commonwealth-pooled deposits are substantially covered by federal depository insurance or by collateral held by the Commonwealth in the Commonwealth's name. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. Investments in variable rate demand notes are substantially covered by collateral held by the financial agent. The University does not have a formal policy addressing custodial credit risk.

At June 30, 2017 and 2016, the University had deposits subject to custodial credit risk as follows (in thousands):

June 30, 2017	State Deposits	Overnight Investments	Total
Collateralized with securities held by pledging financial institution	$ -	$ 7,555	$ 7,555
Collateralized with securities held by the Commonwealth in the Commonwealth's name	72,153	-	72,153
Total	$ 72,153	$ 7,555	$ 79,708

June 30, 2016	State Deposits	Overnight Investments	Total
Collateralized with securities held by pledging financial institution	$ -	$ 7,429	$ 7,429
Collateralized with securities held by the Commonwealth in the Commonwealth's name	58,398	-	58,398
Total	$ 58,398	$ 7,429	$ 65,827

c. Interest Rate Risk

Interest rate risk is the risk a government may face should interest rate variances affect the fair value of investments. The University's policy is to invest in U.S. government and U.S. government agency securities, commercial paper, banker's acceptances, and variable rate demand notes with a maturity not greater than three years.

The University has entered into a repurchase agreement for the investment of bond fund reserves. The provider financial institution agrees to deliver U.S. Treasury obligations yielding a guaranteed rate at an amount equal to the scheduled bond fund reserve in exchange for payment from the available reserve. The final maturity under this agreement is March 1, 2027.

As of June 30, 2017 and 2016, the University had investments subject to interest rate risk as reflected in schedules presented as follows and on the following page (in thousands):

June 30, 2017	Total	Maturities in years: Less than 1	1-5	6-10	More than 10
U.S. Treasury obligations	$ 87	$ 87	$ -	$ -	$ -
Other government obligations	2,242	2,242	-	-	-
Repurchase agreements	6,660	-	-	-	6,660
	$ 8,989	$ 2,329	$ -	$ -	$ 6,660

June 30, 2016	Total	Maturities in years: Less than 1	1-5	6-10	More than 10
U.S. Treasury obligations	$ 3,290	$ 1,860	$ 1,430	$ -	$ -
Other government obligations	421	421	-	-	-
Repurchase agreement	7,706	628	203	1,350	5,525
Certificates of deposit	497	497	-	-	-
	$ 11,914	$ 3,406	$ 1,633	$ 1,350	$ 5,525

d. Credit Risk

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. By University policy, commercial paper must be rated the highest (A-1/P-1) by at least one Nationally Recognized Statistical Rating Organization (NRSRO). Banker's acceptances must be issued by a bank having a short-term rating of the underlying bank rated the highest (A-1/P-1). Variable rate demand notes must be backed by an unconditional letter of credit issued by a domestic bank having outstanding commercial paper rated the highest (A-1/P-2) by at least one rating service and by each rating service rating said credit. All commercial paper and banker's acceptances must be issued by domestic entities. The Commonwealth investment pool can invest in U.S. treasuries and agencies; commercial paper or asset backed securities rated in the highest category by a nationally recognized rating agency; certificates of deposit, banker's acceptances, state or local government securities and corporate, Yankee and Eurodollar securities rated in one of the three highest categories by a nationally recognized rating agency; shares of mutual funds (up to 10%) and state and local property tax certificates of delinquency secured by interests in real estate.

As of June 30, 2017 and 2016, the University had the following investments exposed to credit risk as reflected in schedules presented below (in thousands):

June 30, 2017	Aaa	Not Rated	Total
Annuities	$ 1,558	$ -	$ 1,558
Investments held with the Foundation	-	25,280	25,280
	$ 1,558	$ 25,280	$ 26,838

June 30, 2016	Aaa	Not Rated	Total
Annuities	$ 1,986	$ -	$ 1,986
Investments held with the Foundation	-	25,952	25,952
	$ 1,986	$ 25,952	$ 27,938

e. Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer, excluding investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools and other pooled investments. At June 30, 2017 and 2016, the University has no investments in any one issuer as defined above that represent 5% or more of total investments.

The asset allocation for investments held with the Foundation as of June 30, 2017 and 2016 is as follows on the following page:

	2017	**2016**
Investment in partnerships	60%	60%
Marketable alternatives	13%	14%
Preferred and common stock	13%	13%
Mutual funds	12%	10%
Fixed income	2%	2%
Equity method investments	0%	1%
	100%	100%

The Foundation's investments do not have a significant concentration of credit risk within any industry or specific institution.

f. Foreign Currency Risk

This risk relates to adverse effects on the fair value of an investment from changes in exchange rates. The University had no investments denominated in foreign currency at June 30, 2017 and 2016.

3. Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The table that follows and on the following page presents the fair value measurements of assets and liabilities recognized in the accompanying financial statements as prescribed by *GASB 72, Fair Value Measurement and Application*, as of June 30, 2017 and 2016 (in thousands):

	Balance as of 6/30/2017	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	Measured at NAV
Investments					
US Treasury obligations	$ 87	$ 87	$ -	$ -	$ -
Other governmental obligations	2,242	-	2,242	-	-
University of Louisville Foundation, Inc. investment fund	25,280	-	-	-	25,280
Investment derivative instruments					
Interest rate swap	19	-	19	-	-
Total investments measured at fair value	$ 27,628	$ 87	$ 2,261	$ -	$ 25,280

		Balance as of 6/30/2016		Quoted Prices in Active Markets for Identical Assets Level 1		Significant Other Observable Inputs Level 2		Significant Unobservable Inputs Level 3		Measured at NAV
Investments										
Certificates of deposit	$	497	$	497	$	-	$	-	$	-
US Treasury obligations		3,290		3,290		-		-		-
Other governmental obligations		421		-		421		-		-
University of Louisville Foundation, Inc. investment fund		25,952		-		-		-		25,952
Investment derivative instruments										
Interest rate swap		434		-		434		-		-
Forward delivery agreement		(175)		-		-		(175)		-
Total investments measured at fair value	$	30,419	$	3,787	$	855	$	(175)	$	25,952

a. Investments

Certificates of deposit securities and US Treasury obligations classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Other governmental obligations and U.S. agency obligations classified in Level 2 of the fair value hierarchy are valued using a pricing matrix technique.

b. Investment Derivative Instruments

Derivative instruments classified in Level 2 of the fair value hierarchy are valued using standard pricing models using current forward rate assumptions and/or volatilities to predict cash flows. Derivative instruments classified in Level 3 of the fair value hierarchy are valued using a market approach to assess future cash flows.

Investments measured at net asset value (NAV) (in thousands):

		Fair Value as of 6/30/17	Redemption Frequency	Redemption Notice Period
University of Louisville Foundation, Inc. investment fund	$	25,280	Various from any valuation day to quarterly	Various from 5 to 90 days

		Fair Value as of 6/30/16	Redemption Frequency	Redemption Notice Period
University of Louisville Foundation, Inc. investment fund	$	25,952	Various from any valuation day to quarterly	Various from 5 to 90 days

Investments within the University of Louisville Foundation, Inc. investment fund consist of money market mutual funds, common and preferred stock, corporate bonds, mutual funds, investments in partnerships and funds of funds, equity method investments, U.S. Government securities, U.S. Treasuries and U.S. agency obligations. The Foundation has adopted a policy of maintaining a diverse investment pool through the use of targeted asset allocation guidelines. The fair value of the investments in the fund have been determined using the NAV per share (or its equivalent) of the investments.

4. Loans, Accounts and Contributions Receivable, Net

Loans, accounts and contributions receivable, net as of June 30, 2017 and 2016 are as follows (in thousands):

2017	Gross Receivable	Allowance	Net Receivable
Student tuition and fees	$ 38,101	$ (12,097)	$ 26,004
Patient care	69,072	(48,148)	20,924
Contributions receivable	39,341	(5,289)	34,052
Sponsored agreements	18,528	(1,763)	16,765
Rent from University Medical Center, Inc.	5,306	-	5,306
Trade receivables	6,699	-	6,699
Other	40,289	(488)	39,801
Total	$ 217,336	$ (67,785)	149,551
Less discount			(780)
Current portion			77,023
Noncurrent portion			$ 71,748

2016	Gross Receivable	Allowance	Net Receivable
Student tuition and fees	$ 34,825	$ (9,739)	$ 25,086
Patient care	72,043	(42,071)	29,972
Contributions receivable	33,405	(2,071)	31,334
KOH affiliation agreement	1,406	-	1,406
Sponsored agreements	22,618	(2,740)	19,878
Rent from University Medical Center, Inc.	4,905	-	4,905
Trade receivables	2,432	-	2,432
Other	8,586	(513)	8,073
Total	$ 180,220	$ (57,134)	123,086
Less discount			(810)
Current portion			78,821
Noncurrent portion			$ 43,455

Contributions receivable consist primarily of charitable gifts totaling $39.3 million pledged from individual and corporate donors that are associated with the construction projects of the Association. Receivables with payment schedules in excess of one year are stated at their discounted present value, using discount rates ranging from 0.2% to 5.4% as of June 30, 2017.

Other receivables consist primarily of service concession receivables as of June 30, 2017.

Contributions receivable as of June 30, 2017 and 2016 are due to be received as follows (in thousands):

	2017	2016
Less than one year	$ 12,070	$ 5,463
One to three years	14,788	16,998
Greater than three years	12,483	10,944
Subtotal	39,341	33,405
Less discount	(780)	(810)
Less allowance	(5,289)	(2,071)
Net contributions receivable	$ 33,272	$ 30,524

In accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, as amended by GASB Statement No. 36 *Recipient Reporting for Certain Shared Nonexchange Revenues*, the University records operating and capital pledges as revenue when all eligibility requirements have been met. Endowment pledges are not recognized as revenue until the gifts are received.

5. Due From Affiliates

a. University of Louisville Foundation, Inc.

The Foundation receives, invests, manages and administers private gifts, bequests and endowments donated for the benefit of the University. The Foundation acts in a fiduciary capacity, distributing the donated and earned funds as required by the terms of the gifts and consistent with the donor's intent. The Foundation owed $18.3 million and $1.9 million to the University as of June 30, 2017 and 2016, respectively, to fund spending of these donations and earnings and is recorded in current Due from Affiliate.

The University allocated a portion of its postemployment healthcare benefit liability to the Foundation for covered employees. As of July 1, 2016 the $1.8 million allocated to the Foundation was removed as Foundation employees were no longer University employees.

The Foundation owed $8.1 million to the University for a certificate of deposit being held as collateral. As of June 30, 2017 the certificate of deposit had matured and the funds were remitted to the University.

b. University of Louisville Real Estate Foundation, Inc.

By memorandum of agreement dated July 1, 2015, the University agreed to loan a total of $38.0 million to the ULREF. The receivable shall be repaid in full or satisfied through other financial instruments within 3 years of the effective date of the agreement, with effective date defined as the date on which the University transfers funds to the ULREF. The unpaid balance on the receivable bears simple interest equal to 75 basis points greater than the University's cash sweep rate. The repayment schedule calls for interest only payments semi-annually and a balloon repayment of any unpaid receivable and interest at the end of the term. The transfer of funding was completed August 7, 2015. The ULREF repaid $0 million of the loan during fiscal 2017 leaving a balance of $9.8 million as of June 30, 2017 that is included in noncurrent Due from Affiliates on the statement of net position.

c. University of Louisville Physicians, Inc.

In June 2016, the Research Foundation received a $5.9 million unsecured, noninterest bearing note from University of Louisville Physicians, Inc., an affiliate entity, for past due fees owed the Research Foundation. The outstanding note balance is $5.9 million as of June 2017, with $0.3 million recorded in current Due from Affiliate and the remaining $5.6 million in noncurrent Due from Affiliate.

d. University Medical Center, Inc.

KentuckyOne Healthcare, Inc. in relation to terminating its academic affiliation agreement with the University, assigned a receivable to the University from University Medical Center, Inc. (UMC) in exchange for release of funds due under the academic affiliation agreement. The University recorded a receivable of $23.9 million from UMC. As of June 30, 2017, $5.0 million is recorded in current Due from Affiliates and the remaining $18.9 is recorded in noncurrent Due from Affiliates.

6. Capital Assets, Net

Capital assets as of June 30, 2017 and 2016 are as follows and on the following page (in thousands):

	2017				
	Beginning Balance	**Additions**	**Retire-ments**	**Transfers**	**Ending Balance**
Cost - Nondepreciable					
Land	$ 44,204	$ 473	$ -	$ -	$ 44,677
Rare books	44,502	571	-	-	45,073
Construction in progress	67,016	55,558	-	(69,032)	53,542
Subtotal	155,722	56,602	-	(69,032)	143,292
Cost - Depreciable					
Buildings	1,131,843	7,881	(4,372)	26,882	1,162,234
Infrastructure	11,238	251	-	42,026	53,515
Land improvements	19,628	97	-	124	19,849
Equipment	199,284	7,459	(5,804)	-	200,939
Leasehold improvements	2,117	-	-	-	2,117
Library materials	170,045	1,797	-	-	171,842
Subtotal	1,534,155	17,485	(10,176)	69,032	1,610,496
Total capital assets-cost	1,689,877	74,087	(10,176)	-	1,753,788
Accumulated depreciation					
Buildings	489,274	34,489	(2,459)	-	521,304
Infrastructure	3,383	517	-	-	3,900
Land improvements	3,557	565	-	-	4,122
Equipment	174,956	8,578	(5,679)	-	177,855
Leasehold improvements	1,499	64	-	-	1,563
Library materials	148,810	4,290	-	-	153,100
Total accumulated depr.	821,479	48,503	(8,138)	-	861,844
Capital assets, net	$ 868,398	$ 25,584	$ (2,038)	$ -	$ 891,944

	2016				
	Beginning Balance	Additions	Retire-ments	Transfers	Ending Balance
Cost - Nondepreciable					
Land	$ 44,204	$ -	$ -	$ -	$ 44,204
Rare books	43,618	884	-	-	44,502
Construction in progress	32,035	41,706	-	(6,725)	67,016
Subtotal	119,857	42,590	-	(6,725)	155,722
Cost - Depreciable					
Buildings	1,124,951	906	-	5,986	1,131,843
Infrastructure	11,238	-	-	-	11,238
Land improvements	18,531	358	-	739	19,628
Equipment	197,399	8,826	(6,941)	-	199,284
Leasehold improvements	2,117	-	-	-	2,117
Library materials	167,598	2,447	-	-	170,045
Subtotal	1,521,834	12,537	(6,941)	6,725	1,534,155
Total capital assets-cost	1,641,691	55,127	(6,941)	-	1,689,877
Accumulated depreciation					
Buildings	454,835	34,439	-	-	489,274
Infrastructure	3,196	187	-	-	3,383
Land improvements	3,021	536	-	-	3,557
Equipment	171,123	10,654	(6,821)	-	174,956
Leasehold improvements	1,435	64	-	-	1,499
Library materials	143,395	5,415	-	-	148,810
Total accumulated depr.	777,005	51,295	(6,821)	-	821,479
Capital assets, net	$ 864,686	$ 3,832	$ (120)	$ -	$ 868,398

7. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities consist of the following at June 30, 2017 and 2016 (in thousands):

	2017	2016
Salaries and benefits	$ 46,667	$ 43,299
Payroll taxes	16,339	15,945
Construction	9,588	3,686
Accrued interest	3,828	3,155
Other	18,447	20,190
	$ 94,869	$ 86,275

8. Amounts Payable to University of Louisville Foundation, Inc.

In January 1999, the Association obtained an $8.5 million unsecured, noninterest bearing loan from the Foundation for the construction of Cardinal Park. The Association is obligated to repay the loan upon collection of contributions receivable. Certain contributions receivable are held by the University and collections are transferred to the Association for the repayment of the loan. No payments were made during the years June 30, 2017 and 2016. The outstanding balance was approximately $1.0 million for each of the years ended June 30, 2017 and 2016.

In July 2001, the Association obtained a $347,000 unsecured, noninterest bearing loan with no specific repayment terms from the Foundation for the refurbishing of the Cardinal Basketball offices. The outstanding loan balance is approximately $316,000 for each of the years ended June 30, 2017 and 2016.

9. Bonds, Notes and Capital Leases

Long-term debt, net of discount, of the University consisted of the following at June 30, 2017 and 2016 (in thousands):

	Interest Rate	Fiscal Year of Maturity	2017	2016
General Receipts Bonds:				
Series A of 2007	4.0%	2018	$ 1,960	$ 3,840
Series A of 2008	4.0%	2019	7,955	11,700
Series B of 2010	5.5%	2028	20,942	20,942
Series A of 2011	4.0% to 5.0%	2032	27,940	29,200
Series A of 2012	5.0%	2023	8,715	9,940
Series A of 2016	2.0% to 5.0%	2036	13,310	14,050
Series B of 2016	2.0% to 5.0%	2028	23,630	23,725
Series C of 2016	2.0% to 4.0%	2029	51,460	51,650
Series D of 2016	3.0% to 5.0%	2036	45,295	-
Series E of 2016	2.2% to 3.0%	2023	5,390	-
Series F of 2016	5.00%	2028	25,440	-
Metro Government Revenue Bonds:				
Series 2008 A	4.0% to 5.0%	2018	-	10,540
Series 2008 B	4.0% to 4.8%	2028	-	29,460
Notes payable	2.3% to 2.9%	2020	10,988	14,171
Energy leases	2.6% to 4.8%	2033	17,043	18,791
Capital lease obligations	2.5% to 10.7%	2020	540	326
Total long-term debt			260,608	238,335
Net unamortized premium			20,200	13,669
Long-term debt, net			$ 280,808	$ 252,004

The change in bonds, notes and capital leases is summarized as follows (in thousands):

	2017					
	Beginning Balance	Additions	Retire-ments	Ending Balance	Current Portion	Noncurrent Portion
Bonds payable	$ 205,047	$ 78,310	$ (51,320)	$ 232,037	$ 12,255	$ 219,782
Notes payable	14,171	-	(3,183)	10,988	10,988	-
Energy leases	18,791	-	(1,748)	17,043	1,839	15,204
Capital leases	326	373	(159)	540	194	346
Total	238,335	78,683	(56,410)	260,608	25,276	235,332
Less unamortized net (discount)/premium	13,669	8,254	(1,723)	20,200	2,555	17,645
Net bonds payable	$ 252,004	$ 86,937	$ (58,133)	$ 280,808	$ 27,831	$ 252,977

	2016					
	Beginning Balance	Additions	Retire-ments	Ending Balance	Current Portion	Noncurrent Portion
Bonds payable	$ 214,774	$ 89,425	$ (99,152)	$ 205,047	$ 17,420	$ 187,627
Note payable	16,549	-	(2,378)	14,171	2,188	11,983
Energy lease	20,212	-	(1,421)	18,791	1,748	17,043
Capital leases	357	33	(64)	326	159	167
Total	251,892	89,458	(103,015)	238,335	21,515	216,820
Less unamortized net discount	4,026	10,111	(468)	13,669	1,668	12,001
Net bonds payable	$ 255,918	$ 99,569	$ (103,483)	$ 252,004	$ 23,183	$ 228,821

Principal maturities and interest on bonds, notes and capital leases for the next five years and in subsequent five-year periods are as follows (in thousands):

For the year ended June 30	Principal	Interest	Total
2018	$ 25,276	$ 10,985	$ 36,261
2019	15,848	10,113	25,961
2020	15,854	9,543	25,397
2021	16,972	8,961	25,933
2022	17,581	8,351	25,932
2023 - 2027	78,235	32,002	110,237
2028 - 2032	66,187	11,927	78,114
2033 - 2036	24,655	2,796	27,451
Total	$ 260,608	$ 94,678	$ 355,286

The University has capitalized leased equipment with a net book value of $0.6 million and $0.8 million as of June 30, 2017 and 2016, respectively.

The General Receipts Bonds are collateralized by mortgages on certain University properties. Association revenue totaling $2.0 million annually is to be available for amounts owed by the Association under the Arena lease agreement. The remaining operating and nonoperating income of the University, excluding income which as a condition of receipt is not available for payment of debt service charges, are pledged for the General Receipts Bonds. Total principal and interest remaining on the debt is $322.9 million, with annual requirements ranging from $6.7 million in 2036 to $32.1

million in 2028. For the current year, principal and interest paid by the University and the total pledged revenue recognized were $19.6 million and $545.7 million, respectively

As of June 30, 2017 and 2016, investments at fair value totaling approximately $6.7 million and $11.0 million, respectively, for retirement of indebtedness funds have been deposited with the bond trustees and escrow agents as required under the various bond indentures and capital lease agreements.

CEBRB Series P of 2005

In June 2005, the University issued approximately $4.2 million in revenue bonds, the proceeds of which funded the acquisition of the Home of the Innocents property to be subsequently renovated for use by the School of Public Health and Information Sciences. Delivery of the Series P Bonds took place on June 15, 2005. The bonds mature incrementally on May 1 of each year beginning May 1, 2007 until May 1, 2025. The interest on the bonds is paid semiannually, on May 1 and November 1, commencing November 1, 2005. The interest rate on the bonds ranges from 3.7% to 4.0%. The CEBRB Series P Bonds were currently refunded by the issuance of General Receipts Bonds 2016 Series A and as a result the liability for the prior bonds have been removed from the University's statement of net position.

University of Louisville General Receipts Bond, 2007 Series A

In April 2007, the University issued the $41.0 million General Receipts Bond 2007 Series A to provide permanent fixed rate financing for the renovation of the Home of the Innocents property, to provide office space to be used by the University's School of Public Health and Information Sciences; land acquisition for and construction of Patterson Baseball Stadium; construction of Trager Field House for use by intercollegiate teams; construction of the YUM Practice Facility, to be used by the basketball and volleyball teams; and construction of the Center for Predictive Medicine, a Level 3 Regional Bio-safety Laboratory. Security for the bonds includes a pledge of the general receipts of the University and includes the imposition of a state intercept. These bonds were partially refunded by the issuance of General Receipts Bonds 2016 Series B. The final maturity due to the refunding is September 1, 2017. The balance remaining of the General Receipts Bonds 2007 Series A is $2.0 million as of June 30, 2017.

University of Louisville General Receipts Bonds, 2008 Series A

In July 2008, the University issued $86.1 million of University of Louisville, General Receipts Bonds, 2008 Series A at a net interest cost of 4.4%. The bond proceeds were used for the construction of a second Health Sciences Center parking garage, to fully fund the construction of a Clinical and Translational Research Building, and for renovation of the School of Dentistry. Security for the bonds includes a pledge of the general receipts of the University and the imposition of a state intercept. These bonds were partially refunded by the issuance of General Receipts Bonds 2016 Series C. The final maturity due to the refunding is September 1, 2018. The balance remaining of the General Receipts Bonds 2008 Series A is $8.0 million as of June 30, 2017.

University of Louisville General Receipts Bonds, 2010 Series A and Series B

In December 2010, the University issued $4.1 million of University of Louisville, General Receipts Bonds, 2010 Series A at a total interest cost of 3.3% and $20.9 million of University of Louisville, General Receipts Bonds, 2010 Series B at a total interest cost of 1.8%, both net of the subsidy from the *Build America Bonds Act* (BAB). The project financed consists of multiple energy conservation measures within 17 educational and general buildings on the Health Sciences, Shelby and Belknap campuses. The project is expected to produce annual utility cost savings of over $2.0 million and is being conducted under contract to the University by an energy management company that has guaranteed the annual savings to the University under the detailed terms of the contract. Security for the bonds includes a pledge of the general receipts of the University and the imposition of a state intercept. Final maturity of the bonds is September 1, 2027.

The General Receipts Bonds, 2010 Series A were currently refunded by the issuance of General Receipts Bonds, 2016 Series A. As a result, the liability for these bonds has been removed from the University's statement of net position.

The General Receipts Bonds, 2010 Series B were issued as bonds designated as QECBs under the provisions of the *American Recovery and Reinvestment Act of 2009*. The University expects to receive a cash subsidy payment from the United States Treasury equal to approximately 71.8% of the interest payable on the General Receipts Bonds, 2010 Series B. The subsidy payment is contingent on federal regulations and may be subject to change. On March 1, 2013, the President signed an Executive Order reducing the budgetary authority in accounts subject to sequestration. As a result, the BABs subsidy is expected to be reduced to approximately 66.6%.

University of Louisville General Receipts Bonds, 2011 Series A

In August 2011, the University issued $33.8 million of University of Louisville, General Receipts Bonds, 2011 Series A at a total interest cost of 3.6%. The project financed consists of a 128,700 square foot student recreation center. Features include six basketball courts, an indoor running track, a synthetic surface multi-activity court, three aerobics studios, a fitness lab, four racquetball courts, multipurpose activity space, and nearly 20,000 square feet of weight and cardiovascular equipment. Final maturity of the bonds is September 1, 2031.

University of Louisville General Receipts Bonds, 2012 Series A

In June 2012, the University issued $14.6 million of University of Louisville, General Receipts Bonds, 2012 Series A at a total interest cost of 2.1%. The bonds were issued to advance refund $13.5 million of Consolidated Educational Buildings Revenue Bonds Series N (Series N) with a weighted average interest rate of 3.9% and $5.3 million of Consolidated Educational Buildings Revenue Bonds Series O (Series O) with a weighted average interest rate of 4.1% (combined, the prior bonds). The bond proceeds together with an issuance premium of $2.5 million and funds from the debt service reserve fund for the prior bonds of $2.8 million have been deposited in escrow and will be used to pay the interest and principal requirements of the prior bonds maturing through and including May 1, 2013, and redeem and retire the prior bonds on May 1, 2013. Final maturity on the 2012 Bonds is March 1, 2023. There were no debt service requirements on the prior bonds as of June 30, 2017 and 2016.

University of Louisville General Receipts Bonds, 2016 Series A

In April 2016, the University issued $14.1 million of University of Louisville, General Receipts Bonds, 2017 Series A at a total interest cost of 2.8%. The bonds were issued to fund the University's share of the cost of the renovation and expansion of the University of Louisville Student Activity Center and to currently refund $3.2 million of University of Louisville General Receipts Bonds, Taxable Build America Bonds, 2010 Series A with a weighted average interest rate of 3.7% and $2.6 million of Consolidated Educational Buildings Revenue Bonds Series P with a weighted average interest rate of 3.9% (combined, the prior bonds). The bond proceeds were combined with an issuance premium of $1.4 million and funds from the debt service reserve fund for the Series P bond of $0.3 million to complete the current refunding of the prior bonds. As a result the liability for the prior bonds has been removed from the University's statement of net position. Final maturity on the 2016 Series A Bonds is March 1, 2036. The University will reduce its total debt service payments over the next 12 years by $0.8 million and realize net present value savings of approximately $0.4 million as a result of the refinancing.

University of Louisville General Receipts Bonds, 2016 Series B

In April 2016, the University issued $23.7 million of University of Louisville, General Receipts Bonds,2016 Series B at a total interest cost of 2.2%. The bonds were issued to advance refund $24.6 million of University of Louisville General Receipts Bonds, 2007 Series A with a weighted average interest rate of 4.0%. The bond proceeds together with an issuance premium of $2.4 million have been deposited in escrow and will be used to pay the interest requirements of the 2007 Series A bonds maturing on and after September 1, 2018 through and including September 1, 2017, and redeem and retire the General Receipts Bonds 2007 Series A on September 1, 2017. The balance remaining of the General Receipts Bonds 2007 Series A is $2.0 million as of June 30, 2017. Final maturity on the 2016 Series B Bonds is September 1, 2027. The University will reduce its total debt service payments over the next 12 years by $2.0 million and realize net present value savings of approximately $1.8 million as a result of the refinancing.

University of Louisville General Receipts Bonds, 2016 Series C

In April 2016, the University issued $51.7 million of University of Louisville, General Receipts Bonds, 2016 Series C at a total interest cost of 2.5%. The bonds were issued to advance refund $52.0 million of University of Louisville General Receipts Bonds, 2008 Series A with a weighted average interest rate of 4.5%. The bond proceeds together with an issuance premium of $6.4 million have been deposited in escrow and will be used to pay the interest of the General Receipts Bonds 2008 Series A maturing on or after September 1, 2019 through and including September 1, 2018, and redeem and retire the prior bonds on September 1, 2018. The balance remaining of the General Receipts Bonds 2008 Series A is $8.0 million as of June 30, 2017. Final maturity on the 2016 Series C Bonds is September 1, 2028. The University will reduce its total debt service payments over the next 13 years by $3.3 million and realize net present value savings of approximately $3.1 million as a result of the refinancing.

Louisville/Jefferson County Metro Government Revenue Refunding and Improvement Bonds Series 2008 A and B

In August 2008, the Louisville Metro Government issued $39.8 million of Mortgage Revenue Refunding Bonds Series 2008 A and $43.5 million of Mortgage Revenue Bonds Series 2008 B with a maturity date of March 1, 2028. The bond proceeds were used to retire on September 1, 2008 the outstanding County of Jefferson Kentucky Governmental Lease Revenue Bonds, Series 1997, the proceeds of which financed the acquisition, construction, installation and equipping of the sports stadium known as University of Louisville Papa John's Cardinal Stadium (Cardinal Stadium). Additional funds were used to finance a portion of the costs of acquisition, construction, installation and equipping of an expansion to the Cardinal Stadium. The Metro Government Series A and B bonds were advance refunded by the issuance of General Receipts Bonds 2017 Series F and as a result the liability for the prior bonds has been removed from the University's statement of net position.

University of Louisville General Receipts Bonds, 2016 Series D and Taxable General Receipts Bonds, 2016 Series E

In December 2016, the University issued $45.3 million of University of Louisville, General Receipts Bonds, 2016 Series D at a total interest cost of 3.8% and $5.4 million of University of Louisville, Taxable General Receipts Bonds, 2016 Series E at a total interest cost of 2.5 percent. The proceeds of the 2016 Series D Bonds and the 2016 Series E Bonds will be used by the University to finance the expansion of the University's Papa John's Cardinal Stadium. Final maturity on the 2016 Series D and Series E Bonds is March 1, 2036 and March 1, 2023, respectively.

University of Louisville General Receipts Bonds, 2016 Series F

In December 2016, the University issued $27.6 million of University of Louisville, General Receipts Bonds, 2016 Series F at a total interest cost of 2.7%. The bonds were issued to advance refund $29.5 million of Metro Government Mortgage Revenue Bonds, Series 2008 B with a weighted average interest rate of 4.1%. The bond proceeds together with an issuance premium of $3.6 million have been deposited in escrow and will be used to pay the interest of the Metro Government Mortgage Revenue Bonds, Series 2008 B through and including September 1, 2018, and redeem and retire the prior bonds on September 1, 2018. Final maturity on the 2016 Series F Bonds is March 1, 2028. The University will reduce its total debt service payments over the next 11 years by $1.8 million and realize net present value savings of approximately $1.6 million as a result of the refinancing.

Note Payable

In June 2013, the Association entered into a $15.0 million Term Loan with a national banking association. The proceeds were used to partially finance the renovation of the baseball and softball stadiums and the construction of a soccer stadium (Project). The loan is secured by collateral, including funds and revenues of the Association from the Project and third-party pledges to the Association for the Project. The variable interest rate on the Term Loan is the Daily One Month LIBOR rate plus 1.1%, reset on the last day of each month. The balance of the term loan was $10.7 million and $12.0 million as of June 30, 2017 and June 30, 2016, respectively.

Energy Leases

In September 2009, the University entered into a $20.4 million master lease with a financial institution. The proceeds have been used to finance investments in certain equipment designed to reduce energy usage. The lessor receives an exclusive security interest in any and all equipment acquired. The master lease has a 4.8% fixed interest rate and a term ending 2023. The balance of leases the lease was $17.0 million and $18.8 million as of June 30, 2017 and 2016, respectively.

In May 2015, the University entered into a $5.7 million master lease to finance investments in energy saving technology with a financial institution. The lessor receives an exclusive security interest in any and all equipment acquired. The master lease has a 2.6% fixed interest rate and a term ending 2033.

10. Derivative Financial Instruments

a. Summary

At June 30, 2017, the Association has the following derivative instruments outstanding. (in thousands):

Type	Objective	Notional Amount	Effective Date	Maturity Date	Terms	Fair Value
Pay-fixed interest rate swap	Hedge of changes in cash flows on the Term Loan	$ 15,000	06/28/13	06/30/22	Pay 2.9%; receive LIBOR + 1.14%	$ (19)

The fair value of the Interest Rate Swap was determined using the market's current forward rate assumptions in order to predict future cash flows on the floating side and is included in other long-term liabilities on the statements of net position. As the Interest Rate Swap is an effective hedging instrument, the offsetting balance is reflected as deferred outflows of resources on the Association's statements of net position. For the year ended June 30, 2017, the increase in fair value of the Interest Rate Swap was approximately $415,000. No initial cash receipt or payment was made in relation to the Interest Rate Swap. The Association receives or pays a net amount monthly and includes the monthly settlement amount in interest expense.

b. Credit Risk

The Interest Rate Swap's fair value represented the Association's credit exposure to the counterparty as of June 30, 2017. Should the counterparty to this transaction fail to perform according to the terms of the swap agreement, the Association has a maximum possible loss equivalent to the Interest Rate Swap's fair value at that date. At June 30, 2017, the counterparty to the Interest Rate Swap had a credit rating of A3 from Moody's Investors Services.

c. Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair values of the Association's financial instruments or cash flows. The fair market values of the derivative instruments are expected to fluctuate over the life of the agreement in response to changes in interest rates. The Association does not have a formally adopted policy related to interest rate risk related to derivative instruments.

d. Termination Risk

The Association or the counterparty may terminate the Interest Rate Swap if the other party fails to perform under the terms of the contract. The contract also provides for other termination events, including if the Term Loan matures, expires, is terminated or cancelled or changes lenders. If the Interest Rate Swap terminates early and the Association is the defaulting party, the Association would be liable for the losses, if any, of the counterparty.

11. Other Liabilities

Other liabilities of the University consisted of the following at June 30, 2017 and 2016 (in thousands):

	2017					
	Beginning Balance	Additions	Retire-ments	Ending Balance	Current Portion	Noncurrent Portion
Due to University of Louisville Foundation, Inc.	$ 316	$ -	$ -	$ 316	$ -	$ 316
Note payable to University of Louisville Foundation, Inc.	1,000	-	-	1,000	-	1,000
Unearned compensation and wages payable	9,581	1,289	(4,496)	6,374	1,686	4,688
Deposits	918	584	(51)	1,451	-	1,451
Advances	108,553	5,511	(63,176)	50,888	47,537	3,351
Amounts due federal government for student loan program	16,199	-	(851)	15,348	-	15,348
Other postemployment benefits	40,742	10,509	(2,858)	48,393	4,650	43,743
Other long-term liabilities	4,427	(407)	(2,432)	1,588	1,527	61
Total	$ 181,736	$ 17,486	$ (73,864)	$125,358	$ 55,400	$ 69,958

	2016					
	Beginning Balance	Additions	Retire-ments	Ending Balance	Current Portion	Noncurrent Portion
Due to University of Louisville Foundation, Inc.	$ 316	$ -	$ -	$ 316	$ -	$ 316
Note payable to University of Louisville Foundation, Inc.	1,000	-	-	1,000	-	1,000
Unearned compensation and wages payable	8,121	2,588	(1,128)	9,581	1,686	7,895
Deposits	902	76	(60)	918	-	918
Advances	102,585	75,693	(69,725)	108,553	75,962	32,591
Amounts due federal government for student loan program	16,149	50	-	16,199	-	16,199
Other postemployment benefits	36,999	6,180	(2,437)	40,742	4,452	36,290
Other long-term liabilities	7,365	341	(3,279)	4,427	2,434	1,993
Total	$ 173,437	$ 84,928	$ (76,629)	$181,736	$ 84,534	$ 97,202

Other long-term liabilities as of June 30, 2017 and 2016 include the accrual of the fee associated with the withdrawal from the American Athletic Conference and other contractual payments. The current portion of other postemployment benefits and other long-term liabilities is included in accounts payable and accrued liabilities in the statements of net position as of June 30, 2017 and 2016.

12. Risk Management

The University is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by (1) the State Fire and Tornado Insurance Fund (the "Fund"); (2) Sovereign Immunity and the State Board of Claims or, (3) in the case of risks not covered by the Fund and Sovereign Immunity, commercial insurance, or participation in insurance risk retention groups.

The Fund covers losses to property from fire, wind, earthquake, flood and other named perils between $500 and $1,000,000 per occurrence. Losses in excess of $1,000,000 are insured by commercial carriers up to $1.2 billion per occurrence on an actual cash value basis. As a state agency, the University is vested with Sovereign Immunity and is subject to the provisions of the Board of Claims Act, under which the University's liability for certain negligence claims is limited to $200,000 for any one person and $350,000 for multiple claims resulting from a single act of negligence. Claims against educators' errors and omissions and wrongful acts are insured through a risk retention group. There have been no significant reductions in insurance coverage from 2016 to 2017. Settlements have not exceeded insurance coverage during the past three years.

University medical and dental students, residents, and most School of Medicine faculty are insured against medical malpractice by a captive liability insurer. Other faculty, agents, and certain non-physician employees are insured against medical malpractice by commercial insurance. The University also has the benefit of an excess coverage fund established by the Commonwealth of Kentucky.

The University is self-insured for the medical benefits provided to employees. The cost of such self-insured benefits provided during the years ended June 30, 2017 and 2016, respectively, was approximately $60.1 million and $60.0 million, including $4.8 million and $4.2 million accrued for estimated claims incurred but not reported, included in accounts payable and accrued liabilities in the statements of net position.

The following table reconciles the claims liability for the fiscal years ended June 30, 2015, June 30, 2016 and June 30, 2017.

Fiscal year ended June 30,	Beginning Balance	Current Year Claims and Changes in Estimates	Claim Payments	Ending Balance
2017	4,731	59,882	(60,336)	4,277
2016	5,825	53,893	(54,987)	4,731
2015	4,976	55,516	(54,667)	5,825

13. Natural Classification

The University's operating expenses by natural classification were as follows for the years ended June 30, 2017 and 2016 (in thousands):

	2017	2016
Salaries and wages	$ 573,481	$ 551,228
Employee benefits	144,510	131,172
Utilities	20,059	20,119
Scholarships and fellowships	34,505	32,875
Depreciation	48,503	51,295
Supplies and other services	250,479	225,189
	$ 1,071,537	$ 1,011,878

14. Retirement Plans

a. Defined Contribution Plan

Permanent, full-time University employees become eligible to participate in a defined contribution plan administered by the University upon completion of one year's service and attainment of age 21. The University of Louisville 403(b) Retirement Plan (Plan) was established by the University and approved by the Board of Trustees. Eligible employees not contributing to the plan are entitled to a 7.5% of base salary contribution on their behalf by the University. The

University also matches up to an additional 2.5% of employee contributions. The plan requires three years of continuous service for employees to vest in employer contributions.

Other information relating to this plan for the years ended June 30, 2017 and 2016 is presented as follows (in thousands):

	2017	2016
Total University payroll	$ 579,095	$ 553,806
Total payroll covered by the plan	555,392	534,099
Employee contributions	30,417	29,615
University contributions	40,539	39,104

As of June 30, 2017 and 2016, the University had no forfeitures or outstanding liability related to the Retirement Plan.

b. Prior Service Defined Benefit Program

Effective July 1, 1977, the University entered into an agreement with Teachers Insurance Annuity Association (TIAA) to fund, over approximately 30 years, the prior service defined benefit program for both currently retired and eligible actively employed participants. This is a single-employer plan. There were no annual required contributions for the years ended June 30, 2017 and June 30, 2016. Subsequent annual contributions under this agreement are subject to periodic actuarial re-evaluations to reflect changes in the consumer price index, interest rates and group experience performance.

The most recent comparison of the accumulated plan benefits and plan net assets, as determined by TIAA, as of June 30, 2017 and 2016 are as follows (in thousands):

	2017	2016
Actuarial present value of non-vested accumulated plan benefits	$ 1,168	$ 1,256
Net assets available for benefits	$ 1,472	$ 1,621
Net pension surplus	$ (304)	$ (365)
Funded ratio	126%	129%

The actuarial present value of plan benefits is non-vested because the plan and benefits provided there under are at all times at the discretion of the University. The net pension surplus represents the amount of net assets available for benefits in excess of the actuarial liability. The assumed rate of return used to determine the present value of accumulated non-vested benefits was 6.0% for each of the years ended June 30, 2017 and 2016, for preretirement and postretirement periods.

15. Postemployment Healthcare Benefits

a. Plan Description

Association and University personnel are eligible for postemployment healthcare benefits as described in The University of Louisville Group Health Plan (Plan), administered by the University. To be eligible for the Plan, a retired employee must be the earlier of the attainment of age 60 with seven years of service in eligible faculty or staff status, or the date that the sum of the employee's age and years of regular service of not less than 80% full-time equivalent at the

University equals or exceeds 75. The Plan is a single-employer plan and the University's Board of Trustees determines the eligibility requirements related to the Plan. The Plan does not issue stand-alone financial reports and is not included in the report of any entity.

b. Funding Policy

The Plan is funded on a pay-as-you-go basis. The contribution requirements of the contributing members are determined by the University's management on an annual basis. During the years ended June 30, 2017 and 2016, the University contributed approximately \$1.3 million and \$1.9 million, approximately 43% and 66% of total premiums, respectively. Retired Plan members under age 65 receiving benefits contributed approximately \$1.7 million and \$1.0 million, approximately 57% and 39% of total premiums for the years ended June 30, 2017 and 2016, respectively, through their required monthly contributions according to the schedules below:

2017

	PPO	Cardinal Care Plan	EPO	PCA High	PCA Low
Employee	\$ 335	N/A	\$ 353	\$ 281	\$ 248
Employee and Spouse	\$ 811	N/A	\$ 851	\$ 692	\$ 555

2016

	PPO	Cardinal Care Plan	EPO	PCA High	PCA Low
Employee	\$ 335	\$ 447	\$ 353	\$ 281	\$ 248
Employee and Spouse	\$ 811	\$ 871	\$ 851	\$ 692	\$ 555

Medicare-eligible retirees receive a monthly benefit of \$108 per individual covered. For the years ended June 30, 2017 and 2016, the University contributed \$1.0 million and \$1.6 million for Medicare-eligible retirees, respectively.

c. Annual Other Postemployment Benefit (OPEB) Cost and Net OPEB Obligation

The University's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45 – *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* (GASB Statement No. 45). The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial accrued liabilities (UAAL) over a period not to exceed thirty years.

The following table shows the components of the University's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the University's net OPEB obligation (in thousands):

	2017	**2016**
Normal cost	$ 5,423	$ 5,061
AAL amortization	5,673	5,252
Annual required contribution (ARC)	11,096	10,313
Interest on above	1,497	1,258
Adjustment to ARC	(2,246)	(1,825)
OPEB liability loss (gain)	311	(3,566)
Annual OPEB cost (AOC)	10,658	6,180
Contributions made	(3,007)	(2,437)
Increase in net OPEB obligation	7,651	3,743
Net OPEB obligation - beginning of year	40,742	36,999
Net OPEB obligation - end of year	$ 48,393	$ 40,742

The University's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation were as follows (in thousands):

Fiscal Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2017	$ 10,658	28%	$ 48,393
2016	6,180	39%	40,742
2015	9,125	35%	36,999
2014	6,817	45%	31,069

d. Funded Status and Funding Progress

As of July 1, 2016, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was $95.5 million and $89.7 million and there were no assets, resulting in an unfunded actuarial accrued liability (UAAL) of $95.5 million and $89.7 million as of June 30, 2017 and 2016, respectively. The covered payroll (annual payroll of active employees covered by the plan) was $499.0 million and $478.2 million, and the ratio of the UAAL to the covered payroll was 19%, for the years ended June 30, 2017 and 2016, respectively.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents information about whether the actuarial value of plan assets is increasing or decreasing relative to the actuarial accrued liabilities for benefits.

e. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2016, actuarial valuation, the unit credit method actuarial cost method was used. The actuarial assumptions included a 3 percent investment rate of return (net of administrative expenses), which is based on the estimated return on the University's general assets, and an annual healthcare cost trend rate of 8.3 percent initially, reduced by decrements to an ultimate rate of 4.5 percent after 11 years. The gains or losses on the benefit obligation recognized during the fiscal years ended June 30, 2017 and 2016 were due to updates made on expected future health claims and changes made to the retiree life insurance benefit. Expected claims have decreased based on a review of actual claims over the last three years as well as current COBRA rates. The UAAL is being amortized on a straight line basis over 30 years. The remaining amortization period at June 30, 2017 was 20 years.

16. Health Science Center Affiliations and Agreements

a. KentuckyOne Healthcare, Inc. Affiliation, Lease and Operating Agreement

In November 2012, the University, Commonwealth, UMC, and KentuckyOne Health, Inc. (KentuckyOne) amended and restated the UMC land lease and executed a new academic affiliation agreement, superseding the one dated July 1, 2007. The initial term was twenty years, beginning on the Integration Date, which was March 1, 2013. As of June 30, 2017, the academic affiliation agreement was terminated.

The academic affiliation agreement called for a strategic programmatic investment fund and plan. KentuckyOne was to invest $114.5 million in key University clinical service lines and departments and $20.5 million in academic and programmatic investment in clinical services lines at Jewish Hospital and St. Mary's Healthcare, Inc. (Jewish Hospital) facilities. An additional $3.0 million per annum for twenty years was to be made available for research. As of June 30, 2017, the University received $34.4 million and $2.9 million related to the strategic programmatic investments and research initiatives, respectively. As of June 30, 2016, $21.2 million in current advances and $28.4 million in noncurrent advances are represented in the statement of net position. The academic affiliation agreement was terminated June 30, 2017. All deferred funds were recognized in revenue at that time. The agreement called for the payment annually of discretionary funding of $15 million over three years with payment contingent on the achievement of certain performance metrics. During the year ended June 30, 2017, the University received $3.6 million for discretionary purposes to support key statewide areas of focus. The University did not receive discretionary funding during the year ended June 30, 2016.

The academic affiliation agreement also called for KentuckyOne to provide an aggregate $75 million per annum in academic support for the initial term of five years subject to annual adjustments to the Medicare base rate. The academic support payment included funding for certain full-time equivalent resident positions over the term of the affiliation agreement. Funding for the years ended June 30, 2017 and 2016 were $65.8 million and $60.7 million, respectively, and are included in clinical services and practice plan revenues in the statement of revenues, expenses and changes in net position.

Concurrently with the academic affiliation agreement, KentuckyOne entered into a joint operating agreement with UMC, the Hospital's operator prior to March 1, 2013. KentuckyOne agreed to be the sole and exclusive agent acting for and on behalf of UMC to provide the day-to-day management of the University Hospital, with the exception of the Maintained Procedures, as defined in the agreement. The agreement called for KentuckyOne to make annual payments of not less than $7.5 million and not more than $17.5 million based on the ratio of net operating income to budget for KentuckyOne. The accompanying statements of revenues, expenses, and changes in net position include approximately $7.5 million for each of the years ended June 30, 2017 and 2016 in clinical services and practice plan revenues related to the joint operating agreement. The joint operating agreement was terminated June 30, 2017 and management of the University Hospital was returned to UMC as of July 1, 2017.

Concurrently with the academic affiliation agreement and joint operating agreements, the Commonwealth and the University as lessor amended and restated the lease agreement with UMC to lease the Hospital. The annual lease payment is $6.5 million through December 31, 2016. At that time, the annual rent was to escalate by $500,000 and will continue to escalate every five years thereafter up to $8.0 million. Included in the joint operating agreement was a provision that $5.0 million of the annual rent payment flow to the Quality and Charity Care Trust through June 30, 2016 as the Quality and Charity Care Trust was dissolved during the year ending June 30, 2017. The lease provides for additional rent each year to be adjusted annually commensurate with the increase or decrease in the utilities and other operating expenses of the leased property. The University was required to pay KentuckyOne any amounts related to the utilities and other operating expenses collected from third parties. Lease revenue, net of the amounts sent to the Quality and Charity Care Trust, was $8.0 million and $6.8 million for the years ended June 30, 2017 and 2016, and is included in clinical services and practice plan revenues in the statements of revenues, expenses, and changes in net position. Lease expense for the years ended June 30, 2017 and 2016 was $0.8 million and $0.9 million, respectively and is included in public service expense in the statements of revenues, expenses, and changes in net position.

The accompanying statements of net position include approximately $5.3 million and $4.9 million in accounts receivable for the years ended June 30, 2017 and 2016, respectively, representing amounts due from UMC pursuant to the lease agreement.

The above agreements address the patient care needs of the Hospital's inpatients. The University's School of Medicine operates various clinics, which generate patient care revenues from the treatment of outpatients as well as laboratories that serve both inpatients and outpatients.

b. Quality and Charity Care Trust Transfers for Hospital Operations

In November 2014, the University entered into The Revised Quality and Charity Care Trust agreement (Revised Trust Agreement) with the Commonwealth, Jefferson County, the Louisville Metro Government, and UMC for the purpose of providing medically necessary hospital care, both inpatient and outpatient, to indigent patients in the Louisville area. The Quality and Charity Care Trust, Inc. (Trust) received government funds and disbursed them for Trust operations in accordance with the terms of the agreement.

The Trust, funded by the Commonwealth and the local governments, is charged with the obligation to provide for the health care needs of economically disadvantaged persons who have historically been ministered to by the University as a public service in the course of its teaching programs.

The University and the Commonwealth selected UMC, a Kentucky non-profit corporation, as the provider of the healthcare services through the Hospital. Under the November 2012 joint operating agreement, KentuckyOne agreed to manage the Hospital in a manner consistent with the Revised Trust Agreement. Funding of $5.7 million for the year ended June 30, 2016, provided by the Commonwealth, Louisville Metro Government, and the University was paid to UMC as specified in the Trust agreement. This funding is not included in the statements of revenues, expenses and changes in net position as it is a pass-through to UMC. No funding was provided to the Trust for the year ending June 30, 2017. The Trust was dissolved as of June 30, 2017.

c. Norton Healthcare

On December 17, 2015, Norton Healthcare, Inc., (Norton), the University and Commonwealth agreed to a Settlement Agreement, a First Amendment to Lease and a First Amendment to Master Affiliation Agreement, amending the original Lease and Master Affiliation Agreement. These agreements provided for $30.0 million annual support payments from Norton to the University and its affiliates through Individual Agreements for research, academic support, residences and fellowships and related costs. In addition, the agreement stipulates that Norton provide additional financial support to the University of Louisville Pediatrics Department of $24.0 million over eight years and expend at least $35.0 million in facility improvements and other capital expenditures at Kosair Children's Hospital. Payments received by the University and its affiliates are included in clinical services and practice plan revenues in the statements of revenues, expenses, and changes in net position. Funding for the agreement for the years ended June 30, 2017 and 2016 was $20.0 million and $35.0 million, respectively. The Settlement Agreement also included a payment of $8.0 million, received in the year ending June 30, 2016, to the Research Foundation for expenses incurred.

d. Cardiovascular Innovation Institute

In October 2003, the University of Louisville and Jewish Hospital Cardiovascular Innovation Institute (the Institute) was incorporated with the purpose including, but not limited to, the development and operation of a world-class institute to test, clinically evaluate, and develop heart assist devices, biosensors, and related technologies to improve the care for patients with heart disease.

The University entered into a Master Facility Agreement with Jewish Hospital to set forth the principles regarding the facility to support the Institute. The Master Facility Agreement called for a research building to be jointly built by the University and Jewish Hospital on land owned by the University. Jewish Hospital has transferred the use of a portion of the building, through a lease, to the Institute or to the University, for exclusive use by the Institute. The building was completed in December 2006.

17. Leases

The University has entered into operating leases related to academic and research facilities. The University has three operating lease agreements related to the use of athletic facilities. Under these lease agreements, the University's rights have been assigned to the Association.

a. Kentucky State Fair Board

The University has entered into a lease agreement with the Kentucky State Fair Board (KSFB) for use of an athletic building. The University's rights under this agreement have been assigned to the Association. The lease has an initial term of 26 years, ending June 30, 2023. Annual lease payments range from $25,000 to $66,550. Total lease expense for each of the years ended June 30, 2017 and 2016 amounted to approximately $61,000.

b. Central Station, LLC

The Association has entered into a lease agreement with AAF-Louisville, LLC (d/b/a Central Station, LLC), a related party, for use of the Central Station Office Building. The lease has an initial term of 21 years, ending September 30, 2026. Annual lease payments started at approximately $47,000, and are subject to increases based on increases in the CPI. Total lease expenses during the years ended June 30, 2017 and 2016 amounted to approximately $167,000 and $180,000, respectively.

c. Louisville Arena Authority, Inc.

In July 2008, the Association entered into a lease agreement with the Arena Authority. The lease has an initial term of 36 years. Annual lease payments are equal to the greater of 10% of gross ticket sales or a minimum lease amount of $10,000 per game for men's basketball games; the greater of 5% of gross ticket sales or a minimum of $5,000 for any other Association sponsored event; and, as payment for private suites, 12% of net private suite revenue. Total lease expense during the years ended June 30, 2017 and 2016 amounted to approximately $3.4 million and $3.8 million, respectively. Additionally, the lease agreement provides for the Association to purchase parking spaces from the Arena Authority. Total parking expense during each of the years ended June 30, 2017 and 2016 amounted to approximately $0.5 million each year.

Under the terms of the lease, the Association will receive payments from the Arena Authority as follows: (a) 50% of all payments received from third-party concessionaire and catering sales at all University-sponsored events or 25% of the gross proceeds of any Arena Authority owned concessions or catering sales; (b) 50% of all rental/commission payments received in connection with the gift shop and its operations, and 50% of any additional merchandise revenue received from any source other than the gift shop; (c) 50% of all revenue received from the sale of inventory of the permanent signage inside and outside the Arena structure, excluding any signage that is part of the 10% of permanent signage reserved for the Association; (d) 33.3% of all revenue from the sale of inventory on all video boards outside the Arena structure, excluding any video board inventory that is part of the Association's signage. Total lease revenue during the years ended June 30, 2017 and 2016 amounted to approximately $1.4 million and $2.5 million, respectively.

Subsequent to June 30, 2017 the Association completed renegotiating a new lease agreement with the Arena Authority. See Note 20 - Subsequent Events.

d. Future Minimum Lease Payments

The University's annual minimum lease payments are due as follows (in thousands), subject to change with new lease:

For the year ending June 30,	Lease Payment Due
2018	$ 4,123
2019	828
2020	536
2021	538
2022	539
2023-2027	2,152
2028-2032	1,490
2033-2037	1,490
2038-2042	1,490
2043-2047	635
2048-2052	65
2053-2057	65
2058-2062	65
2063-2067	65
2068-2072	13
Future minimum lease payments	$ 14,094

18. Commitments and Contingencies

a. Commitments

At June 30, 2017, the University had approximately $14.5 million in encumbrances outstanding for future expenditures. As part of the entrance into the Atlantic Coast Conference, the Association committed to an unspecified amount of revenue to be withheld.

b. Litigation

The University has been named as defendant in several lawsuits, including several actions initiated by patients involving alleged malpractice. It is the opinion of management and its legal counsel, based in part on the doctrine of sovereign immunity, commercial insurance coverage and other statutory provisions, that the ultimate outcome of litigation will not have a material effect on the future operations or financial position of the University beyond the amounts already provided.

During 1989, the Kentucky Supreme Court ruled that the Board of Claims statute cannot bar lawsuits against employees of the Commonwealth who can be held personally liable for their own negligent acts. Certain of the University's employees have lawsuits pending against them for negligence claims. Any judgments on such claims are not the liability of the University, although the University may settle or pay judgments from the statutory fund established per KRS 156.895 and 164.890 - 164.895, or per liability insurance purchased for its employees and agents.

c. Investigation

On June 15, 2017, the National Collegiate Athletic Association (NCAA) Committee on Infractions imposed penalties on the University of Louisville after the committee found the University responsible for violations of NCAA legislation.

The penalties imposed by the NCAA Committee on Infractions that could have a monetary impact on the Association are the following:

a. Four years of probation;
b. A vacation of basketball records in which student-athletes competed while ineligible from December 2010 and July 2014;
c. Men's basketball scholarship reductions and recruiting restrictions;
d. A fine of $5,000, plus the university must return money received through conference revenue sharing for its appearances in the 2012 to 2015 NCAA Division I Men's Basketball Champion-ships.

The complete report and additional information, including the imposed penalties, may be found online at this link: http://uofl.me/2utS4LB

The Association and University have filed an appeal against the financial penalties and the vacation of records penalty to the NCAA Division I Infractions Appeals Committee. That appeal is currently pending. The University has not recorded a liability for any potential financial penalties due to inability to estimate the penalty during the appeal process.

d. Government Grants

The University is currently participating in numerous grants from various departments and agencies of the federal and state governments. The expenditures of grant proceeds must be for allowable and eligible purposes. Single audits and audits by the granting department or agency may result in requests for reimbursement of unused grant proceeds or disallowed expenditures. Upon notification of final approval by the granting department or agency, the grants are considered closed.

e. Guarantees

A memorandum of understanding dated April 2017 between the Research Foundation and ULP establishes obligations of the Research Foundation in the event ULP does not meet certain requirements under a lease agreement with PMOB, Inc. PMOB, Inc. has a $48.6 million loan with a financial institution to construct a medical office building. ULP entered into a lease with PMOB, Inc. for a majority of the space within the medical office building and to provide $9.5 million of furniture, fixtures and equipment for the leased space. For as long as the loan agreement between PMOB, Inc. and the financial institution remains in effect, the Research Foundation has provided assurance through a guarantee that all of ULP's obligations due to PMOB, Inc. under the lease and any unfunded portion of the leased premise furniture, fixture and equipment will be paid. The Research Foundation's obligation shall not exceed funds received by the Research Foundation for services provided by ULP for clinical services as of the date of the memorandum of understanding.

A memorandum of understanding dated March 2017 between the Research Foundation and ULP establishes the obligation for the Research Foundation to make annual lump sum payments through July 2020 to a lending institution holding debt of ULP for the servicing of ULP scheduled debt payments. The payments made by the Research Foundation are for services rendered by ULP.

19. Recent Accounting Pronouncements

As of June 30, 2017, the following GASB statements were implemented which did not have a financial or disclosure impact on the financial statements.

GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans. This statement improves the usefulness of information about post-employment benefits other than pensions and is applicable to plans that are administered through trusts.

GASB Statement No. 77, *Tax Abatement Disclosures.* This statement requires governments to provide additional disclosures about tax abatement agreements.

GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension plans.* This statement addresses a practice issue regarding the scope and applicability of GASB Statement 68, *Accounting and Reporting for Pensions*, to certain multiple- employer defined benefit pension plans.

GASB Statement No. 80, *Blending Requirements for Certain Component Units-an amendment of GASB Statement No. 14*. This statement amends the blending requirement for certain component units incorporated as a not-for-profit corporation which the primary government is the sole corporate member.

GASB Statement No. 82, *Pension Issues– An Amendment of GASB Statements No. 67, No. 68 and No. 73*. This statement addresses certain issues that had been raised regarding the presentation of payroll-related measures in required supplementary information, the selection of assumptions and the classification of payments made by employers.

As of June 30, 2017, the GASB has issued the following statements that could be applicable to the University.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The University has not yet adopted this standard and is evaluating the impact it may have on its financial statements.

GASB Statement No. 81, *Irrevocable Split-Interest Agreements.* The University has not yet adopted this standard and is evaluating the impact it may have on its financial statements.

GASB Statement No. 83, *Certain Asset Retirement Obligations.* The University has not yet adopted this standard and is evaluating the impact it may have on its financial statements.

GASB Statement No. 84, *Fiduciary Activities.* The University has not yet adopted this standard and is evaluating the impact it may have on its financial statements.

GASB Statement No. 85, *Omnibus 2017.* The University has not yet adopted this standard and is evaluating the impact it may have on its financial statements.

GASB Statement No. 86, *Certain Debt Extinguishment Issues.* The University has not yet adopted this standard and is evaluating the impact it may have on its financial statements.

GASB Statement No. 87, *Leases.* The University has not yet adopted this standard and is evaluating the impact it may have on its financial statements.

20. Subsequent Event

The academic affiliation agreement with KentuckyOne Healthcare, Inc. was mutually terminated on June 30, 2017. Concurrently, the joint operating agreement between KentuckyOne Healthcare, Inc. and UMC governing management and operation of the University Hospital and James Graham Brown

Cancer Center also terminated June 30, 2017. On July 1, 2017 UMC returned to managing the University Hospital and entered into a new academic affiliation agreement with the University.

In July 2017 the Association entered into negotiations for Amendments to the Lease Agreement with the Arena Authority, including an additional annual payment of $2.4 million, with no change to the original lease period.

On July 20, 2017 the Association executed an Agreement with Christ Church Cathedral for a ground lease of Churchill Park athletic fields for an initial term of fifty years. Annual payments of $50 thousand per year begin on July 31, 2018 for the first ten years.

On September 26, 2017, the University was informed of a federal investigation into the actions of certain University employees and their recruiting practices related to the men's basketball program. No allegations have been made directly against the University at this time. The outcome of the investigation, and any potential impact on the financial position of the University cannot be estimated at the time of issuance of the audited financial statements.

Subsequent to June 30, 2017, the University terminated the employment contracts of certain individuals employed within the men's basketball program. While the University believes their actions are allowed under the terms of the contracts, as of the date that these financial statements were issued, the University cannot estimate a liability, if any, in relation to these terminations.

21. Component Units

a. Blended Component Units – Combined Condensed Statements

The combining schedules of the University, the Research Foundation and the Association as of June 30, 2017 and 2016, are as follows and on the following pages (in thousands):

Condensed Statements of Net Position

	2017			
	University	Research Foundation	Athletic Association	Total
Current assets	$ 108,580	$ 37,763	$ 44,168	$ 190,511
Capital assets	653,542	61,726	176,676	891,944
Other noncurrent assets	89,536	6,374	106,731	202,641
Total assets	851,658	105,863	327,575	1,285,096
Deferred outflows of resources	5,733	-	1,679	7,412
Current liabilities	71,947	40,527	59,449	171,923
Due to University	(104,284)	-	104,284	-
Other noncurrent liabilities	296,481	15,514	10,940	322,935
Total liabilities	264,144	56,041	174,673	494,858
Deferred inflows of resources	48,579	-	857	49,436
Net investment in capital assets	473,832	61,726	124,758	660,316
Restricted-nonexpendable	-	-	1,633	1,633
Restricted-expendable	31,679	24,465	27,409	83,553
Unrestricted	39,157	(36,369)	(76)	2,712
Total net position	$ 544,668	$ 49,822	$ 153,724	$ 748,214

	2016			
	University	Research Foundation	Athletic Association	Total
Current assets	$ 129,783	$ 49,750	$ 52,709	$ 232,242
Capital assets	637,025	65,989	165,384	868,398
Other noncurrent assets	62,464	719	62,005	125,188
Total assets	829,272	116,458	280,098	1,225,828
Deferred outflows of resources	6,526	-	441	6,967
Current liabilities	86,443	41,822	58,841	187,106
Due to University	(23,288)	-	23,288	-
Other noncurrent liabilities	255,077	12,684	58,262	326,023
Total liabilities	318,232	54,506	140,391	513,129
Deferred inflows of resources	-	-	175	175
Net investment in capital assets	453,709	65,989	113,091	632,789
Restricted-nonexpendable	-	-	1,633	1,633
Restricted-expendable	45,855	21,791	24,362	92,008
Unrestricted	18,002	(25,828)	887	(6,939)
Total net position	$ 517,566	$ 61,952	$ 139,973	$ 719,491

Condensed Statements of Revenues, Expenses, and Changes in Net Position

	2017			
	University	Research Foundation	Athletic Association	Total
Student tuition and fees, net	$ 221,626			$ 221,626
Clinical services and practice plan	89,930	$ 245,135		335,065
Grants and contracts	430	89,728		90,158
Facilities and administrative cost recoveries	-	25,064		25,064
Other operating revenue	56,184	3,209	$ 72,756	132,149
Total operating revenues	368,170	363,136	72,756	804,062
Depreciation	35,834	7,072	5,597	48,503
Other operating expenses	515,861	408,591	98,582	1,023,034
Total operating expenses	551,695	415,663	104,179	1,071,537
Operating loss	(183,525)	(52,527)	(31,423)	(267,475)
State appropriations	134,508	-	-	134,508
Gifts	247	886	28,524	29,657
Interest on capital asset-related debt	(7,980)	-	(920)	(8,900)
Other nonoperating revenues	3,895	47,623	351	51,869
Capital appropriations	21,608	-	-	21,608
Capital gifts	168	-	16,832	17,000
Contributions from affiliates, net	52,123	(2,054)	387	50,456
Transfers	6,058	(6,058)	-	-
Total nonoperating revenues	210,627	40,397	45,174	296,198
Change in net position	27,102	(12,130)	13,751	28,723
Net position - beginning of year	517,566	61,952	139,973	719,491
Net position - end of year	$ 544,668	$ 49,822	$ 153,724	$ 748,214

	2016			
	University	Research Foundation	Athletic Association	Total
Student tuition and fees, net	$ 209,503			$ 209,503
Clinical services and practice plan	35,439	$ 233,981		269,420
Grants and contracts	296	103,121		103,417
Facilities and administrative cost recoveries	-	24,611		24,611
Other operating revenues	28,604	3,892	$ 71,335	103,831
Total operating revenues	273,842	365,605	71,335	710,782
Depreciation	38,206	7,914	5,175	51,295
Other operating expenses	464,121	401,670	94,792	960,583
Total operating expenses	502,327	409,584	99,967	1,011,878
Operating loss	(228,485)	(43,979)	(28,632)	(301,096)
State appropriations	142,213	-	-	142,213
Gifts	132	1,491	28,928	30,551
Interest on capital asset-related debt	(7,625)	-	(2,336)	(9,961)
Other nonoperating revenues	2,339	43,641	(4,574)	41,406
Capital appropriations	9,741	-	-	9,741
Capital gifts	(57)	-	9,680	9,623
Voluntary separation plan expense	-	-	-	-
Contributions from affiliates, net	95,728	(4,392)	(902)	90,434
Transfers	7,529	(7,529)	-	-
Total nonoperating revenues	250,000	33,211	30,796	314,007
Change in net position	21,515	(10,768)	2,164	12,911
Net position - beginning of year	496,051	72,720	137,809	706,580
Net position - end of year	$ 517,566	$ 61,952	$ 139,973	$ 719,491

Condensed Statements of Cash Flows

	2017			
	University	Research Foundation	Athletic Association	Total
Cash (used)/provided by:				
Operating activities	$ (178,396)	$ (26,890)	$ (32,517)	$ (237,803)
Noncapital financing activities	83,663	34,416	112,579	230,658
Capital and related financing activities	31,600	(2,877)	(43,781)	(15,058)
Investing activities	8,246	57	1,427	9,730
Net (decrease)/increase in cash and cash equivalents	(54,887)	4,706	37,708	(12,473)
Cash and cash equivalents, beginning of year	130,346	(26,533)	48,036	151,849
Cash and cash equivalents, end of year	$ 75,459	$ (21,827)	$ 85,744	$ 139,376

	2016			
	University	Research Foundation	Athletic Association	Total
Cash (used)/provided by:				
Operating activities	$ (178,230)	$ (49,994)	$ (23,054)	$ (251,278)
Noncapital financing activities	211,998	33,155	45,468	290,621
Capital and related financing activities	(31,864)	(3,809)	(17,386)	(53,059)
Investing activities	18,752	53	(2,282)	16,523
Net increase/(decrease) in cash and cash equivalents	20,656	(20,595)	2,746	2,807
Cash and cash equivalents, beginning of year	109,690	(5,938)	45,290	149,042
Cash and cash equivalents, end of year	$ 130,346	$ (26,533)	$ 48,036	$ 151,849

b. University of Louisville Foundation, Inc. and Affiliates

The University of Louisville Foundation, Inc. (ULF) and Affiliates (collectively, "Foundation") is a legally separate, tax-exempt component unit of the University, under the provisions of GASB Statement No. 39. The Foundation acts primarily as a fundraising organization to supplement the resources that are available to the University in support of its programs. The University does not control the timing or amount of receipts from the Foundation. The majority of resources, or income thereon, which the Foundation holds and invests, is restricted to the activities of the University by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the University, the Foundation is considered a component unit of the University and is discretely presented in the University's financial statements.

Complete financial statements for the Foundation can be obtained from Foundation Administration at University of Louisville, 215 Central Avenue, Suite 304, Louisville, KY 40292.

The Foundation is a private nonprofit organization that reports under Financial Accounting Standards Board (FASB) standards, including FASB ASC Topic 958, *Not-for-Profit Entities*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the University's financial statements for these differences.

1. Endowment

The Foundation's endowment consists of approximately 1,600 individual funds established for a variety of purposes. The endowment includes both donor-restricted endowment funds and funds designated by the board of directors to function as endowments (board-designated endowment funds). As required by US GAAP, net assets associated with endowment funds, including board-designated endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Foundation's Board has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA), adopted in the Commonwealth of Kentucky in July 2010, as requiring preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of donor-restricted endowment funds is classified as temporarily restricted net assets, until donor stipulations are fulfilled.

The composition of net assets by type of endowment fund at June 30, 2017 and 2016, was:

	2017			
	Unrestricted	**Temporarily Restricted**	**Permanently Restricted**	**Total**
	(In Thousands)			
Donor-restricted endowment funds	**$ (25,797)**	**$ 281,436**	**$ 455,738**	**$ 711,377**
Board-designated endowment funds	**69,247**	**–**	**–**	**69,247**
	$ 43,450	**$ 281,436**	**$ 455,738**	**$ 780,624**

	2016			
	Unrestricted	**Temporarily Restricted**	**Permanently Restricted**	**Total**
	(In Thousands)			
Donor-restricted endowment funds	$ (18,003)	$ 250,711	$ 449,518	$ 682,226
Board-designated endowment funds	56,756	–	–	56,756
	$ 38,753	$ 250,711	$ 449,518	$ 738,982

Changes in endowment net assets for the years ended June 30, 2017 and 2016 were (in thousands):

	2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	**$ 38,753**	**$ 250,711**	**$ 449,518**	**$ 738,982**
Investment return:				
Investment and endowment income	**1,013**	**3,549**	**-**	**4,562**
Net appreciation	**16,852**	**45,632**	**-**	**62,484**
Net appreciation funds held in trust by others	**-**	**-**	**5,646**	**5,646**
Total investment return	**17,865**	**49,181**	**5,646**	**72,692**
Contributions	**649**	**918**	**3,227**	**4,794**
Appropriations	**(7,368)**	**(27,168)**	**-**	**(34,536)**
Other changes	**(6,449)**	**7,794**	**(2,653)**	**(1,308)**
Endowment net assets, end of year	**$ 43,450**	**$ 281,436**	**$ 455,738**	**$ 780,624**

	2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 85,602	$ 270,226	$ 436,515	$ 792,343
Investment return:				
Investment and endowment income	3,240	8,696	-	11,936
Net appreciation (depreciation)	(22,922)	4,802	-	(18,120)
Net depreciation funds held in trust by others	-	-	(1,240)	(1,240)
Total investment return	(19,682)	13,498	(1,240)	(7,424)
Contributions	243	1,394	14,483	16,120
Appropriations	(27,410)	(34,407)	-	(61,817)
Other changes	-	-	(240)	(240)
Endowment net assets, end of year	$ 38,753	$ 250,711	$ 449,518	$ 738,982

Amounts of donor-restricted endowment funds classified as permanently and temporarily restricted net assets at June 30, 2017 and 2016, consisted of (in thousands):

	2017	2016
Permanently restricted net assets – portion of perpetual endowment funds required to be retained permanently by explicit donor stipulations or UPMIFA	**$ 455,738**	$ 449,518
Termporarily restricted net assets – term endowment funds	**$ 7,964**	$ 5,896

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the fair value level that the Foundation is required to retain as a fund of perpetual duration pursuant to donor stipulation or UPMIFA. In accordance with US GAAP, deficiencies of this nature are reported in unrestricted net assets and aggregated to approximately $25.8 million and $18.0 million at June 30, 2017 and 2016, respectively. These deficiencies resulted from unfavorable market fluctuations that occurred after investment of permanently restricted contributions.

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs and other items supported by its endowment while seeking to maintain the purchasing power of the endowment. Endowment assets include those assets of donor-restricted endowment funds that the Foundation must hold in perpetuity or for donor-specified periods, as well as those of board-designated endowment funds.

Under the Foundation's policies, endowment assets are invested in a manner that is intended to produce results that achieves a minimum net total return which is equal to the Foundation's spending rate plus inflation without the assumption of excessive investment risk. To satisfy its long-term rate of return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both current yield (investment income such as dividends and interest) and capital appreciation (both realized and unrealized). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within acceptable risk constraints.

The Foundation has a standing policy (the spending policy) of appropriating for expenditure each year a percentage of its endowment fund's average market value over the prior three years through the calendar year-end preceding the year in which expenditure is planned. For the year ended June 30, 2017, the Foundation allocated 5.5% for support to the academic units and allocated an additional 1.98% for overall fundraising efforts. In establishing this policy, the Foundation balances the long-term expected return on its endowment against the level of expenditures required to support the University's goals and objectives. The Foundation will adjust the spending policy for a given year to mitigate adverse market performance on the level of support provided to the University. For the fiscal year ended June 30, 2015, the Board approved the standard spending policy and approved the mandatory re-investment of unspent carryover. This provision is designed to dampen the reduction in allocated spending funds for the fiscal year, without damaging the long-term performance of the endowment.

In March 2017, the Board of the Foundation approved reducing the spend policy from 5.5% to 4.09% for fiscal year 2018 for support to the academic units and allocated an additional

1.42% (previously 1.98%) for overall fundraising efforts of the Foundation as well as strategic priorities identified by the President of the University with the understanding the policy exists to reduce or eliminate the unspent carryover. The spend policy remains based on a three-year moving average of market values as of December 31.

The Foundation has adopted an investment objective whereby the average annual return over the long term should equal the rate of inflation (measured by the three-year moving average of the Gross Domestic Product (GDP) Deflator) plus the average level of spending from total endowment assets. The annual return (loss) for the total endowment assets was 5.4% and (5.5%) in 2017 and 2016, respectively.

This is consistent with the Foundation's objective to maintain the purchasing power of endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return.

Included within the endowment are $48.6 million and $85.2 million at June 30, 2017 and 2016, of loans to affiliates of the University.

2. <u>Investments and Investment Income</u>

Investments as of June 30, 2017 and 2016, are as follows (in thousands):

	2017	2016
	(In Thousands)	
Cash equivalents	**$ 5,242**	$ 8,805
Alternative investments:		
Hedge funds	**170,241**	172,270
Investments in partnerships	**368,815**	346,934
Mutual funds:		
Equity	**40,384**	48,328
Fixed income	**50,286**	29,211
Marketable alternatives:		
Domestic marketable equity securities	**36,501**	34,930
Marketable debt securities:		
Agency bonds	**6,426**	–
U.S. Treasury	**5,027**	–
Total investments	**$ 682,922**	$ 640,478

Restricted investments are restricted by bond indenture for payment of debt service and repairs and replacement. Restricted investments as of June 30, 2017 and 2016, are as follows (in thousands):

	2017	2016
Money market mutual funds	**$ 6,100**	$ 2,930
U.S. agency obligations	**-**	1,689
	$ 6,100	$ 4,619

Total investment return for the years ended June 30, 2017 and 2016, is reflected in the consolidated statements of activities and changes in net assets as follows (in thousands):

Total Investment Return

	2017	2016
Dividends and interest	**$ 1,141**	$ 1,313
Endowment income	**2,619**	4,223
Net realized gain on investments	**3,364**	7,668
Net unrealized gain (loss) on investments	**68,032**	(18,058)
	$ 75,156	$ (4,854)

For the years ended June 30, 2017 and 2016, realized gains from alternative investments were approximately $930,000 and $6.1 million, respectively.

The Foundation invests in various securities, which are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the investment amounts reported in the consolidated statements of financial position.

The Foundation's investments do not have a significant concentration of credit risk within any industry or specific institution.

The market risk inherent in certain of the Foundation's investments is primarily the potential loss arising from adverse changes in quoted market prices on equity securities and in interest rates on fixed income securities. In an effort to mitigate this market risk, the Foundation has adopted a policy of maintaining a diverse investment pool through the use of target asset allocation guidelines. These guidelines require that the Foundation's investment pool be made up of a mix of publicly traded fixed income and equity securities, private equities and other nonmarketable securities, and real estate investments.

The major portion of long-term investments is pooled in the total endowment assets, which is the general endowment pool for the Foundation. The total endowment assets is pooled using a market value basis, with each individual fund subscribing to, or disposing of, units on the basis of the market value per unit at the end of the prior calendar month during which the transaction takes place. The investment objectives of the Foundation are to preserve the principal of the endowment funds in both absolute and real terms while maximizing, over the long-term, the total rate of return (yield and appreciation) within reasonable risk parameters.

a. <u>Alternative Investments</u>

The fair value of alternative investments has been estimated using the NAV per share of the investments. Alternative investments held at June 30, 2017 and 2016, consisted of the investments on the following page (in thousands):

	2017			
	Fair Value	**Unfunded Commitments**	**Redemption Frequency**	**Redemption Notice Period**
	(In Thousands)			
Hedge funds	**$ 170,241**	**$ 6,433**	Various from any valuation day to illiquid	Various from 10 to 90 days, if any
Investments in partnership	**368,815**	**63,882**	Various from any valuation day to illiquid	Various from 10 to 90 days, if any

	2016			
	Fair Value	**Unfunded Commitments**	**Redemption Frequency**	**Redemption Notice Period**
	(In Thousands)			
Hedge funds	$ 172,270	$ 3,103	Various from any valuation day to illiquid	Various from 10 to 90 days
Investments in partnership	346,934	76,222	Various from any valuation day to illiquid	Various from 10 to 90 days

3. Disclosures About Fair Value of Assets and Liabilities

The tables on the following pages present the fair value measurements of assets by class recorded at fair value on a recurring basis under ASC 820 at June 30, 2017 and 2016:

	June 30, 2017			
	Level 1	**Level 2**	**Level 3**	**Total**
	(In Thousands)			
Cash	**$ 8,632**	**$ –**	**$ –**	**$ 8,632**
Cash equivalents	**5,242**	**–**	**–**	**5,242**
Mutual funds:				
Equity	**40,384**	**–**	**–**	**40,384**
Fixed income	**50,286**	**–**	**–**	**50,286**
Marketable alternatives:				
Domestic marketable equity securities	**36,501**	**–**	**–**	**36,501**
Marketable debt securities:				
Agency bonds	**–**	**6,426**	**–**	**6,426**
U.S. Treasury	**–**	**5,027**	**–**	**5,027**
Total investments	**132,413**	**11,453**	**–**	**143,866**
Funds held in trust by others	**–**	**55,293**	**–**	**55,293**
Restricted investments:				
Cash equivalents	**6,100**	**–**	**–**	**6,100**
Total cash, investments, funds held in trusts by others, and restricted investments	**$ 147,145**	**$ 66,746**	**$ –**	**$ 213,891**
Investments at NAV:				
Hedge funds				**170,241**
Investments in partnerships				**368,815**
				$ 752,947

	June 30, 2016			
	Level 1	Level 2	Level 3	Total
	(In Thousands)			
Cash	$ 8,595	$ –	$ –	$ 8,595
Cash equivalents	8,805	–	–	8,805
Mutual funds:				
Equity	48,328	–	–	48,328
Fixed income	29,211	–	–	29,211
Marketable alternatives:				
Domestic marketable equity securities	34,930	–	–	34,930
Total investments	121,274	–	–	121,274
Funds held in trust by others	–	50,798	–	50,798
Restricted investments:				
Cash equivalents	2,930	–	–	2,930
Agency bonds	–	1,689	–	1,689
Total restricted investments	2,930	1,689	–	4,619
Total cash, investments, funds held in trusts by others, and restricted investments	$ 132,799	$ 52,487	$ –	$ 185,286
Investments at NAV:				
Hedge funds				172,270
Investments in partnerships				346,934
				$ 704,490

Following is a description of the valuation methodologies and inputs used for assets measured at fair value on a recurring basis and recognized in the accompanying consolidated statements of financial position, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy. The Foundation does not have any assets classified as Level 3 of the fair value hierarchy.

There have been no significant changes in the valuation techniques during the year ended June 30, 2017.

a. Cash Equivalents

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy.

b. Investments

Level 1 securities include cash, equity security and fixed income mutual funds, along with domestic equity securities. If quoted market prices are not available, then fair values are estimated by a third-party pricing service using pricing models, quoted prices of securities with similar characteristics or discounted cash flows, which would be classified as Level 2. Level 2 securities include corporate bonds and U.S. government securities.

c. Funds Held in Trust By Others

Fair value is determined at the market value of the securities held in the beneficial trusts at June 30, 2017 and 2016. The value is determined based on the proportional beneficial interest held in the trust, with the Foundation as the sole beneficiary of the majority of the trusts. Due to the nature of the valuation inputs, the interest is classified within Level 2 of the hierarchy.

d. Restricted Investments

Level 1 securities include money market accounts, which are based on quoted market prices in an active market and Level 2 securities include U.S. Treasury and agency bonds. The Level 2 securities are based on a pricing service and use inputs as described above.

4. Guarantees

a. Bonds Payable

ULF is the guarantor of the ULH bonds payable. At June 30, 2017, amounts payable under the guaranty are limited as follows (in thousands):

Residence Hall	Aggregate limit	Annual limit
Bettie Johnson Hall	$ 16,320	$ 2,877
Kurz Hall	10,855	938

b. Notes Payable

In May 2013, ULF guaranteed $7.5 million of the University of Louisville Physicians, Inc. (ULP), a discretely presented component unit of the University, $15 million line of credit maturing on June 30, 2014. In May 2014, ULF agreed to an extension and first amendment extending the guarantee to November 28, 2014. In April 2016, ULF agreed to an extension and fourth amendment extending the guarantee to December 2016, and included in the amendment was an increase to the line of credit of $18 million. As of June 30, 2016, the principal amount outstanding was approximately $16.4 million. For the fiscal year ended June 30, 2017, ULP refinanced its line of credit and ULF is no longer a guarantor on the loan.

In September 2013, ULF guaranteed $19.9 million of the TNRP notes payable. As of June 30, 2017 and 2016, the outstanding principal related to the notes payable was $19.9 million.

c. Loans

As of June 30, 2016, ULF guaranteed four loans related to certain University student organizations including fraternities and sororities. If the student organization does not meet its scheduled payments, ULF could be called upon to make the payments, as well as collection of expenses and costs. The total amount approved for loans was approximately $1.6 million, with $983,000 and $1.1 million outstanding, as of June 30, 2017 and 2016, respectively.

In December 2010, ULF guaranteed 51% of the outstanding loan of Campus One, LLC. As of June 30, 2017 and 2016, the amount under guarantee was $7.8 million and $8.1 million, respectively.

In February 2015, ULF guaranteed a portion of Pharmacognetics Diagnostic Laboratory, LLC' s (PGxL) line of credit agreement. The line of credit is also guaranteed by PGxl's two founders who are also faculty members at the University of Louisville. The line of credit is secured by the assets of PGxl.

PGxl's line of credit expired September 5, 2016. In November 2016, PGxl filed a voluntary petition for relief under Chapter 11 of the United States Bankruptcy Code. In February 2017, ULF entered into a Forbearance Agreement with the bank under which ULF agreed to make certain payments on the line of credit.

In June 2017, PGxl entered into purchase agreement in which PGxl agreed to sell all of its assets to a third party. It is expected that the sale proceeds less administrative costs will be applied to the balance of the line of credit.

As of June 30, 2017, and 2016, the amount under guarantee was $2.5 million and $3.0 million, respectively. As of June 30, 2017 and 2016, ULF recorded a contingent liability related to this guarantee of $1.9 million and is included in other liabilities in the consolidated statements of financial position.

d. Lease Guarantee

In December 2006, the Foundation became the guarantor of payments due to University Faculty Office Building, LLC (UFOB) under the Master Lease agreement between the Medical School Practice Association, Inc. (MSPA) and UFOB. The Foundation has guaranteed the full and prompt payment of all amounts due to UFOB including any damages for default and payments to reimburse UFOB for any costs and expenses incurred by UFOB to cure any default by MSPA. The initial lease term is 15 years, which began in July 2008. The annual lease payments due from MSPA to UFOB are approximately $3.5 million, with an annual inflation of 3%.

5. Funds Held in Trust by Others

The Foundation has been designated by the University as the income beneficiary of various trusts and financial entities which are held and controlled by others. One of these is a perpetual and irrevocable trust known as the University of Louisville Trust (the Trust). It was created in 1983 to receive, administer and invest assets which result from gifts to the Trust. The market value of the Trust was approximately $23.6 and $21.6 million as of June 30, 2017 and 2016, respectively. The Foundation's portion of the market value of the remaining trusts was approximately $31.7 million and $29.2 million as of June 30, 2017 and 2016, respectively. These funds are invested in various equities and income producing assets. For each of the years ended June 30, 2017 and 2016, the Foundation recorded income of $5.6 million and a loss of $1.2 million, respectively, from these trusts and is in changes in funds held in trust on the consolidated statements of activities and changes in net assets.

6. Funds Held in Trust for Others

The Foundation is the custodian of funds owned by the Association. The Association is a separate corporation organized for the purpose of promoting the intercollegiate athletic activities of the University. The Foundation serves in an agency capacity and invests funds on behalf of the Association based on a formal trust agreement. As of June 30, 2017 and 2016, the Foundation held approximately \$25.3 million and \$25.9 million for the Association's investment purposes, respectively.

During the year ended June 30, 2005, the Foundation entered into an agreement with Jewish Hospital & St. Mary's Healthcare, Inc. (Jewish Hospital) whereby the Foundation serves in an agency capacity to invest funds on behalf of Jewish Hospital. Jewish Hospital is a separate corporation organized for the purpose of providing health care services. As of June 30, 2017 and 2016, the Foundation held approximately \$8.2 million and \$8.0 million, respectively, for Jewish Hospital's investment purposes.

During the year ended June 30, 2011, the Foundation was the recipient of endowed funds, the income of which shall be used in support of the Louisville Orchestra. As of June 30, 2017 and 2016, the Foundation held approximately \$0.2 million for the benefit of the Louisville Orchestra.

The Foundation, acting in an agent capacity, does not reflect earnings on investments held in trust for others in the consolidated statements of activities as these earnings are distributed to the owners of the funds.

7. Transactions with ULREF

During 2016, ULF assigned its membership interests in AAF, LMCDC, Nucleus, KYT and PPL to ULREF. No consideration was exchanged or will be transferred for the assignments of membership interests. These assignments resulted in a loss (gain) on deconsolidation in the consolidated statements of activities as shown below.

Included in due from the ULREF in the consolidated statements of position as of June 30, 2017 and 2016, is approximately \$38,000 and \$168,000, respectively, for administrative support charges.

During 2016, ULF's affiliate, ULDC, also assigned its membership interest in a joint venture (Campus Two) to ULREF, for no consideration. Contribution of this investment resulted in an inherent contribution expense of approximately \$5,756,000, which represents the fair value of the investment. This amount has been included in contribution expenses in the consolidated statement of activities for the year ended June 30, 2016.

In addition, ULF contributed capital assets to ULREF through deed transfers for no consideration in 2016. These contributions of capital assets resulted in inherent contribution expenses recognized at fair value in the consolidated statement of activities.

ULREF incurred approximately \$0 and \$364,000 of third-party acquisition-related costs in connection with these transactions during the years ended June 30, 2017 and 2016, respectively. These costs are included in professional services in the consolidated statements of activities and changes in net assets. As a result of the assignments and transfers, ULREF will further its mission to acquire, maintain, improve, leverage, manage, lease and convey real and personal property for the benefit of the University.

For the year ended June 30, 2017, there were no assignments of membership interests or contributed capital assets.

Contributions to ULREF for the year ended June 30, 2017 and 2016, consisted of the following (in thousands):

	2017	2016		
	Contribution Expense	Contributions Expense	Loss (Gain) on Disposal of Capital Assets	Loss (Gain) on Deconsolidation
			(In Thousands)	
Second Street/small lots capital assets	**$ –**	$ 690	$ 1,439	**$** –
Chevron capital assets	–	1,570	3,124	–
Doyle capital assets	–	550	(106)	–
Dulworth capital assets	–	3,100	124	–
Equipment Depot capital assets	–	2,100	1,446	–
Humana Gym capital assets and associated lease	–	700	598	–
Icebreakers capital assets and associated lease	–	1,170	41	–
KDP capital assets and associated lease	–	2,400	(1,237)	–
Lee Street capital assets and associated lease	–	452	113	–
Martco/Byrne capital assets	–	500	861	–
Old World Pasta capital assets	–	2,650	(455)	–
Presidents Home capital assets and associated lease	–	1,789	(981)	–
Ray Avenue Carriage House capital assets	–	877	376	–
Solae capital assets	–	3,600	1,057	–
Third Street Properties capital assets	–	36	81	–
Southern Kitchens capital assets	–	1,700	(321)	–
Campus Two	–	5,756	(3,376)	–
Cardinal Station	–	–	–	8,527
KYT	–	–	–	(19,553)
LMCDC	–	–	–	2,539
Nucleus	–	–	–	7,966
PPL	–	–	–	620
Contribution of cash from the Foundation for Institute for Product Realization, LLC	**1,173**	–	–	–
Contributions from ULREF	**(43)**	–	–	–
Contribution expense for satisfaction of pledge	–	7,000	–	–
	$ 1,130	$ 36,640	$ 2,784	$ 99

In 2017 and 2016, there were approximately $1.2 million and $0.2 million, respectively, of contributions directly to ULREF that did not relate to property transfers or the assignment of membership interests.

In 2016, there were contributions of approximately $0.4 million to Pediatrics Medical Office Building, Inc. (PMOB), of which ULREF was a member until April 2017. These have been excluded from the table above. There were no contributions to PMOB in 2017.

In prior years, certain loans were made to KYT and Nucleus to acquire and improve various properties, pay interest payments on a loan for a certain property acquisition and operate various Nucleus programmatic initiatives. In connection with the assignment of membership interests of KYT and Nucleus, the Foundation entered into a memorandum of agreement effective June 30, 2016 with ULREF, KYT and Nucleus whereas ULREF promises and agrees to pay to the Foundation approximately $28.9 million. The unpaid balances shall bear no interest. ULREF may make payments on the unpaid balance at any time, in whole or in part, without premium or penalty.

For the year ended June 30, 2017, ULF recorded a discount on the receivable from ULREF approximating $4.8 million using a 3% imputed interest rate over a 15-year payback period. This discount is included in other (income) expenses in the consolidated statements of activities and changes in net assets. This discount and the estimated 15-year payback period was developed during the year ended June 30, 2017, as there was more evidence of a reasonable payback period from ULREF. At June 30, 2017 and 2016, the net receivable from ULREF is $24.0 million and $28.9 million and is included in due from the University of Louisville Real Estate Foundation in the consolidated statements of position.

On January 27, 2015, 220 South Preston, LLC (Preston), whose sole member is ULREF, entered into a Master Parking Lease Agreement with the Foundation whereby the Foundation will lease certain parking spaces in the garage from ULREF, and in exchange the Foundation will pay an amount to ULREF that would cause the annual debt service coverage ratio to be not less than 1.25 to 1.00 per month. The term of this agreement began on January 27, 2015, and will continue for a period of not earlier than the maturity date, December 2017, or earlier retirement of the garage construction loan. As of June 30, 2017 and 2016, the Foundation has made payments to Preston totaling $58,670 and $0, respectively.

c. University of Louisville Real Estate Foundation.

The University of Louisville Real Estate Foundation, Inc. and affiliates (collectively, "ULREF") is a legally separate, tax exempt component unit of the University, under the provisions of GASB Statement No. 39. ULREF is a Kentucky not-for-profit corporation formed on November 19, 2014. ULREF's mission is to acquire, maintain, improve, leverage, manage, lease, and convey real and personal property for the benefit of the University. The University of Louisville Foundation, Inc. ("Foundation") has contributed membership interest and capital assets to ULREF for the purpose of furthering the mission of ULREF.

As directed by its Board of Directors, ULREF transfers a portion of its unrestricted resources to support a variety of the University's activities. Although the University does not control the timing or amount of receipts from ULREF, the majority of resources, or income thereon, which the Foundation holds, manages and invests is for the benefit of the University. Because these resources held by ULREF can only be used by, or for the benefit of, the University, ULREF is considered a component unit of the University and is discretely presented in the University's financial statements.

ULREF is a private nonprofit organization that reports under Financial Accounting Standards Board (FASB) standards, including FASB ASC Topic 958, *Not-for-Profit Entities*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to ULREF's financial information in the University's financial statements for these differences.

Complete financial statements for ULREF can be obtained from Foundation Administration at University of Louisville, 215 Central Avenue, Suite 304, Louisville, KY 40292.

1. Capital Assets

Capital assets at June 30, 2017 and 2016, consist of (in thousands):

	2017	**2016**
Land and land improvements	$ 56,235	$ 53,653
Buildings	41,731	28,763
Building improvements	1,097	624
Tenant finish	2,703	2,510
Furniture, fixtures and equipment	1,475	1,365
Construction in progress	3,808	15,281
Accumulated depreciation	(4,376)	(1,691)
	$ 102,672	$ 100,505

2. Acquired Lease Intangible Assets and Liabilities

The approximate carrying basis and accumulated amortization of recognized intangible assets and liabilities at June 30, 2017 and 2016, were (in thousands):

	2017		2016	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Amortized intangible assets and liabilities				
In-place leases	$ 1,268	$ (521)	$ 1,268	$ (244)
Above market leases	$ 3,015	$ (300)	$ 3,015	$ (139)
Tax incremental financing	$ 116,600	$ (7,966)	$ 116,600	$ (3,602)
Below market leases	$ (1,449)	$ 465	$ (1,449)	$ 201

Amortization expense for the year ended June 30, 2017 and 2016, was approximately $4,538,000 and $3,783,000, respectively.

Tax incremental financing (TIF) intangibles were recorded in connection with the transfer of LMCDC membership interest from the Foundation. The value of the intangible was derived by discounting projected future increment payments over the remaining life of the Louisville Life and Health Sciences and University of Louisville Research Park Project TIF agreements. No intangible value was assigned to the Shelbyhurst Research and Technology Park Project.

Of acquired intangibles, there was approximately $0 and $154,000, which was written off in connection with modified terms of a certain amended and restated license agreement for the years ended June 30, 2017 and 2016, respectively.

At June 30, 2017, the amortization for acquired TIF intangibles, in-place leases and above and below market leases, net during the next five years and thereafter, assuming no early lease terminations, is as follows:

	In-Place Leases	Above Market Leases	Tax Incremental Financing	Below Market Leases
2018	$ 238	$ 172	$ 4,364	$ (257)
2019	166	127	4,364	(120)
2020	93	125	4,364	(57)
2021	24	125	4,364	(14)
2022	21	125	4,364	(14)
Thereafter	205	2,041	86,814	(522)
Total	$ 747	$ 2,715	$ 108,634	$ (984)

3. Debt

Debt in the consolidated statements of financial position consists of the following at June 30, 2017 and 2016 (in thousands):

	Description	Fiscal Year of Maturity	2017	2016
Construction Loan Agreement – 220 Preston, LLC	Variable rate based on LIBOR plus 1.5%, with monthly interest-only payments commencing February 2015 and principal payment at maturity	2018	**$ 9,340**	$ 8,272
Note Payable – KYT, LLC	Variable rate based on LIBOR plus 1.95%, with interest-only payments commencing August 2016 and principal payment at maturity	2022	**19,500**	19,500
Line of Credit – ULREF	Variable rate based on LIBOR plus 1.95%, with interest-only payments commencing August 2016 through maturity	2019	**7,000**	31
	Debt		**35,840**	27,803
	Less debt issuance costs		**(93)**	(123)
	Total debt		**$ 35,747**	$ 27,680

Preston has a construction loan agreement with a bank that has a maximum draw available amount of $10.1 million, which is secured by Preston's real estate and assignment of lease. The terms of the agreement require Preston to maintain a debt service coverage ratio of 1.00 to 1.00, which is measured annually on December 31, commencing on December 31, 2016. At June 30, 2017, Preston was in compliance with this debt requirement at June 30, 2017. The principal is due in full on December 31, 2017.

In June 2016, KYT entered into a note payable with a financial institution to refinance $19.5 million borrowed in relation to the purchase of property adjacent to the University in 2008. The principal is due in full on July 2021. The note is collateralized by mortgages on properties and a guarantee from AAF and ULREF. ULREF is subject to certain financial covenants under the terms of the note and is in compliance with such covenants at June 30, 2017.

In June 2016, ULREF entered into a $7.0 million line of credit agreement with a financial institution, which matures on July 1, 2018. The line is collateralized by mortgages and a guarantee from AAF. ULREF is subject to certain financial covenants under the terms of the note beginning with fiscal year ending June 30, 2017 and is in compliance with such covenants at June 30, 2017.

Principal payments on the above obligations due in the next five years and thereafter are as follows (in thousands):

For the year ending June 30,

2018	$ 9,340
2019	7,000
2020	-
2021	-
2022	19,500
Thereafter	-
	$ 35,840

4. Investment in Preston

In December 2014, ULREF acquired an 80% ownership in Preston through the contribution of land and $1.3 million of cash. NTS acquired a 20% interest in Preston through the contribution of cash of $332,000. ULREF and NTS have entered into an Operating Agreement, a Development Agreement between Preston and NTS Development Company (DevCo), and a Management Agreement between Preston and NTS Management Company (Mgt Co), whereby NTS will develop, manage and operate the parking garage in exchange for a development fee, a property management fee based on gross collected revenue, and an asset management fee. The initial term of the Management Agreement is 10 years and Preston can terminate the agreement without cause upon 190 days written notice at any time and in such case NTS may require ULREF to purchase NTS's interest at a put price as defined in the agreement.

In addition, on January 27, 2015, Preston entered into a Master Parking Lease Agreement with the Foundation whereby the Foundation will lease certain parking spaces in the garage from ULREF, and in exchange will pay to ULREF an amount that would cause the debt service coverage ratio to be not less than 1.25 to 1.00 per month. The term of this agreement began on January 27, 2015, and will continue for a period of not earlier than the maturity date or earlier retirement of the garage construction loan.

As the majority member, ULREF consolidates its 80% interest in Preston.

The following table summarizes the carrying amount of the assets and liabilities of Preston included in the consolidated statements of financial position at June 30, 2017 and 2016 (in thousands):

	2017	2016
Assets		
Cash	**$ 119**	$ 127
Accounts receivable	**10**	–
Other assets	**4**	1
Capital assets, net	**16,552**	16,508
Total assets	**$ 16,685**	$ 16,636
Liabilities		
Accounts payable and accrued liabilities	**$ 93**	$ 1,203
Note payable	**9,340**	8,272
Total liabilities	**$ 9,433**	$ 9,475

5. Leasing Activities

The Real Estate Foundation leases space to tenants under noncancellable operating leases. As of June 30, 2017, the Real Estate Foundation had various leases expiring in one to 10 years, through 2027. These leases generally require the Real Estate Foundation to pay all executory costs (property, taxes, maintenance and insurance).

Rental revenue at June 30, 2017 and 2016, was as follows (in thousands):

	2017	2016
Base minimum rents	**$ 4,230**	$ 2,905
Common area maintenance	**163**	23
	$ 4,393	$ 2,928

Future leasing rent payments due to ULREF during the next five years and thereafter were as follows (in thousands):

For the year ending June 30,	Leasing Payments Due
2018	$ 2,097
2019	1,714
2020	1,332
2021	1,129
2022	711
Thereafter	2,250
Total	$ 9,233

Included in contribution expense on the consolidated statements of activities and changes in net assets are contributions for ULREF properties with free or discounted rents for University tenants. For the years ended June 30, 2017 and 2016, the amount of free or discounted rents recognized as contributions were approximately, $1,302,000 and $840,000, respectively.

6. Acquisitions

During the year ended 2016, ULREF acquired the net assets of AAF, LMCDC, Nucleus, KYT and PPL (collectively Acquirees). The acquisitions were accomplished by ULREF becoming the sole member of the Acquirees by assignment of their membership rights from the Foundation, and its affiliate, to ULREF, and no consideration was exchanged or will be transferred for the acquisitions. As a result of the acquisitions, ULREF will further its mission related to real property for the benefit of the University.

The acquisitions of membership interests resulted in inherent contributions received of approximately $138,541,000, which represents the net recognized amount of the identifiable assets acquired over the liabilities assumed in accordance with ASC 958-805. This amount has been included in contributions in the consolidated statements of activities and changes in net assets. No amounts were recognized from acquisitions of membership interests in 2017.

During 2016, ULREF acquired an investment in the Campus Two joint venture by assignment of membership interest from the Foundation's affiliate, University of Louisville Development Corporation, LLC, to ULREF, for no consideration. Contribution of this investment resulted in an inherent contribution received of approximately $5,755,000, which represents the fair value of the investment. This amount has been included in contributions in the consolidated statement of activities and changes in net assets. No amounts were recognized from acquisitions of joint ventures in 2017.

In addition, ULREF acquired capital assets from the Foundation through deed transfers for no consideration. Certain of these capital assets are accounted for as acquisitions under ASC 958-805, whereby identifiable assets, liabilities and intangibles assets and liabilities are recognized at fair value. The remaining properties are contributions of capital assets and are recognized at their estimated fair values at the date of contribution. Significant capital assets received include Solae property capital assets, Dulworth property capital assets, Old World Pasta capital assets, Kidney Dialysis Property capital assets and associated leases and President's Home and Carriage House property capital assets and associated leases. Additionally, the Bed, Bath & Beyond property was contributed from the Foundation and an unrelated donor.

The acquisitions and contributions of capital assets resulted in inherent contributions received of approximately $31,232,000, which represents the net recognized amount of the identifiable assets acquired over the liabilities assumed. This amount has been included in contributions in the consolidated statements of activities and changes in net assets. There were no amounts recognized from acquisitions and contributions of capital assets in 2017.

ULREF incurred approximately $364,000 of third-party acquisition-related costs in connection with these acquisitions during the year ended June 30, 2016. These costs are included in professional services in the consolidated statements of activities and changes in net assets. No amounts were incurred from acquisition-related costs in 2017.

For the year ended June 30, 2016, ULREF acquisitions and contributions of capital assets included the following recognized amounts of identifiable assets acquired and liabilities assumed (in thousands):

	Date of Acquisition	Cash and Other Assets	Investments in Joint Ventures	Capital Assets	Goodwill and Intangible Assets (Liabilities)	(Other Liabilities)	(Notes Payable)	Net Contribution Revenue
Contributions of membership interests from the Foundation and affiliate								
AAF	9/29/2015	$ 44	$ -	$ 11,301	$ (208)	$ (440)	$ -	$ 10,697
LMCDC	8/31/2015	3,612	353	-	116,600	(1,426)	-	119,139
PPL	9/29/2015	-	-	5,190	(410)	(4,475)	-	305
Nucleus	9/29/2015	2,339	-	13,050	3,186	(10,175)	-	8,400
KYT	6/23/2016	141	-	15,900	24,201	(20,742)	(19,500)	-
Contributions of investment in joint venture from the Foundation								
Campus Two	3/9/2016	-	5,755	-	-	-	-	5,755
Contributions of capital assets from the Foundation								
Second Street/ Small Lots	9/29/2015	-	-	690	-	-	-	690
Bed Bath & Beyond	12/29/2015	-	-	7,000	46	-	-	7,046
Chevron	12/22/2015	-	-	1,570	-	-	-	1,570
Doyle	9/29/2015	-	-	550	-	-	-	550
Dulworth	12/7/2015	-	-	3,100	-	-	-	3,100
Equipment Depot	12/22/2015	-	-	2,100	-	-	-	2,100
Humana Gym	9/29/2015	-	-	700	37	-	-	737
Icebreakers	9/29/2015	5	-	1,170	160	-	-	1,335
KDP	9/29/2015	34	-	2,444	(44)	-	-	2,434
Lee Street	9/29/2015	-	-	452	66	-	-	518
Martco/Byrne	9/29/2015	-	-	500	-	-	-	500
Old World Pasta	9/29/2015	-	-	2,650	-	-	-	2,650
Presidents Home	12/7/2015	-	-	1,789	-	-	-	1,789
Ray Ave	12/7/2015	-	-	877	-	-	-	877
Solae	12/22/2015	-	-	3,600	-	-	-	3,600
Third Street Properties	9/29/2015	-	-	36	-	-	-	36
Southern Kitchens	9/29/2015	-	-	1,700	-	-	-	1,700
		$ 6,175	$ 6,108	$ 76,369	$ 143,634	$ (37,258)	$ (19,500)	$ 175,528

For the year ended June 30, 2017, no amounts of identifiable assets acquired and liabilities assumed were recognized.

Intangible assets and liabilities include in-place leases, above market leases and below market lease as further described in item c.2 of this note, and have a weighted average useful life of approximately 13 years.

d. University of Louisville Physicians, Inc.

University of Louisville Physicians, Inc. (the Organization or ULP) was established in August 2011 and is organized as a private, nonprofit corporation that functions as the corporate structure for the clinical practices of the faculty of the University of Louisville School of Medicine (the School). ULP is organized and operates exclusively for educational, charitable and scientific purposes, within the meaning of Section 501(c)(3) of the Internal Revenue Code (IRC), by: [1] providing professional medical services in a variety of medical specialties and disciplines in accordance with the Organization's charitable mission; [2] strengthening and broadening the range of skills and patient populations available for physicians who are the School's faculty to carry on patient care, teaching and research; and [3] aiding and supporting the School and its clinical departments in the furtherance of their charitable, educational and scientific mission and activities. The physicians providing clinical services through the ULP are organized into clinical departments which are identical to the clinical departments of the School. ULP provides medical care primarily to residents of Louisville and Jefferson County, Kentucky and surrounding areas.

Although the University does not control ULP or the timing of receipts from ULP, because the University and ULP share certain common management and staff, creating a degree of financial integration, ULP is considered a component unit of the University and is discretely presented in the University's financial statements.

Operations began on January 1, 2012, when the first two physician groups transitioned their practices into ULP. Through June 30, 2017, there were seventeen clinical departments integrated into ULP.

Each clinical department was organized as one or more separate legal entities and each was integrated into ULP under a separate transition agreement. Typically, the agreements were structured as follows: ULP purchased certain significant fixed assets of the clinical departments in a manner similar to any other asset purchase and obtained various other employment agreements, licenses, permits, leases and contracts for no purchase price. The clinical departments retained various operating assets including cash, accounts receivable, benefit plan assets and other assets. ULP and each clinical department agreed on the preexisting debts of the clinical departments; some were transferred to ULP, some were retained by the clinical departments and others were paid-off or acquired by ULP and subsequently repaid by the clinical departments.

Complete financial statements for ULP can be obtained from the administrative offices at UofL Physicians, 300 E. Market Street, Louisville, KY 40202.

1. Charity Care

   ULP provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because ULP does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. Charity care charges totaled $1.3 million and $1.0 million for the years ended June 30, 2017 and 2016, respectively. Management has estimated its cost incurred to provide charity care to be approximately $0.6 million and $0.5 million for each of the years ended June 30, 2017 and 2016, respectively.

2. Investment in Kentuckiana Medical Reciprocal Risk Retention Group

   KMRRRG is the Organization's carrier for liability insurance coverage and is a reciprocal captive risk retention group.

   The investment in KMRRRG is accounted on the equity method, which as of June 30, 2017 and 2016 was $18.8 million and $16.5, respectively. KMRRRG's income and losses are allocated to each participating subscriber based on each subscriber's pro rata share of annual premiums paid.

   Should ULP withdraw from KMRRRG, a portion of its investment in KMRRRG may, as determined by a Subscribers' Advisory Committee, be retained by KMRRRG to cover the Organization's allocation of losses for up to five years. Any repayment of the Organization's investment by KMRRRG must also be approved by the Kentucky Department of Insurance.

   The investment in KMRRRG is accounted for on the equity method of accounting under which ULP's share of KMRRRG's net income (loss) is recognized in the statements of activities and added to (deducted from) the investment account. Dividends received from KMRRRG are treated as a reduction of the investment account. Management has concluded that the equity method of accounting for this investment is appropriate because it participates in the management of KMRRRG and has the ability to significantly influence the operating and financial policies of KMRRRG and because ULP's 6.12% membership is considered more than a nominal share of the KMRRRG.

3. Net Patient Service Fees Revenue

ULP has agreements with third-party payers that provide for payments at amounts different from its established rates. Contractual adjustments represent the difference between billing at established rates and amounts reimbursed by third-party payers.

A summary of gross and net professional clinical service fee revenue as of June 30, 2017 and 2016 is as follows (in thousands):

	2017	2016
Gross patient service revenue	$ 361,484	$ 343,349
Less provisions for:		
Contractual adjustments under third-party reimbursement programs	(215,034)	(194,926)
Provision for uncollectible accounts	(39,833)	(46,403)
	(254,867)	(241,329)
Net patient service revenue	$ 106,617	$ 102,020

e. OMHS/U of L Cancer Research Center, Inc.

In March 2007, the OMHS/U of L Cancer Research Center, Inc. (the Center) was incorporated for the purposes of including, but not limited to, promotion and implementation of cancer research and drug development projects through, among other things, ownership and operation of a cancer research and treatment center in Owensboro, Kentucky.

Although the joint venture is owned 50% by Owensboro Medical Health System, Inc. and 50% by the University, the University has control of the Board of Directors of the Center. The University has determined that if the financial activity of the Center was material, it should be a discretely presented component unit; however, as of June 30, 2017 and 2016 the Center does not have material operations to be presented.

REQUIRED SUPPLEMENTARY INFORMATION
Schedule of Funding Progress
For Other Postemployment Benefits
(in thousands)

Actuarial Value Date	Actuarial Value of Assets (a)	Actuarial Accrued Liabaility (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a) / c)
7/1/2016	$ -	95,461	95,461	0%	498,962	19%
7/1/2015	-	89,683	89,683	0%	478,201	19%
7/1/2014	-	89,098	89,098	0%	459,588	19%

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APPENDIX F

Summaries of Certain Bond Documents — Definitions of Certain Terms

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SUMMARIES OF CERTAIN BOND DOCUMENTS

Brief descriptions of the Bond Indenture and the Loan Agreement are included hereafter in this Official Statement. Such descriptions do not purport to be comprehensive or definitive. All references herein to the Bond Indenture and the Loan Agreement are qualified in their entirety by reference to each such document, copies of which are available for review at the office of the Bond Trustee. All references to the Series 2017 Bonds are qualified in their entirety by reference to the definitive forms thereof and the information with respect thereto included in the Bond Indenture.

The Series 2017 Bonds are secured by the Bond Indenture and by the Loan Agreement and all references herein to the Series 2017 Bonds, the Bond Indenture and the Loan Agreement should be interpreted accordingly. Each of the references in this Appendix to the term "Series 2017 Bonds," "Bond Indenture" and "Loan Agreement" shall be deemed to refer to the foregoing instruments, unless the context indicates otherwise.

Section numbers of summarized sections of the Bond Indenture and the Loan Agreement appear in parentheses following the headings thereof.

DEFINITIONS OF CERTAIN TERMS

The following are definitions of certain terms used in the Bond Indenture, the Loan Agreement and this Official Statement.

"**Account Control Agreement**" means, with respect to the Operation and Maintenance Account, the Account Pledge and Control Agreement by and between the Bond Trustee, as bond trustee, and the Corporation, and, with respect to any additional Lockbox Account, any similar account pledge and control agreement by and between the Bond Trustee, as bond trustee, and the Corporation or any Manager controlling any account on the Corporation's behalf.

"**Accounts**" means (i) the Operation and Maintenance Account; (ii) the TIF Account, the Metro Revenue Account, and the Arena Revenue Account of the Excess Net Cash Flow Fund; (iii) the Metro Revenue Account and the Arena Revenue Account of the Renovation and Replacement Fund; and (iv) the Series 2017A Account and the Series 2017B Account of the Expense Fund.

"**Act**" means Sections 154.01-010, 154.10-010 through 154.10-035 and 154.20-010 through 154.20-035 of the Kentucky Revised Statutes and Resolution 92-1 adopted on October 13, 1992, by the Kentucky Economic Development Partnership.

"**Advance Payments**" means that portion of any payment of Category A Arena Revenues that constitutes a prepayment by an obligor for any period extending twelve months beyond the receipt of such payment, which portion shall be allocated among the applicable Fiscal Years covered thereby as of the beginning of each period to which such portion relates.

"**Advance Payments Account**" means the subaccount in the Arena Revenue Fund established pursuant to Section 4.05(c) of the Bond Indenture.

"**Affiliate**" means any entity with respect to which the Corporation has the right or power, directly or indirectly, (i) to approve and to remove without cause a controlling portion of the Governing Body of such entity; or (ii) to require the use of funds or assets of such entity for any purpose of the Corporation.

"**Alternative Payment Plan**" means any CPBOC Report presented by the Corporation to CPBOC during any Redemption Test Period wherein the Corporation presents a financing plan to CPBOC that does not require all Excess Revenues of the Corporation to be used to optionally redeem callable and Outstanding Bonds at least once during such Redemption Test Period.

"**Annual Budget**" means the Corporation's annual budget for any particular Fiscal Year described in Section 8.14 of the Loan Agreement.

"**Arena Revenue Account of the Excess Net Cash Flow Fund**" means the subaccount of the Excess Net Cash Flow Fund named the "Arena Revenue Account" established by the Authority with the Bond Trustee pursuant to Section 4.13(d) of the Bond Indenture.

"**Arena Revenue Account of the Renovation and Replacement Fund**" means the subaccount of the Renovation and Replacement Fund named the "Arena Revenue Account" established by the Authority with the Bond Trustee pursuant to Section 4.14(c) of the Bond Indenture.

"**Arena Revenue Fund**" means the "Arena Revenue Fund - Louisville Arena Project" established by the Authority with the Bond Trustee pursuant to Section 4.05 of the Bond Indenture for the benefit of the Series 2017 Bonds.

"**Arena Revenues**" means all Category A Arena Revenues and Category B Arena Revenues.

"**Authority**" means the Kentucky Economic Development Finance Authority, a public body corporate and politic and an agency, instrumentality, and political subdivision of the Commonwealth created and existing under and by virtue of the Act, and its successors and assigns.

"**Authorized Denomination**" means, (i) for the Series 2017 Bonds, $5,000 and integral multiples thereof; and (ii) for any Senior Refunding Bonds or Subordinate Bonds, the amount set forth in the applicable Supplemental Bond Indenture.

"**Bond**" or "**Bonds**" means any or all of the Series 2017 Bonds, any Senior Refunding Bonds, and any Subordinate Bonds.

"**Bond Counsel**" means any nationally recognized municipal bond counsel acceptable to the Authority, the Bond Trustee, and the Bond Insurer.

"**Bond Financed Property**" means all real and personal property originally financed in whole or in part, directly or indirectly, with the proceeds of the Series 2008 Bonds and to be refinanced using proceeds of the Series 2017 Bonds.

"**Bond Indenture**" means the Bond Trust Indenture dated as of December 1, 2017, from the Authority to the Bond Trustee, as bond trustee, as it may from time to time be amended or supplemented.

"**Bond Insurer**" means Assured Guaranty Municipal Corp., a New York stock insurance company, or any successors thereto or any assignee thereof, as issuer of the Series 2017 Bond Insurance Policy, the Series 2017 Senior Reserve Fund Surety, and the Series 2017 Liquidity Reserve Policy.

"**Bond Insurer Covenants**" means the covenants of the Corporation to the Bond Insurer provided in ARTICLE XIII of the Bond Indenture.

"**Bond Payment Date**" means the day on which interest or both principal and interest shall be payable on any Outstanding Bond.

"**Bond Purchase Agreement**" means the Bond Purchase Agreement dated December 6, 2017 by and among the Authority, the Corporation, and Merrill Lynch, Pierce, Fenner & Smith Incorporated on behalf of itself and as representative of the underwriters identified therein, providing for the initial sale of the Series 2017 Bonds.

"**Bond Register**" means the registration books of the Authority kept by the Bond Trustee as Bond Registrar to evidence the registration and transfer of Bonds.

"**Bond Registrar**" means the Bond Trustee, as keeper of the Bond Register.

"**Bond Trustee**" means Regions Bank, Nashville, Tennessee, or any successor trustee under the Bond Indenture.

"**Bondholder**", "**holder**" and "**owner of the Bonds**" means any registered owner of any Bond.

"**Business Day**" means a day which is not (i) a Saturday, Sunday or legal holiday on which banking institutions in the Commonwealth or the State of New York are authorized by law to close; or (ii) a day on which the New York Stock Exchange is closed.

"**Calculation Agent**" means an investment banking institution of national standing that is a primary dealer of United States government securities in the United States and designated by the Corporation (which may be one of the institutions that served as an underwriter for the Series 2017B Bonds), an independent accounting firm or financial advisor.

"**Category A Arena Revenues**" means revenues (as determined by the cash basis of accounting) of the Corporation (less amounts actually distributed under revenue sharing agreements) derived from the ownership, use, or operation of the Prior Project and received generally on an annual basis from contractually obligated third parties for such services as naming rights, external and internal, annual advertising revenues, revenues received from corporate and other sponsorship rights, such as exclusive use of suites, including lounges, preferential seating, mezzanine and terrace preferential seating, annual sponsorship rights, and similar revenue streams generally expected to be received on an annual basis, all exclusive of Category B Arena Revenues, TIF Revenues, Metro Revenues, grants, gifts, and bequests that are restricted to specific purposes, including capital construction or acquisition or an endowment or capital reserve fund, and interest income required to be applied as set out in the Bond Indenture.

By way of example, Category A Arena Revenues include receipts of payments for (i) corporate sponsorship rights; (ii) naming rights; and (iii) premium seating (suites, loge boxes, and certain club seats).

"**Category B Arena Revenues**" means all revenues (as determined by the cash basis of accounting) of the Corporation (less amounts actually distributed under revenue sharing agreements) derived from the ownership, use or operation of the Prior Project and not constituting Category A Arena Revenues and received periodically during the year from rentals and ticket sales, ticket fee surcharges, concessions, catering, restaurant, private offsite parking revenues, and other commercial leases, and similar revenues expected to be received from time to time during the year, all exclusive of Category A Arena Revenues, TIF Revenues, Metro Revenues, grants, gifts, and bequests that are restricted to specific purposes, including capital construction or acquisition or an endowment or capital reserve fund, and interest income required to be applied as set out in the Bond Indenture.

"**Closing Date**" means December 20, 2017, the date of the initial issuance and delivery of the Series 2017 Bonds.

"**Code**" means the Internal Revenue Code of 1986, as amended from time to time, including, when appropriate, the statutory predecessor thereof, or any applicable corresponding provisions of any future laws of the United States of America relating to federal income taxation, and except as otherwise provided in the Bond Indenture or required by the context in the Bond Indenture, includes interpretations thereof contained or set forth in the applicable regulations of the Department of the Treasury (including applicable final or temporary regulations and also including regulations issued pursuant to the statutory predecessor of the Code, the applicable rulings of the Internal Revenue Service (including published Revenue Rulings and private letter rulings), and applicable court decisions).

"**Commonwealth**" means the Commonwealth of Kentucky.

"**Comparable Treasury Issue**" means the United States Treasury security selected by the Calculation Agent as having an actual or interpolated maturity comparable to the remaining average life of any Series 2017B Bond being redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of debt securities of comparable maturity to the remaining average life of the Series 2017B Bond being redeemed.

"**Comparable Treasury Price**" means, with respect to any date on which a Series 2017B Bond or portion thereof is being redeemed, either (i) the average of five Reference Treasury Dealer quotations for the date fixed for redemption, after excluding the highest and lowest such quotations; or (ii) if the Calculation Agent is unable to obtain five such quotations, the average of the quotations that are obtained. The quotations will be the average, as determined by the Calculation Agent, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of the principal amount) quoted in writing to the Calculation Agent, at 5:00 p.m. New York City time at least three Business Days but no more than twenty Business Days preceding the date fixed for redemption.

"**Comparable Treasury Yield**" means the per annum yield that represents the average of the daily yields to maturity for the preceding week appearing in the most recently published statistical release designated "H.15(519) Selected Interest Rates" under the heading "Treasury Constant Maturities, " or any successor publication selected by the Calculation Agent that is published weekly by the Board of Governors of the Federal Reserve System and that establishes yields on actively traded United States Treasury securities adjusted to constant maturity (the "Weekly Average Yield"), for the maturity corresponding to the remaining average life of the Taxable Series 2017B Bond being redeemed. The Comparable Treasury Yield will be determined at least three Business Days but no more than twenty Business Days preceding the date fixed for redemption. If the H.15(519) statistical release sets forth a Weekly Average Yield for United States Treasury securities that have a constant maturity that is the same as the remaining average life of the Series 2017B Bond being redeemed, then the Comparable Treasury Yield will be equal to such Weekly Average Yield. In all other cases, the Comparable Treasury Yield will be calculated by interpolation on a straight-line basis, between the Weekly Average Yields on the United States Treasury securities that have a constant maturity (i) closest to and greater than the remaining average life of the Series 2017B Bond being redeemed; and (ii) closest to and less than the remaining average life of the Series 2017B Bond being redeemed. Any Weekly Average Yields calculated by interpolation will be rounded to the nearest 1/100th of 1%, with any figure of 1/200th of 1% or above being rounded upward. If, and only if, Weekly Average Yields for United States Treasury securities for the preceding week are not available in the H.15(519) statistical release or any successor publication, then the Comparable Treasury Yield will be the rate of interest per annum equal to the semiannual equivalent yield to maturity of the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price (each as defined herein) as of the date fixed for redemption.

"**Consumer Price Index**" means The United States Department of Labor, Bureau of Labor Statistics Revised Consumer Price Index for All Urban Consumers (1982-84=100), U.S. City Average, All Items, or, if that index is not available at the time in question, then the index designated by such Department as the successor to such index, and if there is no index so designated, an index for an area in the United States that most closely corresponds to the entire United States, published by such Department, or if none, by any other instrumentality of the United States, all as reasonably determined by the Corporation with written notice to the Bond Trustee and the Bond Insurer.

"**Continuing Disclosure Agreement**" means the Continuing Disclosure Agreement by and between the Corporation and the Bond Trustee dated the Closing Date.

"**Corporation**" means the Louisville Arena Authority, Inc., a Kentucky non-profit corporation, non-stock corporation, and its successors.

"**Counsel**" means an attorney duly admitted to practice law before the highest court of any state and may include independent or in-house legal counsel for the Corporation, the Authority, or the Bond Trustee.

"**CPA Firm**" means the certified public accountants named in the TIF Compliance Agreement.

"**CPBOC**" means the Capital Projects and Bond Oversight Committee, being a permanent subcommittee of the Legislature of the Commonwealth established pursuant to KRS 45.790.

"**CPBOC Report**" means the annual report presented by the Corporation to CPBOC regarding the operations and financial condition of the Corporation required by KRS 65.4931(3).

"**Defaulted Interest**" means interest on any Series 2017 Bond which is payable but not duly paid on the date due.

"**Demand for Payment**" means a demand by the Bond Trustee for payment in the form required by any applicable Senior Reserve Fund Credit Facility or Senior Reserve Fund Surety documents, as the case may be.

"**Designated Corporate Trust Office**" means the office of the Bond Trustee in Nashville, Tennessee or as established from time to time by written notice sent by the Bond Trustee to the Authority, the Corporation, the Bond Insurer, and to each Bondholder.

"**DTC**" means The Depository Trust Company.

"**DTC Participant**" means those broker dealers, banks, and other financial institutions reflected on the books of DTC.

"**DTC Representation Letter**" means the Blanket Issuer Letter of Representations dated May 16, 1995, by and between DTC and the Authority.

"**ERISA**" means the Employee Retirement Income Security Act of 1974, as amended.

"**Escrow Agreement**" means the Escrow Deposit Agreement dated December 20, 2017 among the Authority, the Corporation, and Regions Bank, as escrow agent, related to the defeasance, redemption, payment, and discharge of the Series 2008A-1 Bonds, the Series 2008B Bonds, and the Series 2008C Bonds and the defeasance, payment, and discharge of the Series 2008A-2 Bonds.

"**Escrow Fund**" means the fund created pursuant to Section 2.01 of the Escrow Agreement.

"**Estimated Expenses**" for any designated period means (i) the Corporation's annual budgeted Operating Expenses for such period as described in the Annual Budget for Corporation's then current Fiscal Year; plus (ii) an amount equal to any extraordinary Operating Expenses that are required to be paid during such period (to the extent such amounts are excluded from the budgeted amounts under clause (i)).

"**Excess Net Cash Flow Fund**" means the "Excess Net Cash Flow Fund - Louisville Arena Project" established by the Authority with the Bond Trustee pursuant to Section 4.13 of the Bond Indenture for the benefit of the Series 2017 Bonds. For purposes of the Bond Indenture, any reference to moneys deposited or otherwise held in or to the credit of the Excess Net Cash Flow Fund shall include any moneys held within the subaccounts established thereunder, namely the TIF Revenue Account, the Metro Revenue Account, and the Arena Revenue Account.

"**Excess Revenues**" has the meaning provided in KRS 65.4931(1)(b).

"**Existing Management Agreement**" means the Management Agreement dated July 1, 2012, among the Corporation, the Existing Manager, and Anschutz Entertainment Group, Inc., as amended and supplemented pursuant to the First Amendment to Management Agreement dated November 17, 2015, between the Corporation and the Existing Manager.

"**Existing Manager**" means AEG Management Louisville, LLC, a Delaware limited liability company.

"**Expense Fund**" means the "Expense Fund - Louisville Arena Project" established by the Authority with the Bond Trustee pursuant to Section 3.01 of the Bond Indenture, which consists of the Series 2017A Account and the Series 2017B Account held thereunder. For purposes of the Bond Indenture, any reference to moneys deposited or otherwise held in or to the credit of the Expense Fund shall include any moneys held within the subaccounts established therein, namely the Series 2017A Account and the Series 2017B Account.

"**FDIC**" means the Federal Deposit Insurance Corporation.

"**Fair Board Payment**" means the payment of $921,910 to KSFB, which the Corporation maintains is the remainder of the initial amount of $1,471,909.51 which in 2013 was agreed to with KSFB in settlement of any and all amounts owed by the Corporation to KSFB, such settlement being affirmed by the KSFB in 2013 and later by the Kentucky Attorney General in its informal opinion dated April 17, 2015. KSFB nonetheless evidently alleges it is owed in excess of $921,910 by the Corporation; the Corporation disputes KSFB's claim.

"**Fiscal Year**" means, with reference to the Corporation, a twelve-month period beginning on (and including) January 1st and ending on (and including) the immediately succeeding December 31st.

“**Funds**” means the Expense Fund, the TIF Revenue Fund, the Metro Revenue Fund, the Arena Revenue Fund, the Senior Interest Fund, the Senior Bond Sinking Fund, the Senior Reserve Fund, the Liquidity Reserve Fund, the Subordinate Interest Fund, the Subordinate Bond Sinking Fund, the Subordinate Reserve Fund, the Excess Net Cash Flow Fund, the Renovation and Replacement Fund, the Rebate Fund, and all subaccounts related thereto.

“**GAAP**” means generally accepted accounting principles as pronounced from time to time by the Financial Accounting Standards Board.

“**Governing Body**” means the board of directors, the board of trustees, or similar group in which the right to exercise the powers of corporate directors or trustees is vested or an executive committee of such board or any duly authorized committee of that board to which the relevant powers of that board have been lawfully delegated.

“**Government Obligations**” means the Qualified Investments described in clauses (a), (b), (c) and (d) of subparagraph (i) of the definition of Qualified Investments.

“**Gross Revenues**” means all Arena Revenues, Metro Revenues, and TIF Revenues.

“**Immediate Notice**” means notice by telephone, electronic mail, or telecopier to such telephone number, electronic mail address, or telecopier number as the addressee shall have directed in writing, promptly followed by written notice by first class mail postage prepaid to such address as the addressee shall have directed in writing.

“**Indebtedness**” means any indebtedness of the Corporation for borrowed money which is classified as a liability on its balance sheet, which may include the Bonds or the Series 2008 Bonds.

“**Independent Counsel**” means an attorney duly admitted to practice law before the highest court of any state and may include independent legal counsel for the Corporation, the Authority, or the Bond Trustee.

“**Indirect Participant**” means a Person on behalf of whom a DTC Participant directly or indirectly holds an interest in the Bonds.

“**Insurer Advances**” means the sum equal to the total of all amounts paid by the Bond Insurer under the Series 2017 Bond Insurance Policy.

“**Insurer Reimbursement Amounts**” means, collectively, the sum equal to the total of (i) all Insurer Advances, and (ii) interest on such Insurer Advances from the date paid by the Bond Insurer until payment thereof in full, payable to the Bond Insurer at the Late Payment Rate.

“**Interest Payment Date**” means June 1, 2018, and each December 1st and June 1st thereafter until (and including) December 1, 2047.

“**Irrevocable Assignment of Operating Agreements**” means the Irrevocable Assignment of Arena Revenues and Operating Agreements dated as of December 20, 2017, from the Corporation to the Bond Trustee, as the same may be amended or supplemented from time to time, and which is described in Section 6.09 of the Loan Agreement.

“**Irrevocable Assignment of Metro Contract**” means the Irrevocable Assignment of Metro Revenues and Metro Contract dated as of December 20, 2017, from the Corporation to the Bond Trustee, as the same may be amended or supplemented from time to time, and which is described in Section 6.09 of the Loan Agreement.

“**Irrevocable Assignment of TIF Contract**” means the Irrevocable Assignment of TIF Revenues and TIF Contract dated as of December 20, 2017, from the Corporation to the Bond Trustee, as the same may be amended or supplemented from time to time, and which is described in Section 6.09 of the Loan Agreement.

“**Issuance Costs**” means all costs and expenses of issuance of the Bonds, including (i) application and commitment fees; (ii) counsel fees, including bond counsel, issuer’s counsel, and special tax counsel fees, as well as any other specialized counsel fees; (iii) financial advisor fees; (iv) Rating Agency fees, if any; (v) trustee fees and trustee counsel fees; (vi) paying agent and certifying and authenticating agent fees relating to issuance of the Bonds; (vii) accountants’ fees; (viii) printing costs of the Bonds and of any disclosure document; (ix) publication costs associated with the financing proceedings; and (x) costs of feasibility studies necessary for the issuance of the Bonds.

"**KRS**" means the Kentucky Revised Statutes, as adopted and in full force and effect as of the date of the Bond Indenture.

"**KSFB**" means the Kentucky State Fair Board, a body corporate of the Commonwealth established pursuant to Sections 247.090 through (and including) 247.228 of the Kentucky Revised Statutes.

"**Late Payment Rate**" means the lesser of (i) the greater of (a) the per annum rate of interest, publicly announced from time to time by JPMorgan Chase Bank, N.A. at its principal office in The City of New York, as its prime or base lending rate (any change in such rate of interest to be effective on the date such change is announced by JPMorgan Chase Bank, N.A.) plus 3%, and (b) the then applicable highest rate of interest on the Series 2017 Bonds and (ii) the maximum rate permissible under applicable usury or similar laws limiting interest rates. The Late Payment Rate shall be computed on the basis of the actual number of days elapsed over a year of 360 days.

"**Liquidity Reserve Fund**" means the "Liquidity Reserve Fund - Louisville Arena Project" established by the Authority with the Bond Trustee pursuant to Section 4.09 of the Bond Indenture for the benefit of the Senior Bonds.

"**Loan Agreement**" means the Loan Agreement dated as of December 1, 2017, by and between the Authority and the Corporation, as the same may be amended or supplemented from time to time.

"**Lockbox Account**" means the Operation and Maintenance Account and any other account of the Corporation or any Manager containing Category B Arena Revenues.

"**Lockbox Bank**" means, with respect to the Operation and Maintenance Account, initially Stock Yards Bank and Trust Company, Louisville, Kentucky and, with respect to any other Lockbox Account, the bank or financial institution at which the Corporation or any Manager maintains an account containing Category B Arena Revenues.

"**Management Agreement**" means the Existing Management Agreement or any other agreement entered into between the Corporation and a Manager providing for the Manager to manage all or a portion of the Prior Project on behalf of the Corporation.

"**Manager**" means the Existing Manager or any other Person subsequently retained by the Corporation to manage all or a portion of the Prior Project pursuant to a Management Agreement.

"**Make-Whole Premium Redemption Price**" means, with respect to the optional redemption of any Series 2017B Bonds, an amount equal to the greater of (i) 100% of the principal amount of the Series 2017B Bonds to be redeemed; or (ii) the sum of the present values of the remaining scheduled payments of principal and interest on the Series 2017B Bonds to be redeemed (exclusive of interest accrued to the date fixed for redemption) discounted to the date of redemption on a semiannual basis (assuming a 360-day year consisting of twelve 30-day months) at the Comparable Treasury Yield plus 35 basis points, plus in each case, accrued and unpaid interest on the Series 2017B Bonds being redeemed to the date fixed for redemption.

"**Maturity Date**" means (i) with respect to the Series 2017A Bonds, December 1, 2041, December 1, 2045, and December 1, 2047, as set out in Section 2.02 of the Bond Indenture; and (ii) with respect to the Series 2017B Bonds, each December 1st beginning on (and including) December 1, 2021, and continuing to (and including) December 1, 2039, as set out in Section 2.02 of the Bond Indenture.

"**Maximum Annual Renovation and Replacement Deposit**" means the maximum annual deposit to the Renovation and Replacement Fund permitted hereunder. For the period beginning on (and including) the Closing Date to (and including) December 31, 2019, the Maximum Annual Renovation and Replacement Deposit shall equal $2,500,000. Each December 31st thereafter, beginning on (and including) December 31, 2020, the Maximum Annual Renovation and Replacement Deposit shall be increased by an amount necessary, if any, to reflect the percentage increase in the Consumer Price Index from the immediately preceding December 31st to the then current December

31st. In addition, the Maximum Annual Renovation and Replacement Deposit may be adjusted as set forth in Section 4.14(e) of the Bond Indenture.

"**Metro Contract**" means (i) Ordinance No. 254, Series 2017, duly adopted upon second reading by the Legislative Council of Metro Louisville on August 10, 2017, and approved by the Mayor of Metro Louisville on August 15, 2017, which amended and supplemented Ordinance No. 143, Series 2007, duly adopted upon second reading by the Legislative Council of Metro Louisville on July 26, 2007, and approved by the Mayor of Metro Louisville on July 30, 2007, which declared and ordained the "guaranteed payments" to be made by Metro Louisville for payment of debt service on the Series 2017 Bonds to constitute a long-term debt obligation of Metro Louisville; and (ii) the Second Amended and Restated Memorandum of Agreement dated November 21, 2017 between Metro Louisville and the Corporation providing for the payment by Metro Louisville to the Corporation of annual "guaranteed payments" of $10,800,000, which Second Amended and Restated Memorandum of Agreement, was authorized by Ordinance No. 254, Series 2017, of Metro Louisville adopted by its Legislative Council on August 10, 2017, as the same may be amended or supplemented from time to time.

"**Metro Louisville**" means the Louisville/Jefferson County Metro Government, a political subdivision and consolidated local government of the Commonwealth, duly organized and validly existing under the laws of the Commonwealth.

"**Metro Revenue Account of the Excess Net Cash Flow Fund**" means the subaccount of the Excess Net Cash Flow Fund named the "Metro Revenue Account" established by the Authority with the Bond Trustee pursuant to Section 4.13(c) of the Bond Indenture.

"**Metro Revenue Account of the Renovation and Replacement Fund**" means the subaccount of the Renovation and Replacement Fund named the "Metro Revenue Account" established by the Authority with the Bond Trustee pursuant to Section 4.14(b) of the Bond Indenture.

"**Metro Revenue Fund**" means the "Metro Revenue Fund - Louisville Arena Project" established by the Authority with the Bond Trustee pursuant to Section 4.04 of the Bond Indenture for the benefit of the Series 2017 Bonds.

"**Metro Revenues**" means the moneys Metro Louisville will pay to the Bond Trustee, as the Corporation's irrevocable assignee and designee, pursuant to the Metro Contract.

"**Minimum Operating Cash Balance**" means, with respect to a particular date of determination, an amount equal to:

Date of Determination	**Minimum Operating Cash Balance**
May 15th	The Corporation's Estimated Expenses for the six-month period beginning on the immediately succeeding June 1st plus one-quarter of the Corporation's annual budgeted Estimated Expenses for the then current Fiscal Year as described in the Annual Budget for such Fiscal Year.
November 15th	The Corporation's Estimated Expenses for the six-month period beginning on the immediately succeeding December 1st plus one-quarter of the Corporation's annual budgeted Estimated Expenses for the then current Fiscal Year as described in the Annual Budget for such Fiscal Year.

"**Moody's**" means Moody's Investors Service, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "Moody's" shall be deemed to refer to any other nationally recognized securities rating agency acceptable to the Bond Insurer which has been designated by the Authority by notice to the Bond Trustee, the Corporation, and the Bond Insurer, if any.

“**Mortgage and Security Agreement**” means the Mortgage and Security Agreement dated as of December 20, 2017, by and between the Corporation and the Bond Trustee in respect of the site of the Prior Project, and all amendments and supplements thereto.

“**Net Proceeds**” when used with respect to any insurance or condemnation award, means the gross proceeds from the insurance or condemnation award remaining after payment of all expenses (including reasonable attorneys’ and adjusters’ fees and expenses and any fees and expenses of the Bond Trustee or the Corporation) incurred in the collection of such gross proceeds.

“**Notice of Exclusive Control**” means any direction provided by the Bond Trustee to a Lockbox Bank regarding the disposition of moneys held within any Lockbox Account held by such Lockbox Bank.

“**Officer’s Certificate**” means a certificate signed, in the case of a certificate delivered by the Corporation, by the Chair, Vice Chair, or any other officer authorized to sign by resolution of the Governing Body of the Corporation or, in the case of a certificate delivered by any other Person, the chief executive or chief financial officer of such other Person, in either case whose authority to execute such Certificate shall be evidenced to the Bond Trustee’s satisfaction.

“**Official Statement**” means the Official Statement used in connection with the initial sale of the Series 2017 Bonds.

“**Operating Agreements**” means the ULAA Contract, the Management Agreement, and other contracts providing for the use and operation of and the provision of services to the Prior Project set forth in **EXHIBIT C** of the Loan Agreement and any other such contracts that may be entered into after the Closing Date

“**Operating Expenses**” means actual, reasonable and customary costs, fees and expenses of the Corporation directly attributable to the Prior Project, including labor costs, salaries, general and administrative expenses, painting, cleaning, maintenance, repairs, and alterations; landscaping and paving; waste removal; certificates, permits and licenses; utilities charges; real and personal property taxes and assessments, if any; insurance premiums; security; advertising, promotion and publicity; office, janitorial, cleaning and building supplies; purchase, repair, servicing and installation of appliances, equipment, fixtures and furnishings; management fees and expenses, including those payable to the Manager under the Management Agreement; fees and expenses of accountants, attorneys, consultants and other professionals; and sums required to be paid to ULAA under the ULAA Contract and all sums required to be paid under other Operating Agreements, to the extent such sums are not deducted in determining Arena Revenues. Operating Expenses excludes (i) moneys needed to pay debt service for any Bonds or other obligations issued pursuant to this Bond Indenture or any Supplemental Bond Indenture; and (ii) the projected costs of extraordinary maintenance and repairs (other than and in addition to routine maintenance and repairs included as Operating Expenses in the Corporation’s Annual Budgets).

“**Operation and Maintenance Account**” means the account established by the Corporation pursuant to Section 5.05 of the Loan Agreement.

“**Opinion of Bond Counsel**” means a written opinion of Bond Counsel in form and substance acceptable to the Authority, the Bond Trustee, and the Bond Insurer, which opinion may be based on a ruling or rulings of the Internal Revenue Service.

“**Outstanding Bonds**” or “**Bonds outstanding**” means all Bonds which have been duly authenticated and delivered by the Bond Trustee under the Bond Indenture, except:

(a) Bonds canceled after purchase in the open market or because of payment at or redemption before maturity;

(b) Bonds for the payment or redemption of which cash or Government Obligations shall have been theretofore deposited with the Bond Trustee (whether upon or before the maturity or redemption date of any such Bonds) in accordance with Article XI of the Bond Indenture; provided that if such Bonds are to be redeemed before the maturity thereof, notice of such redemption shall have been given or arrangements satisfactory to the Bond Trustee shall have been made therefor, or waiver of such notice satisfactory in form to the Bond Trustee shall have been filed with the Bond Trustee;

(c) Bonds in lieu of which others have been authenticated under Section 2.06 or 2.07 of the Bond Indenture; and

(d) for the purpose of all consents, approvals, waivers, and notices required to be obtained or given under the Bond Indenture, Bonds held or owned by the Corporation or any Person controlling, controlled by, or under common control with the Corporation to the extent provided in Section 12.02 of the Bond Indenture.

"**Paying Agent**" means the bank or banks, if any, designated pursuant to the Bond Indenture to receive and disburse the principal of and interest on the Bonds.

"**Permitted Encumbrances**" means (i) undetermined liens and charges incident to construction or maintenance, and liens and charges incident to construction or maintenance filed of record which are being contested in good faith and have not proceeded to final judgment (and for which all applicable periods for appeal or review have not expired), provided that the Corporation shall have set aside reserves with respect thereto which, in an Officer's Certificate of the Corporation filed with the Bond Trustee, are certified to be adequate; (ii) notices of lis pendens or other notices of or liens with respect to pending actions which are being contested in good faith and have not proceeded to final judgment (and for which all applicable periods for appeal or review have not expired), provided the Corporation shall have set aside reserves with respect thereto which, in an Officer's Certificate of the Corporation filed with the Bond Trustee, are adequate; (iii) the lien for taxes and assessments, either not yet due or being diligently contested in good faith, provided (a) that the Corporation shall have set aside reserves with respect thereto which, in an Officer's Certificate of the Corporation filed with the Bond Trustee, are certified to be adequate, and (b) that non-payment of such taxes and assessments do not involve any material danger of the sale, forfeiture or loss of the Prior Project or any collateral for the Bonds hereunder or any material part or portion thereof or any interest therein; (iv) minor defects and irregularities in title which in the aggregate do not materially adversely affect the value or operation of the property to which such encumbrance relates for the purposes for which it is or may reasonably be expected to be used; (v) any easements, servitudes or land charges or similar rights of a kind customarily given by owners of property of the type in the ordinary course of business which, individually or in the aggregate do not have a material adverse effect on the value, utility, residual value or useful life of the Prior Project or any material portion thereof immediately before such lien and which do not involve a material danger of the sale, forfeiture, loss or restriction on use of any material portion of the Prior Project; (vi) zoning laws and ordinances; (vii) the rights of the Authority and the Bond Trustee under this Loan Agreement and the Bond Indenture and the rights of the Bond Trustee under the Assignments; (viii) liens securing the indebtedness for the payment, redemption or satisfaction of which money (or evidences of indebtedness) in the necessary amount shall have been irrevocably deposited in trust with a trustee or other holder of such indebtedness; (ix) security interests granted pursuant to equipment leases or installment purchases in the ordinary course of business, provided that the aggregate amount secured by such security interest shall not at any time exceed the amount permitted under Section 8.13(d) of the Bond Indenture; (x) statutory liens arising in the ordinary course of business securing obligations that are not overdue for a period of more than sixty days or are being diligently contested in good faith by appropriate proceedings so long as such proceedings do not involve any material danger of the sale, forfeiture, loss or restriction on use of the Prior Project or any material portion thereof or any collateral for the Bonds hereunder or any material part or portion thereof or any interest therein; (xi) liens, encumbrances, or other matters listed in the Title Documents; (xii) the Operating Agreements and any license or granting of other temporary right in the Prior Project in its business or commercial activities, function, or development; provided that any such license or temporary right will not interfere with the ownership or operation of the Prior Project; (xiii) the ULAA Contract and all setoff rights, recoupment rights and security interests granted by the Corporation therein; (xiv) the Mortgage and Security Agreement; and (xv) any other liens permitted by the Bond Insurer.

"**Person**" means any natural person, firm, joint venture, association, partnership, business trust, corporation, limited liability company, public body, agency, or political subdivision thereof or any other similar entity.

"**Plan**" means any "employee pension benefit plan" as defined in ERISA.

"**Policy Costs**" means the sum of (i) repayment of draws on the Series 2017 Senior Reserve Fund Surety; (ii) repayment of draws on the Series 2017 Liquidity Reserve Policy; and (iii) expenses and accrued interest on (i) and (ii) at the Late Payment Rate.

"**Principal Payment Date**" means each December 1st, beginning on (and including) December 1, 2018, and continuing to (and including) December 1, 2047.

"**Prior Bond Indenture**" means the Bond Trust Indenture dated as of August 1, 2008, by and between the Authority and the Prior Bond Trustee, as successor bond trustee thereunder, as amended and supplemented by the First Supplemental Bond Trust Indenture dated as of April 1, 2014, by and among the Authority and the Prior Bond Trustee.

"**Prior Bond Trustee**" means Regions Bank, an Alabama banking corporation, as the successor trustee to U.S. Bank National Association pursuant to the Prior Bond Indenture.

"**Prior Loan Agreement**" means the Loan Agreement dated as of August 1, 2008, by and between the Authority and the Corporation, as amended and supplemented by the First Supplemental Loan Agreement dated as of April 1, 2014, by and among the Authority and the Corporation.

"**Prior Project**" means the project partially financed using the proceeds of the Series 2008 Bonds, being the acquisition, development, construction, and installation of the KFC Yum! Center, a 721,762 square-foot, 22,090 seat, multi-use arena located at 1 Arena Plaza (and bordered by Main Street, River Road, Second Street, and Third Street) in the central business district of downtown Louisville, Kentucky.

"**Private User**" means any Person, other than (i) a governmental unit within the meaning of Code Sections 141 and 150; or (ii) a Tax-Exempt Organization (including the Corporation), engaged solely and exclusively in an activity with respect to the Prior Project that does not constitute an Unrelated Trade or Business of such Tax-Exempt Organization (including the Corporation) and would not constitute an Unrelated Trade or Business of the Corporation if carried on by the Corporation.

"**Project Certificate**" means the Project Certificate dated the Closing Date delivered by the Corporation in connection with the issuance of the Series 2017 Bonds.

"**PVA**" means the Jefferson County, Kentucky Property Valuation Administrator.

"**Qualified Investments**" means investments in any of the following:

1. (a) Cash (fully insured by the Federal Deposit Insurance Corporation), (b) direct obligations (other than an obligation subject to variation in principal repayment) of the United States of America ("U.S. Treasury Obligations"), (c) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by the United States of America, (d) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by any agency or instrumentality of the United States of America when such obligations are backed by the full faith and credit of the United States of America, or (e) evidences of ownership of proportionate interests in future interest and principal payments on obligations described above held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying government obligations are not available to any person claiming through the custodian or to whom the custodian may be obligated.

2. Federal Housing Administration debentures.

3. The listed obligations of government-sponsored agencies which are not backed by the full faith and credit of the United States of America:

   (a) Federal Home Loan Mortgage Corporation (FHLMC) senior debt obligations and Participation certificates (excluded are stripped mortgage securities which are purchased at prices exceeding their principal amounts);

(b) Farm Credit System (formerly Federal Land Banks, Federal Intermediate Credit Banks and Banks for Cooperatives) consolidated system-wide bonds and notes;

(c) Federal Home Loan Banks (FHL Banks) consolidated debt obligations; and

(d) Federal National Mortgage Association (FNMA) senior debt obligations and mortgage-backed securities (excluded are stripped mortgage securities which are purchased at prices exceeding their principal amounts).

4. Unsecured certificates of deposit, time deposits, and bankers' acceptances (having maturities of not more than 365 days) of any bank the short-term obligations of which are rated “A-1+” or better by Standard & Poor’s and “Prime-1” by Moody’s.

5. Deposits the aggregate amount of which are fully insured by the Federal Deposit Insurance Corporation, in banks which have capital and surplus of at least $15 million.

6. Commercial paper (having original maturities of not more than 270 days) rated “A-1+” by Standard & Poor’s and “Prime-1” by Moody's.

7. Money market funds rated “Aam” or “AAm-G” by Standard & Poor’s, or better and if rated by Moody’s rated “Aa2” or better.

8. “State Obligations”, which means:

(a) Direct general obligations of any state of the United States of America or any subdivision or agency thereof to which is pledged the full faith and credit of a state the unsecured general obligation debt of which is rated at least “A3” by Moody's <u>and</u> at least “A-” by Standard & Poor’s, or any obligation fully and unconditionally guaranteed by any state, subdivision or agency whose unsecured general obligation debt is so rated;

(b) Direct general short-term obligations of any state agency or subdivision or agency thereof described in (a) above and rated “A-1+” by Standard & Poor’s and “MIG-1” by Moody's;

(c) Special Revenue Bonds (as defined in the United States Bankruptcy Code) of any state or state agency described in (b) above and rated “AA-” or better by Standard & Poor’s and “Aa3” or better by Moody's.

9. Pre-refunded municipal obligations rated “AAA” by Standard & Poor’s and “Aaa” by Moody's meeting the following requirements:

(a) the municipal obligations are (1) not subject to redemption before maturity or (2) the trustee for the municipal obligations has been given irrevocable instructions concerning their call and redemption and the issuer of the municipal obligations has covenanted not to redeem such municipal obligations other than as set forth in such instructions;

(b) the municipal obligations are secured by cash or U.S. Treasury Obligations which may be applied only to payment of the principal of, interest and premium on such municipal obligations;

(c) the principal of and interest on the U.S. Treasury Obligations (plus any cash in the escrow) has been verified by a Verification Report;

(d) the cash or U.S. Treasury Obligations serving as security for the municipal obligations are held by an escrow agent or trustee in trust for owners of the municipal obligations;

(e) no substitution of a U.S. Treasury Obligation shall be permitted except with another U.S. Treasury Obligation and upon delivery of a new Verification Report; and

(f) the cash or U.S. Treasury Obligations are not available to satisfy any other claims, including those by or against the trustee or escrow agent.

10. Repurchase agreements: with (1) any domestic bank, or domestic branch of a foreign bank, the long term debt of which is rated at least "A-" by Standard & Poor's and "A3" Moody's; or (2) any broker-dealer with "retail customers" or a related affiliate thereof which broker-dealer has, or the parent company (which guarantees the provider) of which has, long-term debt rated at least "A-" by Standard & Poor's and "A3" by Moody's, which broker-dealer falls under the jurisdiction of the Securities Investors Protection Corporation; or (3) any other entity rated at least "A-" by Standard & Poor's and "A3" by Moody's and acceptable to the Bond Insurer (each an "Eligible Provider"), provided that:

(a) (i) permitted collateral shall include U.S. Treasury Obligations, or senior debt obligations of GNMA, FNMA or FHLMC (no collateralized mortgage obligations shall be permitted for these providers), and (ii) collateral levels must be at least 102% of the total principal when the collateral type is U.S. Treasury Obligations, 103% of the total principal when the collateral type is GNMA's and 104% of the total principal when the collateral type is FNMA and FHLMC ("Eligible Collateral");

(b) a third party acting solely as agent for the Bond Trustee (the "Custodian") has possession of the collateral or the collateral has been transferred to the Custodian in accordance with applicable state and federal laws (other than by means of entries on the transferor's books) and such collateral shall be marked to market;

(c) the collateral shall be marked to market on a daily basis and the provider or Custodian shall send monthly reports to the Bond Trustee setting forth the type of collateral, the collateral percentage required for that collateral type, the market value of the collateral on the valuation date and the name of the Custodian holding the collateral;

(d) the repurchase agreement (or guaranty, if applicable) may not be assigned or amended without the Bond Insurer's prior written consent;

(e) the repurchase agreement shall state, and an opinion of counsel shall be rendered at the time such collateral is delivered, that the Custodian has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof; and

(f) the repurchase agreement shall provide that if during its term the provider's rating by either Moody's or Standard & Poor's is withdrawn or suspended or falls below "A-" by Standard & Poor's or "A3" by Moody's, as appropriate, the provider must notify the Bond Trustee and the Bond Insurer within five (5) days of receipt of such notice. Within ten (10) days of receipt of such notice, the provider shall either: (i) provide a written guarantee acceptable to the Bond Insurer, (ii) post Eligible Collateral, or (iii) assign the agreement to an Eligible Provider. If the provider does not perform a remedy within ten Business Days, the provider shall, at the direction of the Bond Trustee (who shall give such direction only if so directed in writing by the Bond Insurer), repurchase all collateral and terminate the repurchase agreement, with no penalty or premium to the Bond Trustee.

11. Other forms of investment (including repurchase agreements) approved in writing by the Bond Insurer and permitted by law.

"**Rating Agency**" means Moody's and Standard & Poor's or their respective successors and assigns.

"**Rebate Fund**" means the fund by that name created by the Tax Regulatory Agreement.

"**Record Date**" means the fifteenth day (whether or not a Business Day) of the month immediately preceding each Interest Payment Date.

“**Redemption Fund**” means the “Redemption Fund - Louisville Arena Project” established by the Authority with the Bond Trustee pursuant to Section 4.15 of the Bond Indenture for the benefit of the Series 2017 Bonds.

“**Redemption Test Period**” means (i) a period beginning on (and including) the Closing Date and ending on (but excluding) November 1, 2022; and (ii) each successive three-year period thereafter, each beginning on (and including) the November 1st immediately succeeding the termination of the immediately preceding Redemption Test Period and ending on (but excluding) the third November 1st following the beginning of each such period. By way of example, the second Redemption Test Period hereunder will begin on (and include) November 1, 2022 and will end on (but exclude) November 1, 2025.

“**Reference Treasury Dealer**” means a primary dealer of United States Government securities in the United States (which may be one of the institutions that served as underwriters for the Series 2017B Bonds) appointed by the Corporation and reasonably acceptable to the Calculation Agent.

“**Refunding Bonds**” means any or all of the Senior Refunding Bonds and any or all Subordinate Bonds used for purposes of refunding prior obligations of the Corporation.

“**Reimbursement Obligations**” means, collectively, (i) all Insurer Reimbursement Amounts, together with any other reimbursement obligations due to the Bond Insurer relating to the Series 2017 Bond Insurance Policy under this Bond Indenture or Article VI of the Loan Agreement; and (ii) all Policy Costs.

“**Reimbursement Rate**” means the per annum rate of interest publicly announced from time to time by JPMorgan Chase Bank, National Association, at its principal office in New York, New York, as its prime lending rate (any change in such prime rate of interest to be effective on the date such change is announced by JPMorgan Chase Bank, National Association) plus five percent per annum.

“**Renovation and Replacement Fund**” means the “Renovation and Replacement Fund - Louisville Arena Project” established by the Authority with the Bond Trustee pursuant to Section 4.14 of the Bond Indenture for the benefit of the Series 2017 Bonds. For purposes of the Bond Indenture, any reference to moneys deposited or otherwise held in or to the credit of the Renovation and Replacement Fund shall include any moneys held within the subaccounts established thereunder, namely the Metro Revenue Account and the Arena Revenue Account.

“**Security Documents**” means the Mortgage and Security Agreement, the Irrevocable Assignment of Metro Contract, the Irrevocable Assignment of TIF Contract, the Irrevocable Assignment of Operating Agreements, and any other documents granting security for the Bonds.

“**Senior Bond Sinking Fund**” means the “Senior Bond Sinking Fund - Louisville Arena Project” established by the Authority with the Bond Trustee pursuant to Section 4.07 of the Bond Indenture for the benefit of the Senior Bonds.

“**Senior Bonds**” means any and all of the Series 2017 Bonds and any and all of the Senior Refunding Bonds.

“**Senior Interest Fund**” means the “Senior Interest Fund - Louisville Arena Project” established by the Authority with the Bond Trustee pursuant to Section 4.06 of the Bond Indenture for the benefit of the Senior Bonds.

“**Senior Refunding Bonds**” means bonds, notes or other obligations of the Authority that may be issued from time to time to refund any Outstanding Series 2017 Bonds or other Senior Refunding Bonds upon the terms presented in and by Section 2.14 of the Bond Indenture.

“**Senior Reserve Fund**” means the “Senior Reserve Fund - Louisville Arena Project” established by the Authority with the Bond Trustee pursuant to Section 4.08 of the Bond Indenture for the benefit of the Senior Bonds.

“**Senior Reserve Fund Credit Facility**” means a letter of credit from a bank with a credit rating in one of the three highest rating categories of each Rating Agency rating the Senior Bonds that are entitled to the benefits of the Senior Reserve Fund and which has been approved in writing by the Bond Insurer.

"**Senior Reserve Fund Requirement**" means as to the Senior Bonds the least of (i) the maximum annual debt service on all Senior Bonds Outstanding; (ii) an amount equal to 10% of the proceeds of the Senior Bonds within the meaning of Code Section 148(d); and (iii) an amount equal to 125% of the average annual debt service on all Senior Bonds Outstanding. In calculating annual debt service on the Senior Bonds for the purpose of determining the Senior Reserve Fund Requirement, the interest rates applicable to the Senior Bonds Outstanding at the time of the calculation shall be used.

"**Senior Reserve Fund Surety**" means any surety policy issued by an insurer that insures payment of all or a portion of the Senior Reserve Fund Requirement, as further described in Section 4.08 of the Bond Indenture, and which has been approved in writing by the Bond Insurer. The Series 2017 Senior Reserve Fund Surety issued by the Bond Insurer is a qualified Senior Reserve Fund Surety under the Bond Indenture.

"**Senior Reserve Fund Value**" shall mean the valuation at fair market value of the moneys and investments (and the face amount of any surety bond policy or letter of credit) credited to the Senior Reserve Fund, determined in accordance with Section 4.08 of the Bond Indenture.

"**Serial Bonds**" means Series 2017 Bonds which are so designated herein and are stated to mature as to principal in annual installments.

"**Series 2008 Bonds**" means any or all of the Series 2008A-1 Bonds, the Series 2008A-2 Bonds, the Series 2008B Bonds, and the Series 2008C Bonds.

"**Series 2008A Bonds**" means the Series 2008A-1 Bonds and the Series 2008A-2 Bonds.

"**Series 2008A-1 Bonds**" means the Kentucky Economic Development Finance Authority, Louisville Arena Project Revenue Bonds, Series 2008A (Louisville Arena Authority, Inc.) Subseries 2008A-1 Fixed Rate Bonds, being term bonds originally issued in an aggregate principal amount of $292,280,000 and maturing (exclusive of mandatory sinking fund installments) on December 1, 2028, December 1, 2033, December 1, 2038, and December 1, 2042.

"**Series 2008A-2 Bonds**" means the Kentucky Economic Development Finance Authority, Louisville Arena Project Revenue Bonds, Series 2008A (Louisville Arena Authority, Inc.) Subseries 2008A-2 Capital Appreciation Bonds, being capital appreciation bonds having an aggregate value upon final maturity of $43,185,000 and maturing in successive annual installments on each December 1st, beginning on (and including) December 1, 2018 through (and including) December 1, 2024.

"**Series 2008B Bonds**" means the Kentucky Economic Development Finance Authority, Louisville Arena Project Revenue Bonds, Taxable Series 2008B (Louisville Arena Authority, Inc.), being term bonds originally issued in an aggregate principal amount of $20,100,000 and maturing (exclusive of mandatory sinking fund installments) on December 1, 2021.

"**Series 2008C Bonds**" means the Kentucky Economic Development Finance Authority, Louisville Arena Project Revenue Bonds, Taxable Subordinate Series 2008C (Louisville Arena Authority, Inc.), being term bonds originally issued in an aggregate principal amount of $9,900,000 and maturing (exclusive of mandatory sinking fund installments) on December 1, 2025.

"**Series 2017 Bonds**" means any or all of the Series 2017A Bonds and the Series 2017B Bonds.

"**Series 2017 Bond Insurance Policy**" means the insurance policy no. 218638-N issued by the Bond Insurer guaranteeing the scheduled payment of principal of and interest on the Series 2017 Bonds when due as provided therein.

"**Series 2017 Liquidity Reserve Policy**" means the municipal bond debt service reserve policy (liquidity reserve) no. 218638-R2 issued by the Bond Insurer, to be used solely to pay scheduled payments of principal and interest due on the Senior Bonds as further described in the Bond Indenture. Unless extended by the mutual agreement of the Authority, the Corporation, and the Bond Insurer, the Series 2017 Liquidity Reserve Policy shall terminate in accordance with its terms effective December 1, 2024. During such times as the Series 2017 Liquidity

Reserve Policy has terminated in accordance with its terms, all references to the Series 2017 Liquidity Reserve Policy herein shall have no force or effect.

"**Series 2017 Senior Reserve Fund Surety**" means the municipal bond debt service reserve policy no. 218638-R1 issued by the Bond Insurer, to be used solely to pay scheduled payments of principal and interest due on the Senior Bonds as further described in Section 4.08 of the Bond Indenture.

"**Series 2017A Bonds**" means any or all of the bonds issued pursuant to the Bond Indenture in the original principal amount of $202,125,000 and styled "Kentucky Economic Development Finance Authority, Louisville Arena Project Refunding Revenue Bonds, Series 2017A (Louisville Arena Authority, Inc.)."

"**Series 2017A Account of the Expense Fund**" means the account established as a subaccount of the Expense Fund pursuant to Section 3.01 of the Bond Indenture.

"**Series 2017B Account of the Expense Fund**" means the account established as a subaccount of the Expense Fund pursuant to Section 3.01 of the Bond Indenture.

"**Series 2017B Bonds**" means any or all of the bonds issued pursuant to the Bond Indenture in the original principal amount of $175,640,000 and styled "Kentucky Economic Development Finance Authority, Louisville Arena Project Refunding Revenue Bonds, Taxable Series 2017B (Louisville Arena Authority, Inc.)."

"**Special Record Date**" means the date fixed by the Bond Trustee pursuant to Section 2.01(g) of the Bond Indenture for the payment of Defaulted Interest.

"**Standard & Poor's**" means Standard & Poor's Ratings Service, a division of The McGraw-Hill Companies, Inc., a corporation organized and existing under the laws of the State of New York, its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "Standard & Poor's" shall be deemed to refer to any other nationally recognized securities rating agency acceptable to the Bond Insurer which has been designated by the Authority by notice to the Bond Trustee, the Corporation and the Bond Insurer.

"**Subordinate Bond Sinking Fund**" means the "Subordinate Bond Sinking Fund - Louisville Arena Project" established by the Authority with the Bond Trustee pursuant to Section 4.11 of the Bond Indenture for the benefit of the Subordinate Bonds. During such times as no Subordinate Bonds are issued and Outstanding under the Bond Indenture and any Supplemental Bond Indenture, all references to the Subordinate Bond Sinking Fund herein and under the Bond Indenture shall have no force or effect.

"**Subordinate Bonds**" means bonds, notes, or other obligations of the Authority that may be issued from time to time upon the terms presented in and by Section 2.16 of the Bond Indenture. During such times as no Subordinate Bonds are issued and Outstanding under the Bond Indenture and any Supplemental Bond Indenture, all references to Subordinate Bonds herein and under the Bond Indenture shall have no force or effect.

"**Subordinate Interest Fund**" means the "Subordinate Interest Fund - Louisville Arena Project" established by the Authority with the Bond Trustee pursuant to Section 4.10 of the Bond Indenture for the benefit of the Subordinate Bonds. During such times as no Subordinate Bonds are issued and Outstanding under the Bond Indenture and any Supplemental Bond Indenture, all references to the Subordinate Interest Fund herein and under the Bond Indenture shall have no force or effect.

"**Subordinate Reserve Fund**" means the "Subordinate Reserve Fund - Louisville Arena Project" established by the Authority with the Bond Trustee pursuant to Section 4.12 of the Bond Indenture for the benefit of the Subordinate Bonds. During such times as no Subordinate Bonds are issued and Outstanding under the Bond Indenture and any Supplemental Bond Indenture, all references to the Subordinate Reserve Fund herein and under the Bond Indenture shall have no force or effect.

"**Subordinate Reserve Fund Requirement**" means as to the Subordinate Bonds the amount so established pursuant to any Supplemental Bond Indenture governing such Subordinate Bonds.

“**Subordinate Reserve Fund Value**” shall mean the valuation at fair market value of the moneys and investments credited to the Subordinate Reserve Fund.

“**Supplemental Bond Indenture**” means any supplemental indenture entered into by and between the Authority and the Bond Trustee pursuant to Article IX of the Bond Indenture.

“**Tax-Exempt Bonds**” means the Series 2017A Bonds, and any Senior Refunding Bonds or any Subordinate Bonds issued and Outstanding pursuant to the Bond Trust Indenture, the interest on which is excluded from gross income for federal tax purposes.

“**Tax-Exempt to Tax-Exempt Account**” means the account by that name established pursuant to the Escrow Agreement into which proceeds of the Series 2017A Bonds shall be deposited to, among other things, redeem, defease, pay, and discharge a portion of the Series 2008A Bonds.

“**Taxable to Taxable Account**” means the account by that name established pursuant to the Escrow Agreement into which proceeds of the Series 2017B Bonds shall be deposited to, among other things, redeem, defease, pay, and discharge all of the Series 2008B Bonds and the Series 2008C Bonds.

“**Taxable to Tax-Exempt Account**” means the account by that name established pursuant to the Escrow Agreement into which proceeds of the Series 2017B Bonds shall be deposited to, among other things, redeem, defease, pay, and discharge a portion of the Series 2008A Bonds.

“**Tax-Exempt Organization**” means a Person organized under the laws of the United States of America or any state thereof which is an organization described in Code Section 501(c)(3) and which is exempt from federal income taxes under Code Section 501(a), or corresponding provisions of federal income tax laws from time to time in effect.

“**Tax Regulatory Agreement**” means the Tax Regulatory Agreement and Certificate dated the Closing Date among the Corporation, the Authority, and the Bond Trustee, together with the Project Certificate, as the same may be amended or supplemented from time to time.

“**Term Bonds**” means the Series 2017A Bonds maturing on December 1, 2041, 2045, and 2047, which are subject to mandatory sinking fund redemption as designated in the Bond Indenture.

“**TIF Compliance Agreement**” means an agreement, if any, providing for an annual audit to ensure tax increment revenues are properly calculated and divided between the Commonwealth and the Corporation, as the same may be amended or supplemented from time to time.

“**TIF Contract**” means the Sixth Amended and Restated Grant Contract having an effective date of December 20, 2017 between the Commonwealth and the Corporation, which amended and restated certain prior Grant Contracts between the Commonwealth and the Corporation as more particularly described and identified in the Sixth Amended and Restated Grant Contract, which provides for the payment by the Commonwealth to the Corporation of a portion of certain Commonwealth tax increments derived within a certain “Development Area” in downtown Louisville, Kentucky, as that term was originally defined in Ordinance No. 226, Series 2006, adopted on May 15, 2008, and which has been reconfigured and is now defined in Ordinance No. 179, Series 2013, of Metro Louisville adopted by its Metro Council on September 26, 2013, which amended Ordinance No. 226, Series 2006, adopted on May 15, 2008, Ordinance No. 179, Series 2007, adopted on September 19, 2007, and Ordinance No. 75, Series 2008, adopted on May 21, 2008, and as such “Development Area” is more particularly described in the Sixth Amended and Restated Grant Contract, all in accordance with KRS 65.490 through 65.499, as such statutes were in effect at the relevant times, as the Sixth Amended and Restated Grant Contract may be further amended, restated, or supplemented from time to time.

“**TIF Revenue Account of the Excess Net Cash Flow Fund**” means the subaccount of the Excess Net Cash Flow Fund named the “TIF Revenue Account” established by the Authority with the Bond Trustee pursuant to Section 4.13(b) of the Bond Indenture.

"**TIF Revenue Fund**" means the "TIF Revenue Fund - Louisville Arena Project" established by the Authority with the Bond Trustee pursuant to Section 4.03 of the Bond Indenture for the benefit of the Series 2017 Bonds.

"**TIF Revenues**" means the moneys the Commonwealth will pay to the Bond Trustee, as the Corporation's irrevocable assignee and designee, pursuant to the TIF Contract and the Irrevocable Assignment of TIF Contract.

"**Title Documents**" means the title insurance commitment issued by Old Republic National Title Insurance Company dated November 9, 2017.

"**Trust Estate**" has the meaning set out in the preface of the Granting Clauses of the Bond Indenture.

"**ULAA**" means the University of Louisville Athletic Association, Inc., a Kentucky non-stock, non-profit corporation.

"**ULAA Contract**" means the Lease Agreement between the Corporation and ULAA with respect to the Prior Project, dated as of July 3, 2008, as amended pursuant to the First Amendment to Lease Agreement dated as of July 20, 2017, between the Corporation and ULAA, and as the same may be further amended or supplemented from time to time.

"**Unassigned Rights**" means the right of the Authority to receive payment of its fees and expenses, the Authority's right to indemnification in certain circumstances, the Authority's right to execute and deliver supplements and amendments to the Loan Agreement, the Authority's right to grant consents under the Loan Agreement, and the Authority's right to receive notices under the Bond Indenture, the Loan Agreement, the Purchase Contract and related documents, subject to the rights of the Bond Insurer as provided in the Bond Indenture and in the Loan Agreement.

"**Unrelated Trade or Business**" means an activity which constitutes an "unrelated trade or business" within the meaning of Code Section 513(a) without regard to whether such activity results in unrelated trade or business income subject to taxation under Code Section 512(a).

"**U.S. Treasury Obligations**" means direct obligations (other than an obligation subject to variation in principal repayment) of the United States of America.

"**Valuation Date**" means each December 1st for so long as any Bond is Outstanding.

"**Verification Report**" means a report of an independent certified public accountant finding that the principal of and interest on earnings held in an escrow account (plus any cash therein) are sufficient to pay in full all principal of, interest, and premium, if any, due and to become due on a specific municipal obligation or obligations.

"**Written Instructions**" or "**Written Request**" means, with reference to the Authority, instructions or a request in writing signed by the Chair, Vice Chair, Secretary-Treasurer or Assistant Secretary-Treasurer of the Authority and with reference to the Corporation means instructions or a request in writing signed by the Chair or Vice Chair of the Corporation, or any other officers designated in writing by the Authority or the Corporation, as the case may be.

SUMMARY OF CERTAIN PROVISION OF THE BOND INDENTURE

The Bond Indenture contains various covenants, security provisions, terms and conditions, certain of which are summarized below. Reference is made to the Bond Indenture for a full and complete statement of its provisions. Section references are to the numbered sections of the Bond Indenture.

FUNDS AND REVENUES

Expense Fund (Section 3.01)

The Authority shall establish with the Bond Trustee a separate fund to be known as the "Expense Fund - Louisville Arena Project", which shall consist of the Series 2017A Account and the Series 2017B Account. Deposits to the credit of the respective accounts in the Expense Fund will be made under the provisions of Section 3.02 of the Bond Indenture. Amounts on deposit in the respective Accounts in the Expense Fund shall be disbursed upon the Corporation's Written Instructions for the payment of expenses for any recording, trustee's, and depository's fees and expenses, accounting and legal fees, financing costs (including costs of acquiring investments for the funds), and other fees and expenses incurred or to be incurred by or on behalf of the Authority or the Corporation in connection with or incident to the issuance and sale of the Series 2017 Bonds. At such time as the Bond Trustee is furnished with the Corporation's Written Instructions stating that all such fees and expenses have been paid, and in no event later than ninety calendar days after the Closing Date, the Bond Trustee shall transfer any moneys remaining in the respective Accounts in the Expense Fund to the Senior Interest Fund.

Source of Payment of Senior Bonds, Reimbursement Obligations, and Subordinate Bonds (Section 4.01)

The Senior Bonds, the Reimbursement Obligations, and the Subordinate Bonds and all payments to be made by the Authority thereon and into the various Funds established under the Bond Indenture are not general obligations of the Authority but are special and limited obligations payable solely according to their terms from payments, prepayments, and other amounts payable under the Loan Agreement and the Trust Estate pledged under the Bond Indenture, including under any Supplemental Bond Indenture (it being understood that such pledged payments do not include the Authority's fees and expenses and amounts payable to the Authority as indemnification under certain circumstances), amounts on deposit in the Funds created under the Bond Indenture (other than the Rebate Fund and any rebate funds established in connection with separate series of Senior Refunding Bonds or Subordinate Bonds), and any payments to be made by the Bond Insurer pursuant to the Series 2017 Bond Insurance Policy, the Series 2017 Senior Reserve Fund Surety, and the Series 2017 Liquidity Reserve Policy.

Payments from Corporation, Commonwealth, and Metro Louisville (Section 4.02)

Pursuant to the assignment and pledge of payments due under the Loan Agreement, the absolute and irrevocable assignment of the TIF Revenues pursuant to the Irrevocable Assignment of TIF Contract, and the absolute and irrevocable assignment of Metro Revenues pursuant to the Irrevocable Assignment of Metro Contract set forth in the granting clauses contained in the Bond Indenture, the Commonwealth and Metro Louisville shall make the payments due from TIF Revenues and Metro Revenues, respectively, under the Loan Agreement directly to the Bond Trustee when and as the same become due and payable under the terms of the TIF Contract and the Metro Contract, respectively. All such payments, as and when received by the Bond Trustee, shall be deposited and applied as provided in the Bond Indenture.

TIF Revenues; TIF Revenue Fund (Section 4.03)

There is hereby established with the Bond Trustee a separate trust account to be known as the "TIF Revenue Fund – Louisville Arena Project", into which TIF Revenues shall be deposited. The Corporation and the Commonwealth have entered into the TIF Contract, which requires the Commonwealth to contribute TIF Revenues for use in connection with the Prior Project. On or before the Closing Date, the Corporation will cause the absolute and irrevocable assignment of all of the Corporation's interest in, and right or title to, TIF Revenues and the TIF Contract to the Bond Trustee pursuant to the Irrevocable Assignment of TIF Contract. On or before the Closing

Date, the Commonwealth will irrevocably acknowledge and agree to make all payments of TIF Revenues directly to the Bond Trustee for so long as any Bond or Reimbursement Obligation is Outstanding.

(a) Before making any transfers required pursuant to Section 4.04(a) and Section 4.05(a) of the Bond Indenture, the Bond Trustee shall, from moneys on deposit in the TIF Revenue Fund, make the following transfers on or before the third Business Day immediately preceding each December 1st, commencing on (and including) December 1, 2018:

(i) First, deposit in the Senior Interest Fund and the Senior Bond Sinking Fund (in that order) moneys up to the amount required to pay (1) the interest on and principal (by maturity or mandatory Senior Bond Sinking Fund redemption) of the Senior Bonds due on the immediately succeeding December 1st; and (2) any Reimbursement Obligation due to the Bond Insurer on account of any payment made under the Series 2017 Bond Insurance Policy by the Bond Insurer; provided, however, that if the moneys available shall be insufficient to pay in full any particular installment or amount to be due as set out above, then to the payment ratably, according to the amounts due on such date;

(ii) Second, deposit in the Senior Reserve Fund moneys up to the amount, if any, required (1) to restore the amount in the Senior Reserve Fund to the Senior Reserve Fund Requirement; and (2) to pay any Reimbursement Obligation due to the Bond Insurer on account of any payment made under the Series 2017 Senior Reserve Fund Surety by the Bond Insurer;

(iii) Third, deposit in the Liquidity Reserve Fund moneys up to the amount required to pay any Reimbursement Obligation due to the Bond Insurer on account of any payment made under the Series 2017 Liquidity Reserve Policy provided by the Bond Insurer;

(iv) Fourth, if any Subordinate Bond is then issued and Outstanding, deposit in the Subordinate Interest Fund and the Subordinate Bond Sinking Fund (in that order) moneys up to the amount, if any, required to pay interest on and principal (by maturity or mandatory Subordinate Bond Sinking Fund redemption) of the Subordinate Bonds due on the immediately succeeding December 1st; and

(v) Fifth, if any Subordinate Bond is then issued and Outstanding, deposit in the Subordinate Reserve Fund moneys up to the amount, if any, required to restore the amount in the Subordinate Reserve Fund to the Subordinate Reserve Fund Requirement.

All moneys remaining in the TIF Revenue Fund after the application of the preceding subsections (i) through (v) shall remain in the TIF Revenue Fund for application by the Bond Trustee on the immediately succeeding June 1st as provided in subsection (b) of Section 4.03 of the Bond Indenture.

(b) Before making any transfers required pursuant to Section 4.04(b) and Section 4.05(b) of the Bond Indenture, the Bond Trustee shall, from moneys on deposit in the TIF Revenue Fund, make the following transfers on or before the third Business Day immediately preceding each June 1st commencing on (and including) June 1, 2018:

(i) First, deposit in the Senior Interest Fund moneys up to the amount required to pay (1) the interest on the Senior Bonds due on the immediately succeeding June 1st; and (2) any Reimbursement Obligation due to the Bond Insurer on account of any payment made under the Series 2017 Bond Insurance Policy by the Bond Insurer; provided, however, that if the moneys available shall be insufficient to pay in full any particular installment or amount to be due as set out above, then to the payment ratably, according to the amounts due on such date;

(ii) Second, deposit in the Senior Reserve Fund moneys up to the amount, if any, required (1) to restore the amount in the Senior Reserve Fund to the Senior Reserve Fund Requirement; and (2) to pay any Reimbursement Obligation due to the Bond Insurer on account of any payment made under the Series 2017 Senior Reserve Fund Surety by the Bond Insurer;

(iii) Third, deposit in the Liquidity Reserve Fund moneys up to the amount required to pay any Reimbursement Obligation due to the Bond Insurer on account of any payment made under the Series 2017 Liquidity Reserve Policy provided by the Bond Insurer;

(iv) Fourth, if any Subordinate Bond is then issued and Outstanding, deposit in the Subordinate Interest Fund, moneys up to the amount, if any, required to pay interest on the Subordinate Bonds due on the immediately succeeding June 1st;

(v) Fifth, if any Subordinate Bond is then issued and Outstanding, deposit in the Subordinate Reserve Fund moneys up to the amount, if any, required to restore the amount in the Subordinate Reserve Fund to the Subordinate Reserve Fund Requirement; and

(vi) Sixth, deposit the remaining moneys, if any, in the TIF Revenue Account of the Excess Net Cash Flow Fund.

Metro Revenues; Metro Revenue Fund (Section 4.04)

There is hereby established with the Bond Trustee a separate trust account to be known as the "Metro Revenue Fund – Louisville Arena Project" into which Metro Revenues shall be deposited. The Corporation and Metro Louisville have entered into the Metro Contract, which requires Metro Louisville to contribute Metro Revenues for use in connection with the Prior Project. On or before the Closing Date, the Corporation will cause the absolute and irrevocable assignment of any interest in, and right or title to, the Metro Revenues and the Metro Contract to the Bond Trustee pursuant to the Irrevocable Assignment of Metro Contract. On or before the Closing Date, Metro Louisville will irrevocably acknowledge and agree to make all payments of Metro Revenues directly to the Bond Trustee for so long as any Bond or Reimbursement Obligation is Outstanding.

(a) Before making any transfers required pursuant to Section 4.05(a) of the Bond Indenture, but after making any transfers required pursuant to Section 4.03(a) of the Bond Indenture, the Bond Trustee shall, from moneys on deposit in the Metro Revenue Fund, make the following transfers on or before the third Business Day immediately preceding each December 1st commencing on (and including) December 1, 2018:

(i) First, deposit in the Senior Interest Fund and the Senior Bond Sinking Fund (in that order) moneys up to the amount required to pay (1) the interest on and principal (by maturity or mandatory Senior Bond Sinking Fund redemption) of the Senior Bonds due on the immediately succeeding December 1st; and (2) any Reimbursement Obligation due to the Bond Insurer on account of any payment made under the Series 2017 Bond Insurance Policy by the Bond Insurer; provided, however, that if the moneys available shall be insufficient to pay in full any particular installment or amount to be due as set out above, then to the payment ratably, according to the amounts due on such date;

(ii) Second, deposit in the Senior Reserve Fund moneys up to the amount, if any, required (1) to restore the amount in the Senior Reserve Fund to the Senior Reserve Fund Requirement; and (2) to pay any Reimbursement Obligation due to the Bond Insurer on account of any payment made under the Series 2017 Senior Reserve Fund Surety by the Bond Insurer;

(iii) Third, deposit in the Liquidity Reserve Fund moneys up to the amount required to pay any Reimbursement Obligation due to the Bond Insurer on account of any payment made under the Series 2017 Liquidity Reserve Policy provided by the Bond Insurer;

(iv) Fourth, if any Subordinate Bond is then issued and Outstanding, deposit in the Subordinate Interest Fund and the Subordinate Bond Sinking Fund (in that order), moneys up to the amount, if any, required to pay interest on and principal (by maturity or mandatory Subordinate Bond Sinking Fund redemption) of the Subordinate Bonds due on the immediately succeeding December 1st; and

(v) Fifth, if any Subordinate Bond is then issued and Outstanding, deposit in the Subordinate Reserve Fund moneys up to the amount, if any, required to restore the amount in the Subordinate Reserve Fund to the Subordinate Reserve Fund Requirement.

All moneys remaining in the Metro Revenue Fund after the application of the preceding subsections (i) through (v) shall remain in the Metro Revenue Fund for application by the Bond Trustee on the immediately succeeding June 1st as provided in subsection (b) of Section 4.04 of the Bond Indenture.

(b) Before making any transfers required pursuant to Section 4.05(b) of the Bond Indenture, but after making any transfers required pursuant to Section 4.03(b) of the Bond Indenture, the Bond Trustee shall, from moneys on deposit in the Metro Revenue Fund, make the following transfers on or before the third Business Day immediately preceding each June 1st commencing on (and including) June 1, 2018:

(i) First, deposit in the Senior Interest Fund moneys up to the amount required to pay (1) the interest on the Senior Bonds due on the immediately succeeding June 1st; and (2) any Reimbursement Obligation due to the Bond Insurer on account of any payment made under the Series 2017 Bond Insurance Policy by the Bond Insurer; provided, however, that if the moneys available shall be insufficient to pay in full any particular installment or amount to be due as set out above, then to the payment ratably, according to the amounts due on such date;

(ii) Second, deposit in the Senior Reserve Fund moneys up to the amount, if any, required (1) to restore the amount in the Senior Reserve Fund to the Senior Reserve Fund Requirement; and (2) to pay any Reimbursement Obligation due to the Bond Insurer on account of any payment made under the Series 2017 Senior Reserve Fund Surety by the Bond Insurer;

(iii) Third, deposit in the Liquidity Reserve Fund moneys up to the amount required to pay any Reimbursement Obligation due to the Bond Insurer on account of any payment made under the Series 2017 Liquidity Reserve Policy provided by the Bond Insurer;

(iv) Fourth, if any Subordinate Bond is then issued and Outstanding, deposit in the Subordinate Interest Fund moneys up to the amount, if any, required to pay interest on the Subordinate Bonds due on the immediately succeeding June 1st;

(v) Fifth, if any Subordinate Bond is then issued and Outstanding, deposit in the Subordinate Reserve Fund moneys up to the amount, if any, required to restore the amount in the Subordinate Reserve Fund to the Subordinate Reserve Fund Requirement; and

(vi) Sixth, deposit the remaining moneys, if any, in the Metro Revenue Account of the Excess Net Cash Flow Fund.

Arena Revenues; Arena Revenue Fund (Section 4.05)

There is hereby established with the Bond Trustee a separate trust account to be known as the "Arena Revenue Fund – Louisville Arena Project". The Loan Agreement requires the Corporation to pay all Category A Arena Revenues to the Bond Trustee for deposit into the Arena Revenue Fund from time to time, but in no event later than five Business Days after their receipt. The Loan Agreement requires the Corporation to pay certain Category B Arena Revenues to the Bond Trustee for deposit into the Arena Revenue Fund on the dates and in the amounts required by Section 5.05 of the Loan Agreement.

(a) After making any transfers required pursuant to Section 4.03(a) and Section 4.04(a) of the Bond Indenture, the Bond Trustee shall, from moneys on deposit in the Arena Revenue Fund, make the following transfers on or before the third Business Day immediately preceding each December 1st commencing on (and including) December 1, 2018:

(i) First, deposit in the Senior Interest Fund and the Senior Bond Sinking Fund (in that order) moneys up to the amount required to pay (1) the interest on and principal (by maturity or mandatory Senior Bond Sinking Fund redemption) of the Senior Bonds due on the immediately succeeding December 1st; and (2) any Reimbursement Obligation due to the Bond Insurer on account of any payment under the Series 2017 Bond Insurance Policy by the Bond Insurer; provided, however, that if the moneys available shall be insufficient to pay in full any particular installment or amount to be due as set out above, then to the payment ratably, according to the amounts due on such date;

(ii) Second, deposit in the Senior Reserve Fund moneys up to the amount, if any, required (1) to restore the amount in the Senior Reserve Fund to the Senior Reserve Fund Requirement; and (2) to pay any Reimbursement Obligation due to the Bond Insurer on account of any payment made under the Series 2017 Senior Reserve Fund Surety;

(iii) Third, deposit in the Liquidity Reserve Fund moneys up to the amount required to pay any Reimbursement Obligation due to the Bond Insurer on account of any payment made under the Series 2017 Liquidity Reserve Policy provided by the Bond Insurer;

(iv) Fourth, if any Subordinate Bond is then issued and Outstanding, deposit in the Subordinate Interest Fund and the Subordinate Bond Sinking Fund (in that order) moneys up to the amount, if any, required to pay interest on and principal (by maturity or mandatory Subordinate Bond Sinking Fund redemption) of the Subordinate Bonds due on the immediately succeeding December 1st; and

(v) Fifth, if any Subordinate Bond is then issued and Outstanding, deposit in the Subordinate Reserve Fund moneys up to the amount, if any, required to restore the amount in the Subordinate Reserve Fund to the Subordinate Reserve Fund Requirement.

All moneys remaining in the Arena Revenue Fund after the application of the preceding subsections (i) through (v) shall remain in the Arena Revenue Fund for application by the Bond Trustee on the immediately succeeding June 1st as provided in subsection (b) of Section 4.05 of the Bond Indenture.

(b) After making any transfers required pursuant to Section 4.03(b) and Section 4.04(b) of the Bond Indenture, the Bond Trustee shall, from moneys on deposit in the Arena Revenue Fund, make the following transfers on or before the third Business Day immediately preceding each June 1st commencing on (and including) June 1, 2018:

(i) First, deposit in the Senior Interest Fund moneys up to the amount required to pay (1) the interest on the Senior Bonds due on the immediately succeeding June 1st; and (2) any Reimbursement Obligation due to the Bond Insurer on account of any payment under the Series 2017 Bond Insurance Policy by the Bond Insurer; provided, however, that if the moneys available shall be insufficient to pay in full any particular installment or amount to be due as set out above, then to the payment ratably, according to the amounts due on such date;

(ii) Second, deposit in the Senior Reserve Fund moneys up to the amount, if any, required (1) to restore the amount in the Senior Reserve Fund to the Senior Reserve Fund Requirement; and (2) to pay any Reimbursement Obligation due to the Bond Insurer on account of any payment made under the Series 2017 Senior Reserve Fund Surety;

(iii) Third, deposit in the Liquidity Reserve Fund moneys up to the amount required to pay any Reimbursement Obligation due to the Bond Insurer on account of any payment made under the Series 2017 Liquidity Reserve Policy provided by the Bond Insurer;

(iv) Fourth, if any Subordinate Bond is then issued and Outstanding, deposit in the Subordinate Interest Fund moneys up to the amount, if any, required to pay interest on the Subordinate Bonds due on the immediately succeeding June 1st;

(v) Fifth, if any Subordinate Bond is then issued and Outstanding, deposit in the Subordinate Reserve Fund moneys up to the amount, if any, required to restore the amount in the Subordinate Reserve Fund to the Subordinate Reserve Fund Requirement; and

(vi) Sixth, deposit the remaining moneys, if any, in the Arena Revenue Account of the Excess Net Cash Flow Fund.

(c) There is hereby established within the Arena Revenue Fund a segregated account to be known as the “Advance Payments Account” into which there shall be deposited by the Bond Trustee, pursuant to the Corporation’s Written Instructions in accordance with Section 5.04 of the Loan Agreement, any Category A Arena

Revenues that constitute Advance Payments. Any such Advance Payments shall, for purposes of determining Category A Arena Revenues available for payment of debt service during a Fiscal Year under the Bond Indenture, be allocated, by the Corporation in such Written Instructions, and applied by the Bond Trustee among such Fiscal Year and subsequent Fiscal Years as set out in the Written Instructions, which shall direct the Bond Trustee to transfer from the Advance Payments Account to the Arena Revenue Fund, on or before July 1st of a Fiscal Year, the sum allocated to such Fiscal Year. Moneys on deposit in the Advance Payments Account shall not be available for any purpose before the Fiscal Year in which they are to be allocated.

(d) Subject to the limitations set forth in the immediately preceding subsection (c), the Corporation, by Written Instruction to the Bond Trustee, and with the Bond Insurer's prior written consent, may instruct the Bond Trustee to transfer any remaining moneys held within the Arena Revenue Fund to the Operation and Maintenance Account in an amount equal to the funds needed to restore the amount of moneys held within the Operation and Maintenance Account to the Minimum Operating Cash Balance. As provided by Section 5.05 of the Loan Agreement, the Corporation may present the Bond Trustee and the Bond Insurer with such Written Instructions only when the moneys held within the Operation and Maintenance Account are less than the Minimum Operating Cash Balance. The Bond Trustee shall use moneys held within the Arena Revenue Fund, the Arena Revenue Account of the Excess Net Cash Flow Fund, and the Arena Revenue Account of the Renovation and Replacement Fund (in that order) for such purpose.

Senior Interest Fund (Section 4.06)

(a) There is hereby established with the Bond Trustee, to be maintained so long as any Senior Bonds and any Reimbursement Obligations due to the Bond Insurer are Outstanding, a separate trust account to be known as the "Senior Interest Fund - Louisville Arena Project". On the Closing Date the Bond Trustee shall deposit moneys in the Senior Interest Fund received from the Prior Bond Trustee constituting moneys previously held in the Senior Interest Fund established under the Prior Bond Indenture for the benefit of the Series 2008 Bonds. On or before the dates set forth in Section 4.03, Section 4.04 and Section 4.05 of the Bond Indenture, commencing on (and including) June 1, 2018, the Bond Trustee shall make the deposits in the Senior Interest Fund required by such Sections and subsection (c) of Section 4.06 of the Bond Indenture. No deposit pursuant to the preceding sentence need be made if and to the extent that there are sufficient moneys already on deposit and available for such purpose in the Senior Interest Fund.

(b) Except as provided in Section 4.06, Section 7.07, or Section 8.02 of the Bond Indenture, moneys in the Senior Interest Fund shall be used solely to pay interest on the Senior Bonds when due, to pay any Reimbursement Obligations due to the Bond Insurer on account of any payment made under the Series 2017 Bond Insurance Policy. The Bond Trustee shall at all times maintain accurate records of deposits into and expenditures and transfers from the Senior Interest Fund and the sources and dates of such deposits, expenditures, and transfers.

(c) If by the third Business Day immediately preceding (1) any December 1st, after making the deposits described in Section 4.03(a)(i), Section 4.04(a)(i), and Section 4.05(a)(i) in the Bond Indenture, or (2) any June 1st, after making the deposits described in Section 4.03(b)(i), Section 4.04(b)(i), and Section 4.05(b)(i) of the Bond Indenture, there is not enough money in the Senior Interest Fund to make the payments of interest due on the Senior Bonds, and to pay any Reimbursement Obligation due to the Bond Insurer on account of any payment under the Series 2017 Bond Insurance Policy, then the Bond Trustee shall give notice of that fact to the Bond Insurer as provided in Section 7.15(a) of the Bond Indenture and shall transfer moneys to the Senior Interest Fund from the following Funds, Accounts, or other sources, to the extent necessary, in the following priority:

(i) any moneys then on deposit in the TIF Revenue Account, the Metro Revenue Account, and the Arena Revenue Account of the Excess Net Cash Flow Fund (in that order); and then

(ii) any moneys then on deposit in the Metro Revenue Account and the Arena Revenue Account of the Renovation and Replacement Fund (in that order), which are not otherwise contractually committed; and then

(iii) any moneys then on deposit in the Subordinate Interest Fund and the Subordinate Bond Sinking Fund (in that order); and then

(iv) if the Series 2017 Liquidity Reserve Policy is then in full force and effect, any moneys then available as a draw by the Bond Trustee on the Series 2017 Liquidity Reserve Policy; provided, however, no moneys may be drawn on the Series 2017 Liquidity Reserve Policy to pay any Reimbursement Obligation then due and owing; and then

(v) any moneys transferred by the Corporation to the Bond Trustee from the Operation and Maintenance Account in accordance with Section 5.05(b) of the Loan Agreement, the Bond Trustee being hereby authorized and directed to notify the Corporation that such a transfer is required and necessary pursuant to this subsection (v) and Section 5.05(b) of the Loan Agreement; and then

(vi) any moneys then on deposit in the Senior Reserve Fund or otherwise available to be drawn under the Series 2017 Senior Reserve Fund Surety; provided, however, no moneys may be drawn on the Series 2017 Senior Reserve Fund Surety to pay any Reimbursement Obligation then due and owing.

(d) In connection with any partial redemption or defeasance before maturity of any Senior Bond, the Bond Trustee shall, at the Corporation's Written Instructions, use any amounts on deposit in the Senior Interest Fund in excess of the amount needed to pay any Reimbursement Obligations and interest on the Senior Bonds remaining outstanding on the first Interest Payment Date occurring on or after the date of such redemption or defeasance to pay the principal of and interest on the Senior Bonds to be redeemed or defeased.

Senior Bond Sinking Fund (Section 4.07)

(a) There is hereby established with the Bond Trustee, to be maintained so long as any Senior Bonds and any Reimbursement Obligations due to the Bond Insurer are outstanding a separate trust account to be known as the "Senior Bond Sinking Fund - Louisville Arena Project". On the Closing Date the Bond Trustee shall deposit moneys in the Senior Bond Sinking Fund received from the Prior Bond Trustee constituting moneys previously held in the Senior Bond Sinking Fund established under the Prior Bond Indenture for the benefit of the Series 2008 Bonds. On or before the dates set forth in Section 4.03, Section 4.04, and Section 4.05 of the Bond Indenture, commencing on (and including) June 1, 2018, after making the required deposits into the Senior Interest Fund, the Bond Trustee shall make the deposits in the Senior Bond Sinking Fund required by such Sections and subsection (d) of Section 4.07 of the Bond Indenture. No deposit pursuant to the preceding sentence need be made if and to the extent that there are sufficient moneys already on deposit and available for such purpose in the Senior Bond Sinking Fund.

(b) Except as provided in Section 4.07, Section 7.07, and Section 8.02 of the Bond Indenture, moneys in the Senior Bond Sinking Fund shall be used solely for the payment of principal of Senior Bonds as the same shall become due and payable at maturity, to redeem the Senior Bonds in accordance with the applicable mandatory Senior Bond Sinking Fund redemption schedule provided in Section 5.03 of the Bond Indenture, to pay any Reimbursement Obligations due to the Bond Insurer on account of any payment made under the Series 2017 Bond Insurance Policy. The Bond Trustee shall at all times maintain accurate records of deposits into and expenditures and transfers from the Senior Bond Sinking Fund and the sources and dates of such deposits, expenditures, and transfers.

(c) In lieu of such mandatory Senior Bond Sinking Fund redemption the Bond Trustee shall, at the Corporation's Written Instruction, purchase an equal principal amount of Senior Bonds of the same series and maturity date in the open market at prices not exceeding the principal amount of the Senior Bonds being purchased plus accrued interest. The Bond Trustee shall cancel any Senior Bonds so purchased. In addition, the amount of Senior Bonds to be redeemed on any date pursuant to the mandatory Senior Bond Sinking Fund redemption schedule shall be reduced by the principal amount of Senior Bonds with the same maturity date which are acquired by the Corporation and delivered to the Bond Trustee for cancellation.

(d) If by the third Business Day immediately preceding any December 1st, after making the deposits described in Section 4.03(a)(i), Section 4.04(a)(i), and Section 4.05(a)(i) of the Bond Indenture, there is not enough money in the Senior Bond Sinking Fund to make the payments of principal due on the Senior Bonds, and to pay any Reimbursement Obligations due to the Bond Insurer on account of any payment under the Series 2017 Bond Insurance Policy, then the Bond Trustee shall give notice of that fact to the Bond Insurer as provided in Section 7.15(a) of the Bond Indenture and shall transfer moneys to the Senior Bond Sinking Fund from the following Funds or Accounts, to the extent necessary, in the following priority, but only after having satisfied the requirements of Section 4.06(c) of the Bond Indenture:

(i) any moneys then on deposit in the TIF Revenue Account, the Metro Revenue Account, and the Arena Revenue Account of the Excess Net Cash Flow Fund (in that order); and then

(ii) any moneys then on deposit in the Metro Revenue Account and the Arena Revenue Account of the Renovation and Replacement Fund (in that order), which are not otherwise contractually committed; and then

(iii) any moneys then on deposit in the Subordinate Interest Fund and the Subordinate Bond Sinking Fund (in that order); and then

(iv) if the Series 2017 Liquidity Reserve Policy is then in full force and effect, any moneys then available as a draw by the Bond Trustee on the Series 2017 Liquidity Reserve Policy; provided, however, no moneys may be drawn on the Series 2017 Liquidity Reserve Policy to pay any Reimbursement Obligation then due and owing; and then

(v) any moneys transferred by the Corporation to the Bond Trustee from the Operation and Maintenance Account in accordance with Section 5.05(b) of the Loan Agreement, the Bond Trustee being hereby authorized and directed to notify the Corporation that such a transfer is required and necessary pursuant to this subparagraph (v) and Section 5.05(b) of the Loan Agreement; and then

(vi) any moneys then on deposit in the Senior Reserve Fund or otherwise available to be drawn under the Series 2017 Senior Reserve Fund Surety; provided, however, no moneys may be drawn on the Series 2017 Senior Reserve Fund Surety to pay any Reimbursement Obligation then due and owing.

(e) In connection with any partial redemption or defeasance before maturity of the Senior Bonds, the Bond Trustee shall, at the Corporation's Written Instruction, use any amounts on deposit in the Senior Bond Sinking Fund in excess of the amount needed to pay any Reimbursement Obligations due to the Bond Insurer and the principal of the Senior Bonds remaining outstanding on the first Principal Payment Date occurring on or after the date of such redemption or defeasance to pay the principal of and interest on the Senior Bonds to be redeemed or defeased.

Senior Reserve Fund (Section 4.08)

There is hereby established with the Bond Trustee, to be maintained so long as any of the Senior Bonds are outstanding, a separate trust account to be known as the "Senior Reserve Fund - Louisville Arena Project". The Bond Trustee shall at all times maintain accurate records of deposits into and expenditures and transfers from the Senior Reserve Fund and the sources and dates of such deposits, expenditures, and transfers.

(a) On the Closing Date the Bond Trustee shall (i) deposit to the Senior Reserve Fund a portion of the proceeds of the Series 2017 Bonds pursuant to Section 3.02 of the Bond Indenture and Section 6.01 of the Loan Agreement (under which Sections funding of the Senior Reserve Fund to the Senior Reserve Fund Requirement is required upon issuance of the Series 2017 Bonds); and (ii) receive as of the Closing Date and hold for the credit of the Senior Reserve Fund the Series 2017 Senior Reserve Fund Surety.

(b) On or before the dates set forth in Section 4.03, Section 4.04, and Section 4.05 of the Bond Indenture, commencing on (and including) June 1, 2018, after making the required deposits into the Senior Interest Fund and the Senior Bond Sinking Fund, the Bond Trustee shall make the deposits in the Senior Reserve Fund required by such Sections and subsection (c) of Section 4.08 of the Bond Indenture. No such deposits shall be made to the Senior Reserve Fund when the Senior Reserve Fund Value equals or exceeds the Senior Reserve Fund Requirement.

(c) If by the third Business Day immediately preceding (1) any December 1st, after making the deposits described in Section 4.03(a)(ii), Section 4.04(a)(ii), and Section 4.05(a)(ii) of the Bond Indenture, or (2) any June 1st, after making the deposits described in Section 4.03(b)(ii), Section 4.04(b)(ii), and Section 4.05(b)(ii) of the Bond Indenture, there is not enough money in the Senior Reserve Fund to cause the sum of moneys deposited in the Senior Reserve Fund to equal the Senior Reserve Fund Requirement, then the Bond Trustee shall give notice of that fact to the Bond Insurer as provided in Section 7.15(a) of the Bond Indenture and shall transfer moneys to the Senior Reserve Fund from the following Funds or Accounts, to the extent necessary, in the following priority, but only after having satisfied the requirements of Section 4.06(c) and Section 4.07(d) of the Bond Indenture:

(i) any moneys then on deposit in the TIF Revenue Account, the Metro Revenue Account, and the Arena Revenue Account of the Excess Net Cash Flow Fund (in that order); and then

(ii) any moneys then on deposit in the Metro Revenue Account and the Arena Revenue Account of the Renovation and Replacement Fund (in that order), which are not otherwise contractually committed; and then

(iii) any moneys transferred by the Corporation to the Bond Trustee from the Operation and Maintenance Account in accordance with Section 5.05(b) of the Loan Agreement, the Bond Trustee being hereby authorized and directed to notify the Corporation that such a transfer is required and necessary pursuant to this subparagraph (iii) and Section 5.05(b) of the Loan Agreement; and then

(iv) any moneys then on deposit in the Subordinate Interest Fund and the Subordinate Bond Sinking Fund (in that order).

(d) When moneys in the Senior Bond Sinking Fund are insufficient to pay principal of Senior Bonds when due or moneys in the Senior Interest Fund are insufficient to pay interest on Senior Bonds when due, moneys in the Senior Reserve Fund shall be used to augment payments due for the principal of Senior Bonds when due or interest on the Senior Bonds when due in accordance with the priorities set forth in Section 4.06(c)(vi) and Section 4.07(d)(vi) of the Bond Indenture. When moneys in the Senior Reserve Fund are so used, the Bond Trustee shall give Immediate Notice to the Corporation and the Bond Insurer.

(e) On each December 1st, commencing on (and including) December 1, 2018, amounts and investments on deposit in the Senior Reserve Fund shall be (i) valued at cost if to the extent their respective maturities are one year or less; and (ii) valued at fair market value and marked to market by the Bond Trustee annually if their respective maturities are longer than one year. If upon such valuation it is determined that the Senior Reserve Fund Value is less than the Senior Reserve Fund Requirement, the Bond Trustee shall notify the Corporation and the Bond Insurer of the amount of the deficiency. The Corporation agrees in the Loan Agreement to deposit in the Senior Reserve Fund the amount by which such Senior Reserve Fund Value is less than the Senior Reserve Fund Requirement within fifteen days following the date the Corporation and the Bond Insurer receive notice of such deficiency. If the Senior Reserve Fund Value on any such valuation date is more than the Senior Reserve Fund Requirement, the amount of such excess shall be transferred to the Senior Interest Fund.

(f) Except for such excess amounts, moneys on deposit in the Senior Reserve Fund shall be used only to make up any deficiencies in the Senior Interest Fund and Senior Bond Sinking Fund (in that order); provided, however, that in connection with any partial redemption or provision for payment before maturity of any Senior Bonds secured by the Senior Reserve Fund, the Bond Trustee shall, at the Corporation's Written Instruction, use any amounts on deposit in the Senior Reserve Fund which will be in excess of the Senior Reserve Fund Requirement after such redemption or provision for payment to pay or provide for the payment of the principal of or the principal portion of the redemption price of the Senior Bonds then being redeemed.

(g) In lieu of maintaining and depositing moneys in the Senior Reserve Fund as described above in Section 4.08 of the Bond Indenture, the Corporation may, with the Bond Insurer's prior written consent, deposit with the Bond Trustee a letter of credit from a bank with a credit rating in one of the three highest rating categories of any Rating Agency rating the Senior Bonds that are entitled to the benefits of the Senior Reserve Fund. Any bank providing a letter of credit pursuant to this subsection (g) must have the credit rating requirements of the immediately preceding sentence at the time of delivery of any such letter of credit is held by the Bond Trustee for the credit of the Senior Reserve Fund. Any such Senior Reserve Fund Credit Facility shall permit the Bond Trustee to draw amounts thereunder for deposit in the Senior Reserve Fund which, together with any moneys on deposit in, or any Senior Reserve Fund Surety available to fund (as provided in the following paragraph), the Senior Reserve Fund, are not less than the Senior Reserve Fund Requirement and which may be applied to any purpose for which moneys in the Senior Reserve Fund may be applied. The Bond Trustee shall make a drawing on such Senior Reserve Fund Credit Facility (i) whenever moneys are required for the purposes for which Senior Reserve Fund moneys may be applied; and (ii) before any expiration or termination thereof; provided, however, that no such drawing need be made if other moneys are available in the Senior Reserve Fund in the amount of the Senior Reserve Fund Requirement.

In lieu of maintaining and depositing moneys in the Senior Reserve Fund, the Corporation may also, with the Bond Insurer's prior written consent, maintain in effect an irrevocable surety bond policy issued by a bond insurance company with a credit rating in one of the three highest rating categories of any Rating Agency rating the Senior Bonds that are entitled to the benefits of the Senior Reserve Fund. Any bond insurance company providing a surety bond policy pursuant to this subsection (g) must have the credit rating requirements of the immediately preceding sentence at the time of delivery of any such surety bond policy is held by the Bond Trustee for the credit of the Senior Reserve Fund. Any such Senior Reserve Fund Surety shall permit the Bond Trustee to obtain amounts thereunder for deposit in the Senior Reserve Fund which, together with any moneys on deposit in, or Senior Reserve Fund Credit Facility available to fund (as provided in the preceding paragraph), the Senior Reserve Fund, are not less than the Senior Reserve Fund Requirement and which may be applied to any purpose for which moneys in the Senior Reserve Fund may be applied. The Bond Trustee shall make a drawing on such Senior Reserve Fund Surety whenever moneys are required for the purposes for which Senior Reserve Fund moneys may be applied.

If the Corporation elects to deposit a letter of credit or a surety bond in the Senior Reserve Fund in lieu of the moneys on deposit therein, the Bond Trustee shall transfer such moneys as directed by the Corporation, subject to receipt of an approving Opinion of Bond Counsel.

So long as, and to the extent that, any Senior Reserve Fund Credit Facility or any Senior Reserve Fund Surety shall be in full force and effect, and demands therefor and any reimbursement thereon shall be made through this Bond Indenture, the Authority and the Bond Trustee agree to comply with the following provisions with respect to the Series 2017 Senior Reserve Fund Surety provided at closing by the Bond Insurer, notwithstanding anything herein to the contrary:

(1) the Authority shall repay, or cause the Corporation to repay, any draws under the Series 2017 Senior Reserve Fund Surety and pay all related reasonable expenses incurred by the Bond Insurer and shall pay interest thereon from the date of payment by the Bond Insurer at the Late Payment Rate. If the interest provisions of this subparagraph (1) shall result in an effective rate of interest which, for any period, exceeds the limit of the usury or any other laws applicable to the indebtedness created herein, then all sums in excess of those lawfully collectible as interest for the period in question shall, without further agreement or notice between or by any party hereto, be applied as additional interest for any later periods of time when amounts are outstanding hereunder to the extent that interest otherwise due hereunder for such periods plus such additional interest would not exceed the limit of the usury or such other laws, and any excess shall be applied upon principal immediately upon receipt of such moneys by the Bond Insurer, with the same force and effect as if the Authority or Corporation had specifically designated such extra sums to be so applied and the Bond Insurer had agreed to accept such extra payment(s) as additional interest for such later periods. In no event shall any agreed-to or actual exaction as consideration for the indebtedness created herein exceed the limits imposed or provided by the law applicable to this transaction for the use or detention of money or for forbearance in seeking its collection.

Repayment of Policy Costs related to the Series 2017 Senior Reserve Fund Surety shall commence in the first month following each draw, and each such monthly payment shall be in an amount not less than 1/12th of the aggregate of Policy Costs related to such draw unless otherwise agreed to in writing by the Bond Insurer.

Amounts in respect of Policy Costs paid to the Bond Insurer shall be credited first to interest due, then to the expenses due and then to principal due. As and to the extent that payments are made to the Bond Insurer on account of principal due, the coverage under the Series 2017 Senior Reserve Fund Surety will be increased by a like amount, subject to the terms of the Series 2017 Senior Reserve Fund Surety. The obligation to pay Policy Costs shall be secured by a valid lien on the Trust Estate pledged as security for the Senior Bonds (subject only to the priority of payment provisions set forth in Article IV of the Bond Indenture).

All cash and investments in the Senior Reserve Fund established for the Senior Bonds shall be transferred to the Senior Interest Fund and the Senior Bond Sinking Fund (in that order) for payment of debt service on Bonds before any drawing may be made on the Series 2017 Senior Reserve Fund Surety or any other Senior Reserve Fund Credit Facility or Senior Reserve Fund Surety in lieu of cash. Payment of any Policy Costs shall be made before replenishment of any such cash amounts. Draws on any Senior Reserve Fund Credit Facility or Senior Reserve Fund Surety on which there is available coverage shall be made on a pro-rata basis (calculated by reference to the coverage then available thereunder) after applying all available cash and investments in the Senior Reserve Fund. Payment of Policy Costs and reimbursement of amounts with respect to any other Senior Reserve Fund Credit Facility or Senior Reserve Fund Surety shall be made on a pro-rata basis before replenishment of any cash drawn from the Senior Reserve Fund. For the avoidance of doubt, "available coverage" means the coverage then available for disbursement pursuant to the terms of the applicable alternative credit instrument without regard to the legal or financial ability or willingness of the provider of such instrument to honor a claim or draw thereon or the failure of such provider to honor any such claim or draw.

(2) If the Authority and the Corporation shall fail to pay any Policy Costs in accordance with the requirements of subparagraph (1) hereof, the Bond Insurer shall be entitled to exercise any and all legal and equitable remedies available to it, including those provided under this Bond Indenture and the Loan Agreement other than (A) acceleration of the maturity of the Bonds or (B) remedies which would adversely affect owners of the Bonds.

(3) This Bond Indenture shall not be discharged until all Policy Costs owing to the Bond Insurer shall have been paid in full as further provided in the Series 2017 Senior Reserve Fund Surety, which obligation to pay such amounts shall otherwise expressly survive payment in full of any Series 2017 Bonds.

(4) The Bond Trustee shall ascertain the necessity for a claim upon the Series 2017 Senior Reserve Fund Surety in accordance with the provisions of paragraph (g) above and provide notice to the Bond Insurer in accordance with the terms of the Series 2017 Senior Reserve Fund Surety at least three Business Days before each date upon which interest or principal is due on the Series 2017 Bonds. Where deposits are required to be made by the Corporation with the Trustee to the Senior Interest Fund or Senior Bond Sinking Fund for the Bonds more often than semi-annually, the Trustee shall be instructed to give notice to the Bond Insurer of any failure of the Corporation to make timely payment in full of such deposits within two Business Days of the date due.

Liquidity Reserve Fund (Section 4.09)

There is hereby established with the Bond Trustee, to be maintained so long as any Senior Bonds are Outstanding, a separate trust account to be known as the "Liquidity Reserve Fund - Louisville Arena Project". The Bond Trustee shall at all times maintain accurate records of deposits into and expenditures and transfers from the Liquidity Reserve Fund and the sources and dates of such deposits, expenditures, and transfers.

(a) On the Closing Date the Bond Trustee shall receive as of the Closing Date and hold for the credit of the Liquidity Reserve Fund the Series 2017 Liquidity Reserve Policy.

(b) On or before the dates set forth in Section 4.03, Section 4.04, and Section 4.05 of the Bond Indenture, commencing on (and including) June 1, 2018, after making the required deposits into the Senior Interest Fund, the Senior Bond Sinking Fund, and the Senior Reserve Fund, the Bond Trustee shall make the deposits in the Liquidity Reserve Fund required by such Sections. The Bond Trustee shall use all moneys deposited in the Liquidity Reserve Fund to pay to the Bond Insurer all Reimbursement Obligations due to the Bond Insurer on account of any payment made under the Series 2017 Liquidity Reserve Policy provided by the Bond Insurer. No deposits shall be made to the Liquidity Reserve Fund if no Reimbursement Obligation is due to the Bond Insurer on account of any payment made under the Series 2017 Liquidity Reserve Policy provided by the Bond Insurer.

(c) If by the third Business Day immediately preceding (1) any December 1st, after making the deposits described in Section 4.03(a)(iii), Section 4.04(a)(iii), and Section 4.05(a)(iii) of the Bond Indenture, or (2) any June 1st, after making the deposits described in Section 4.03(b)(iii), Section 4.04(b)(iii), and Section 4.05(b)(iii) of the Bond Indenture, there is not enough money in the Liquidity Reserve Fund to pay all Reimbursement Obligations due to the Bond Insurer on account of any payment made under the Series 2017 Liquidity Reserve Policy provided by the Bond Insurer, then the Bond Trustee shall give notice of that fact to the Bond Insurer as provided in Section 7.15(a) of the Bond Indenture and shall transfer moneys to the Liquidity Reserve Fund from the following Funds or Accounts, to the extent necessary, in the following priority, but only after having satisfied the requirements of Section 4.06(c), Section 4.07(d), and Section 4.08(c) of the Bond Indenture:

(i) any moneys then on deposit in the TIF Revenue Account, the Metro Revenue Account, and the Arena Revenue Account of the Excess Net Cash Flow Fund (in that order); and then

(ii) any moneys then on deposit in the Metro Revenue Account and the Arena Revenue Account of the Renovation and Replacement Fund (in that order), which are not otherwise contractually committed; and then

(iii) any moneys transferred by the Corporation to the Bond Trustee from the Operation and Maintenance Account in accordance with Section 5.05(b) of the Loan Agreement; and then

(iv) any moneys then on deposit in the Subordinate Interest Fund and the Subordinate Bond Sinking Fund (in that order).

(d) When moneys in the Senior Bond Sinking Fund are insufficient to pay principal of Senior Bonds when due or moneys in the Senior Interest Fund are insufficient to pay interest on Senior Bonds when due, for so long as the Series 2017 Liquidity Reserve Policy is in full force and effect, the Bond Trustee shall use the Series 2017 Liquidity Reserve Policy to augment payments due for the principal of Senior Bonds when due or interest on the Senior Bonds when due in accordance with the priorities set forth in Section 4.06(c)(iv) and Section 4.07(d)(iv) of the Bond Indenture. When moneys in the Liquidity Reserve Fund are so used, the Bond Trustee shall give Immediate Notice to the Corporation and the Bond Insurer.

(e) So long as, and to the extent that, the Series 2017 Liquidity Reserve Policy shall be in full force and effect, and demands therefor and any reimbursement thereon shall be made through the Bond Indenture, the Corporation and the Bond Trustee agree to comply with the following provisions with respect to the Series 2017 Liquidity Reserve Policy provided at closing by the Bond Insurer, notwithstanding anything herein to the contrary:

(i) the Authority hereby directs the Corporation to repay, any draws under the Series 2017 Liquidity Reserve Policy and pay all related reasonable expenses incurred by the Bond Insurer. The Corporation shall pay interest on any such draws and expenses thereon from the date of payment by the Bond Insurer at the Late Payment Rate. If the interest provisions of this subparagraph (e)(i) shall result in an effective rate of interest which, for any period, exceeds the limit of the usury or any other laws applicable to the indebtedness created herein, then all sums in excess of those lawfully collectible as interest for the period in question shall, without further agreement or notice between or by any party hereto, be applied as additional interest for any later periods of time when amounts are outstanding hereunder to the extent that interest otherwise due hereunder for such periods plus such additional interest would not exceed the limit of the usury or such other laws, and any excess shall be applied upon principal immediately upon receipt of such moneys by the Bond Insurer, with the same force and effect as if the Authority or the Corporation had specifically designated such extra sums to be so applied and the Bond Insurer had agreed to accept such extra payment(s) as additional interest for such later periods. In no event shall any agreed-to or actual exaction as consideration for the indebtedness created herein exceed the limits imposed or provided by the law applicable to this transaction for the use or detention of money or for forbearance in seeking its collection.

Repayment of Policy Costs related to the Series 2017 Liquidity Reserve Policy shall commence in the first month following each draw, and each such monthly payment shall be in an amount not less than 1/12th of the aggregate of Policy Costs related to such draw unless otherwise agreed to in writing by the Bond Insurer.

Amounts in respect of Policy Costs paid to the Bond Insurer shall be credited first to interest due, then to the expenses due and then to principal due. As and to the extent that payments are made to the Bond

Insurer on account of principal due, the coverage under the Series 2017 Liquidity Reserve Policy will be increased by a like amount, subject to the terms of the Series 2017 Liquidity Reserve Policy. The obligation to pay Policy Costs shall be secured by a valid lien on the Trust Estate pledged as security for the Senior Bonds (subject only to the priority of payment provisions set forth in Article IV of the Bond Indenture).

All cash and investments in the Excess Net Cash Flow Fund, the Renovation and Replacement Fund, the Subordinate Interest Fund, and the Subordinate Bond Sinking Fund pursuant to Section 4.06(c) and Section 4.07(d) of the Bond Indenture shall be transferred to the Senior Interest Fund or Senior Bond Sinking Fund for payment of debt service on the Senior Bonds before any drawing may be made on the Series 2017 Liquidity Reserve Policy in lieu of cash. Payment of any Policy Costs shall be made before replenishment of any such cash amounts.

(ii) If the Corporation shall fail to pay any Policy Costs in accordance with the requirements of subparagraph (d) hereof, the Bond Insurer shall be entitled to exercise any and all legal and equitable remedies available to it, including those provided under this Bond Indenture and the Loan Agreement other than (1) acceleration of the maturity of the Bonds or (2) remedies which would adversely affect owners of the Bonds.

(iii) This Bond Indenture shall not be discharged until all Policy Costs owing to the Bond Insurer shall have been paid in full as further provided in the Series 2017 Liquidity Reserve Policy, which obligation to pay such amounts shall otherwise expressly survive payment in full of any Series 2017 Bonds.

(iv) The Bond Trustee shall ascertain the necessity for a claim upon the Series 2017 Liquidity Reserve Policy in accordance with the provisions of this Section 4.09 and provide notice to the Bond Insurer in accordance with the terms of the Series 2017 Liquidity Reserve Policy at least three Business Days before each date upon which interest or principal is due on the Series 2017 Bonds. Where deposits are required to be made by the Corporation with the Trustee to the Senior Interest Fund or Senior Bond Sinking Fund for the Bonds more often than semi-annually, the Trustee shall be instructed to give notice to the Bond Insurer of any failure of the Corporation to make timely payment in full of such deposits within two Business Days of the date due.

Subordinate Interest Fund (Section 4.10)

During such times as no Subordinate Bonds are issued and Outstanding under the Bond Indenture and any Supplemental Bond Indenture, the requirements of Section 4.10 of the Bond Indenture shall have no force or effect.

(a) There is hereby established with the Bond Trustee, to be maintained so long as any Subordinate Bonds are or may become Outstanding, a separate trust account to be known as the "Subordinate Interest Fund - Louisville Arena Project". On or before the dates set forth in Section 4.03, Section 4.04, and Section 4.05 of the Bond Indenture, commencing on (and including) June 1, 2018, after making the required deposits into the Senior Interest Fund, the Senior Bond Sinking Fund, the Senior Reserve Fund, and the Liquidity Reserve Fund the Bond Trustee shall make the deposits in the Subordinate Interest Fund required by such Sections and subsection (c) of Section 4.10 of the Bond Indenture. No deposit pursuant to the preceding sentence need be made if and to the extent that there is a sufficient amount already on deposit and available for such purpose in the Subordinate Interest Fund.

(b) Except as provided in Section 4.10, Section 7.07, and Section 8.02 of the Bond Indenture, moneys in the Subordinate Interest Fund shall be used solely to pay interest on the Subordinate Bonds when due. The Bond Trustee shall at all times maintain accurate records of deposits into and expenditures and transfers from the Subordinate Interest Fund and the sources and dates of such deposits, expenditures, and transfers.

(c) If by the third Business Day immediately preceding (1) any December 1st, after making the deposits described in Section 4.03(a)(iv), Section 4.04(a)(iv), and Section 4.05(a)(iv) of the Bond Indenture, or (2) any June 1st, after making the deposits described in Section 4.03(b)(iv), Section 4.04(b)(iv), and Section 4.05(b)(iv) of the Bond Indenture, there is not enough money in the Subordinate Interest Fund to make the payments of interest due on Subordinate Bonds, then the Bond Trustee agrees to give notice of that fact to the Bond Insurer as provided in Section 7.15(a) of the Bond Indenture and to transfer moneys to the Subordinate Interest Fund from the following

Funds or Accounts, to the extent necessary, in the following priority, but only after having satisfied the requirements of Section 4.06(c), Section 4.07(d), and Section 4.08(c) of the Bond Indenture:

(i) any moneys then on deposit in the TIF Revenue Account, the Metro Revenue Account, and the Arena Revenue Account of the Excess Net Cash Flow Fund (in that order); and then

(ii) any moneys then on deposit in the Metro Revenue Account and the Arena Revenue Account of the Renovation and Replacement Fund (in that order), which are not otherwise contractually committed; and then

(iii) any moneys transferred by the Corporation to the Bond Trustee from the Operation and Maintenance Account in accordance with Section 5.05(b) of the Loan Agreement, the Bond Trustee being hereby authorized and directed to notify the Corporation that such a transfer is required and necessary pursuant to this subparagraph (iii) and Section 5.05(b) of the Loan Agreement; and then

(iv) any moneys then on deposit in the Subordinate Reserve Fund.

(d) In connection with any partial redemption or defeasance before maturity of Subordinate Bonds, the Bond Trustee may, at the Corporation's Written Instruction, use any amounts on deposit in the Subordinate Interest Fund in excess of the amount needed to pay the interest on any Subordinate Bonds remaining Outstanding on the first Principal Payment Date occurring on or after the date of such redemption or defeasance to pay the principal of and interest on any Subordinate Bonds to be redeemed or defeased.

Subordinate Bond Sinking Fund (Section 4.11)

During such times as no Subordinate Bonds are issued and Outstanding under the Bond Indenture and any Supplemental Bond Indenture, Section 4.11 of the Bond Indenture shall have no force or effect.

(a) There is hereby established with the Bond Trustee, to be maintained so long as any Subordinate Bonds are or may become Outstanding a separate trust account to be known as the "Subordinate Bond Sinking Fund - Louisville Arena Project". On or before the dates set forth in Section 4.03, Section 4.04 and Section 4.05 of the Bond Indenture, commencing on (and including) June 1, 2018, after making the required deposits into the Senior Interest Fund, the Senior Bond Sinking Fund, the Senior Reserve Fund, the Liquidity Reserve Fund, and the Subordinate Interest Fund, the Bond Trustee shall make the deposits in the Subordinate Bond Sinking Fund required by such Sections and subsection (d) of Section 4.11 of the Bond Indenture. No deposit pursuant to the immediately preceding sentence need be made if and to the extent that there is a sufficient moneys already on deposit and available for such purpose in the Subordinate Bond Sinking Fund.

(b) Except as provided in Section 4.11, Section 7.07, and Section 8.02 of the Bond Indenture, moneys in the Subordinate Bond Sinking Fund shall be used solely for the payment of principal of the Subordinate Bonds as the same shall become due and payable at maturity or to redeem the Subordinate Bonds in accordance with the Corporation's Written Instructions pursuant to the optional redemption provision of Section 5.05 of the Bond Indenture and any Supplemental Bond Indenture authorizing such Subordinate Bonds. The Bond Trustee shall at all times maintain accurate records of deposits into and expenditures and transfers from the Subordinate Bond Sinking Fund, and the sources and dates of such deposits, expenditures, and transfers.

(c) In lieu of such optional redemption the Bond Trustee may, at the Corporation's Written Instruction, purchase an equal principal amount of Subordinate Bonds in the open market at prices not exceeding the principal amount of the Subordinate Bonds being purchased plus accrued interest.

(d) If by the third Business Day immediately preceding any December 1st, after making the deposits described in Section 4.03(a)(iv), Section 4.04(a)(iv), and Section 4.05(a)(iv) of the Bond Indenture, there is not enough money in the Subordinate Bond Sinking Fund to make the payments of principal due on any Subordinate Bonds then due, then the Bond Trustee agrees to give notice of that fact to the Bond Insurer as provided in Section 7.15(a) of the Bond Indenture and to transfer moneys to the Subordinate Bond Sinking Fund from the following Funds or Accounts, to the extent necessary, in the following priority, but only after having satisfied the requirements of Section 4.06(c), Section 4.07(d), Section 4.08(c), and Section 4.10(c) of the Bond Indenture:

(i) any moneys then on deposit in the TIF Revenue Account, the Metro Revenue Account, and the Arena Revenue Account of the Excess Net Cash Flow Fund (in that order); and then

(ii) any moneys then on deposit in the Metro Revenue Account and the Arena Revenue Account of the Renovation and Replacement Fund (in that order), which are not otherwise contractually committed; and then

(iii) any moneys transferred by the Corporation to the Bond Trustee from the Operation and Maintenance Account in accordance with Section 5.05(b) of the Loan Agreement, the Bond Trustee being hereby authorized and directed to notify the Corporation that such a transfer is required and necessary pursuant to this subparagraph (iii) and Section 5.05(b) of the Loan Agreement; and then

(iv) any moneys then on deposit in the Subordinate Reserve Fund.

(e) In connection with any partial redemption or defeasance before maturity of Subordinate Bonds, the Bond Trustee may, at the Corporation's Written Instruction, use any amounts on deposit in the Subordinate Bond Sinking Fund in excess of the amount needed to pay the principal of any Subordinate Bonds remaining Outstanding on the first Principal Payment Date occurring on or after the date of such redemption or defeasance to pay the principal of and interest on the Subordinate Bonds to be redeemed or defeased.

Subordinate Reserve Fund (Section 4.12)

During such times as no Subordinate Bonds are issued and Outstanding under the Bond Indenture and any Supplemental Bond Indenture, Section 4.12 of the Bond Indenture shall have no force or effect.

(a) There is hereby established with the Bond Trustee, to be maintained so long as any of the Subordinate Bonds are or may become Outstanding, a separate trust account to be known as the "Subordinate Reserve Fund - Louisville Arena Project". The Bond Trustee shall at all times maintain accurate records of deposits into and expenditures and transfers from the Subordinate Reserve Fund and the sources and dates of such deposits, expenditures, and transfers.

(b) Beginning on the issuance date of any Subordinate Bonds issued by the Authority pursuant to this Bond Indenture and a Supplemental Bond Indenture, the Bond Trustee shall deposit to and maintain in the Subordinate Reserve Fund moneys then required to be deposited and maintained in the Subordinate Reserve Fund.

(c) On or before the dates set forth in Section 4.03, Section 4.04, and Section 4.05 of the Bond Indenture, commencing on (and including) June 1, 2018, after making the required deposits into the Senior Interest Fund, the Senior Bond Sinking Fund, the Senior Reserve Fund, the Liquidity Reserve Fund, the Subordinate Interest Fund, and the Subordinate Bond Sinking Fund, the Bond Trustee shall deposit to the Subordinate Reserve Fund the moneys required by Section 4.03, Section 4.04, and Section 4.05 of the Bond Indenture, in order to restore the sum of all moneys deposited to the Subordinate Reserve Fund to the Subordinate Reserve Fund Requirement. No such deposits shall be made to the Subordinate Reserve Fund when the Subordinate Reserve Fund Value equals or exceeds the Subordinate Reserve Fund Requirement.

(d) If by the third Business Day immediately preceding (1) any December 1st, after making the deposits described in Section 4.03(a)(v), Section 4.04(a)(v), and Section 4.05(a)(v) of the Bond Indenture, or (2) any June 1st, after making the deposits described in Section 4.03(b)(v), Section 4.04(b)(v), and Section 4.05(b)(v) of the Bond Indenture, there is not enough money in the Subordinate Reserve Fund to cause the sum of moneys deposited in the Subordinate Reserve Fund to equal the Subordinate Reserve Fund Requirement, then the Bond Trustee shall give notice of that fact to the Bond Insurer as provided in Section 7.15(a) of the Bond Indenture and shall transfer moneys to the Subordinate Reserve Fund from the following Funds or Accounts, to the extent necessary, in the following priority, but only after having satisfied the requirements of Section 4.06(c), Section 4.07(d), Section 4.08(c), Section 4.10(c), and Section 4.11(d) of the Bond Indenture:

(i) any moneys then on deposit in the TIF Revenue Account, the Metro Revenue Account, and the Arena Revenue Account of the Excess Net Cash Flow Fund (in that order); and then

(ii) any moneys then on deposit in the Metro Revenue Account and the Arena Revenue Account of the Renovation and Replacement Fund (in that order), which are not otherwise contractually committed; and then

(iii) any moneys transferred by the Corporation to the Bond Trustee from the Operation and Maintenance Account in accordance with Section 5.05(b) of the Loan Agreement.

(e) When moneys in the Subordinate Bond Sinking Fund are insufficient to pay principal of Subordinate Bonds when due or moneys in the Subordinate Interest Fund are insufficient to pay interest on Subordinate Bonds when due, moneys in the Subordinate Reserve Fund shall be used to augment payments due for the principal of Subordinate Bonds when due or interest on the Subordinate Bonds when due in accordance with the priorities set forth in Section 4.10(c)(iv) and Section 4.11(d)(iv) of the Bond Indenture. When moneys in the Subordinate Reserve Fund are so used, the Bond Trustee shall give Immediate Notice to the Corporation and the Bond Insurer.

(f) On each December 1st, commencing on (and including) December 1, 2018, amounts and investments on deposit in the Subordinate Reserve Fund shall be (i) valued at cost if to the extent their respective maturities are one year or less; and (ii) valued at fair market value and marked to market by the Bond Trustee annually if their respective maturities are longer than one year. If upon such valuation it is determined that the Subordinate Reserve Fund Value is less than the Subordinate Reserve Fund Requirement, the Bond Trustee shall notify the Corporation and the Bond Insurer of the amount of the deficiency. The Corporation agrees in the Loan Agreement to deposit in the Subordinate Reserve Fund the amount by which such Subordinate Reserve Fund Value is less than the Subordinate Reserve Fund Requirement within fifteen days following the date the Corporation and the Bond Insurer receive notice of such deficiency. If the Subordinate Reserve Fund Value on any such valuation date is more than the Subordinate Reserve Fund Requirement, the amount of such excess shall be transferred to the Subordinate Interest Fund.

(g) Except for such excess amounts, moneys on deposit in the Subordinate Reserve Fund shall be used only to make up any deficiencies in the Subordinate Interest Fund and Subordinate Bond Sinking Fund (in that order); provided, however, that in connection with any partial redemption or provision for payment before maturity of any Subordinate Bonds secured by the Subordinate Reserve Fund, the Bond Trustee shall, at the Corporation's Written Instruction, use any amounts on deposit in the Subordinate Reserve Fund which will be in excess of the Subordinate Reserve Fund Requirement after such redemption or provision for payment to pay or provide for the payment of the principal of or the principal portion of the redemption price of the Subordinate Bonds then being redeemed.

Excess Net Cash Flow Fund (Section 4.13)

(a) There is hereby established with the Bond Trustee a separate trust account to be known as the "Excess Net Cash Flow Fund - Louisville Arena Project". The Bond Trustee shall at all times maintain accurate records of deposits into and expenditures and transfers from the Excess Net Cash Flow Fund and the sources and dates of such deposits, expenditures, and transfers.

(b) There is hereby established with the Bond Trustee a separate subaccount within the Excess Net Cash Flow Fund to be known as the "TIF Revenue Account" into which certain TIF Revenues shall be deposited as provided in Section 4.03(b)(vi) of the Bond Indenture.

(c) There is hereby established with the Bond Trustee a separate subaccount within the Excess Net Cash Flow Fund to be known as the "Metro Revenue Account" into which certain Metro Revenues shall be deposited as provided in Section 4.04(b)(vi) of the Bond Indenture.

(d) There is hereby established with the Bond Trustee a separate subaccount within the Excess Net Cash Flow Fund to be known as the "Arena Revenue Account" into which certain Arena Revenues shall be deposited as provided in Section 4.05(b)(vi) of the Bond Indenture.

(e) Moneys held within the Excess Net Cash Flow Fund shall be held as a reserve fund and applied as provided in Section 4.13 of the Bond Indenture.

(f) On each November 1st, beginning on (and including) November 1, 2018, the Corporation, by Written Instruction to the Bond Trustee and by copy to the Bond Insurer, may direct the Bond Trustee to transfer moneys from the Excess Net Cash Flow Fund to the Renovation and Replacement Fund in an amount equal to (1) the then applicable Maximum Annual Renovation and Replacement Deposit; or (2) a lesser amount approved by the Bond Insurer and identified by the Corporation in such Written Instruction to the Bond Trustee and the Bond Insurer. The Bond Trustee shall disburse any such moneys from the Metro Revenue Account and the Arena Revenue Account of the Excess Net Cash Flow Fund (in that order).

(g) Notwithstanding the preceding subsection (f), any moneys held within the Excess Net Cash Flow Fund shall be used to fund any shortfall in moneys required to be deposited in the Senior Interest Fund, the Senior Bond Sinking Fund, the Senior Reserve Fund, the Subordinate Interest Fund, the Subordinate Bond Sinking Fund, and the Subordinate Reserve Fund in accordance with Section 4.06(c)(i), Section 4.07(d)(i), Section 4.08(c)(i), Section 4.09(c)(i), Section 4.10(c)(i), and Section 4.11(d)(i) of the Bond Indenture. The Bond Trustee shall disburse such moneys from the TIF Revenue Account, the Metro Revenue Account, and the Arena Revenue Account of the Excess Net Cash Flow Fund (in that order).

(h) Notwithstanding the preceding subsections (f) and (g), the Corporation, by Written Instruction to the Bond Trustee, may direct the Bond Trustee to transfer any moneys held within the Arena Revenue Account of the Excess Net Cash Flow Fund to the Operation and Maintenance Account in an amount equal to the moneys needed to restore the amount of moneys held within the Operation and Maintenance Account to the Minimum Operating Cash Balance. As provided in Section 5.05 of the Loan Agreement, the Corporation may present the Bond Trustee and the Bond Insurer with such a Written Instruction only when the moneys held within the Operation and Maintenance Account are less than the Minimum Operating Cash Balance. Only moneys held within the Arena Revenue Account of the Excess Net Cash Flow Fund (and not the TIF Revenue Account or the Metro Revenue Account of the Excess Net Cash Flow Fund) may be used for such purpose. The Bond Trustee shall use moneys held within the Arena Revenue Fund, the Arena Revenue Account of the Excess Net Cash Flow Fund, and the Arena Revenue Account of the Renovation and Replacement Fund (in that order) for such purpose.

(i) Notwithstanding the preceding subsections (f), (g), and (h), if, after application of the requirements of Section 4.03, Section 4.04, and Section 4.05 of the Bond Indenture, any Reimbursement Obligation remains outstanding or any expense or other payment is owed to the Bond Insurer (including any interest accrued at the Late Payment Rate thereon) and moneys are then held within the Excess Net Cash Flow Fund, the Bond Trustee shall use such moneys to pay any such Reimbursement Obligation, expense, or amount (including interest accrued thereon) to the Bond Insurer.

(j) After satisfaction of the requirements of the preceding subsections (f), (g), (h), and (i) of Section 4.13 of the Bond Indenture, the Corporation may by Written Instruction to the Bond Trustee and the Bond Insurer direct the Bond Trustee to transfer a stated amount of moneys then held within the Excess Net Cash Flow Fund to the Redemption Fund for the redemption or purchase of Bonds then Outstanding under the Bond Indenture in accordance with Article V of the Bond Indenture.

Renovation and Replacement Fund (Section 4.14)

(a) There is hereby established with the Bond Trustee a separate trust account to be known as the "Renovation and Replacement Fund - Louisville Arena Project". The Bond Trustee shall at all times maintain accurate records of deposits into and expenditures and transfers from the Renovation and Replacement Fund and the sources and dates of such deposits, expenditures, and transfers.

(b) There is hereby established with the Bond Trustee a separate subaccount within the Renovation and Replacement Fund to be known as the "Metro Revenue Account" into which certain Metro Revenues shall be deposited as provided in Section 4.13(f) of the Bond Indenture. On the Closing Date the Bond Trustee shall deposit Metro Revenues in the Metro Revenue Account of the Renovation and Replacement Fund received from the Prior Bond Trustee constituting Metro Revenues previously held in the Renovation and Replacement Fund established under the Prior Bond Indenture for the benefit of the Corporation.

(c) There is hereby established with the Bond Trustee a separate subaccount within the Renovation and Replacement Fund to be known as the "Arena Revenue Account" into which certain Arena Revenues shall be deposited as provided in Section 4.13(f) of the Bond Indenture. On the Closing Date the Bond Trustee shall deposit Arena Revenues in the Arena Revenue Account of the Renovation and Replacement Fund received from the Prior Bond Trustee constituting Arena Revenues previously held in the Renovation and Replacement Fund established under the Prior Bond Indenture for the benefit of the Corporation.

(d) Moneys held within the Renovation and Replacement Fund shall be used to provide reasonable reserves for renovations, renewals, replacements, improvements, additions, extraordinary repairs, and contingencies in the operation of the Prior Project. By submission of a Written Instruction to the Bond Trustee, the Corporation shall direct the Bond Trustee to disburse such moneys to the Operation and Maintenance Account to be expended by the Corporation for such purposes; provided, however, that no such moneys may be disbursed from the Metro Revenue Account of the Renovation and Replacement Fund without the Bond Insurer's prior written consent, which shall not be unreasonably withheld. The Bond Trustee shall disburse such moneys from the Metro Revenue Account (assuming the Bond Insurer's prior written consent is received in accordance with the immediately preceding sentence) and the Arena Revenue Account of the Renovation and Replacement Fund (in that order).

(e) The Corporation shall be permitted, with the Bond Insurer's prior written consent, to increase the amount of the Maximum Annual Renovation and Replacement Deposit one or more times and at any time upon the written recommendation of an independent consultant (i) finding that such increase is necessary to ensure the ongoing repair and maintenance of the Prior Project; and (ii) recommending a specific increased annual maximum contribution to the Renovation and Replacement Fund. Any such consultant shall neither be engaged in the regular employ of the Corporation nor then manage the Prior Project and shall specialize in the operation or maintenance of facilities similar to the Prior Project. The Corporation shall provide any such written recommendation to the Bond Trustee and the Bond Insurer in a Written Instruction specifying the amount and effective date of any such increase and whether such increase shall apply on a one-time or going-forward basis.

(f) Notwithstanding the immediately preceding subsections (d) and (e), any moneys held within the Renovation and Replacement Fund shall be used to fund any shortfall in moneys required to be deposited in the Senior Interest Fund, the Senior Bond Sinking Fund, the Senior Reserve Fund, the Subordinate Interest Fund, the Subordinate Bond Sinking Fund, and the Subordinate Reserve Fund in accordance with Section 4.06(c)(ii), Section 4.07(d)(ii), Section 4.08(c)(ii), Section 4.10(c)(ii), and Section 4.11(d)(ii) of the Bond Indenture. The Bond Trustee shall disburse such moneys from the Metro Revenue Account and the Arena Revenue Account of the Renovation and Replacement Fund (in that order).

(g) Notwithstanding the immediately preceding subsections (d), (e), and (f), the Corporation, by Written Instruction to the Bond Trustee, with the Bond Insurer's prior written consent, may direct the Bond Trustee to transfer any moneys held within the Arena Revenue Account of the Renovation and Replacement Fund to the Operation and Maintenance Account in an amount equal to the funds needed to restore the amount of moneys held within the Operation and Maintenance Account to the Minimum Operating Cash Balance. As provided by Section 5.05 of the Loan Agreement, the Corporation may present the Bond Trustee and the Bond Insurer with such a Written Instruction only when the moneys held within the Operation and Maintenance Account are less than the Minimum Operating Cash Balance. Only moneys held within the Arena Revenue Account of the Renovation and Replacement Fund (and not the Metro Revenue Account of the Renovation and Replacement Fund) may be used for such purpose. The Bond Trustee shall use moneys held within the Arena Revenue Fund, the Arena Revenue Account of the Excess Net Cash Flow Fund, and the Arena Revenue Account of the Renovation and Replacement Fund (in that order) for such purpose.

Redemption Fund (Section 4.15)

(a) There is hereby established with the Bond Trustee a separate trust account to be known as the "Redemption Fund - Louisville Arena Project". The Bond Trustee shall at all times maintain accurate records of deposits into and expenditures and transfers from the Redemption Fund and the sources and dates of such deposits, expenditures, and transfers.

(b) The Bond Trustee shall deposit the following moneys into the Redemption Fund:

(i) moneys transferred from the Excess Net Cash Flow Fund pursuant to Section 4.13(j) of the Bond Indenture;

(ii) moneys received by the Bond Trustee from the Corporation constituting condemnation awards or insurance proceeds for purposes of redeeming Bonds; or

(iii) moneys from any other source to be used for purchasing, retiring, or redeeming Bonds.

(c) The Bond Trustee shall use moneys held within the Redemption Fund to purchase and retire Bonds or to redeem Bonds on their first optional redemption date in accordance with the requirements of Article V of the Bond Indenture. The Bond Trustee shall apply such moneys in accordance with the Written Instruction of the Corporation.

(d) In the case of prepayments described in the preceding subsection (b) that are made more than ninety days before the planned application thereof to redeem Bonds, if so directed by the Corporation's Written Instructions approved in writing by the Bond Insurer, such prepayment moneys shall be irrevocably held by the Bond Trustee in a segregated subaccount within the Redemption Fund to be used as directed by the Corporation to purchase and retire Bonds or to redeem Bonds on their first optional redemption date.

Investment of Funds (Section 4.16)

(a) Upon telephonic instructions from the Corporation promptly confirmed in writing or based on standing Written Instructions, moneys in the TIF Revenue Fund, Metro Revenue Fund, Arena Revenue Fund, Senior Interest Fund, Senior Bond Sinking Fund, Senior Reserve Fund, Liquidity Reserve Fund, Subordinate Interest Fund, Subordinate Bond Sinking Fund, Subordinate Reserve Fund, Renovation and Replacement Fund, Excess Net Cash Flow Fund, and Expense Fund shall be invested in Qualified Investments, the particular investment to be specified in the investment instructions; provided, however, that moneys held in the Redemption Fund may only be invested in United States Government Obligations. The Corporation shall not direct the Bond Trustee to make any investment contrary to the preceding sentence and each instruction from the Corporation shall constitute a representation by the Corporation that such investment complies with the preceding sentence. If the Corporation fails to file such Written Instructions with the Bond Trustee, moneys in such Funds shall be invested in (i) Government Obligations maturing not more than fourteen days (or earlier if cash is needed) after the date such investment is made or (ii) money market funds meeting the requirements of item (vii) of the definition of "Qualified Investments" in the Bond Indenture. Such investments shall be made so as to mature on or before the date or dates that moneys therefrom are anticipated to be required. The Bond Trustee, when authorized by the Corporation, may trade with itself in the purchase and sale of securities for such investment; provided, however, that in no case shall investments be otherwise than in accordance with the investment limitations contained in the Bond Indenture and in the Tax Regulatory Agreement. The Bond Trustee shall not be liable or responsible for any loss, fee, tax or other charge resulting from any such investments. The foregoing notwithstanding, moneys held by the Bond Trustee resulting from a payment on the Series 2017 Bond Insurance Policy shall be held uninvested unless otherwise directed in writing by the Bond Insurer. Any purchase or sale of securities may be accomplished through the Bond Trustee's investment department.

(b) All income in excess of the requirements of the Funds specified in subsection (a) of Section 4.16 of the Bond Indenture (including any account or subaccount therein) derived from the investment of moneys on deposit in any such Funds shall be deposited in the following Funds, in the order listed:

(i) to the Senior Interest Fund and the Senior Bond Sinking Fund (in that order) to the extent, with respect to the Senior Interest Fund, of the amount required to be deposited in the Senior Interest Fund to be necessary to make the interest payments on the Senior 2017 Bonds and any Reimbursement Obligations due to the Bond Insurer occurring within one year of the date of deposit, and to the extent, with respect to the Senior Bond Sinking Fund, of the amount required to be deposited in the Senior Bond Sinking Fund, of the amount required to be deposited in the Senior Bond Sinking Fund to make the next required principal payment on the Senior 2017 Bonds within one year of the date of deposit; and

(ii) the balance, if any, to the Redemption Fund.

(c) With reference to the provisions of (i) Section 4.08 of the Bond Indenture with regard to the valuation of investments in the Senior Reserve Fund; and (ii) Section 4.12 of the Bond Indenture with regard to the valuation of investments in the Subordinate Reserve Fund, the Bond Trustee shall determine the fair market value thereof (1) based on accepted industry standards and from accepted industry providers, including without limitation Financial Times Interactive Data Corporation, Merrill Lynch, or Citigroup Global Markets Inc.; or (2) at the face amount thereof, plus accrued interest, with respect to bank certificates of deposit, guaranteed investment contracts, and similar investments.

Trust Funds (Section* 4.17*)

All moneys received by the Bond Trustee under the provisions of the Bond Indenture shall be trust funds under the terms of the Bond Indenture for the benefit of the Outstanding Bonds of the respective series and shall not be subject to lien or attachment of any creditor of the Authority or of the Corporation. Such moneys shall be held in trust and applied in accordance with the provisions of the Bond Indenture.

Excluded Funds; Transfers to Rebate Fund (Section 4.18)

The foregoing provisions of Article IV of the Bond Indenture notwithstanding, (a) the Rebate Fund and any rebate funds established in connection with separate series of Senior Refunding Bonds or Subordinate Bonds shall not be considered a part of the Trust Estate created by the Bond Indenture; and (b) the Bond Trustee shall be permitted to transfer moneys on deposit in any of the trust funds established under the Bond Indenture (other than the Senior Interest Fund, the Senior Bond Sinking Fund, the Subordinate Interest Fund, the Subordinate Bond Sinking Fund, and the Redemption Fund) to the Rebate Fund and any rebate funds established in connection with separate series of Senior Refunding Bonds and Subordinate Bonds in accordance with the provisions of the Tax Regulatory Agreement. Payments under the Series 2017 Bond Insurance Policy shall be used solely and only to pay principal of and interest on the Series 2017 Bonds as provided therein.

GENERAL COVENANTS

Payment of Principal and Interest (Section 6.01)

Subject to the limited source of payment hereinafter referred to, the Authority covenants that it will promptly pay the principal of and interest on every Bond issued under the Bond Indenture and any Supplemental Bond Indenture at the places, on the dates and in the manner provided herein and therein and in said Bond according to the true intent and meaning thereof. Subject to the limited source of payment hereinafter referred to, any and all Reimbursement Obligations shall be promptly paid by the Corporation and the Bond Trustee at the places, on the dates and in the manner provided herein. The obligations in Section 6.01 of the Bond Indenture are payable solely from (i) payments by the Corporation pursuant to the Loan Agreement, (ii) payments by the Commonwealth pursuant to the TIF Contract, (iii) payments by Metro Louisville pursuant to the Metro Contract, and (iv) the Trust Estate provided under the Bond Indenture, and otherwise as provided in the Bond Indenture, in the TIF Contract, in the Metro Contract, and in the Loan Agreement, which payments are thereby specifically sold, assigned, and pledged to the payment of the Bonds and any Reimbursement Obligation in the manner, in the priorities, and to the extent provided in the Bond Indenture, in the Irrevocable Assignment of the TIF Contract, the Irrevocable Assignment of Metro Contract, and in any Supplemental Bond Indenture specified, and nothing in the Bonds or in the Bond Indenture shall be considered as assigning or pledging any other funds or assets of the Authority (except the moneys and the Loan Agreement pledged under the Bond Indenture and any Supplemental Bond Indenture).

Arbitrage; Compliance with Tax Regulatory Agreement (Section 6.09)

The Authority covenants and agrees that it will not take any action or fail to take any action with respect to the investment of the proceeds of any Bonds issued under the Bond Indenture (regardless of the source thereof and whether or not held under the Bond Indenture) or with respect to the payments derived from the TIF Contract, the Metro Contract, or the Loan Agreement or any other moneys regardless of source or where held which may, notwithstanding compliance with the other provisions of the Bond Indenture, the TIF Contract, the Metro Contract, the Loan Agreement, and the Tax Regulatory Agreement, result in constituting any Tax-Exempt Bonds to be issued under the Bond Indenture as "arbitrage bonds" within the meaning of such term as used in Code Section 148. The Authority further covenants and agrees that it will comply with and take all actions required by the Tax Regulatory Agreement, so long as the Corporation pays the costs thereof.

REMEDIES

Events of Default (Section 7.02)

Each of the following events is declared an "event of default:"

(a) payment of any installment of interest on any Senior Bond shall not be made when the same shall become due and payable; or

(b) payment of the principal of any Senior Bond shall not be made when the same shall become due and payable, either at maturity, by proceedings for redemption, through failure to make any payment to any Fund under the Bond Indenture or otherwise; or

(c) the Authority shall for any reason be rendered incapable of fulfilling its obligations under the Bond Indenture; or

(d) an order or decree shall be entered appointing a receiver, receivers, custodian or custodians for any of the revenues of the Authority, or approving a petition filed against the Authority seeking reorganization of the Authority under the federal bankruptcy laws or any other similar law or statute of the United States of America or any state thereof, or if any such order or decree, having been entered without the Authority's consent or acquiescence, shall not be vacated or discharged or stayed on appeal within sixty days after the entry thereof; or

(e) any proceeding shall be instituted, with the Authority's consent or acquiescence, or the Authority enters into any plan, for the purpose of effecting a composition between the Authority and its creditors or for the purpose of adjusting the claims of such creditors pursuant to any federal or state statute now or hereafter enacted, if the claims of such creditors are under any circumstances payable from any part or all of the Trust Estate, including money derived by the Authority pledged under the Loan Agreement (other than Unassigned Rights); or

(f) the Authority (i) files a petition in bankruptcy under Title 11 of the United States Code, as amended; (ii) makes an assignment for the benefit of its creditors; (iii) consents to the appointment of a receiver, custodian or trustee for itself or for the whole or any part of the Trust Estate, including money derived by the Authority under the Loan Agreement (other than Unassigned Rights); or (iv) is generally not paying its debts as such debts become due; or

(g) (i) the Authority is adjudged insolvent by a court of competent jurisdiction; (ii) on a petition in bankruptcy filed against the Authority it is adjudged as bankrupt; or (iii) an order, judgment or decree is entered by any court of competent jurisdiction appointing, without the Authority's consent, a receiver, custodian, or trustee of the Authority or of the whole or any part of its property and any of the aforesaid adjudications, orders, judgments, or decrees shall not be vacated or set aside or stayed within sixty days from the date of entry thereof; or

(h) the Authority shall file a petition or answer seeking reorganization or any arrangement under the federal bankruptcy laws or any other applicable law or statute of the United States of America or any state thereof; or

(i) under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction shall assume custody or control of the Authority or of the whole or any substantial part of its property (other than Unassigned Rights), and such custody or control shall not be terminated within thirty (30) days from the date of assumption of such custody or control; or

(j) any event of default as defined in Section 9.01 of the Loan Agreement or any default, revocation, invalidity, or re-characterization under the Mortgage and Security Agreement, the Irrevocable Assignment of Metro Contract, the Irrevocable Assignment of TIF Contract, or the Irrevocable Assignment of Operating Agreements shall occur and, in the case of an event of default under the Loan Agreement, such event of default shall be continuing from and after the date the Authority is entitled under the Loan Agreement to declare a default thereunder; or

(k) the Authority shall default in the due and punctual performance of any other of the covenants, conditions, agreements, and provisions contained in the Senior Bonds or in the Bond Indenture or any indenture supplemental thereto to be performed on the Authority's part, and such default shall continue for the period of sixty days after written notice specifying such default and requiring the same to be remedied shall have been given to the Authority, the Corporation, and the Bond Insurer by the Bond Trustee, which notice the Bond Trustee may give in its discretion and must give at the written request of the Bond Insurer or the owners of not less than ten percent in aggregate principal amount of the Series 2017 Bonds then Outstanding under the Bond Indenture; provided, that, if such default cannot with due diligence and dispatch be wholly cured within sixty days but can be wholly cured, the failure of the Authority to remedy such default within such sixty-day period shall not constitute a default under the Bond Indenture if the Authority shall immediately upon receipt of such notice commence with due diligence and dispatch the curing of such default and, having so commenced the curing of such default, shall thereafter prosecute and complete the same with due diligence and dispatch; or

(l) the Authority, the Corporation, or the Bond Trustee shall default in the performance of any covenant, condition, agreement or provision of the Tax Regulatory Agreement, and such default shall continue for the period of sixty days after written notice specifying such default and requiring the same to be remedied shall have been given to the party in default, the Bond Insurer, and the Corporation by the other party; provided that if such default cannot with due diligence and dispatch be wholly cured within sixty days but can be wholly cured, the failure of the Corporation or the Bond Trustee to remedy such default within such sixty-day period shall not constitute a default under the Bond Indenture if any of the foregoing shall immediately upon receipt of such notice commence with due diligence and dispatch the curing of such default and, having so commenced the curing of such default, shall thereafter prosecute and complete the same with due diligence and dispatch.

Bond Insurer Control; Acceleration (Section 7.03)

(a) **Bond Insurer Control.** Anything in the Bond Indenture to the contrary notwithstanding, but subject to the provisions of Section 12.01 of the Bond Indenture, upon the occurrence and continuance of an event of default as defined in the Bond Indenture, the Bond Insurer shall be entitled to control and direct the enforcement of all rights and remedies granted to the holders of the Series 2017 Bonds or the Bond Trustee for the benefit of the holders of the Series 2017 Bonds under the Bond Indenture, including, (i) the right to accelerate the principal amount of the Series 2017 Bonds then Outstanding; and (ii) the right to annul any declaration of acceleration, and the Bond Insurer shall also be entitled to waive or otherwise to approve all waivers of events of default.

(b) **Acceleration.** Subject to the provisions of Section 7.03(a) of the Bond Indenture, anything in the Bond Indenture or in the Bonds to the contrary notwithstanding, upon the occurrence of an event of default specified in subsection (a) through (l) of Section 7.02 of the Bond Indenture the Bond Trustee shall, at the Bond Insurer's written direction but without any action on the part of the Bondholders, and upon being indemnified to its satisfaction as provided in Section 8.01(l) of the Bond Indenture, unless the Bond Insurer in the case of an event of default specified in subsection (a), (b) or (c) of Section 7.02 of the Bond Indenture has failed to pay all amounts owing by it under the Series 2017 Bond Insurance Policy, by notice in writing delivered to the Authority and the Corporation, declare the entire principal amount of the Senior Bonds then Outstanding thereunder and the interest accrued thereon immediately due and payable, and the entire principal and interest shall thereupon become and be immediately due and payable, subject, however, to the provisions of Section 7.11 of the Bond Indenture with respect to waivers of events of default. The Bond Trustee shall give notice thereof by first class mail, postage prepaid, to all owners of Outstanding Senior Bonds; provided, however, that the giving of such notice shall not be considered a precondition to the Bond Trustee declaring the entire principal amount of the Senior Bonds then Outstanding and the interest accrued thereon immediately due and payable. The Senior Bonds shall cease to accrue interest on the date of acceleration if they are paid on such date.

If the maturity of the Senior Bonds is accelerated, the Bond Insurer may elect, in its sole and absolute discretion, to pay all or a portion of the accelerated principal and interest accrued on such principal to the date of acceleration (to the extent unpaid by the Authority or the Corporation) with respect to the Series 2017 Bonds, and the Bond Trustee shall accept such amounts. Upon payment of all such accelerated principal and interest accrued to the acceleration date as provided above, the Bond Insurer's obligations under the Series 2017 Bond Insurance Policy with respect to such accelerated principal shall be fully discharged.

Remedies; Rights of Bondholders (Section 7.04)

(a) Subject to the provisions of Section 7.03(a) of the Bond Indenture, upon the occurrence of any event of default the Bond Trustee may, with the Bond Insurer's prior written consent, take whatever action at law or in equity it deems necessary or desirable (i) to collect any amounts then due under the Bond Indenture, the Bonds, the TIF Contract, the Metro Contract, the ULAA Contract, and the Loan Agreement; (ii) to enforce performance of any obligation, agreement or covenant of the Authority under the Bond Indenture or the Bonds, of the Commonwealth under the TIF Contract, of Metro Louisville under the Metro Contract, of the Corporation under the Loan Agreement, of ULAA under the ULAA Contract, of a guarantor under any guaranty given with respect to any Bond or of the grantor of any other collateral given to secure the payment of the Bonds; or (iii) to otherwise enforce any of the Bond Trustee's rights, including its rights under the Mortgage and Security Agreement, subject, however, to the rights of ULAA under the ULAA Contract, and provided further that the rights of the holders of the Subordinate Parity Bonds to the proceeds from the enforcement of the Mortgage and Security Agreement shall be subordinate and subject in all respects to such rights of the holders of the Senior Bonds and the Reimbursement Obligations.

No remedies under the Bond Indenture may be pursued by the holders of the Subordinate Bonds unless (i) no Senior Bonds or Reimbursement Obligations remain Outstanding; or (ii) there is received the Bond Insurer's prior written consent (if the Series 2017 Bond Insurance Policy is then in effect and the Bond Insurer is not in default thereunder).

(b) Subject to the provisions of Section 7.03(a) of the Bond Indenture, if an event of default shall have occurred, and if it shall have been requested so to do by the Bond Insurer or the holders of twenty-five percent in aggregate principal amount of the Senior Bonds Outstanding with the Bond Insurer's written consent, and it shall have been indemnified as provided in Section 8.01 of the Bond Indenture, the Bond Trustee shall be obligated to exercise such one or more of the rights and powers conferred by Section 7.04 of the Bond Indenture as the Bond Trustee shall deem most expedient in the interests of the holders of the Bonds; provided, however, that the Bond Trustee shall have the right to decline to comply with any such request if the Bond Trustee shall be advised by counsel (who may be its own counsel) that the action so requested may not lawfully be taken or the Bond Trustee in good faith shall determine that such action would be unjustly prejudicial to the holders of the Bonds not parties to such request or would subject the Bond Trustee to personal liability; and provided further, however, that the owners of not less than a majority in aggregate principal amount of all then Outstanding Series 2017 Bonds shall have the right at any time by an instrument or instruments in writing executed and delivered to the Bond Trustee to direct the method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the Series 2017 Bond Insurance Policy.

(c) The Bond Trustee shall not have an affirmative duty to ascertain whether or not the foregoing actions or forbearances are unduly prejudicial to the Bondholders.

(d) No delay or omission to exercise any right or power accruing upon any default or event of default shall impair any such right or power or shall be construed to be a waiver of any such default or event of default, or acquiescence therein; and every such right and power may be exercised from time to time and as often as may be deemed expedient.

(e) No waiver of any default or event of default under the Bond Indenture, whether by the Bond Trustee with the Bond Insurer's consent or by the Bond Insurer, shall extend to or shall affect any subsequent default or event of default or shall impair any rights or remedies consequent thereon.

Waiver of Events of Default (Section 7.11)

The Bond Trustee shall at the written direction of the Bond Insurer or the owners of at least a majority in aggregate principal amount of all Senior Bonds Outstanding, with the Bond Insurer's consent, waive any event of default; provided, however, that no event of default shall be waived unless before such waiver all arrears of principal and interest on Senior Bonds (other than principal or interest on the Senior Bonds which became due and payable by declaration of acceleration) shall have been paid or provided for.

Actions by Bond Trustee to Provide for Payment under Series 2017 Bond Insurance Policy (Section 7.15)

As long as the Series 2017 Bond Insurance Policy shall be in full force and effect, the Bond Trustee agrees that it shall not make a claim for payment on the Series 2017 Bond Insurance Policy until any and all funds held pursuant to the Bond Indenture and the Loan Agreement have been fully drawn to pay debt service on the Series 2017 Bonds, unless otherwise agreed in writing by the Bond Insurer.

As long as the Series 2017 Bond Insurance Policy shall be in full force and effect, the Bond Trustee agrees to comply with the following provisions:

(a) If, on the third Business Day before the related scheduled Bond Payment Date there is not on deposit with the Bond Trustee, after making all transfers and deposits required under Article IV of the Bond Indenture, moneys sufficient to pay the principal of and interest on the Series 2017 Bonds due on such Bond Payment Date, the Bond Trustee shall give notice to the Bond Insurer and to its designated agent (if any) (the "Bond Insurer's Fiscal Agent") by telephone or telecopy of the amount of such deficiency by 12:00 noon, New York City time, on such Business Day. If, on the second Business Day before the related Bond Payment Date, there continues to be a deficiency in the amount available to pay the principal of and interest on the Bonds due on such Bond Payment Date, the Bond Trustee shall make a claim under the Series 2017 Bond Insurance Policy and give notice to the Bond Insurer and the Bond Insurer's Fiscal Agent (if any) by telephone of the amount of such deficiency, and the allocation of such deficiency between the amount required to pay interest on the Series 2017 Bonds and the amount required to pay principal of the Series 2017 Bonds, confirmed in writing to the Bond Insurer and the Bond Insurer's Fiscal Agent by 12:00 noon, New York City time, on such second Business Day by completing the form of Notice of Claim and Certificate delivered with the Series 2017 Bond Insurance Policy.

The Bond Trustee shall designate any portion of payment of principal on Series 2017 Bonds paid by the Bond Insurer, whether by virtue of mandatory sinking fund redemption, maturity, or other advancement of maturity, on its books as a reduction in the principal amount of Bonds registered to the then current Bondholder, whether DTC or its nominee or otherwise, and shall issue a replacement Bond to the Bond Insurer, registered in the name of Assured Guaranty Municipal Corp., in a principal amount equal to the amount of principal so paid (without regard to authorized denominations); provided that the Bond Trustee's failure to so designate any payment or issue any replacement Bond shall have no effect on the amount of principal or interest payable by the Issuer on any Series 2017 Bond or the subrogation rights of the Bond Insurer.

The Bond Trustee shall keep a complete and accurate record of all funds deposited by the Bond Insurer into the Policy Payments Account (defined below) and the allocation of such funds to payment of interest on and principal of any Series 2017 Bond. The Bond Insurer shall have the right to inspect such records at reasonable times upon reasonable notice to the Bond Trustee.

Upon payment of a claim under the Series 2017 Bond Insurance Policy, the Bond Trustee shall establish a separate special purpose trust account for the benefit of Bondholders referred to in the Bond Indenture as the "Policy Payments Account" and over which the Bond Trustee shall have exclusive control and sole right of withdrawal. The Bond Trustee shall receive any amount paid under the Series 2017 Bond Insurance Policy in trust on behalf of Series 2017 Bondholders and shall deposit any such amount in the Policy Payments Account and distribute such amount only for purposes of making the payments for which a claim was made. Such amounts shall be disbursed by the Bond Trustee to Series 2017 Bondholders in the same manner as principal and interest payments are to be made with respect to the Series 2017 Bonds under the sections of the Bond Indenture regarding payment of Series 2017 Bonds. It shall not be necessary for such payments to be made by checks or wire transfers separate from the check or wire transfer used to pay debt service with other funds available to make such payments. Notwithstanding anything herein to the contrary, the Corporation agrees to pay to the Bond Insurer all Reimbursement Obligations. The Corporation hereby covenants and agrees that the Reimbursement Obligations are secured by a lien on and pledge of the Trust Estate and payable from such Trust Estate on a parity with debt service due on the Series 2017 Bonds.

Funds held in the Policy Payments Account shall not be invested by the Paying Agent and may not be applied to satisfy any costs, expenses or liabilities of the Paying Agent. Any funds remaining in the Policy Payments Account following any Bond Payment Date for the Series 2017 Bonds shall promptly be remitted to the Bond Insurer.

(b) If the principal or interest due on the Series 2017 Bonds shall be paid by the Bond Insurer pursuant to the Series 2017 Bond Insurance Policy, the Series 2017 Bonds shall remain Outstanding for all purposes, not be defeased or otherwise satisfied, and not be considered paid by the Authority, and the assignment and pledge of the Trust Estate and all covenants, agreements, and other obligations of the Authority to the Bond Trustee shall continue to exist and shall run to the benefit of the Bond Insurer, and the Bond Insurer shall be subrogated to the rights of the registered owners of such Series 2017 Bonds.

(c) The Corporation and the Bond Trustee hereby agree for the benefit of the Bond Insurer that:

(i) they recognize that to the extent the Bond Insurer makes payments directly or indirectly (e.g., by paying through the Bond Trustee) on account of principal of or interest on the Series 2017 Bonds, the Bond Insurer will be subrogated to the rights of such holders to receive the amount of such principal and interest from the Bond Trustee on behalf of the Authority, with interest thereon as provided and solely from the sources stated in the Bond Indenture and the Series 2017 Bonds; and

(ii) they will accordingly pay to the Bond Insurer the amount of such principal and interest, with interest thereon as provided in the financing documents and the Series 2017 Bonds, but only from the sources and in the manner provided herein for the payment of principal of and interest on the Series 2017 Bonds to holders, and will otherwise treat the Bond Insurer as the owner of such rights to the amount of such principal and interest.

(d) The Bond Insurer shall be entitled to pay principal or interest on the Series 2017 Bonds that shall become due for payment but shall be unpaid by reason of nonpayment by the Bond Insurer (as such terms are defined in the Series 2017 Bond Insurance Policy) and any amounts due on the Series 2017 Bonds as a result of acceleration of the maturity thereof in accordance with the Bond Indenture, whether or not the Bond Insurer has received a Notice (as defined in the Series 2017 Bond Insurance Policy) of nonpayment or a claim upon the Series 2017 Bond Insurance Policy.

(e) In addition, the Bond Insurer shall to the extent it makes any payment of principal or interest on the Series 2017 Bonds become subrogated to the rights of the recipients of such payments in accordance with the terms of the Series 2017 Bond Insurance Policy, and to evidence such subrogation (i) in the case of claims for interest, the Bond Trustee shall note the Bond Insurer's rights as subrogee on the Authority's registration books maintained by the Bond Trustee, upon receipt of proof of payment of interest thereon to the registered holders of the Series 2017 Bonds; and (ii) in the case of claims for principal, the Bond Trustee, if any, shall note the Bond Insurer's rights as subrogee on the Authority's registration books maintained by the Bond Trustee, upon surrender of the Series 2017 Bonds together with receipt of proof of payment of principal thereof.

(f) The Bond Trustee hereby covenants and agrees that on behalf of the Authority it hereby directs the Corporation to reimburse the Bond Insurer, but only from the amounts available under the Loan Agreement and the Trust Estate under this Bond Indenture, for any amount paid under the Series 2017 Bond Insurance Policy and all costs of collection thereof and enforcement of the Bond Indenture and any other documents executed in connection with the Bond Indenture, together with interest thereon, from the date paid or incurred by the Bond Insurer until payment thereof in full by the Bond Trustee on behalf of the Authority, payable at the Reimbursement Rate (as defined in the Loan Agreement), including (to the extent permitted by applicable law), interest on claims paid by the Bond Insurer in respect of interest on the Series 2017 Bonds. Such payment obligation shall be payable on demand and on parity with, and from the same sources and secured by the same security as regularly scheduled principal and interest payments in respect of the Series 2017 Bonds and any Reimbursement Obligations due to the provider of the Series 2017 Senior Reserve Fund Surety.

(g) The rights granted to the Bond Insurer under the Bond Indenture, the Loan Agreement, or any other related document to request, consent to, or direct any action are rights granted to the Bond Insurer in consideration of its issuance of the Series 2017 Bond Insurance Policy, the Series 2017 Liquidity Reserve Policy, and the Series 2017 Senior Reserve Fund Surety. Any exercise by the Bond Insurer of such rights is merely an exercise of the Bond Insurer's contractual rights and shall not be construed or deemed to be taken for the benefit, or on behalf, of the Bondholders and such action does not evidence any position of the Bond Insurer, affirmative or negative, as to whether the consent of the Bondholders or any other Person is required in addition to the Bond Insurer's consent.

THE BOND TRUSTEE

Resignation of Bond Trustee (Section 8.07)

The Bond Trustee and any successor Bond Trustee may at any time resign from the trusts created by giving not less than thirty days' prior written notice thereof by registered or certified mail to the Authority, the Bond Insurer, the Corporation, and each holder of the Bonds then Outstanding, as shown by the Bond Register. Such notice to the Authority, the Bond Insurer, and the Corporation may be served personally in lieu of sending by registered or certified mail. Such resignation shall take effect upon the date on which a successor Bond Trustee is appointed pursuant to Section 8.06 and Section 8.10 of the Bond Indenture.

Removal of Bond Trustee (Section 8.08)

The Bond Trustee may be removed, with the prior written consent or at the direction of the Bond Insurer, at any time, by an instrument or concurrent instruments in writing delivered to the Bond Trustee, the Bond Insurer, and the Authority and signed by the registered owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding. So long as no event of default has occurred and is continuing under the Bond Indenture or the Loan Agreement and no event shall have occurred which with the passage of time or the giving of notice or both would become such an event of default under the Bond Indenture or the Loan Agreement, the Bond Trustee may be removed at any time by an instrument in writing signed by the Authority, upon the Corporation's Written Instruction, and delivered to the Bond Trustee and the Bond Insurer. Notice of such removal shall be mailed by first class mail, postage prepaid, to the owners of all such Bonds then Outstanding at the address of such owners then shown on the Bond Register. The Bond Insurer at any time may remove the Bond Trustee for a breach of any trust set forth herein by notice to the Bond Trustee, the Corporation, and the Authority.

SUPPLEMENTAL INDENTURES

Supplemental Indentures Not Requiring Bondholder Consent (Section 9.01)

The Authority, upon the Corporation's Written Instruction and the Bond Insurer's prior written consent (provided that the Bond Insurer is not in default under the Series 2017 Bond Insurance Policy), and the Bond Trustee may, but without the consent of, or notice to, any Bondholder, enter into an indenture or indentures supplemental to the Bond Indenture, as shall not be inconsistent with the terms and provisions of the Bond Indenture, for any one or more of the following purposes:

(a) to cure any ambiguity or formal defect or omission in the Bond Indenture;

(b) to grant to or confer upon the Bond Trustee for the benefit of the Bondholders any additional right, remedy, power, or authority that may lawfully be granted to or conferred upon the Bondholders and the Bond Trustee, or either of them;

(c) to assign and pledge under the Bond Indenture additional revenues, properties or collateral;

(d) to evidence the appointment of a separate bond trustee or the succession of a new bond trustee under the Bond Indenture;

(e) to modify, amend or supplement the Bond Indenture or any indenture supplemental thereto in such manner as to permit the qualification of the Bond Indenture under the Trust Indenture Act of 1939, as then amended, or any similar federal statute hereafter in effect or to permit the qualification of the Bonds for sale under the securities laws of any state of the United States of America;

(f) to modify, amend or supplement the Bond Indenture or any indenture supplemental thereto in such manner as to permit the issuance of coupon Bonds and to permit the exchange of Bonds from book-entry to non-book-entry form and vice versa;

(g) to provide for the refunding or advance refunding of any Bonds in accordance with Section 2.14 and Section 2.16 of the Bond Indenture, including the right to establish and administer an escrow fund and to take related action in connection therewith;

(h) to modify, amend or supplement the Bond Indenture or any indenture supplemental thereto in such manner as to permit certificated Bonds;

(i) to modify, amend or supplement the Bond Indenture or any indenture supplemental thereto in such manner as to permit continued compliance with the Tax Regulatory Agreement or any similar agreement governing a subsequent series of Bonds;

(j) to evidence, give effect to, or facilitate the delivery and administration under the Bond Indenture of an insurance policy securing payment when due of interest on and principal of any series of Bonds;

(k) to provide for the issuance of one or more series of Senior Refunding Bonds or Subordinate Bonds in accordance with Article II of the Bond Indenture; or

(l) to modify, amend or supplement the provisions of the Bond Indenture in any other way that the Bond Trustee has determined does not materially adversely affect the rights or interests of any Bondholder.

Notwithstanding anything in the Bond Indenture to the contrary, no provision of the Bond Indenture may be amended in any manner without the Bond Insurer's prior written consent (i) that adversely affects the rights and interests of the Bond Insurer or (ii) so long as the Series 2017 Bond Insurance Policy is in full force and effect and the Bond Insurer is not then in default thereunder. The Bond Insurer reserves the right to charge the Corporation for its reasonable out-of-pocket expenses, and a fee not to exceed $5,000, for any non-material consent or amendment to the Bond Indenture requested by the Corporation or the Authority and a fee to be agreed upon for any other consent or amendment.

If at any time the Corporation shall request the Authority and the Bond Trustee to consent to any amendment pursuant to Section 9.01 of the Bond Indenture, the Bond Trustee shall cause notice, which shall be prepared by the Corporation, of the proposed execution of such amendment, change, or modification to the Bond Indenture to be given to the Bond Insurer and each Rating Agency then maintaining a rating on the Bonds by first class mail, postage prepaid, at least ten days before the execution of such amendment, change or modification to the Bond Indenture, which notice shall include a copy of the proposed amendment, change or modification to the Bond Indenture. In addition, if at any time the Corporation shall request the Authority and the Bond Trustee to consent to any amendment pursuant to Section 9.01 of the Bond Indenture, the Bond Trustee shall cause a copy of such amendment, change, or modification to be mailed to the Bond Insurer and each Rating Agency then maintaining a rating on the Bonds upon the execution and delivery of such amendment, change or modification.

Before the Authority and the Bond Trustee shall enter into any supplemental indenture pursuant to Section 9.01 of the Bond Indenture, there shall have been delivered to the Bond Trustee, the Authority, the Corporation and the Bond Insurer an Opinion of Bond Counsel to the effect that such supplemental indenture is authorized or permitted by the Bond Indenture and the Act, complies with their respective terms, will, upon the execution and delivery thereof, be valid and binding upon the Authority in accordance with its terms, and will not adversely affect the exclusion from gross income for federal income tax purposes of interest on any Tax-Exempt Bonds issued under the Bond Indenture.

The Bond Trustee may, but shall not be obligated to, enter into any such Supplemental Bond Indenture which materially and adversely affects the Bond Trustee's own rights, duties, or immunities under the Bond Indenture or otherwise, unless the Bond Trustee receives indemnification acceptable to it.

Supplemental Indentures Requiring Consent of Bondholders (Section 9.02)

In addition to Supplemental Bond Indentures covered by Section 9.01 of the Bond Indenture and subject to the terms and provisions contained in Section 9.02 of the Bond Indenture, and not otherwise, the holders of not less than a majority in aggregate principal amount of the Bonds which are Outstanding under the Bond Indenture at the time of the execution of such indenture or Supplemental Bond Indenture shall have the right, from time to time, anything contained in the Bond Indenture to the contrary notwithstanding, with the Bond Insurer's prior written consent (if the Bond Insurer is not in default of its obligations under the Series 2017 Bond Insurance Policy), to consent to and approve the execution by the Authority and the Bond Trustee of such other indenture or indentures supplemental thereto as shall be deemed necessary and desirable by the Authority for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any term or provision contained in the Bond Indenture or in any Supplemental Bond Indenture; provided, however, that (a) nothing in Section 9.01 or Section 9.02 of the Bond Indenture shall permit, or be construed as permitting, (i) an extension of the stated maturity or reduction in the principal amount of, or reduction in the rate or extension of the time of paying of interest on, or reduction of any premium payable on the redemption of, any Bonds, without the consent of the holders of such Bonds and the Bond Insurer, (ii) a reduction in the amount or extension of the time of any payment required to be made to or from (1) the Senior Interest Fund or the Senior Bond Sinking Fund provided in the Bond Indenture, without the consent of the holders of all the Senior Bonds at the time Outstanding and the Bond Insurer or (2) the Subordinate Interest Fund or the Subordinate Bond Sinking Fund provided in the Bond Indenture, without the consent of the holders of all the Subordinate Bonds at the time Outstanding, (iii) the creation of any lien before or on a parity with the lien of the Bond Indenture, without the consent of the holders of all the Bonds at the time Outstanding and the Bond Insurer, (iv) a reduction in the aggregate principal amount of Bonds the holders of which are required to consent to any such Supplemental Bond Indenture, without the consent of the holders of all the Bonds at the time Outstanding and the Bond Insurer, or (v) the modification of the Bond Trustee's rights, duties, or immunities without the written consent of the Bond Trustee and the Bond Insurer; (b) any such indenture or Supplemental Bond Indenture the provisions of which affect only the rights of the holders of the Senior Bonds (and not the rights of the holders of the Subordinate Bonds) shall require only the consent and approval of the holders of not less than a majority in aggregate principal amount of the Senior Bonds then Outstanding and the Bond Insurer; and (c) any such indenture or Supplemental Bond Indenture the provisions of which affect only the rights of the holders of the Subordinate Bonds (and not the rights of the holders of the Senior Bonds) shall require only the consent and approval of the holders of not less than a majority in aggregate principal amount of the Subordinate Bonds then Outstanding.

If at any time the Authority shall request the Bond Trustee to enter into any such Supplemental Bond Indenture for any of the purposes of Section 9.02 of the Bond Indenture, the Bond Trustee shall, upon being satisfactorily indemnified with respect to expenses, including reasonable counsel fees and expenses, cause notice of the proposed execution of such Supplemental Bond Indenture to be mailed by registered or certified mail to the Bond Insurer and the registered owners of the Bonds at their addresses as the same shall appear on the Bond Register. Such notice shall briefly set forth the nature of the proposed Supplemental Bond Indenture and shall state that copies thereof are on file at the Bond Trustee's Designated Corporate Trust Office for inspection. The Bond Trustee shall not, however, be subject to any liability to any Bondholder by reason of its failure to mail such notice, and any such failure shall not affect the validity of such Supplemental Bond Indenture when consented to and approved as provided in Section 9.02 of the Bond Indenture. If the consent to and approval of the execution of any such Supplemental Bond Indenture have been given as provided in Section 9.02 of the Bond Indenture, no holder of any Bond shall have any right to object to any of the terms and provisions contained therein, or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Bond Trustee or the Authority from executing the same or from taking any action pursuant to the provisions thereof. Upon the execution of any such Supplemental Bond Indenture as in Section 9.02 of the Bond Indenture permitted and provided, the Bond Indenture shall be and be deemed to be modified and amended in accordance therewith. The Bond Trustee shall promptly provide the Bond Insurer with a copy of any executed Supplemental Bond Indenture.

Unless otherwise provided in Section 9.01 or Section 9.02 of the Bond Indenture, the Bond Insurer's consent shall be required in lieu of Bondholders' consent, when required, for the following purposes: (i) execution and delivery of any Supplemental Bond Indenture or any amendment, supplement or change to or modification of the Loan Agreement, (ii) removal of the Bond Trustee or Paying Agent and selection of a successor trustee or paying agent, and (iii) initiation or approval of any action not described in (i) or (ii) above which requires Bondholder consent.

Required Consent of Corporation (Section 9.03)

Anything in the Bond Indenture to the contrary notwithstanding, so long as the Corporation is not in default under the Loan Agreement, a Supplemental Bond Indenture under ARTICLE IX of the Bond Indenture which adversely affects the Corporation's rights under the Loan Agreement shall not become effective unless and until the Corporation shall have consented in writing to the execution and delivery of such Supplemental Bond Indenture. In this regard, the Bond Trustee shall cause notice of the proposed execution and delivery of any such Supplemental Bond Indenture to which the Corporation has not already consented, together with a copy of the proposed Supplemental Bond Indenture and a written consent form to be signed by the Corporation, to be mailed by certified or registered mail to the Corporation at least ten days before the proposed date of execution and delivery of any such Supplemental Bond Indenture.

If at any time the Corporation shall request the Authority and the Bond Trustee to consent to any amendment, change or modification of the Bond Indenture pursuant to Section 9.03 of the Bond Indenture, the Bond Trustee shall cause notice of the proposed execution of such amendment, change, or modification to the Bond Indenture to be given to each Rating Agency maintaining a rating on any Bonds in the manner provided in Section 13.04 of the Bond Indenture at least ten days before the execution of such amendment, change or modification to the Bond Indenture which notice shall include a copy of the proposed amendment, change or modification to the Bond Indenture.

SUPPLEMENTS AND AMENDMENTS TO LOAN AGREEMENT

Amendments to Loan Agreement Not Requiring Consent (Section 10.01)

The Authority, the Corporation, and the Bond Trustee may, with the Bond Insurer's prior written consent (if the Bond Insurer is not then in default of its obligations under the Series 2017 Bond Insurance Policy) pursuant to clauses (b) and (e) below, but without the consent of or notice to the holders of the Bonds, consent to any supplement, amendment, change, or modification of the Loan Agreement as may be required (a) by the provisions of the Loan Agreement and the Bond Indenture, (b) for the purpose of curing any ambiguity or formal defect or omission, (c) for the purpose of complying with the provisions of the Tax Regulatory Agreement, (d) for the purpose of effectuating the issuance of any series of Senior Refunding Bonds or Subordinate Bonds in accordance with the terms of the Bond Indenture, or (e) in connection with any other change therein which, in the judgment of the Bond Trustee, does not materially adversely affect the rights of the Bond Trustee or the owners of the Bonds; provided, however, that nothing in Section 10.01 of the Bond Indenture shall permit, or be construed as permitting, any supplement, amendment, change, or modification of the Loan Agreement that may result in anything described in the lettered clauses of Section 9.02 of the Bond Indenture, without the consent of the Bond Insurer and each Bondholder, if specifically affected thereby. Before the Authority shall enter into, and the Bond Trustee shall consent to, any modification, alteration, amendment, or supplement to the Loan Agreement pursuant to Section 10.01 of the Bond Indenture, there shall have been delivered to the Authority, the Bond Trustee, and the Bond Insurer an Opinion of Bond Counsel to the effect that such supplement, amendment, change or modification is permitted under the Loan Agreement and the Bond Indenture, and under any required consents of Bondholders, and will, upon the execution and delivery thereof, be valid and binding upon the Corporation in accordance with its terms and will not adversely affect the exclusion from gross income for federal income tax purposes of interest on any Tax-Exempt Bonds issued under the Bond Indenture. The Bond Trustee shall promptly provide the Bond Insurer with a copy of any executed amendment to the Loan Agreement.

Notwithstanding any provision contained in the Bond Indenture or in the Loan Agreement to the contrary, any provision of the Loan Agreement expressly recognizing or granting rights in or to the Bond Insurer may not be amended in any manner which affects the rights of the Bond Insurer thereunder without the Bond Insurer's prior written consent. The Bond Insurer reserves the right to charge the Corporation for its reasonable out-of-pocket expenses, and a fee not to exceed $5,000 for any consent or amendment to the Loan Agreement requested by the Corporation while the Series 2017 Bond Insurance Policy is in full force and effect and the Bond Insurer is not in default thereunder.

Amendments to Loan Agreement Requiring Consent of Bondholders (Section 10.02)

Except for the supplements, amendments, changes, or modifications as provided in Section 10.01 of the Bond Indenture, neither the Authority nor the Bond Trustee shall consent to any other supplement, amendment, change, or modification of the Loan Agreement (a) without the written approval or consent of the holders of not less than a majority in aggregate principal amount of the Bonds which are Outstanding under the Bond Indenture at the time of execution of any such supplement, amendment, change, or modification; and (b) with the Bond Insurer's prior written consent; provided, however, that (i) no such supplement, amendment, change, or modification shall ever affect the obligation of the Corporation to make payments under the Loan Agreement as they become due and payable; (ii) any such supplement, amendment, change, or modification which affects only the rights of the holders of the Senior Bonds (and not the rights of the holders of the Subordinate Bonds) shall require only the consent and approval of the holders of not less than a majority in aggregate principal amount of the Senior Bonds then

Outstanding and the Bond Insurer; and (iii) any such supplement, amendment, change, or modification which affects only the rights of the holders of the Subordinate Bonds (and not the rights of the holders of the Senior Bonds) shall require only the consent and approval of the holders of not less than a majority in aggregate principal amount of the Subordinate Bonds then Outstanding. If at any time the Authority or the Corporation shall request the Bond Trustee's consent to any such proposed supplement, amendment, change, or modification of the Loan Agreement, the Bond Trustee shall, upon being satisfactorily indemnified with respect to expenses, cause notice of such proposed supplement, amendment, change, or modification to be mailed in the same manner as provided by Section 9.02 of the Bond Indenture with respect to Supplemental Bond Indentures. Such notice shall briefly set forth the nature of such proposed supplement, amendment, change, or modification and shall state that copies of the instrument embodying the same are on file at the designated office of the Bond Trustee for inspection by all Bondholders. The Bond Trustee shall not, however, be subject to any liability to any Bondholder by reason of its failure to mail such notice, and any such failure shall not affect the validity of such supplement, amendment, change, or modification when consented to and approved as provided in Section 10.02 of the Bond Indenture. If the consent to and approval of the execution of any such supplement, amendment, change, or modification shall have been given as provided in Section 10.02 of the Bond Indenture, no holder of any Bond shall have any right to object to any of the terms and provisions contained therein, or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Bond Trustee or the Authority from executing the same or from taking any action pursuant to the provisions thereof. The Bond Trustee shall promptly provide the Bond Insurer with a copy of any executed amendment to the Loan Agreement.

If at any time the Corporation shall request the Authority and the Bond Trustee to consent to any supplement, amendment, change, or modification of the Loan Agreement pursuant to Section 10.02 of the Bond Indenture, the Bond Trustee shall cause notice of the proposed execution of such supplement, amendment, change, or modification to the Loan Agreement to be given to the Bond Insurer and each Rating Agency maintaining a rating on any Bonds, in the manner provided in Section 13.04 of the Bond Indenture, at least ten days before the execution of such supplement, amendment, change, or modification to the Loan Agreement, which notice shall include a copy of the proposed supplement, amendment, change, or modification to the Loan Agreement.

SATISFACTION OF BOND INDENTURE

Defeasance (Section 11.01)

The Authority may provide for the payment of the entire indebtedness on all Bonds Outstanding (including, for the purpose of Article XI of the Bond Indenture, any Bonds held by the Corporation) in any one or more of the following ways:

(a) causing to be paid the principal of and interest on all Bonds Outstanding, as and when the same become due and payable together with all Reimbursement Obligations due to the Bond Insurer;

(b) by depositing with the Bond Trustee, in trust, at or before maturity, moneys in an amount determined by the Bond Trustee, and verified by a firm of certified public accountants acceptable to the Bond Insurer to be sufficient to pay or redeem (when redeemable) all Bonds Outstanding (including the payment of interest payable on such Bonds to the maturity or redemption date thereof), provided that such moneys, if invested, shall be invested in Government Obligations which are not prepayable or callable before the date the moneys therefrom are anticipated to be required in an amount, without consideration of any income or increment to accrue thereon, sufficient to pay or redeem (when redeemable) and discharge the indebtedness on all Bonds Outstanding at or before their respective maturity dates (it being understood that the investment income on such Government Obligations may be used for any other purpose under the Act);

(c) by delivering to the Bond Trustee, for cancellation by it, all Bonds Outstanding; or

(d) by depositing with the Bond Trustee, in trust, cash or Government Obligations which are not prepayable or callable before the date the moneys therefrom are anticipated to be required in such amount, verified according to subparagraph (i) of Section 11.01 of the Bond Indenture or otherwise determined to the Bond Trustee's satisfaction to be, together with the income or increment to accrue thereon, without consideration of any reinvestment thereof and any uninvested cash, fully sufficient to pay or redeem (when redeemable) and discharge the indebtedness on all Bonds at or before their respective maturity dates; and in all cases (a), (b), (c) and (d) of Section 11.01 of the Bond Indenture, if the Authority shall cause to be paid all other sums payable hereunder by the Authority, including all Reimbursement Obligations due to the Bond Insurer, then and in that case the Bond Indenture and the estate and rights granted hereunder shall cease, determine, and become null and void, and thereupon the Bond Trustee shall, upon the Authority's Written Instruction at the Corporation's direction, and upon receipt by the Bond Trustee and the Bond Insurer of an Officer's Certificate of the Corporation and an opinion of Independent Counsel, each stating that in the opinion of the signers all conditions precedent to the satisfaction and discharge of the Bond Indenture have been complied with, forthwith execute proper instruments acknowledging satisfaction of and discharging the Bond Indenture and the lien thereof. The satisfaction and discharge of the Bond Indenture shall be without prejudice to the rights of the Bond Trustee to charge and be reimbursed by the Corporation for any expenditures that the Bond Trustee may thereafter incur in connection therewith.

All moneys, funds, securities, or other property remaining on deposit in any fund or investment under the Bond Indenture (other than said Government Obligations or other moneys deposited in trust as above provided, and amounts held pursuant to Section 12.01 of the Bond Indenture) shall, upon the full satisfaction of the Bond Indenture, forthwith be transferred, paid over, and distributed to the Authority and the Corporation, as their respective interests may appear.

The Authority or the Corporation may at any time surrender to the Bond Trustee for cancellation by the Bond Trustee any Bonds previously authenticated and delivered which the Authority or the Corporation may have acquired in any manner whatsoever, and such Bonds, upon such surrender and cancellation, shall be deemed to be paid and retired.

If the Authority shall pay or provide for the payment of the Bonds hereinabove described, the Bond Trustee shall give written notice of such payment or provision for payment to the Bond Insurer. In addition, as a condition precedent to the payment of the entire indebtedness on the Bonds pursuant to subsection (b) or (d) of Section 11.01 of the Bond Indenture, the following shall be delivered to the Bond Trustee and the Bond Insurer:

(i) a verification report pertaining to the escrow established under subsection (b) or (d) of Section 11.01 of the Bond Indenture to defease and refund such Bonds, the verification report is prepared and issued by an independent certified public accountant or accounting firm approved by the Bond Insurer;

(ii) an escrow deposit agreement in form and substance acceptable to the Bond Insurer and an opinion of counsel regarding the validity and enforceability of the escrow agreement, with escrow agreement providing that (1) any substitution of securities shall require a verification by an independent certified public accountant and the Bond Insurer's prior written consent; (2) the Authority, at the Corporation's direction, will not exercise any optional redemption of Bonds secured by the escrow agreement or any other redemption other than mandatory sinking fund redemptions unless (A) the right to make any such redemption has been expressly reserved in the escrow agreement and such reservation has been disclosed in detail in the official statement for the refunding Bonds, and (B) as a condition of any such redemption there shall be provided to the Bond Insurer a verification of an independent certified public accountant as to the sufficiency of escrow receipts without reinvestment to meet the escrow requirements remaining following such redemption; and (3) the Authority, at the Corporation's direction, shall not amend the escrow agreement or enter into a forward purchase agreement or other agreement with respect to rights in the escrow without the Bond Insurer's prior written consent; and

(iii) copies of the escrow securities purchase contracts, subscription forms for U.S. Treasury Securities - State and Local Government Series or open market confirmations, as the case may be, executed and delivered in connection with such defeasance of such Bonds.

Provision for Payment of All Bonds of a Series or a Portion of Bonds of a Series (Section 11.03)

The Authority may pay or provide for the payment of a portion of all Bonds of a Series Outstanding or a portion of the Bonds of a series Outstanding in one or more of the following ways:

(a) by paying or causing to be paid the principal of and interest on all of such Bonds, as and when the same shall become due and payable;

(b) by depositing with the Bond Trustee, in trust, at or before maturity, moneys in an amount determined to the Bond Trustee's satisfaction, to be sufficient to pay or redeem (when redeemable) all such Bonds (including the payment of interest payable on such Bonds to the maturity or redemption date thereof), provided that such moneys, if invested, shall be invested in Government Obligations which are not prepayable or callable before the date the moneys therefrom are anticipated to be required in an amount, without consideration of any income or increment to accrue thereon, sufficient to pay or redeem (when redeemable) and discharge the indebtedness on such Bonds at or before their maturity date or dates; it being understood that the investment income on such Government Obligations may be used for any other purpose under the Act;

(c) by delivering to the Bond Trustee, for cancellation by it, all such Bonds; or

(d) by depositing with the Bond Trustee, in trust, Government Obligations which are not prepayable or callable before the date the moneys therefrom are anticipated to be required in such amount determined to the Bond Trustee's satisfaction and verified by a firm of certified public accountants to be, together with the income or increment to accrue thereon without consideration of any reinvestment thereof and uninvested cash, fully sufficient to pay or redeem (when redeemable) and discharge the indebtedness on all such Bonds at or before their maturity date; and in all cases (a), (b), (c) and (d) above, if the Authority shall cause to be paid all other sums payable hereunder by the Authority with respect to such Bonds, and, if such portion of such Bonds is to be redeemed before maturity thereof, notice of such redemption shall have been given as in ARTICLE V of the Bond Indenture or provisions satisfactory to the Bond Trustee shall have been made for the giving of such notice, such Bonds shall cease to be entitled to any lien, benefit, or security under the Bond Indenture. The special and limited liability of the Authority (but only to the extent of available moneys in the Trust Estate) in respect of such Bonds shall continue, but the holders thereof shall thereafter be entitled to payment (to the exclusion of all other Bondholders) only out of the moneys or Government Obligations deposited with the Bond Trustee as aforesaid.

If the Authority shall pay or provide for the payment of a portion of all Bonds of a series Outstanding or a portion of the Bonds of a series Outstanding as hereinabove described, the Bond Trustee shall give written notice of such payment or provision for payment to the Bond Insurer. In addition, before any provision for payment of the Bonds pursuant to Section 11.03(b) or Section 11.03(d) of the Bond Indenture, the Bond Insurer shall have consented to any agreements providing for the forward purchase of Government Obligations which will be deposited with the Bond Trustee.

If the Authority shall pay or provide for the payment of a portion of all Bonds of a Series Outstanding or a portion of the Bonds of a series Outstanding as hereinabove described, the Bond Trustee shall give written notice of such payment or provision for payment to the Bond Insurer. In addition, as a condition precedent to the payment of the entire indebtedness on such Bonds pursuant to subsection (b) or (d) of Section 11.03 of the Bond Indenture, the following shall be delivered to the Bond Trustee and the Bond Insurer:

(i) a verification report acceptable to the Bond Insurer pertaining to the escrow established under subsection (b) or (d) of Section 11.03 of the Bond Indenture to defease and refund such Bonds, the verification report to be prepared and issued by an independent certified public accountant or accounting firm approved by the Bond Insurer;

(ii) an escrow deposit agreement in form and substance acceptable to the Bond Insurer and an opinion of counsel regarding the validity and enforceability of the escrow agreement, the escrow agreement shall provide that (1) any substitution of securities shall require a verification by an independent certified public accountant and the Bond Insurer's prior written consent; (2) the Authority will not exercise any optional redemption of Bonds secured by the escrow agreement or any other redemption other than mandatory sinking fund redemptions unless (A) the right to make any such redemption has been expressly reserved in the escrow agreement and such reservation has been disclosed in detail in the official statement for the refunding Bonds; and (B) as a condition of any such redemption there shall be provided to the Bond Insurer a verification of an independent certified public accountant as to the sufficiency of escrow receipts without reinvestment to meet the escrow requirements remaining following such redemption; and (3) the Authority shall not amend the escrow agreement or enter into a forward purchase agreement or other agreement with respect to rights in the escrow without the Bond Insurer's prior written consent; and

(iii) copies of the escrow securities purchase contracts, subscription forms for U.S. Treasury Securities - State and Local Government Series or open market confirmations, as the case may be, executed and delivered in connection with such defeasance of such Bonds.

Payments Pursuant to Series 2017 Bond Insurance Policy (Section 11.05)

Anything in the Bond Indenture to the contrary notwithstanding, any payment with respect to the principal of or interest on the Series 2017 Bonds that is made with moneys received pursuant to the terms of the Series 2017 Bond Insurance Policy shall not be considered payment by the Authority on the Series 2017 Bonds, which will not be defeased or otherwise satisfied as a result of such payment, and shall not result in the payment of or the provision for the payment of the principal of or interest on the 2017 Senior Bonds. Upon such payment, the Bond Insurer shall become the owner of the Series 2017 Bonds or claims for interest thereon and to the extent the Bond Insurer makes payments, directly or indirectly, of principal of or interest on the Series 2017 Bonds to the owners of such Series 2017 Bonds, the Bond Insurer will be fully subrogated to all of the rights of such owners thereunder, including the right to receive principal and interest payments from the Authority.

The Bond Trustee shall note the rights of the Bond Insurer as subrogee for past due interest on the registration books for the Bonds upon receipt of proof from the Bond Insurer of payment of interest thereon to the holders thereof. The Bond Trustee shall note the rights of the Bond Insurer as subrogee for past due principal on the registration books for the Series 2017 Bonds upon surrender of the Series 2017 Bonds by the holders thereof to the Bond Insurer.

The Authority and the Bond Trustee acknowledge that if the principal of or interest on the Series 2017 Bonds shall be paid by the Bond Insurer pursuant to the terms of the Series 2017 Bond Insurance Policy (a) the assignment and pledge of the Trust Estate and all covenants, agreements and other obligations of the Authority (but only to the extent of available moneys in the Trust Estate) to the Bondholders shall continue to exist and shall run to the benefit of the Bond Insurer, the Series 2017 Bonds shall still be considered Outstanding, and the Bond Insurer shall be fully subrogated to all of the rights of such Bondholders in accordance with the foregoing terms and conditions and the provisions of the Bond Insurance Policy; and (b) the Authority will pay to the Bond Insurer the principal of and interest on such Series 2017 Bonds, but only from the sources and in the manner provided in the Bond Indenture.

SUMMARIES OF CERTAIN PROVISIONS OF THE LOAN AGREEMENT

The following are summaries of certain provisions of the Loan Agreement between the Corporation and the Authority, to which reference is made for a full and complete statement of its provisions. Section references are to the numbered sections of the Loan Agreement.

LOAN OF SERIES 2017 BOND PROCEEDS

The Corporation will enter into the Loan Agreement with the Authority, pursuant to which the Authority will lend the proceeds from the sale of its Series 2017 Bonds.

Representations by Authority (Section 2.01)

The Authority makes the following representations and warranties, among others:

(a) The Authority is a public body corporate and politic and an agency, instrumentality, and political subdivision of the Commonwealth validly created and existing under the Act, has full power and authority to execute, deliver and issue the Series 2017 Bonds, is authorized to enter into the transactions contemplated by the

Loan Agreement, the Bond Indenture, the Tax Regulatory Agreement, the Escrow Agreement, and the Bond Purchase Agreement and to carry out its obligations thereunder, has been duly authorized to execute and deliver, and has executed and delivered, the Loan Agreement, the Bond Indenture, the Series 2017 Bonds, the Tax Regulatory Agreement, the Escrow Agreement and the Bond Purchase Agreement and agrees that to the extent permitted by law it will do or cause to be done all things necessary to preserve and keep in full force and effect the Authority's existence.

(b) The issuance and sale of the Series 2017 Bonds, the loan of the proceeds of the Series 2017 Bonds to the Corporation to provide moneys for the refunding of the Series 2008 Bonds, the execution and delivery of the Loan Agreement, the Bond Indenture, the Tax Regulatory Agreement, the Escrow Agreement, and the Bond Purchase Agreement and the performance of all covenants and agreements of the Authority contained therein and the performance of all other acts and things required under the Constitution and laws of the Commonwealth to make the Loan Agreement, the Bond Indenture, the Tax Regulatory Agreement, the Escrow Agreement and the Bond Purchase Agreement valid and binding obligations enforceable against the Authority, and to make the Series 2017 Bonds the valid and binding special and limited obligations of the Authority, enforceable in accordance with their terms are authorized by the Act and have been duly authorized by proceedings of the Authority adopted at a meeting thereof duly called and held.

(c) To provide funds to loan to the Corporation for the purposes described above and in the Bond Indenture, the Authority has authorized its Series 2017 Bonds in the aggregate principal amount of $377,765,000, to be issued upon the terms set forth in the Bond Indenture, under the provisions of which the Authority's interest in the Loan Agreement and the payments and other revenues under the Loan Agreement (other than Unassigned Rights) are pledged and assigned to the Bond Trustee as partial security for the payment of the principal of and interest on the Series 2017 Bonds.

Representations and Warranties by Corporation (Section 2.02)

The Corporation makes the following representations and warranties, among others:

(a) The Corporation is a non-stock, non-profit corporation duly incorporated under the laws of the Commonwealth, is in good standing and duly authorized to conduct its business in the Commonwealth, is duly authorized and has full power under the laws of the Commonwealth and all other applicable provisions of law and its articles of incorporation and by-laws to enter into, execute and deliver the Tax Regulatory Agreement, the Bond Purchase Agreement, the Official Statement, the TIF Contract, the Metro Contract, the ULAA Contract, the Mortgage and Security Agreement, the Irrevocable Assignment of Metro Contract, the Irrevocable Assignment of TIF Contract, the Irrevocable Assignment of Operating Agreements, the Escrow Agreement, and the Loan Agreement; and all action on its part necessary for the valid execution and delivery of the Loan Agreement, the Bond Purchase Agreement, the Official Statement, the TIF Contract, the Metro Contract, the ULAA Contract, the Escrow Agreement, and the Tax Regulatory Agreement have been duly and effectively taken.

(b) The execution and delivery of the Loan Agreement, the Bond Purchase Agreement, the Official Statement, the TIF Contract, the Metro Contract, the ULAA Contract, the Mortgage and Security Agreement, the Irrevocable Assignment of Metro Contract, the Irrevocable Assignment of TIF Contract, the Irrevocable Assignment of Operating Agreements, the Escrow Agreement, and the Tax Regulatory Agreement, the consummation of the transactions contemplated therein, and the fulfillment of the terms and conditions thereof do not and will not conflict with or result in a breach of any term or condition of any corporate restriction or of any agreement or instrument to which the Corporation is now a party, and do not and will not constitute a default under any of the foregoing, or result in the creation or imposition of any lien upon any of the Corporation's property, including property that the Corporation subsequently acquires, except for Permitted Encumbrances; the Corporation has good and marketable title to the Prior Project, free and clear of all liens whatsoever except Permitted Encumbrances; the easements, rights-of-way, liens, encumbrances, covenants, conditions, restrictions, exceptions, minor defects, irregularities of title, and encroachments on adjoining real estate, if any, now existing with respect to the site of the Prior Project do not and will not materially adversely affect the Prior Project's value, materially impair the same, or materially impair or materially interfere with the operation and usefulness thereof for the purposes for which the Prior Project was acquired or is held by the Corporation; the Prior Project is located on real estate that the Corporation owns in fee and does not violate any applicable zoning or land use law or similar restriction; and the recitals of fact and statements contained in this Loan Agreement with respect to the Corporation are true.

(c) The Corporation has all necessary licenses and permits to operate the Prior Project.

(d) Except as disclosed in the Official Statement, no litigation, proceedings, or investigation is pending or, to the Corporation's knowledge, threatened against the Corporation, except litigation, proceedings, or investigations involving claims for which the probable ultimate recoveries and the estimated costs and expenses of defense in the opinion of counsel for the Corporation, (i) will be entirely within applicable insurance policy limits (subject to applicable deductibles) or not in excess of the total available reserves held under applicable self-insurance programs; or (ii) will not have a materially adverse effect on the Corporation's operations or condition, financial or otherwise. In addition, no litigation, proceedings, or investigations are pending or, to the Corporation's knowledge, threatened against the Corporation seeking to restrain, enjoin, or in any way limit the approval or issuance and delivery of the Bond Indenture or the Series 2017 Bonds by the Authority, the Tax Regulatory Agreement, the Bond Purchase Agreement, the Official Statement, the TIF Contract, the Metro Contract, the ULAA Contract, the Mortgage and Security Agreement, the Escrow Agreement, or the Loan Agreement by the Corporation or that would in any manner challenge or adversely affect the corporate existence or powers of the Corporation to enter into and carry out the transactions described in or contemplated by or the execution, delivery, validity, or performance by the Corporation of the terms and provisions of the Tax Regulatory Agreement, the Bond Purchase Agreement, the Official Statement, the TIF Contract, the Metro Contract, the ULAA Contract, the Mortgage and Security Agreement, the Escrow Agreement, or the Loan Agreement.

(e) The Corporation is a Tax-Exempt Organization and has received a determination letter from the Internal Revenue Service to the foregoing effect, which letter is still in full force and effect; and the Corporation has not declared, has not been determined and does not reasonably expect to engage in an Unrelated Trade or Business in such a manner that it would create an amount of "unrelated business taxable income" as defined in Code Section 512 that could have a material adverse effect on the tax-exempt status of interest on any Tax-Exempt Bond or the Corporation's status as a Tax-Exempt Organization or which, if such income were subject to federal income taxation, would have a material adverse effect on the Corporation's condition, financial or otherwise.

(f) The Loan Agreement, the Tax Regulatory Agreement, and any written statement (including the Official Statement) furnished by the Corporation to the Authority or the Bond Insurer do not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements contained therein or herein not misleading. There is no fact which the Corporation has not disclosed to the Authority in writing that materially adversely affects or, so far as the Corporation can now foresee, will materially adversely affect the Corporation's financial condition, the Corporation's status as a Tax-Exempt Organization, the Corporation's ability to own and operate its property, or the Corporation's ability to make the payments under the Loan Agreement when and as the same become due and payable.

ISSUANCE OF BONDS

Issuance of Bonds and Application of Proceeds (Section 3.01)

(a) To provide funds (i) to refund the Series 2008 Bonds; (ii) to fund a portion of the Senior Reserve Fund; (iii) to pay the premiums of the Series 2017 Bond Insurance Policy, Series 2017 Senior Reserve Fund Surety, and the Series 2017 Liquidity Reserve Policy; (iv) to finance the Fair Board Payment; (v) to fund the Renovation and Replacement Fund; and (vi) to pay the Issuance Costs of the Series 2017 Bonds, the Authority agrees to issue the Series 2017 Bonds in accordance with the Bond Indenture and to cause the proceeds thereof to be paid to the Bond Trustee for application as provided in Article III of the Bond Indenture.

(B) The parties acknowledge and agree that Senior Refunding Bonds and Subordinate Bonds may be issued in accordance with the terms of Article II of the Bond Indenture for the respective purposes set out therein; and the Loan Agreement may be amended or supplemented from time to time to effectuate the issuance of any such Senior Refunding Bonds and Subordinate Bonds.

Security for Bonds (Section 3.02)

The Corporation agrees that the principal and redemption price of and the interest on the Bonds shall be payable in accordance with the Bond Indenture, and the Authority's right, title and interest under the Loan Agreement and in and to the payments and other amounts paid or payable by the Corporation under the Loan

Agreement, other than amounts reimbursable to the Authority, are and shall be assigned and pledged by the Authority to the Bond Trustee to secure the payment of the Bonds and the payment of all Reimbursement Obligations due to the Bond Insurer. The Corporation agrees that all of the rights accruing to or vested in the Authority (except Unassigned Rights) under the Loan Agreement may be exercised, protected, and enforced by the Bond Trustee for or on behalf of the holders of the Bonds and the Bond Insurer as the recipient of Reimbursement Obligations in accordance with the provisions of the Loan Agreement and the Bond Indenture. The Bonds and the Reimbursement Obligations shall also be secured by the Mortgage and Security Agreement, the Irrevocable Assignment of Metro Contract, the Irrevocable Assignment of TIF Contract, the Irrevocable Assignment of Operating Agreements, and the pledge of all Lockbox Accounts.

Investment of Funds; Arbitrage; Tax Regulatory Agreement (Section 3.03)

The Corporation covenants and agrees that moneys on deposit in any Fund under the Bond Indenture shall at all times be invested by the Bond Trustee upon the Corporations' oral direction promptly followed by the Corporation's Written Instructions in Qualified Investments in accordance with Section 4.15 of the Bond Indenture and that the Corporation will take all actions necessary, including without limitation providing the Bond Trustee with all necessary directions, to assure that such moneys are continuously invested in accordance with the provisions of the Bond Indenture and the Tax Regulatory Agreement. The Corporation acknowledges that if the Corporation fails to give the Bond Trustee such oral direction or fails to file such Written Instructions of the Corporation with the Bond Trustee, the Bond Trustee is authorized to invest moneys in such Funds in Government Obligations maturing not more than thirty days after the date such investment is made. The Corporation covenants and agrees that if, at any time, any investment in any Fund under the Bond Indenture is downgraded below the rating level required at the time of the purchase thereof to be considered a Qualified Investment under the terms of the Bond Indenture, the Corporation will replace such investment with another Qualified Investment within thirty days of notice of such downgrade. The Corporation further covenants and agrees that it will not take or permit to be taken any action or fail to take any action, including any action with respect to the investment of the proceeds of any Bonds (whether or not held under the Bond Indenture), with respect to (a) any other moneys or securities deposited with the Bond Trustee pursuant to the Bond Indenture; (b) the payments derived from the Loan Agreement; (c) the purchase of other Authority obligations; (d) any actions or payments required under the Tax Regulatory Agreement; or (e) any other moneys or properties, regardless of the source or where held, which may, notwithstanding compliance with the other provisions of the Bond Indenture, the Loan Agreement, and the Tax Regulatory Agreement, result in constituting any Tax-Exempt Bond an "arbitrage bond" within the meaning of Code Section 148.

OPERATION OF PRIOR PROJECT

Use of Prior Project (Section 4.01)

The Corporation will use and operate the Prior Project only in furtherance of its lawful corporate purposes. The Corporation will use any property and facilities financed, directly or indirectly, in whole or in part, with Bond proceeds as "projects" and "economic development projects" within the meaning of the Act.

The Corporation agrees that it will not permit any Bond Financed Property to be used (a) by any Person in an Unrelated Trade or Business of the Corporation (without regard to whether such activity results in Unrelated Trade or Business income subject to taxation under Code Section 512(a)); or (b) by any Person who is not a Tax-Exempt Organization, in either case in such manner or to such extent as would result in the loss of tax exemption of interest on any Tax-Exempt Bond otherwise afforded under Code Section 103(a). The Corporation further agrees to operate the Prior Project in compliance with the Tax Regulatory Agreement.

The Corporation will permit the Authority to inspect the Prior Project and any of its property upon reasonable notice during normal business hours to determine compliance with the immediately preceding paragraph. The provisions of this paragraph and the immediately preceding paragraph shall remain in full force and effect notwithstanding the payment of the Bonds and the termination of the Bond Indenture and the Loan Agreement.

The covenants in Section 4.01 of the Loan Agreement need not be observed or may be changed if there shall be delivered to the Bond Trustee, the Authority, and the Bond Insurer an Opinion of Bond Counsel to the effect that such nonobservance or change will not adversely affect the validity of the Bonds or the exclusion from gross income of interest on any Tax-Exempt Bond.

Effecting Changes in Project (Section 4.06)

The Corporation at its own cost and expense may make such additions, renewals, replacements or improvements to or alterations of the Prior Project or may construct or place on the Prior Project such additional or renewal or replacement facilities, furnishings or equipment as the Corporation may deem desirable to effectuate the purposes herein contemplated; provided that such additions, renewals, replacements, improvements, alterations, facilities, furnishings or equipment will not materially impair the Prior Project's structural soundness or usefulness nor adversely affect the purposes of the Loan Agreement and the requirements of the ULAA Contract.

COLLECTION AND APPLICATION OF PROJECT REVENUES

Collection of Revenues (Section 5.01)

So long as any Bond remains Outstanding pursuant to the Bond Indenture or any Reimbursement Obligation is due to the Bond Insurer thereunder or pursuant to the Series 2017 Bond Insurance Policy, the Series 2017 Senior Bond Reserve Surety, or the Series 2017 Liquidity Reserve Policy, (a) the Corporation shall operate the Prior Project as a revenue-producing economic development project pursuant to the Act; (b) the Corporation shall take all actions necessary to ensure that Gross Revenues are paid to the Bond Trustee for payment of principal of and interest on the Bonds and any Reimbursement Obligation due to the Bond Insurer, including (i) complying with all the Corporation's obligations under the TIF Contract and Metro Contract; (ii) the payment by the Corporation of Arena Revenues to the Bond Trustee for deposit in the Arena Revenue Fund on the dates and in the amounts set forth herein and in the Bond Indenture; (iii) taking all action necessary to assist the Bond Trustee (as the Corporation's irrevocable assignee of the TIF Contract and the Metro Contract owed pursuant to the Irrevocable Assignment of TIF Contract and Irrevocable Assignment of Metro Contract, respectively) in the Bond Trustee's enforcement of any obligation of the Commonwealth owed pursuant to the TIF Contract or any obligation of Metro Louisville owed pursuant to the Metro Contract; provided, however, no such action by the Corporation shall cause or be deemed to cause any such TIF Revenues or Metro Revenues to become assets of the Corporation or to otherwise be deemed to nullify the absolute and irrevocable assignment of the TIF Contract and the Metro Contract to the Bond Trustee pursuant to the Irrevocable Assignment of TIF Contract and Irrevocable Assignment of Metro Contract, respectively.

Operation and Maintenance Account (Section 5.05)

(a) The Corporation hereby establishes the Operation and Maintenance Account as a non-trusteed account held by the Corporation. The Operation and Maintenance Account shall constitute a Lockbox Account as set out in Section 6.10 of the Loan Agreement and into which the Corporation shall deposit all Category B Arena Revenues received by the Corporation from time to time, whether such revenues are received by the Corporation from any Manager or directly by the Corporation in connection with the Prior Project. If during any time any Bond is outstanding under the Bond Indenture the Corporation has retained a Manager to operate or manage the Prior Project on the Corporation's behalf and any such Manager controls or holds moneys generated by the operation of the Prior Project in any account owned or controlled by the Manager, no such moneys shall constitute Category B Arena Revenues while such moneys are held by the Manager in its own account or accounts. Such moneys shall only constitute Category B Arena Revenues once deposited by the Manager or the Corporation in the Operation and Maintenance Account pursuant to the requirements of the then applicable Management Agreement.

(b) Moneys in the Operation and Maintenance Account shall be used by the Corporation to pay (i) the Corporation's Operating Expenses and the projected costs of extraordinary maintenance and repairs (other than and in addition to routine maintenance and repairs included as Operating Expenses in the Corporation's Annual Budgets described in Section 8.14 hereof); provided that such moneys in the Operation and Maintenance Account shall, no later than two Business Days following a written demand from the Bond Trustee, be transferred to the Bond Trustee for deposit to the Arena Revenue Fund to be used for the funding requirements set out in the Bond Indenture. Subject to any such demand from the Bond Trustee described in the preceding sentence, moneys in the Operation and Maintenance Account shall, to the extent not expended as of each May 15th and November 15th, be paid to the Bond Trustee for deposit in the Arena Revenue Fund except for the retention of an Operation and Maintenance Account reserve equal to the Minimum Operating Cash Balance applicable to each such date. The Corporation, by Written Instruction to the Bond Trustee, with the Bond Insurer's written consent, may direct the Bond Trustee to transfer any moneys held within the Arena Revenue Fund, the Arena Revenue Account of the Excess Net Cash Flow

Fund, and the Arena Revenue Account of the Renovation and Replacement Fund (in that order) to the Operation and Maintenance Account in an amount equal to those moneys needed to restore the amount of moneys held within the Operation and Maintenance Account to the Minimum Operating Cash Balance. The Corporation may direct the Bond Trustee to make such a transfer or transfers by Written Instruction when the amount of moneys held in the Operation and Maintenance Account are less than the Minimum Operating Cash Balance.

PAYMENTS UNDER LOAN AGREEMENT

General Covenant (Section 6.01)

The Corporation (a) shall duly and punctually pay all Arena Revenues to the Bond Trustee on the dates, at the places, and in the manner set out in the Loan Agreement and in the Bond Indenture according to the true intent and meaning hereof and thereof; (b) shall take all action, if any, necessary to assist the Bond Trustee to collect and apply TIF Revenues from the Commonwealth pursuant to the TIF Contract and the Irrevocable Assignment of TIF Contract so that the Bond Trustee shall receive TIF Revenues on the dates, at the places, and in the manner set out in the Loan Agreement and in the Bond Indenture according to the true intent and meaning thereof; and (c) shall take all action, if any, necessary to assist the Bond Trustee to collect and apply Metro Revenues from Metro Louisville pursuant to the Metro Contract and the Irrevocable Assignment of Metro Contract so that the Bond Trustee shall receive Metro Revenues on the dates, at the places, and in the manner set out in the Loan Agreement and in the Bond Indenture according to the true intent and meaning thereof. Notwithstanding the foregoing, the Corporation agrees to make or cause to be made payments under the Loan Agreement and be liable therefor in the amounts equal to (i) the principal of and interest on the Bonds outstanding, as and when due, whether as regularly scheduled interest or principal payments, at maturity, by mandatory or optional redemption, acceleration, or otherwise; (ii) the Reimbursement Obligations due to the Bond Insurer; and (iii) any payments required under the Bond Indenture and the Tax Regulatory Agreement. The Corporation hereby agrees to immediately pay any TIF Revenues or Metro Revenues received by the Corporation from the Commonwealth or Metro Government, respectively, to the Bond Trustee immediately upon receipt. The Corporation hereby acknowledges that the Corporation has no right or claim to such TIF Revenues or Metro Revenues as a result of the Corporation's absolute and irrevocable assignment of all TIF Revenues and Metro Revenues to the Bond Trustee pursuant to the Irrevocable Assignment of TIF Revenues and the Irrevocable Assignment of Metro Revenues, respectively.

Credits on Payments (Section 6.02)

Notwithstanding any provision contained in the Loan Agreement or in the Bond Indenture to the contrary, any moneys on deposit in the Senior Interest Fund, the Senior Bond Sinking Fund, the Senior Reserve Fund, the Liquidity Reserve Fund, the Subordinate Interest Fund, the Subordinate Bond Sinking Fund, and the Subordinate Reserve Fund with the Bond Trustee provided by the Corporation, the Commonwealth, and Metro Louisville pursuant to the Loan Agreement, the TIF Contract, and the Metro Contract, respectively, shall be credited (to the extent not previously credited) against the Corporation's obligations to pay such amounts required to be paid to the Bond Trustee under the Loan Agreement.

Additional Payments (Section 6.07)

The Corporation agrees to pay or cause to be paid the following items to the following Persons as additional payments under the Loan Agreement:

(a) to the Bond Trustee when due, an amount equal to all fees of the Bond Trustee for services rendered under the Bond Indenture and all reasonable expenses, including reasonable attorneys' fees and expenses, including such fees and expenses incurred by the Bond Trustee in connection with the Bond Trustee's enforcement of the Corporation or the Authority's obligations, or the preservation or defense of any right of the Bond Trustee or the Bondholders under the Bond Indenture, and all fees and charges of any Paying Agent, counsel, accountant, consultant, engineer, or other Persons incurred in the performance of services under the Bond Indenture on request of the Bond Trustee for which the Bond Trustee and such other Persons are entitled to payment or reimbursement;

(b) to the Authority, upon demand, the Authority's one-time issuance fee of $10,000 and all of the Authority's reasonable fees and expenses, including its reasonable attorneys' fees and expenses, incurred by the Authority in connection with the issuance and administration of the Bonds (including enforcement of any of its rights in relation to the Bonds) which are not otherwise required to be paid by the Corporation under the terms of the Loan Agreement;

(c) to the Authority or the Bond Trustee, as the case may be, the amount of all advances of moneys made by either of them under the provisions of the Loan Agreement or an amount equal to all advances made by either of them under the Bond Indenture, with interest thereon at the Bond Trustee's announced prime rate per annum from the date of each such advance;

(d) to the Bond Insurer, upon billing, to the extent permitted by law, an amount equal to reasonable expenses, including reasonable attorneys' fees and expenses, incurred by the Bond Insurer in connection with (i) the Bond Insurer's enforcement of the Corporation's obligations, or the preservation or defense of any rights of the Bond Insurer under the Bond Indenture or any other document executed in connection with the Series 2017 Bonds; and (ii) any consent, amendment, waiver, or other action with respect to the Bond Indenture or any other document executed in connection with the Series 2017 Bonds, together with interest on all such expenses, which interest shall accrue from the third Business Day after receipt by the Corporation of an invoice to the date of payment at the prime rate (as designated by the Bond Insurer).

Assignment of TIF Contract and Metro Contract; Pledge of Gross Revenues (Section 6.09)

The parties to the Loan Agreement intend that, for all purposes, the transactions contemplated by the Loan Agreement shall be treated as an absolute and irrevocable assignment of the TIF Contract and the Metro Contract. In furtherance thereof, (a) the Corporation absolutely and irrevocably assigns, transfers, and conveys, for the payment of all Bonds and Reimbursement Obligations owed to the Bond Insurer arising from the Series 2017 Bond Insurance Policy, the Series 2017 Senior Reserve Fund Surety, and the Series 2017 Liquidity Reserve Policy, the Corporation's interest in, and rights and title to, the TIF Contract and the Metro Contract, and to otherwise pay or cause to be paid to the Bond Trustee for the benefit of the Authority all other Gross Revenues; and (b) the Irrevocable Assignment of Metro Contract, the Irrevocable Assignment of TIF Contract, and the Irrevocable Assignment of Operating Agreements, pursuant to which the Corporation irrevocably and absolutely assigns to the Bond Trustee, for first, the holders of the Senior Bonds and any Reimbursement Obligations, and second, on a subordinate lien basis, the holders of future Subordinate Bonds, the Corporation's interests in the TIF Contract, the Metro Contract, and the Operating Agreements, respectively. However, if any person asserts that Article 9 of the Uniform Commercial Code as adopted in the Commonwealth applies or may apply to the transactions contemplated by the Loan Agreement, and to secure the Corporation's payment of and priority security interest in all of the Corporation's right to and interest in, whether now existing or hereafter created or acquired, the TIF Contract and the TIF Revenues, the Metro Contract and the Metro Revenues, and any proceeds thereof, to secure a loan deemed to have been made by the Authority to the Corporation in an amount equal to payment in full of the Bonds and Reimbursement Obligations. Pursuant to the Indenture, the stated maturity date of any Bonds and Reimbursement Obligations secured under the Loan Agreement shall not be deemed to have occurred until the date on which such Bond has been paid in full and no Reimbursement Obligations with respect to such Bond remains outstanding or unpaid under the Loan Agreement or under any or all of the Series 2017 Bond Insurance Policy, the Series 2017 Senior Reserve Fund Surety, or the Series 2017 Liquidity Reserve Policy.

The Corporation agrees and covenants that the Corporation shall not enter into, or otherwise agree to, any amendment, modification, or termination of the TIF Contract, the Metro Contract, or any Operating Agreement without the Bond Insurer's prior written consent, so long as the Series 2017 Bond Insurance Policy is then in full force and effect and the Bond Insurer is not in default thereunder.

Lockbox Accounts (Section 6.10)

The Operation and Maintenance Account held by the Corporation pursuant to Section 5.05 of the Loan Agreement and any other such account containing Category B Arena Revenues held by the Corporation shall constitute a "Lockbox Account" with respect to which the Corporation and the Bond Trustee shall enter into, on or before the Closing Date, an Account Control Agreement with the Lockbox Bank. The Account Control Agreement shall require that, upon the applicable Lockbox Bank's receipt of a Notice of Exclusive Control from the Bond Trustee, the Lockbox Bank will cease to follow the direction of the Corporation or the Manager with respect to the Lockbox Account and shall only follow directions provided by the Bond Trustee with respect to disposition of moneys on deposit in the Lockbox Account. The Bond Trustee shall give a Notice of Exclusive Control to the

Lockbox Bank if an event of default occurs and is continuing under the Loan Agreement or the Bond Indenture or if directed to by the Bond Insurer. Until such time as the Bond Trustee gives Notice of Exclusive Control to the Lockbox Bank, the Corporation shall be permitted to expend or withdraw moneys from the Lockbox Account for its purposes. The Bond Trustee and the Corporation shall direct the Lockbox Bank to give access at all times to the Bond Trustee and the Bond Insurer to the electronic records regarding the moneys (i) deposited into the Lockbox Account and (ii) disbursed from the applicable Lockbox Account.

During any period in which a Notice of Exclusive Control shall have been given and not rescinded, with respect to the Lockbox Account,

(a) the Corporation shall provide a written report to the Bond Trustee and the Bond Insurer at least weekly reflecting receipts and balances through the close of the second preceding Business Day; and

(b) promptly upon receipt of the weekly report provided under the immediately preceding clause (a), the Bond Trustee shall cause the transfer of amounts as set forth in such report, but in the absence of such report the Bond Trustee shall retain possession of moneys in the Lockbox Account; provided, notwithstanding anything in the Loan Agreement to the contrary, the Bond Trustee shall be permitted to rely on the information set forth in the report and shall have no responsibility to inquire into the accuracy of the information set forth in such report.

COVENANTS OF CORPORATION

Maintenance of Corporate Existence and Status (Section 8.01)

The Corporation agrees that it will at all times maintain its existence as a Kentucky non-stock, nonprofit corporation and that it will neither take any action nor suffer any action to be taken by others which will alter, change, or destroy its status as a nonprofit corporation or its status as a Tax-Exempt Organization. The Corporation further covenants that none of its money, property, or other assets will be distributed to any of its directors or officers; provided, however, that the Corporation may pay compensation or provide payment in kind in a reasonable amount for services rendered or expenses incurred. The Corporation further agrees that it will not act or fail to act in any other manner which would adversely affect any exemption from federal income taxation to which the interest on any Tax-Exempt Bond would otherwise be entitled.

Consent to Assignment of Loan Agreement Rights to Bond Trustee (Section 8.02)

The Corporation agrees that the Loan Agreement and the payments to be made under the Loan Agreement and thereon (excluding Unassigned Rights) shall be assigned and pledged to the Bond Trustee pursuant to the Bond Indenture to secure payment of the Bonds and the Reimbursement Obligations due to the Bond Insurer, and all of the rights, interests, powers, privileges, and benefits accruing to or vested in the Authority thereunder may be protected and enforced in conformity with the Bond Indenture and may be assigned by the Authority to the Bond Trustee as additional security for the Bonds (excluding Unassigned Rights). The Corporation also acknowledges that, (a) subject to the provisions of Section 12.01 of the Bond Indenture, the Bond Insurer is granted the right to direct the Bond Trustee's actions so long as the Series 2017 Bond Insurance Policy is in full force and effect and the Bond Insurer is not in default thereunder; and (b) the Bond Insurer is a third-party beneficiary thereunder.

The Corporation agrees and covenants to give timely direction and assistance to the Bond Trustee in all cases where the provisions of the Bond Indenture require the Bond Trustee to act at the direction or with the assistance of the Corporation.

Maintenance; Recording (Section 8.03)

The Corporation will, at its expense, take all necessary action to maintain and preserve the Loan Agreement so long as the Bonds are outstanding. The Corporation will, forthwith after the execution and delivery of the Loan Agreement and thereafter from time to time, cause the Loan Agreement and all documents securing the Loan Agreement and any financing statements in respect thereof to be filed, registered, and recorded in such manner and in such places as may be required by law in order to give notice hereof and thereof and fully to perfect and protect the lien of the Bond Indenture upon the Trust Estate referred to therein or any part thereof and, from time to time, will perform or cause to be performed any other act as provided by law and will execute or cause to be executed any and all continuation statements and further instruments that may be requested by the Authority for such publication, perfection and protection. Except to the extent it is exempt therefrom, the Corporation will pay or cause to be paid all filing and registration and recording fees incident to such filing and registration and recording, and all expenses incident to the preparation, execution and acknowledgment of such instruments of further assurance and all federal or state fees and other similar fees, duties, imposts, assessments and charges arising out of or in connection with the execution and delivery of the Loan Agreement and such instruments of further assurance.

Financial Statements, etc.; Delivery to Bond Insurer (Section 8.04)

(a) The Corporation covenants that it will (i) keep proper books of records and accounts in which full, true and correct entries will be made of all dealings or transactions of, or in relation to, the Corporation's business and affairs in accordance with the requirements of sound business practices, (ii) within one hundred twenty days following the end of each Fiscal Year of the Corporation deliver to the Bond Trustee and the Bond Insurer audited financial statements prepared in accordance with GAAP, and (iii) promptly deliver to the Bond Trustee and the Bond Insurer, at the written request of either, any periodic financial statements or reports prepared by or on behalf of the Corporation.

(b) While the Series 2017 Bond Insurance Policy is in effect, the Corporation shall furnish to the Bond Insurer, upon request: (i) a copy of any notice, certificate, financial statement, audit, budget, or annual report of the Corporation, including the Annual Budget to be delivered pursuant to Section 8.14 of the Loan Agreement, the calculations, determinations, and requests to be delivered under the TIF Contract pursuant to Sections 8.18 and 5.02 of the Loan Agreement and the Metro Contract pursuant to Section 5.03 of the Loan Agreement; (ii) any notice, financial statement, audit, or annual report provided to the Bond Trustee or the Authority; and (iii) such additional information as it may reasonably request.

(c) To the extent the Corporation has entered into a continuing disclosure agreement with respect to the Bonds, the Bond Insurer shall be included as a party to be notified.

Continuing Disclosure Requirements (Section 8.10)

The Corporation covenants that it will comply with the terms of any Continuing Disclosure Agreement executed and delivered in respect of any Bond; however, a breach of this covenant will not create an event of default under the Loan Agreement or the Bond Indenture.

Maintenance of Title to Prior Project; Amendment of Mortgage and Security Agreement (Section 8.12)

The Corporation will pay or cause to be paid all taxes, assessments and other charges, if any, that may be levied, assessed or charged upon the Prior Project or any part thereof, promptly as and when the same becomes due and payable; and the Corporation will, upon the Bond Trustee's request, from time to time keep the Bond Trustee advised of such payments, and furnish to the Bond Trustee a certificate on or before December 1st of each year to the effect that the requirements of Section 8.12 of the Loan Agreement have been complied with. The Corporation will not suffer the Prior Project or any part thereof (a) to be sold for any taxes, assessments or other charges whatsoever, or to be forfeited therefor, or (b) to be subjected to any mortgage or other security interest other than the Permitted Encumbrances; and the Corporation shall not do or permit to be done in, upon or about the Prior Project, or any part thereof, anything that might in anyway weaken, diminish or impair the security intended to be given by the Bond Indenture.

The Corporation will not alter, modify or cancel, or agree or consent to alter, modify or cancel, the Mortgage and Security Agreement without the Bond Insurer's written consent, except as provided in the last paragraph of Section 8.12 of the Loan Agreement. The Bond Insurer reserves the right to charge the Corporation for its reasonable out-of-pocket expenses and a fee not to exceed $5,000 for non-material consents and amendments, and a fee to be agreed upon for other consents or amendments, to the Mortgage and Security Agreement requested by the Corporation while the Series 2017 Bond Insurance Policy is in full force and effect and the Bond Insurer is not in default thereunder.

Without allowance for any days of grace which may or might exist or be allowed by law or granted pursuant to any terms or conditions of the Mortgage and Security Agreement, the Corporation will in all respects promptly and faithfully keep, perform and comply with all the terms, provisions, covenants, conditions and agreements of the Mortgage and Security Agreement to be kept, performed and complied with by it. The Corporation will not do or permit anything to be done, or omit or refrain from doing anything, in the case where any such act done or permitted to be done, or any such omission of or refraining from action, would or might be a ground for declaring a forfeiture under the Mortgage and Security Agreement or an event of default on the part of the Corporation under the Mortgage and Security Agreement. The Corporation will promptly deposit with the Bond Trustee (to be held by the Bond Trustee until the title and rights of the Bond Trustee under the Bond Indenture shall be released or reconveyed) any and all documentary evidence received by it showing compliance with the provisions of the Mortgage and Security Agreement to be performed by the Corporation. The Corporation, immediately upon its receiving or giving any notice, communication or other document in any way relating to or affecting the Mortgage and Security Agreement, which may or can in any manner adversely affect the title of the Corporation to the Prior Project or the rights and obligations of the parties to the Mortgage and Security Agreement, or any portion of the Prior Project, will deliver the same, or a copy thereof, to the Bond Trustee. If the Corporation fails to take action required by this paragraph the Bond Trustee may (but shall be under no obligation to) take such action and charge the Corporation for all costs incurred in connection therewith, plus interest at the maximum interest rate on the Series 2017B Bonds.

Notwithstanding anything in the Loan Agreement or the Bond Indenture to the contrary, the Corporation shall have the right, without obtaining the further consent of any party, including the Bond Trustee and the Bond Insurer, to create or permit to exist any Permitted Encumbrances on the Prior Project. In connection with the foregoing, the Bond Trustee agrees, and shall have the authority without the consent of any other party, to sign such documents, as the Corporation may reasonably request. No fee will be due in connection with such request; however, the Bond Trustee's reasonable out-of-pocket expenses in reviewing and executing such requested documentation shall be reimbursed by the Corporation.

Financial Covenants (Section 8.13)

(a) **No Superior Lien**. The Corporation shall not create or give, or permit the creation or giving of, any priority for payment, mortgage, lien, pledge or encumbrance on the Prior Project or the Gross Revenues that is before the payment of the Bonds due under the Bond Indenture except, in each case, Permitted Encumbrances. To the extent provided in the Bond Indenture, the Authority, upon the Corporation's Written Request and subject to the Authority's receipt of the Bond Insurer's prior written consent, may issue Senior Bonds secured on a *pari passu* basis by the Gross Revenues.

(b) **Issuance of Senior Parity Bonds and Subordinate Refunding Bonds**. The Authority shall not issue Senior Refunding Bonds or Subordinated Bonds unless the requirements in the Bond Indenture have been satisfied with respect to the issuance of such Senior Refunding Bonds or Subordinate Bonds, as the case may be.

(c) **Operation of Prior Project**. The Corporation will operate the Prior Project in accordance with the terms and provisions of the Loan Agreement, the Bond Indenture, the Management Agreement, and the ULAA Contract.

(d) **Additional Indebtedness**. The Corporation covenants and agrees that it will not incur, assume, or guarantee any Indebtedness for borrowed money (except Indebtedness related to Permitted Encumbrances), other than the Series 2017 Bonds, related to the Prior Project unless such Indebtedness is (i) Senior Refunding Bonds (provided such Senior Refunding Bonds are duly authorized and approved in accordance with the requirements of the Bond Indenture); (ii) Subordinate Bonds (provided such Subordinate Bonds are duly authorized and approved in accordance with the requirements of the Bond Indenture and with the Bond Insurer's written consent); (iii) incurred with the Bond Insurer's written consent and is subordinate and subject to the pledges and liens of the Loan Agreement, the Mortgage and Security Agreement, and the Bond Indenture securing the Bonds; (iv) a trade payable or other debt incurred in the ordinary course of business, other than for borrowed money; (v) equipment leases or installment purchases in the ordinary course of business in an aggregate amount at any time not exceeding $100,000; or (vi) an obligation for a payment required under the express terms of the Operating Agreements; or (vii) other Indebtedness to which the Bond Insurer gives its prior written consents.

Annual Budgets (Section 8.14)

On or before November 15th of each year, commencing November 15, 2018, the Corporation will file with the Bond Trustee and the Bond Insurer:

(a) a written budget describing in reasonable detail the anticipated Category B Arena Revenues, Operating Expenses, and other financial information relevant to the operation and maintenance of the Prior Project for the next ensuing Fiscal Year of the Corporation, including beginning with the Fiscal Year ending December 31, 2018, the projected costs of extraordinary maintenance and repairs (other than and in addition to routine maintenance and repairs included as Operating Expenses in the budget) in an annual amount not to exceed $250,000 for each Fiscal Year;

(b) a written budget describing in reasonable detail the anticipated Gross Revenues, Operating Expenses, debt service on the Bonds, capital expenditures and all other financial information relevant to the operating, maintenance, and financing of the Prior Project for the next ensuing Fiscal Year of the Corporation; and

(c) an annual report showing the estimated capital expenditures for the next five years prepared by the Manager of the Prior Project (who shall not be under common ownership or control with the Corporation) or a firm of civil engineers acceptable to the Bond Insurer.

Management of Prior Project (Section 8.15)

The Prior Project will be managed, initially, by the Existing Manager pursuant to the Management Agreement. The Corporation covenants to enforce at all times the terms and provisions of the Existing Management Agreement and any successor Management Agreement. The Operation and Maintenance Account or any other Lockbox Account may be held and administered by any Manager in accordance with the provisions of any Management Agreement.

Other Liens (Section 8.16)

The Corporation will keep the Prior Project and all parts thereof free from judgments, mechanics' and materialmen's liens and free from all liens, claims, demands and encumbrances of whatsoever prior nature or character, except for Permitted Encumbrances, to the end that the priority of the lien of the Bond Indenture may at all times be maintained and preserved, and free from any claim or liability which, in the Bond Trustee's judgment (and its determination thereof will be final), might embarrass or hamper the Corporation in conducting its business or operating the Prior Project, and the Bond Trustee at its option (after first giving the Corporation ten days' written notice to comply therewith and failure of the Corporation to so comply within said ten-day period) may (but will not be obligated to) defend against any and all actions or proceedings in which the validity of the Bond Indenture or its priority is or might be questioned, or pay or compromise any claim or demand asserted in any such actions or proceedings; provided, however, that, in defending against such actions or proceedings or in paying or compromising such claims or demands, the Bond Trustee will not in any event be deemed to have waived or released the Corporation from liability for or on account of any of its covenants and warranties contained in the Indenture, or from its liability under the Indenture to defend the validity or priority of the Bond Indenture and the lien thereof and to perform such covenants and warranties.

So long as any Bonds are Outstanding or Reimbursement Obligations are due to the Bond Insurer, except for Permitted Encumbrances and sales of investments held within any of the Funds and Accounts established pursuant to the Bond Indenture, the Corporation will not create or suffer to be created any mortgage, pledge, lien, sale of, or charge upon all or any part of the Trust Estate under the Bond Indenture, the Prior Project or the Gross Revenues.

TIF Contract Obligations (Section 8.18)

The Corporation will duly perform its obligations set out in Section 5.01(b)(i) and (iii) of the Loan Agreement and all of its obligations, duties, responsibilities, and requirements under the TIF Contract, and will cause all obligations of the parties to the TIF Compliance Agreement to be duly performed, so that the TIF Revenues will be collected by the Bond Trustee on a timely basis, beginning in Fiscal Year 2018, and applied as provided in Section 5.02 of the Loan Agreement. The Corporation will promptly send to the Bond Insurer each year, beginning in Fiscal Year 2018, copies of (a) the final calculations and determinations of TIF Revenues payable by the State to the Corporation, (b) the Corporation's request to the Commonwealth required by Section 5 of the TIF Contract, and (c) the annual audit provided for in the TIF Compliance Agreement.

In furtherance of the foregoing obligations of the Corporation with respect to the TIF Revenues, the Corporation agrees that the expected annual timeline of events is as follows:

(a) On or before May 1st of each year, beginning May 1, 2018, the CPA Firm will compile a record of all business enterprises which are conducting business within the Development Arena, as defined in the TIF Contract. The CPA Firm will provide the data compiled to the Corporation and the Commonwealth on or before May 15th of such year.

(b) Upon receipt of the CPA Firm compilation of the Development Area-related businesses, the Corporation will promptly submit to the PVA the compilation of such properties for immediate valuation by the PVA of the property values of such businesses.

(c) Upon receipt of the property value information from the PVA, such information will be immediately certified to the Commonwealth by the Corporation.

(d) Upon receipt by the Commonwealth of the foregoing data, the Commonwealth will calculate the sales tax information related to the business activity generated in the Development Area and make a further calculation of the amount of the TIF Revenues due to be remitted to the Corporation. This data will be made available to the Corporation no later than June 15th of such year.

(e) On or before July 1st of such year, the Corporation will file a written request with the Commonwealth requesting payment of TIF Revenues due and payable to the Corporation, for payment by October 1st of such year. The State will make such payment directly to the Bond Trustee.

Metro Contract Obligations (Section 8.19)

The Corporation will duly perform its obligations, duties, responsibilities, and requirements set out in Section 5.01(b)(i) and (ii) of the Loan Agreement and all of its obligations under the Metro Contract so that the Metro Revenues will be collected by the Bond Trustee on a timely basis, beginning in Fiscal Year 2018, and applied as provided in Section 5.02 of the Loan Agreement.

Amendment of Tax Increment Financing District (Section 8.21)

The Corporation shall not amend, revise, or otherwise change the size, location, or any other aspect of the "Development Area," as defined in the TIF Contract or permit or consent to any such change without prior written consent of each of the Authority, the Bond Insurer, and the Bond Trustee for so long as any Bonds are Outstanding or Reimbursement Obligations are due to the Bond Insurer.

EVENTS OF DEFAULT AND REMEDIES THEREFOR

Events of Default (Section 9.01)

The occurrence and continuance of any of the following events shall constitute an "event of default" under the Loan Agreement:

> (a) the Corporation's failure to pay or cause to be paid any payment as described in Section 6.01 of the Loan Agreement and the continuance of such failure for one Business Day; or the Corporation's failure to make any other payment required by Section 6.01 of the Loan Agreement for the payment of the Bonds when the same shall become due and payable, whether upon a scheduled Bond Payment Date, at maturity, upon any date fixed for redemption or prepayment, by acceleration or otherwise; the Corporation's failure to make any payments required by the Tax Regulatory Agreement and the continuance of such failure for four Business Days; or failure by the Corporation to deposit in the

Operation and Maintenance Account any amount required to be deposited therein as of any date such deposit is required and the continuance of such failure for five Business Days; or

(b) the Corporation's failure to comply with or perform any of the covenants, conditions, or provisions of the Loan Agreement (other than those specifically identified in clauses (a) or (i) of Section 9.01 of the Loan Agreement), of the Tax Regulatory Agreement or of the Mortgage and Security Agreement and to remedy such default within sixty days after written notice thereof from the Bond Trustee or the Bond Insurer to the Corporation or the Bond Trustee, as the case may be; provided that, (i) if such default cannot with due diligence and dispatch be wholly cured within sixty days but can be wholly cured, the Corporation's failure to remedy such default within such sixty-day period shall not constitute a default under the Loan Agreement if the Corporation shall immediately upon receipt of such notice commence with due diligence and dispatch the curing of such default and, having so commenced the curing of such default, shall thereafter prosecute and complete the same with due diligence and dispatch and shall obtain the Bond Insurer's written consent to the period needed beyond sixty days to cure such default; and (ii) the foregoing references to a cure period of sixty days shall be five Business Days for any default in the performance of the Corporation's obligations under Section 4.05, Section 5.01, Section 5.05, Section 8.08, Section 8.11, Section 8.13, Section 8.14, Section 8.15, Section 8.18, Section 8.20, and Section 8.21 of the Loan Agreement; or

(c) if any representation or warranty made by the Corporation in the Loan Agreement or in any statement or certificate furnished to the Authority or the Bond Trustee or the purchaser of any Bonds in connection with the sale of the Bonds or furnished by the Corporation pursuant thereto proves untrue in any material respect as of the date of the issuance or making thereof; or

(d) if the Corporation admits insolvency or bankruptcy or its inability to pay its debts as they mature, or is generally not paying its debts as such debts become due, or makes an assignment for the benefit of creditors or applies for or consents to the appointment of a trustee, custodian or receiver for the Corporation, or for the major part of its property; or

(e) if a trustee, custodian or receiver is appointed for the Corporation or for the major part of its property and is not discharged within sixty days after such appointment; or

(f) if bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings, proceedings under Title 11 of the United States Code, as amended, or other proceedings for relief under any bankruptcy law or similar law for the relief of debtors are instituted by or against the Corporation (other than bankruptcy proceedings instituted by the Corporation against third parties), and if instituted against the Corporation are allowed against the Corporation or are consented to or are not dismissed, stayed or otherwise nullified within sixty days after such institution; or

(g) the Corporation's failure to comply with or perform its covenant under Section 8.09 of the Loan Agreement; or

(h) if payment of any installment of interest or principal on any Bond shall not be made when the same shall become due and payable under the provisions of the Bond Indenture; or

(i) if there shall be a termination of the ULAA Contract or a default under the ULAA Contract which has not been remedied within ten Business Days after written notice thereof from the Bond Trustee or the Bond Insurer to the Corporation; or

(j) the Corporation's failure to comply with or perform its obligations and requirements under the Irrevocable Assignment of TIF Contract, the Irrevocable Assignment of Metro Contract, or the Irrevocable Assignment of Operating Agreements.

The Corporation will give Immediate Notice to the Authority, the Bond Insurer and the Bond Trustee of any event of default in Section 9.01(b) through (and including) (j) of the Loan Agreement.

Anything in the Loan Agreement to the contrary notwithstanding, upon the occurrence and continuance of an event of default under the Loan Agreement, the Bond Insurer shall be entitled to control and direct the enforcement of all rights and remedies granted to the Authority under the Loan Agreement, including, without limitation, (i) the right to accelerate all amounts payable under the Loan Agreement and (ii) the right to annul any declaration of acceleration, and the Bond Insurer shall also be entitled to approve all waivers of events of default.

Upon the occurrence and during the continuance of any event of default under the Loan Agreement, the Authority shall have the following rights and remedies, in addition to any other remedies in the Loan Agreement or by law provided:

I. **Acceleration of Maturity; Waiver of Event of Default and Rescission of Acceleration**. Subject to the Bond Insurer's control rights as set out in the next preceding full paragraph and in the Bond Indenture, the Authority may, with the Bond Insurer's consent, and shall, at the Bond Insurer's direction, by written notice to the Corporation, request that it declare amounts payable under Section 6.01 of the Loan Agreement (if not then due and payable) to be due and payable immediately, anything in the Loan Agreement contained to the contrary notwithstanding. For so long as Senior Bonds remain Outstanding or there are Reimbursement Obligations due to the Bond Insurer, the Bond Trustee shall not accelerate any amount payable pursuant to Section 6.01 of the Loan Agreement with respect to any Subordinate Bonds without the Bond Insurer's consent.

II. ***Right to Bring Suit, etc.*** The Authority, with or without entry, personally or by attorney, may in the Authority's discretion, with the Bond Insurer's consent, and shall, at the Bond Insurer's direction, proceed to protect and enforce the Authority's rights by pursuing any available remedy including a suit or suits in equity or at law, whether for damages or for the specific performance of any obligation, covenant, or agreement contained in the Loan Agreement or in aid of the execution of any power in the Loan Agreement granted, or for the enforcement of any other appropriate legal or equitable remedy, as the Authority shall deem most effectual to collect the payments then due and thereafter to become due under the Loan Agreement, to enforce performance and observance of any obligation, agreement or covenant of the Corporation under the Loan Agreement or to protect and enforce any of the Authority's rights or duties under the Loan Agreement.

SUPPLEMENTS AND AMENDMENTS TO LOAN AGREEMENT

Supplements and Amendments to Loan Agreement (Section 10.01)

The Corporation, with the prior written consent of the Authority, the Bond Trustee, and the Bond Insurer may from time to time enter into such supplements and amendments to the Loan Agreement as to them may seem necessary or desirable to effectuate the purposes or intent of the Loan Agreement; provided, however, that no such amendment shall be effective unless adopted in accordance with the terms of the Bond Indenture.

Notwithstanding anything in the Loan Agreement or the Bond Indenture to the contrary, no provision of the Loan Agreement may be amended or modified in any manner without the Bond Insurer's prior written consent so long as any Reimbursement Obligations are due to the Bond Insurer, or either the Series 2017 Bond Insurance Policy, the Series 2017 Senior Reserve Fund Surety, or the Series 2017 Liquidity Reserve Policy is in full force and effect and the Bond Insurer is not in default thereunder. Except as specifically set forth herein, the Bond Insurer reserves the right to charge the Corporation for its reasonable out-of-pocket expenses, and a fee not to exceed $5,000 for any non-material consent or amendment, and a fee to be agreed upon for any other consent or amendment, to the Loan Agreement requested by the Corporation so long as the Series 2017 Bond Insurance Policy, the Series 2017 Senior Reserve Fund Surety, or the Series 2017 Liquidity Reserve Policy is in full force and effect and the Bond Insurer is not in default thereunder.

DEFEASANCE

If the Corporation shall pay and discharge or provide, in a manner satisfactory to the Bond Insurer and the Authority or the Bond Trustee, for the payment and discharge of all sums payable under the Loan Agreement and all sums payable under the Bond Indenture, or shall make arrangements satisfactory to the Bond Insurer and the Authority or the Bond Trustee for such payment and discharge, then and in that case all property, rights, and interest hereby conveyed or assigned or pledged shall revert to the Corporation, and the estate, right, title, and interest of the Authority and the Bond Trustee therein shall thereupon cease, terminate, and become void; and the Loan

Agreement, and the Corporation's covenants contained therein, shall be discharged except as provided in Section 4.01 and Section 8.07 of the Loan Agreement and the Authority in such case on demand of the Corporation and at the Corporation's cost and expense, shall execute and deliver to the Corporation a proper instrument or proper instruments acknowledging the satisfaction and termination of the Loan Agreement, and shall convey, assign, and transfer or cause to be conveyed, assigned, or transferred, and shall deliver or cause to be delivered, to the Corporation, all property, including money, then held by the Authority and the Bond Trustee other than moneys deposited with the Bond Trustee under the Loan Agreement.

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APPENDIX G

Forms of Continuing Disclosure Certificates/Agreements

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CONTINUING DISCLOSURE CERTIFICATE

Re: Kentucky Economic Development Finance Authority's Louisville Arena Project Refunding Revenue Bonds, Series 2017A (Louisville Arena Authority, Inc.) and its Louisville Arena Project Refunding Revenue Bonds, Taxable Series 2017B (collectively the "Bonds")

The Louisville/Jefferson County Metro Government ("Metro") hereby delivers this Continuing Disclosure Certificate to the underwriters of the above-captioned Bonds, all dated as of December __, 2017, to assist the underwriters in complying with the requirements of subsection (5) of section (b) of Rule 15c2-12, as amended (the "Rule") promulgated by the Securities and Exchange Commission (the "SEC"). This Certificate is also delivered for the benefit of the holders from time to time of the Bonds.

1. Metro hereby undertakes to provide:

A. On or before January 1 of the calendar year immediately following the end of the fiscal year ending on the preceding June 30, commencing January 1, 2018, to the holders of the Bonds, the Municipal Securities Rulemaking Board ("MSRB"), and to Regions Bank, Nashville Tennessee, or its successor, as trustee, and the Louisville Arena Authority, Inc., annual financial information for Metro with respect to the fiscal year of Metro ending June 30, 2017, and each fiscal year thereafter.

B. If not submitted as part of the annual financial information, then when and if available, to the holders of the Bonds and the MSRB, and to Regions Bank, Nashville Tennessee, or its successor, as trustee, and Louisville Arena Authority, Inc., audited financial statements for Metro with respect to the fiscal year of Metro ending June 30, 2017, and each fiscal year thereafter (provided Metro undertakes to provide unaudited financial statements as part of the annual financial information, to the extent audited financial statements are unavailable at the time the annual financial information is provided pursuant to A above);

C. In a timely manner, to the holders of the Bonds and the MSRB, notice of a failure by Metro to provide required annual financial information, on or before the applicable date, if any, specified above in this Certificate.

2. All information required to be provided pursuant to 1. above shall be provided in the following manner.

(1) to the holders of outstanding Bonds, upon request, and to Regions Bank, Nashville Tennessee, or its successor, as trustee, and Louisville Arena Authority, Inc., by first class mail, postage prepaid;

(2) to the MSRB, in an electronic format as prescribed by the MSRB, accompanied by identifying information as prescribed by the MSRB; and/or

(3) to the SEC, by (i) electronic facsimile transmissions confirmed by first class mail, postage prepaid, or (ii) first class mail, postage prepaid; provided that Metro is authorized to transmit information to the SEC by whatever means are mutually acceptable to Metro and the SEC.

(4) to the extent Metro is obligated to file any financial information or operating data with the MSRB as herein set forth, such financial Information or operating data may be set forth in the document or set of documents transmitted to the MSRB, or may be included by specific reference to documents available to the public on the MSRB's Internet Website or filed with the SEC.

3. Below is a description, in reasonable detail, of the type of financial information and operating data to be provided as part of the annual financial information: (All references to headings and appendices below are to the final Official Statement dated __________ __, 2017 for the Bonds ("Official Statement"), except where otherwise noted.) The information and data described in the Appendix entitled "APPENDIX D — Comprehensive Annual Financial Report of Metro Louisville, Fiscal Year Ended June 30, 2017."

4. Below is a description, in reasonable detail, of the accounting principles pursuant to which financial statements of Metro will be prepared, and whether the financial statements will be audited. As described in the notes to the financial statements which are included in the Official Statement, the financial statements of Metro have been prepared in conformity with generally accepted accounting principles as applied to governmental units, and Metro intends that its financial statements will continue to be so prepared. Metro has adopted, and intends to continue to utilize, Statement No. 20 of the Governmental Accounting Standards Board ("GASB"), "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting." Metro has elected to apply, and intends to continue to apply, all applicable GASB pronouncements as well as Financial Accounting Standards Board pronouncements and Accounting Principles Board opinions, issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

5. Notwithstanding the foregoing provisions, the obligations of Metro described above in this Certificate will be terminated, effective immediately if and when Metro no longer remains an "obligated person" (within the meaning of the Rule) with respect to the Bonds.

6. Any right to enforce this Certificate shall be limited to obtaining specific enforcement of Metro's obligations hereunder. Failure by Metro to comply with this Certificate shall not be an event of default under the Bonds.

7. Metro from time to time may elect (but is not contractually bound) to provide other periodic reports or financial information in addition to those described in this Certificate.

8. The addresses for submissions to Louisville Arena Authority, Inc. and Regions Bank are as follows:

Louisville Arena Authority, Inc.
One Arena Plaza
Louisville, KY 40202 Attention: Chair
Telephone: (502) 690-9000

and

Regions Bank
150 4th Avenue North
Suite 900
Nashville, Tennessee 37219
Attention: Corporate Trust Department
Telephone: (615) 770-4359
Fax: (615) 770-4350

IN WITNESS WHEREOF, the Louisville/Jefferson County Metro Government has caused this Certificate to be executed and delivered this day on its behalf by its Chief Financial Officer.

DATED this December __, 2017.

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT

By: ______________________________
Chief Financial Officer

Attest:

____
Metro Council Clerk

(SEAL)

Approved as to Form and Legality:

JEFFERSON COUNTY ATTORNEY

By: ______________________________
Assistant County Attorney

CONTINUING DISCLOSURE CERTIFICATE

Re: Kentucky Economic Development Finance Authority's Louisville Arena Project Refunding Revenue Bonds, Series 2017A (Louisville Arena Authority, Inc.) and its Louisville Arena Project Refunding Revenue Bonds, Taxable Series 2017B (collectively the "Bonds")

The University of Louisville Athletic Association, Inc. ("ULAA") hereby delivers this Continuing Disclosure Certificate to the underwriters of the above-captioned Bonds, all dated as of December __, 2017, to assist the underwriters in complying with the requirements of subsection (5) of section (b) of Rule 15c2-12, as amended (the "Rule") promulgated by the Securities and Exchange Commission (the "SEC"). This Certificate is also delivered for the benefit of the holders from time to time of the Bonds.

1. ULAA hereby undertakes to provide:

A. On or before January 1 of the calendar year immediately following the end of the fiscal year ending on the preceding June 30, commencing January 1, 2018, to the holders of the Bonds, the Municipal Securities Rulemaking Board ("MSRB"), and to Regions Bank, Nashville Tennessee, or its successor, as trustee, and the Louisville Arena Authority, Inc., annual financial information for ULAA with respect to the fiscal year of ULAA ending June 30, 2017, and each fiscal year thereafter.

B. If not submitted as part of the annual financial information, then when and if available, to the holders of the Bonds, the MSRB, and to Regions Bank, Nashville Tennessee, or its successor, as trustee, and Louisville Arena Authority, Inc., audited financial statements for ULAA with respect to the fiscal year of ULAA ending June 30, 2017, and each fiscal year thereafter (provided ULAA undertakes to provide unaudited financial statements as part of the annual financial information, to the extent audited financial statements are unavailable at the time the annual financial information is provided pursuant to A above);

C. In a timely manner, to the holders of the Bonds and the MSRB, notice of a failure by ULAA to provide required annual financial information, on or before the applicable date, if any, specified above in this Certificate.

2. All information required to be provided pursuant to 1. above shall be provided in the following manner:

(1) to the holders of outstanding Bonds, upon request, and to Regions Bank, Nashville Tennessee, or its successor, as trustee, and Louisville Arena Authority, Inc., by first class mail, postage prepaid;

(2) to the MSRB, in an electronic format as prescribed by the MSRB, accompanied by identifying information as prescribed by the MSRB; and/or

(3) to the SEC, by (i) electronic facsimile transmissions confirmed by first class mail, postage prepaid, or (ii) first class mail, postage prepaid; provided that ULAA is authorized to transmit information to the SEC by whatever means are mutually acceptable to ULAA and the SEC.

(4) to the extent ULAA is obligated to file any financial information or operating data with the MSRB as herein set forth, such financial Information or operating data may be set forth in the document or set of documents transmitted to the MSRB, or

may be included by specific reference to documents available to the public on the MSRB's Internet Website or filed with the SEC.

3. Below is a description, in reasonable detail, of the type of financial information and operating data to be provided as part of the annual financial information: (All references to headings and appendices below are to the final Official Statement dated ___________ __, 2017 for the Bonds ("Official Statement"), except where otherwise noted.) The information and data described in the Appendix entitled "APPENDIX E — Audited Financial Statements of ULAA for the Year Ended June 30, 2007".

4. Below is a description, in reasonable detail, of the accounting principles pursuant to which financial statements of ULAA will be prepared, and whether the financial statements will be audited. As described in the notes to the financial statements which are included in the Official Statement, the financial statements of ULAA are included within the financial statements of the University of Louisville and have been prepared in conformity with generally accepted accounting principles as applied to governmental units, and ULAA intends that its financial statements will continue to be so prepared. ULAA has adopted, and intends to continue to utilize, Statement No. 20 of the Governmental Accounting Standards Board ("GASB"), "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting." ULAA has elected to apply, and intends to continue to apply, all relevant pronouncements of the Financial Accounting Standards Board that were issued on or before November 30, 1989, and do not conflict with or contradict GASB pronouncements.

5. Notwithstanding the foregoing provisions, the obligations of ULAA described above in this Certificate will be terminated, effective immediately if and when ULAA no longer remains an "obligated person" (within the meaning of the Rule) with respect to the Bonds.

6. Any right to enforce this Certificate shall be limited to obtaining specific enforcement of ULAA's obligations hereunder. Failure by ULAA to comply with this Certificate shall not be an event of default under the Bonds.

7. ULAA from time to time may elect (but is not contractually bound) to provide other periodic reports or financial information in addition to those described in this Certificate.

8. The addresses for submissions to Louisville Arena Authority, Inc. and Regions Bank are as follows:

Louisville Arena Authority, Inc.
One Arena Plaza
Louisville, KY 40202 Attention: Chair
Telephone: (502) 690-9000

and

Regions Bank
150 4th Avenue North
Suite 900
Nashville, Tennessee 37219
Attention: Corporate Trust Department
Telephone: (615) 770-4359
Fax: (615) 770-4350

IN WITNESS WHEREOF, the University of Louisville Athletic Association, Inc. has caused this Certificate to be executed and delivered this day on its behalf by its Assistant Treasurer.

DATED this [Date of Delivery].

UNIVERSITY OF LOUISVILLE ATHLETIC ASSOCIATION, INC.

By: ____

Chair

CONTINUING DISCLOSURE AGREEMENT

Relating to:

$____________
KENTUCKY ECONOMIC DEVELOPMENT FINANCE AUTHORITY
LOUISVILLE ARENA PROJECT REFUNDING REVENUE BONDS, SERIES 2017A
(LOUISVILLE ARENA AUTHORITY, INC.)

and

$____________
KENTUCKY ECONOMIC DEVELOPMENT FINANCE AUTHORITY
LOUISVILLE ARENA PROJECT REFUNDING REVENUE BONDS, TAXABLE SERIES 2017B
(LOUISVILLE ARENA AUTHORITY, INC.)

Dated as of: December 1, 2017

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THIS CONTINUING DISCLOSURE AGREEMENT (the "Agreement") is made and entered into as of December 1, 2017, between Regions Bank, as dissemination agent (the "Dissemination Agent") and Louisville Arena Authority, Inc. (the "Borrower").

RECITALS

WHEREAS, on the date hereof the Kentucky Economic Development Finance Authority (the "Issuer") is issuing its Louisville Arena Project Refunding Revenue Bonds, Series 2017A (Louisville Arena Authority, Inc.) and its Louisville Arena Project Refunding Revenue Bonds, Taxable Series 2017B (collectively the "Bonds") pursuant to the Bond Trust Indenture dated as of December 1, 2017 (the "Bond Indenture"), by and between the Issuer and the Dissemination Agent, acting in its capacity as trustee (the "Trustee"); and

WHEREAS, the Bonds have been offered and sold pursuant to an Official Statement, dated ___________________ __, 2017 (the "Offering Document").

WHEREAS, the Dissemination Agent and the Borrower wish to provide for the disclosure of certain information concerning the Bonds, the Project and other matters on an ongoing basis as set forth herein for the benefit of Bondholders (as hereinafter defined), in accordance with the provisions of Securities and Exchange Commission Rule 15c2-12, as amended from time to time (the "Rule").

NOW, THEREFORE, in consideration of the mutual promises and agreements made herein and in the Bond Indenture, the receipt and sufficiency of which consideration is hereby mutually acknowledged, the parties hereto agree as follows:

Section 1. Definitions; Scope of this Agreement:

(A) All terms capitalized but not otherwise defined herein shall have the meanings assigned to those terms in the Bond Indenture. Notwithstanding the foregoing, the term "Dissemination Agent" shall originally mean Regions Bank, having offices in Nashville, Tennessee; any successor Dissemination Agent shall automatically succeed to the rights and duties of the Dissemination Agent hereunder, without any amendment hereto. The following capitalized terms shall have the following meanings:

"*Annual Financial Information*" shall mean a copy of the annual audited financial information prepared for the Borrower which shall include, if prepared, a statement of net assets, and the related statements of revenues, expenses and changes in net assets and of cash flows. All such financial information shall be prepared using generally accepted accounting principles, provided, however, that the Borrower may change the accounting principles used for preparation of such financial information so long as the Borrower includes as information provided to the public, a statement to the effect that different accounting principles are being used, stating the reason for such change and how to compare the financial information provided by the differing financial accounting principles. Any or all of the items listed above may be set forth in other documents, including Offering Documents of debt issues of the Borrower which have been transmitted to the MSRB, or may be included by specific reference to documents available to the public on the MSRB's Internet Website or filed with the SEC.

"*Beneficial Owner*" shall mean any person which has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

"*Bondholders*" shall mean any holder of the Bonds and any Beneficial Owner thereof.

"*Event*" shall mean any of the following events with respect to the Bonds:

(i) Principal and interest payment delinquencies;

(ii) Non-payment related defaults, if material;

(iii) Unscheduled draws on debt service reserves reflecting financial difficulties;

(iv) Unscheduled draws on credit enhancements reflecting financial difficulties;

(v) Substitution of credit or liquidity providers, or their failure to perform;

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

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

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

(ix) Defeasances;

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

(xi) Rating changes;

(xii) Bankruptcy, insolvency, receivership or similar event of the Obligated Person.

(xiii) 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

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

"*MSRB*" shall mean the Municipal Securities Rulemaking Board.

"*Obligated Person*" shall mean, in addition to that party so identified in the recitals, each other person or entity that is an "obligated person" as defined in subsection (f) of the Rule, including any person who is either generally or through an enterprise, fund or account of such person committed by contract or other arrangement to support payment of all or part of the obligation on the Bonds (other than providers of municipal bond insurance, letters of credit, or other liquidity facilities).

"*Offering Document*" shall mean the Official Statement dated __________________ __, 2017 relating to the Bonds.

"*Operating Data*" shall mean an update of the Operating Data contained under the headings "________________,""________________," and "________________" in the Offering Document.

"*Participating Underwriter*" shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with the offering of the Bonds.

"*SEC*" shall mean the Securities and Exchange Commission.

"*State*" shall mean the Commonwealth of Kentucky.

"*Turn Around Period*" shall mean (i) five (5) business days, with respect to Annual Financial Information and Operating Data delivered by the Borrower to the Dissemination Agent; (ii) in a timely manner, but within ten (10) business days, with respect to Event occurrences disclosed by the Borrower to the Dissemination Agent; or (iii) two (2) business days with respect to the failure, on the part of the Borrower, to deliver Annual Financial Information and Operating Data to the Dissemination Agent which period commences upon notification by the Borrower of such failure, or upon the Dissemination Agent's actual knowledge of such failure.

(B) This Agreement applies to the Bonds and any additional bonds issued under the Bond Indenture.

(C) The Dissemination Agent shall have no obligation to make disclosure about the Bonds or the Project except as expressly provided herein; provided that nothing herein shall limit the duties or obligations of the Dissemination Agent, as Trustee, under the Bond Indenture. The fact that the Dissemination Agent or any affiliate thereof may have any fiduciary or banking relationship with the Borrower, shall not be construed to mean that the Dissemination Agent has actual knowledge of any event or condition except in its capacity as Trustee under the Bond Indenture or except as may be provided by written notice from the Borrower.

Section 2. Disclosure of Information.

(A) General Provisions. This Agreement governs the Borrower's direction to the Dissemination Agent, with respect to information to be made public. In its actions under this Agreement, the Dissemination Agent is acting not as Trustee but as the Borrower's agent.

(B) Information Provided to the Public. Except to the extent this Agreement is modified or otherwise altered in accordance with Section 3 hereof, the Borrower shall make or cause to be made public the information set forth in subsections (1), (2) and (3) below:

(1) Annual Financial Information and Operating Data. Annual Financial Information and Operating Data at least annually not later than 150 days following the end of each fiscal year of the Borrower, beginning with the fiscal year ending December 31, 2017 and continuing with each fiscal year thereafter, for which the information is provided, taking into account the Turn Around Period, and, in addition, all information with respect to the Bonds required to be disseminated by the Trustee pursuant to the Bond Indenture.

(2) Events Notices. Notice of the occurrence of an Event, in a timely manner, within ten (10) business days of the occurrence of the Event.

(3) Failure to Provide Annual Financial Information. Notice of the failure of Borrower to provide the Annual Financial Information and Operating Data by the date required herein.

(C) Information Provided by Dissemination Agent to Public.

(1) The Borrower directs the Dissemination Agent on its behalf to make public in accordance with subsection (D) of this Section 2 and within the time frame set forth in clause (3) below, and the Dissemination Agent agrees to act as the Borrower's agent in so making public, the following:

(a) the Annual Financial Information and Operating Data;

(b) Event occurrences;

(c) the notices of failure to provide information which the Borrower has agreed to make public pursuant to subsection (B)(3) of this Section 2;

(d) such other information as the Borrower shall determine to make public through the Dissemination Agent and shall provide to the Dissemination Agent in the form required by subsection (C)(2) of this Section 2. If the Borrower chooses to include any information in any Annual Financial Information report or in any notice of occurrence of an Event, in addition to that which is specifically required by this Agreement, the Borrower shall have no obligation under this Agreement to update such information or include it in any future Annual Financial Information report or notice of occurrence of an Event; and

(2) The information which the Borrower has agreed to make public shall be in the following form:

(a) as to all notices, reports and financial statements to be provided to the Dissemination Agent by the Borrower, in the form required by the Bond Indenture or other applicable document or agreement; and

(b) as to all other notices or reports, in such form as the Dissemination Agent shall deem suitable for the purpose of which such notice or report is given.

(3) The Dissemination Agent shall make public the Annual Financial Information, the Operating Data, the Event occurrences and the failure to provide the Annual Financial Information and Operating Data within the applicable Turn Around Period. Notwithstanding the foregoing, Annual Financial Information, Operating Data, and Events shall be made public on the same day as notice thereof is given to the Bondholders of outstanding Bonds, if required in the Bond Indenture, and shall not be made public before the date of such notice. If on any such date, information required to be provided by the Borrower to the Dissemination Agent has not been provided on a timely basis, the Dissemination Agent shall make such information public as soon thereafter as it is provided to the Dissemination Agent.

(D) Means of Making Information Public.

(1) Information shall be deemed to be made public by the Borrower or the Dissemination Agent under this Section if it is transmitted to one or more of the following as provided in subsection (D)(2) of this Section 2:

(a) to the Bondholders of outstanding Bonds, by the method prescribed by the Bond Indenture;

(b) to the MSRB, in an electronic format as prescribed by the MSRB, accompanied by identifying information as prescribed by the MSRB; and/or;

(c) to the SEC, by (i) electronic facsimile transmissions confirmed by first class mail, postage prepaid, or (ii) first class mail, postage prepaid; provided that the Borrower or the Dissemination Agent is authorized to transmit information to a SEC by whatever means are mutually acceptable to the Dissemination Agent, the Borrower and the Board, and the SEC.

(2) Information shall be transmitted to the following:

(a) all Annual Financial Information and Operating Data shall be transmitted to the MSRB;

(b) notice of all Events, and notice of a failure by the Borrower to provide Annual Financial Information on or before the date specified in Section 2(B)(1) hereof, shall be transmitted to the MSRB;

(c) all information described in clause (a) shall be made available to any Bondholder upon request, but need not be transmitted to the Bondholders who do not so request; and

(d) to the extent the Borrower is obligated to file any Annual Financial Information or Operating Data with the MSRB pursuant to this Agreement, such Annual Financial Information or Operating Data may be set forth in the document or set of documents transmitted to the MSRB, or may be included by specific reference to documents available to the public on the MSRB's Internet Website or filed with the SEC.

Nothing in this subsection shall be construed to relieve the Dissemination Agent, as Trustee, of its obligation to provide notices to the holders of all Bonds if such notice is required by the Bond Indenture.

With respect to requests for periodic or occurrence information from Bondholders, the Dissemination Agent may require payment by requesting of holders a reasonable charge for duplication and transmission of the information and for the Dissemination Agent's administrative expenses incurred in providing the information.

Nothing in this Agreement shall be construed to require the Dissemination Agent to interpret or provide an opinion concerning the information made public. If the Dissemination Agent receives a request for an interpretation or opinion, the Dissemination Agent may refer such request to the Borrower for response.

(E) Dissemination Agent Compensation. The Borrower shall pay or reimburse the Dissemination Agent for its fees and expenses for the Dissemination Agent's services rendered in accordance with this Agreement.

(F) Indemnification of Dissemination Agent. In addition to any and all rights of the Dissemination Agent to reimbursement, indemnification and other rights pursuant to the Bond Indenture or under law or equity, the Borrower shall, to the extent permitted by law, indemnify and hold harmless the Dissemination Agent and its respective officers, directors, employees and agents from and against any and all claims, damages, losses, liabilities, reasonable costs and expenses whatsoever (including attorney fees) which such indemnified party may incur by reason of or in connection with the Dissemination Agent's performance under this Agreement; provided that the Borrower shall not be required to indemnify the Dissemination Agent for any claims, damages, losses, liabilities, costs or expenses to the extent, but only to the extent, caused by the willful misconduct or gross negligence of the Dissemination Agent in such disclosure of information hereunder. The obligations of the Borrower under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

Section 3. Amendment or Waiver.

Notwithstanding any other provision of this Agreement, the Borrower and the Dissemination Agent may amend this Agreement (and the Dissemination Agent shall agree to any reasonable amendment requested by the Borrower) and any provision of this Agreement may be waived, if such amendment or waiver is supported by an opinion of nationally recognized bond counsel or counsel expert in federal securities laws acceptable to both the Borrower and the Dissemination Agent to the effect that such amendment or waiver would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule as well as any change in circumstance.

Section 4. Miscellaneous.

(A) Representations. Each of the parties hereto represents and warrants to each other party that it has (i) duly authorized the execution and delivery of this Agreement by the officer of such party whose signature appears on the execution pages hereto, (ii) that it has all requisite power and authority to execute, deliver and perform this Agreement under its organizational documents and any corporate resolutions now in effect, (iii) that the execution and delivery of this Agreement, and performance of the terms hereof, do not and will not violate any law, regulation, ruling, decision, order, indenture, decree, agreement or instrument by which such party is bound, and (iv) such party is not aware of any litigation or proceeding pending, or, to the best of such party's knowledge, threatened, contesting or questioning its existence, or its power and authority to enter into this Agreement, or its due authorization, execution and delivery of this Agreement, or otherwise contesting or questioning the issuance of the Bonds.

(B) Governing Law. This Agreement shall be governed by and interpreted in accordance with the laws of the State; provided that, to the extent that the SEC, the MSRB or any other federal or state agency or regulatory body with jurisdiction over the Bonds shall have promulgated any rule or regulation governing the subject matter hereof, this Agreement shall be interpreted and construed in a manner consistent therewith.

(C) Severability. If any provision hereof shall be held invalid or unenforceable by a court of competent jurisdiction, the remaining provisions hereof shall survive and continue in full force and effect.

(D) Counterparts. This Agreement may be executed in one or more counterparts, each and all of which shall constitute one and the same instrument.

(E) Termination. This Agreement may be terminated by any party to this Agreement upon thirty days' written notice of termination delivered to the other party or parties to this Agreement; provided the termination of this Agreement is not effective until (i) the Borrower, or its successor, enters into a new continuing disclosure agreement with a Dissemination Agent who agrees to continue to provide, to the MSRB and the Bondholders of the Bonds, all information required to be communicated pursuant to the rules promulgated by the SEC or the MSRB, (ii) nationally recognized bond counsel or counsel expert in federal securities laws provides an opinion that the new continuing disclosure agreement is in compliance with all State and Federal Securities laws and (iii) notice of the termination of this Agreement is provided to the MSRB.

This Agreement shall terminate when all of the Bonds are or are deemed to be no longer outstanding by reason of redemption or legal defeasance or at maturity.

(F) Defaults: Remedies. A party shall be in default of its obligations hereunder if it fails to carry out or perform its obligations hereunder.

If an event of default occurs and continues beyond a period of thirty (30) days following notice of default given in writing to such defaulting party by any other party hereto or by a beneficiary hereof as identified in Section 4(G), the non-defaulting party or any such beneficiary may (and, at the request of the Participating Underwriter or the holders of at least 25% aggregate principal amount of Outstanding Bonds, the non-defaulting party shall), enforce the obligations of the defaulting party under this Agreement; provided, however, the sole remedy available in any proceeding to enforce this Agreement shall be an action in mandamus, for specific performance or similar remedy to compel performance.

(G) Beneficiaries. This Agreement is entered into by the parties hereof and shall inure solely to the benefit of the Borrower, the Dissemination Agent, the Participating Underwriter and Bondholders, and shall create no rights in any other person or entity.

Section 5. Additional Disclosure Obligations.

The Borrower acknowledges and understands that other state and federal laws, including but not limited to the Securities Act of 1933, the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder, may apply to the Borrower, and that under some circumstances compliance with this Agreement, without additional disclosures or other action, may not fully discharge all duties and obligations of the Borrower under such laws.

Section 6. Notices.

Any notices or communications to or among any of the parties to this Disclosure Agreement may be given as follows:

To the Borrower: Louisville Arena Authority, Inc.
One Arena Plaza
Louisville, KY 40202 Attention: Chair
Telephone: (502) 690-9000

and

To the Disclosure Regions Bank
150 4th Avenue North
Suite 900
Nashville, Tennessee 37219
Attention: Corporate Trust Department
Telephone: (615) 770-4359
Fax: (615) 770-4350

Any person may, by written notice to the other persons listed above, designate a different address or telephone number(s) to which subsequent notices or communications should be sent.

IN WITNESS WHEREOF, the Dissemination Agent and the Borrower have each caused their duly authorized officers to execute this Agreement, as of the day and year first above written.

LOUISVILLE ARENA AUTHORITY, INC.,
Borrower

By: ____
Title: Chair

REGIONS BANK, Dissemination Agent

By: ____
Title: ____

APPENDIX H

Book-Entry-Only System

The Bonds initially will be issued solely in book-entry form to be held in the book-entry-only system maintained by The Depository Trust Company ("DTC"), New York, New York. So long as such book-entry-only system is used, only DTC will receive or have the right to receive physical delivery of Bonds and, except as otherwise provided herein with respect to tenders by Beneficial Owners (as hereinafter defined) of beneficial ownership interests, Beneficial Owners will not be or be considered to be, and will not have any rights as, owners or holders of the Bonds under the Resolution.

The following information about the book-entry-only system applicable to the Bonds has been supplied by DTC. Neither the Issuer nor the Trustee makes any representations, warranties or guarantees with respect to its accuracy or completeness.

DTC will act as securities depository for the Bonds. The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Series 2017 Bond certificate will be issued for each maturity of the Bonds, in the aggregate principal amount of the Bonds and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Issuer. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2017 Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, 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 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry-only system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Series 2017 Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Trustee and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Issuer or the Trustee, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with bonds held for the accounts of customers in bearer form or registered in "street name" and will be the responsibility of such Participant and not of DTC, the Trustee or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Issuer or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Issuer or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Series 2017 Bond certificates are required to be printed and delivered.

The Issuer may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Series 2017 Bond certificates will be printed and delivered.

NEITHER THE ISSUER NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO ANY DIRECT PARTICIPANT, INDIRECT PARTICIPANT OR ANY BENEFICIAL OWNER OR ANY OTHER PERSON NOT SHOWN ON THE REGISTRATION BOOKS OF THE TRUSTEE AS BEING A HOLDER WITH RESPECT TO: (1) THE BONDS; (2) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT; (3) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL OR REDEMPTION PRICE OF OR INTEREST ON THE BONDS; (4) THE DELIVERY BY ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY NOTICE TO ANY BENEFICIAL OWNER WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE BOND INDENTURE TO BE GIVEN TO HOLDERS; (5) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE BONDS; OR (6) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS HOLDER.

Each Beneficial Owner for whom a Direct Participant or Indirect Participant acquires an interest in the Bonds, as nominee, may desire to make arrangements with such Direct Participant or Indirect Participant to receive a credit balance in the records of such Direct Participant or Indirect Participant, to have all notices of redemption or other communications to or by DTC which may affect such Beneficial Owner forwarded in writing by such Direct Participant or Indirect Participant, and to have notification made of all debt service payments.

Beneficial Owners may be charged a sum sufficient to cover any tax, fee, or other governmental charge that may be imposed in relation to any transfer or exchange of their interests in the Bonds.

The Issuer cannot and does not give any assurances that DTC, Direct Participants, Indirect Participants or others will distribute payments of debt service on the Bonds made to DTC or its nominee as the registered owner, or any redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or that DTC, Direct Participants or Indirect Participants will serve and act in the manner described in this Official Statement.

The information in this EXHIBIT H concerning DTC and DTC's book entry only system has been obtained from sources that the Issuer believes to be reliable, but neither the Issuer nor the Underwriters take any responsibility for the accuracy thereof.

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APPENDIX I

Form of Approving Opinion of Bond Counsel

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Upon delivery of the Series 2017 Bonds, Stoll Keenon Ogden PLLC, Bond Counsel to the Authority, proposes to issue its approving opinion in substantially the following form, dated the date of delivery.

Kentucky Economic Development Finance Authority
Frankfort, Kentucky

Re: $202,125,000 Kentucky Economic Development Finance Authority Louisville Arena Project Refunding Revenue Bonds, Series 2017A (Louisville Arena Authority, Inc.)

$175,640,000 Kentucky Economic Development Finance Authority Louisville Arena Project Refunding Revenue Bonds, Taxable Series 2017B (Louisville Arena Authority, Inc.)

Ladies and Gentlemen:

We have examined executed, certified, or otherwise authenticated copies of proceedings of the Kentucky Economic Development Finance Authority (the "**Authority**"), a public body corporate and politic and an agency, instrumentality, and political subdivision of the Commonwealth of Kentucky (the "**Commonwealth**"), incident to (i) the adoption of a resolution of the Authority (the "**Bond Resolution**") authorizing the sale and issuance of its (a) Louisville Arena Project Refunding Revenue Bonds, Series 2017A (Louisville Arena Authority, Inc.) (the "**Series 2017A Bonds**"); and (b) Louisville Arena Project Refunding Revenue Bonds, Taxable Series 2017B (Louisville Arena Authority, Inc.) (the "**Series 2017B Bonds**", and collectively with the Series 2017A Bonds, the "**Series 2017 Bonds**"), and (ii) the authorization, execution, and delivery of (a) the Bond Trust Indenture between the Authority and Regions Bank, Nashville, Tennessee, as bond trustee (the "**Bond Trustee**"), dated as of December 1, 2017 (the "**Bond Indenture**"); (b) the Loan Agreement between the Authority and the Louisville Arena Authority, Inc., a Kentucky non-profit corporation (the "**Corporation**"), dated as of December 1, 2017 (the "**Loan Agreement**"); (c) the Tax Regulatory Agreement and Certificate of even date herewith among the Authority, the Corporation, and the Bond Trustee; and (d) the Project Certificate referred to therein (collectively, the "**Tax Regulatory Agreement**"). The Series 2017 Bonds are issued pursuant to the authority of Sections 154.1-010, 154.10-010 through 154.10-035 and 154.20-010 through 154.20-035 of the Kentucky Revised Statutes and Resolution 92-1 adopted on October 13, 1992, by the Kentucky Economic Development Partnership (the "**Act**") and the Bond Resolution.

In our capacity as Bond Counsel, we have examined such documents and matters and conducted such research as we have deemed necessary to enable us to express the opinions set forth herein. As to certain questions of fact, we have relied, without independent verification, upon representations, warranties, statements of fact, and certifications of certain of the officers, officials, directors, and employees of the Authority, the Corporation, AEG (hereinafter defined), the Commonwealth and agencies and units thereof, consulting financial and feasibility experts, and public officials. In rendering the opinions set forth herein, we have assumed the authenticity of all documents submitted to us as originals, the legal capacity of natural persons, and the conformity to the originals of all documents submitted to us as copies. We have assumed that parties to contracts and documents other than the Authority and the Corporation have the requisite power and authority to enter into and perform all obligations of all contracts, undertakings, and documents to which they are parties. We have assumed the due authorization by all requisite action, and the execution and delivery by such other parties of such contracts and documents, and the validity and binding effect thereof on such other parties. You have consented to our reliance upon the foregoing.

The Series 2017 Bonds are secured by (i) the Bond Indenture; (ii) assignment to the Bond Trustee for the benefit of the holders of the Series 2017 Bonds of the Loan Agreement (subject to Unassigned Rights, as defined in the Bond Indenture) and certain contractual revenues identified therein; (iii) payments of certain tax increment financing revenues made by the Commonwealth of Kentucky (the "**Commonwealth**") to the Bond Trustee (as the Corporation's irrevocable assignee) pursuant to a contract between the Commonwealth and the Corporation; and (iv) payments of certain contractual revenues made by Louisville/Jefferson County Metro Government, Kentucky ("**Metro Louisville**") to the Bond Trustee (as the Corporation's irrevocable assignee) pursuant to a contract between Metro Louisville and the Corporation. The terms of the Series 2017 Bonds are set forth in the Bond Indenture. We have been furnished a certificate of an authorized officer of the Bond Trustee acknowledging authentication by the Bond Trustee of the Series 2017 Bonds and have examined the forms of the Series 2017 Bonds, which we find to be in due form of law. The Series 2017 Bonds are being issued (i) to refund the outstanding Kentucky Economic Development Finance Authority, Louisville Arena Project Revenue Bonds, Series 2008A (Louisville Arena

Authority, Inc.), consisting of Subseries 2008A-1 Fixed Rate Bonds and Subseries 2008A-2 Capital Appreciation Bonds (collectively, the "**Series 2008A Bonds**"); (ii) to refund the outstanding Kentucky Economic Development Finance Authority, Louisville Arena Project Revenue Bonds, Taxable Series 2008B (Louisville Arena Authority, Inc.) (the "**Series 2008B Bonds**"); (iii) to refund the outstanding Kentucky Economic Development Finance Authority, Louisville Arena Project Revenue Bonds, Taxable Subordinate Series 2008C (Louisville Arena Authority, Inc.) (the "**Series 2008C Bonds**" and, together with the Series 2008A Bonds and the Series 2008B Bonds, the "**Series 2008 Bonds**"); (iv) to provide credit enhancement for the Series 2017 Bonds; (v) to fund a debt service reserve fund; (vi) to provide working capital funds; and (vii) to pay other expenses and costs incurred in connection with the issuance of the Series 2017 Bonds and the refunding of the Series 2008 Bonds.

We have been furnished opinions of counsel stating, among other things, that the Corporation and the University of Louisville Athletic Association, Inc., a Kentucky non-profit corporation ("**ULAA**"), are organizations described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "**Code**"), and exempt from taxation under Code Section 501(a) with respect to trades or businesses carried on by them that are not unrelated trades or businesses and we have relied upon such opinions as to the matters set forth therein.

We have further been furnished and have relied on, in rendering the opinions set out below, opinions of even date herewith of (i) counsel for the Authority; (ii) counsel for the Corporation; (iii) counsel for ULAA; (iv) the County Attorney of Jefferson County, Kentucky, by law the chief legal officer of the Louisville/Jefferson County Metro Government; and (v) counsel for the Finance and Administration Cabinet of the Commonwealth. We have also reviewed opinions of counsel to various contracting parties in respect of the Prior Project (as defined in the Bond Indenture). We have relied on all such opinions with respect to the matters contained therein. We have also received and relied upon, among other things, (i) a certificate of the Bond Trustee with respect to its authority to enter into the Bond Indenture; (ii) certificates of officials of the Authority; (iii) a report of Causey Demgen & Moore, P.C., independent certified public accountants, verifying the accuracy of certain mathematical computations relating to the Series 2017 Bonds and the Series 2008 Bonds; and (iv) certificates, representations, and warranties of the Corporation, the Authority, ULAA, AEG Management Louisville, LLC ("**AEG**"), and other participants in the refinancing, identified in the Loan Agreement and the Bond Indenture, with regard to certain material facts and expectations solely within the knowledge of the Corporation, the Authority, ULAA, AEG, and such participants, respectively.

Based on the foregoing and our examination of such other documents, records of the Authority and the Corporation, and such other instruments as we deem necessary to enable us to express the opinions set forth below, we are of the opinion that:

(1) The Authority has full power and authority under the Act to adopt the Bond Resolution, to execute and deliver the Loan Agreement, the Bond Indenture, and the Tax Regulatory Agreement and to offer, sell, issue, and deliver the Series 2017 Bonds for the purposes set forth above. The Bond Resolution has been duly adopted and the Loan Agreement, the Bond Indenture, and the Tax Regulatory Agreement have been duly authorized, executed, and delivered by the Authority and are the valid and binding obligations of the Authority enforceable in accordance with their respective terms, except as enforcement may be limited by bankruptcy, moratorium, insolvency, the police power, or other laws or equitable principles affecting the enforcement of creditors' rights generally and, with respect to the indemnification provisions contained therein, by applicable securities laws and public policy.

(2) The Series 2017 Bonds have been duly authorized, offered, sold, issued, and delivered in accordance with the Act and constitute valid and binding special and limited obligations of the Authority, payable as to principal and interest solely from the revenues and funds pledged to such payment as provided in the Bond Indenture and the Loan Agreement. The Series 2017 Bonds do not create or constitute a debt or pledge of the faith and credit of the Authority or the Commonwealth or any agency or political subdivision thereof. The foregoing opinions are subject to the limitations set out in subparagraph (1) above with respect to the limitation of enforcement.

(3) All right, title, and interest of the Authority in and to the Loan Agreement (subject to Unassigned Rights, as defined in the Bond Indenture) have been validly assigned to the Bond Trustee pursuant to the Bond Indenture for the benefit of the holders of the Series 2017 Bonds.

(4) Subject to the following limitations and qualifications contained in this subparagraph, we are of the opinion that under existing statutes, regulations, rulings, and court decisions, interest on the Series 2017A Bonds (a) is excludable from gross income for federal and Kentucky income tax purposes and (b) is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; provided, however, it should be noted that with respect to corporations (as defined for federal income tax purposes), such interest is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on such corporations under the Code. The opinion set forth in the first sentence of this subparagraph (4) is subject to the conditions that the factual representations and warranties of the Authority, the Corporation, ULAA, AEG, and other refinancing participants made in connection with the issuance of the Series 2017A Bonds are true and accurate and that the Authority, the Corporation, ULAA, AEG, and such refinancing participants comply with all requirements of the Code that must be satisfied after the issuance of the Series 2017A Bonds so that interest thereon be and remain excludable from gross income for federal income tax purposes. Failure to comply with certain of such requirements, or a determination that certain of such representations and warranties are inaccurate, could cause the interest on the Series 2017A Bonds to be included in gross income retroactive to the date of issuance of the Series 2017A Bonds. We express no opinion regarding other federal and Kentucky income tax consequences arising with respect to the Series 2017A Bonds.

Interest on the Series 2017B Bonds is includable in gross income for federal income tax purposes but is excludable from gross income for Kentucky income tax purposes.

(5) The Series 2017 Bonds are exempt from ad valorem taxation by the Commonwealth and all political subdivisions thereof.

Our opinion as to the exclusion of interest on the Series 2017A Bonds from gross income for federal income tax purposes and federal tax treatment of interest on the Series 2017A Bonds is subject to the following exceptions and qualifications:

(a) The Code provides for a “branch profits tax” which subjects to tax, at a rate of 30%, the effectively connected earnings and profits of a foreign corporation which engages in a United States trade or business. Interest on the Series 2017A Bonds would be includable in the amount of effectively connected earnings and profits and thus would increase the branch profits tax liability.

(b) The Code provides that passive investment income, including interest on the Series 2017A Bonds, may be subject to taxation for any S corporation with Subchapter C earnings and profits at the close of its taxable year if greater than 25% of its gross receipts constitute passive investment income.

Except as stated above, we express no opinion as to any federal or Kentucky tax consequences resulting from the receipt of interest on the Series 2017A Bonds.

Holders of the Series 2017A Bonds should be aware that the ownership of the Series 2017A Bonds may result in collateral federal income tax consequences. Owners of the Series 2017A Bonds should consult their own tax advisors with respect to such matters and with respect to ownership of Series 2017A Bonds purchased at original issue discounts or premiums.

In rendering the foregoing opinions, we are passing upon only those matters specifically set forth in such opinions and we express no opinion as to matters involving interest rate exchange agreements, investment agreements, and similar agreements. We express no opinion on the investment quality of the Series 2017 Bonds or any offering materials used in connection with the offering and sale of the Series 2017 Bonds. Our opinions expressed herein represent our legal judgment and are not a guarantee of a result. The opinions herein are expressed as of the date hereof and we assume no obligation to supplement or update such opinions to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

We are members of the Bar of the Commonwealth and do not purport to be experts on the laws of any jurisdiction other than the Commonwealth and the United States of America, and we express no opinion as to the laws of any jurisdiction other than those specified.

Very truly yours,

STOLL KEENON OGDEN PLLC

APPENDIX J

Specimen Municipal Bond Insurance Policy

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ASSURED GUARANTY MUNICIPAL

MUNICIPAL BOND INSURANCE POLICY

ISSUER: Policy No: -N

BONDS: $ in aggregate principal amount of Effective Date:

Premium: $

ASSURED GUARANTY MUNICIPAL CORP. ("AGM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of AGM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which AGM shall have received Notice of Nonpayment, AGM will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AGM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in AGM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by AGM is incomplete, it shall be deemed not to have been received by AGM for purposes of the preceding sentence and AGM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AGM shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AGM hereunder. Payment by AGM to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AGM under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless AGM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to AGM which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

AGM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to AGM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to AGM and shall not be deemed received until received by both and (b) all payments required to be made by AGM under this Policy may be made directly by AGM or by the Insurer's Fiscal Agent on behalf of AGM. The Insurer's Fiscal Agent is the agent of AGM only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of AGM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, AGM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to AGM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of AGM, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, ASSURED GUARANTY MUNICIPAL CORP. has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY MUNICIPAL CORP.

By ______________________________
Authorized Officer

A subsidiary of Assured Guaranty Municipal Holdings Inc.
1633 Broadway, New York, N.Y. 10019
(212) 974-0100

Form 500NY (5/90)

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