

DAC Bond[®]
NEW ISSUE
BOOK ENTRY ONLY

PRELIMINARY OFFICIAL STATEMENT DATED AUGUST 4, 2016

NEW ISSUE
BOOK-ENTRY ONLY

Ratings: Moody's: "A"
Standard & Poor's: "A"
(See "Ratings" herein)

In the opinion of Bond Counsel, under existing law and as of the date of issuance thereof, (i) interest on the Series 2016 Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference in determining alternative minimum taxable income, although such interest is included in adjusted current earnings for purposes of determining the alternative minimum taxable income of a corporation and (ii) under the Constitution and laws of the Commonwealth of Kentucky, the Series 2016 Bonds are exempt from ad valorem taxation, and the interest thereon is exempt from income taxation, by the Commonwealth and all of its political subdivisions and taxing authorities. See "Tax Treatment" herein.

\$138,585,000*
LOUISVILLE AND JEFFERSON COUNTY VISITORS AND CONVENTION COMMISSION
DEDICATED TAX REVENUE BONDS, SERIES 2016
(KENTUCKY INTERNATIONAL CONVENTION CENTER EXPANSION PROJECT)



Dated: Date of Delivery

Due: As shown on the inside cover

The Series 2016 Bonds will be issued in fully registered form and, when issued, will be registered in the name of Cede & Co., as registered owner and nominee of The Depository Trust Company ("DTC"), New York, New York. Purchases of beneficial interests in the Series 2016 Bonds will be made in book-entry only form. Purchasers of beneficial interests will not receive certificates representing their interests in the Series 2016 Bonds. Except as otherwise stated herein, so long as Cede & Co., as nominee of DTC, is the registered owner of the Series 2016 Bonds, references herein to the registered owners or the owners of the Series 2016 Bonds shall mean Cede & Co. and shall not mean the actual purchasers (the "Beneficial Owners") of the Series 2016 Bonds. The Series 2016 Bonds will bear interest payable on each June 1 and December 1, commencing June 1, 2017, and are subject to mandatory sinking fund redemption and optional redemption prior to maturity as described herein. So long as DTC or Cede & Co. is the registered owner of the Series 2016 Bonds, payments of principal or redemption price of and interest on the Series 2016 Bonds will be made directly to DTC or its nominee Cede & Co. by The Bank of New York Mellon Trust Company, N. A., Louisville, Kentucky, as Registrar and Paying Agent for the Series 2016 Bonds. Disbursement of such payments to the DTC Participants is the responsibility of DTC and disbursement of such payments to the Beneficial Owners is the responsibility of the DTC Participants and the Indirect Participants, as more fully described herein. See "THE SERIES 2016 BONDS - Book-Entry Only System" herein.

The Series 2016 Bonds are a special revenue obligation of the Louisville and Jefferson County Visitors and Convention Commission (the "Issuer") payable solely from, and secured solely by a pledge of and security interest in, the Pledged Receipts as defined herein. The Series 2016 Bonds do not constitute a general obligation or indebtedness of the Issuer, the Louisville/Jefferson County Metro Government, or the Commonwealth of Kentucky within the meaning of the Constitution and laws of the Commonwealth.

The Series 2016 Bonds are offered when, as, and if issued by the Issuer and received by the Underwriters, subject to prior sale, withdrawal or modification of the offer without notice, and the approval of legality by Wyatt, Tarrant & Comb the Issuer by its General Counsel, Zielke Law Firm, PLLC, Louisville, Kentucky. It is expected that the Series 2016 Bonds in definitive form will be available for delivery to the Underwriters in New York, New York on or about August 31, 2016.

Dated: _____, 2016

* Estimated, subject to change.

\$138,585,000*
LOUISVILLE AND JEFFERSON COUNTY VISITORS AND CONVENTION COMMISSION
DEDICATED TAX REVENUE BONDS, SERIES 2016
(KENTUCKY INTERNATIONAL CONVENTION CENTER EXPANSION PROJECT)

Maturing June 1	Principal Amount*	Interest Rate	Price/ Yield	CUSIP** 506604

\$ _____ * _____ % Term Bonds Due June 1, 20____, Priced at _____%, CUSIP 506604 _____
\$ _____ * _____ % Term Bonds Due June 1, 20____, Priced at _____%, CUSIP 506604 _____

* Estimated, subject to change.

** CUSIP is a registered trademark of the American Bankers Association. The CUSIP numbers shown herein are provided by Standard & Poor's, a division of The McGraw-Hill Companies, Inc., as manager of CUSIP Global Services, and are shown herein for convenience of reference only. No representation is made as to the correctness of the CUSIP number shown herein for any of the Series 2016 Bonds. The CUSIP numbers for some or all of the Series 2016 Bonds may be changed as a result of various actions occurring after the issuance of the Series 2016 Bonds, including, but not limited to, a refunding in whole or in part of the Series 2016 Bonds or the addition of secondary market portfolio insurance or other credit enhancement applicable to some or all of the Series 2016 Bonds.

REGARDING USE OF THIS OFFICIAL STATEMENT

AUTHORIZED INFORMATION AND REPRESENTATIONS

No dealer, broker, salesman, or any other person has been authorized to give any information or to make any representations with respect to the Series 2016 Bonds, other than the information and representations contained in this Official Statement and, if given or made, such other information or representations must not be relied upon. This Official Statement does not constitute an offer to sell or a solicitation of an offer to buy any of the Series 2016 Bonds by any person in any jurisdiction in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation. The information set forth herein has been obtained from the Issuer and other sources which are believed to be reliable, but the accuracy or completeness of such information is not guaranteed by, and should not be construed as a representation of, the Underwriters. The descriptions herein of statutes, ordinances, resolutions, and other documents are intended only as summaries and reference should be made to the full text for the complete provisions thereof. This Official Statement is distributed in connection with the sale of the Series 2016 Bonds and may not be reproduced or be used, in whole or in part, for any other purpose. The information and expressions of opinion stated 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 the information contained herein is correct as of any time subsequent to the date hereof.

REGISTRATION EXEMPTIONS

The Series 2016 Bonds have not been registered with the U.S. Securities and Exchange Commission under the Securities Act of 1933, as amended (the “Securities Act”), nor has the Indenture been qualified under the Trust Indenture Act of 1939, as amended, in reliance upon exemptions contained in such Acts. The 2016 Bonds have not been registered under any state securities or “blue sky” laws where the Series 2016 Bonds will be offered for sale, in reliance upon exemptions contained in such laws. In making an investment decision, investors must rely upon their own examination of the Issuer and the sources of payment, security for, and other terms of the Series 2016 Bonds, including the merits and risks of an investment in the Series 2016 Bonds. No federal or state securities commission or other regulatory authority has recommended an investment in the Series 2016 Bonds and none of them has confirmed the accuracy or determined the adequacy of this Official Statement. Any representation to the contrary may be a criminal offense.

FORWARD-LOOKING STATEMENTS

Certain statements included or incorporated by reference in this Official Statement constitute “forward looking statements” within the meaning of the U.S. Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended (the “Exchange Act”), and Section 27A of the Securities Act. Such statements are generally identifiable by the words used such as “plan,” “expect,” “estimate,” “project,” “forecast,” “anticipate,” “budget,” “intend,” or other similar words. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties, and other factors which 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. Neither the Issuer nor any other party plans or is obligated to issue any updates to or revisions of those forward-looking statements if or when any changes occur in the expectations, events, conditions, or circumstances upon which such statements are based occur.

FINAL OFFICIAL STATEMENT

The Issuer has deemed this Official Statement final as of its date for purposes of Rule 15c2-12 of the U.S. Securities and Exchange Commission promulgated under the Exchange Act, except for certain information permitted to be omitted in accordance with the Rule.

MARKET STABILIZATION

In connection with the offering of the Series 2016 Bonds, the Underwriters may over allot or effect transactions that stabilize or maintain the market price of the Series 2016 Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

LOUISVILLE AND JEFFERSON COUNTY VISITORS AND CONVENTION COMMISSION
(doing business as Louisville Convention & Visitors Bureau)

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Michael Grisanti, Secretary/Treasurer
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OFFICIAL STATEMENT

\$138,585,000*

LOUISVILLE AND JEFFERSON COUNTY VISITORS AND CONVENTION COMMISSION
Dedicated Tax Revenue Bonds, Series 2016
(Kentucky International Convention Center Expansion Project)

INTRODUCTION

The purpose of this Official Statement, including the cover page, inside cover page, and appendices, is to set forth information concerning the Louisville and Jefferson County Visitors and Convention Commission (the “Commission” or the “Issuer”) and its Dedicated Tax Revenue Bonds, Series 2016 (Kentucky International Convention Center Expansion Project) (the “Series 2016 Bonds”). The Series 2016 Bonds are being issued pursuant to (i) the provisions of Chapter 58, and Sections 91A.350 through 91A.394 (the “Tourism and Conventions Commission Act” or the “Act”), of the Kentucky Revised Statutes (“KRS”), (ii) the Bond Resolution adopted by the Issuer on May 26, 2016 (the “Bond Resolution”) and (iii) the Master Indenture of Trust dated as of January 1, 2004 (the “Original Indenture”) by and between the Issuer and J.P. Morgan Trust Company, National Association, as trustee (the “Original Trustee”), as supplemented by the First Supplemental Trust Indenture and the Second Supplemental Trust Indenture, both dated as of January 1, 2004 and by and between the Issuer and the Original Trustee, the Third Supplemental Trust Indenture dated as of October 31, 2014 by and between the Issuer and The Bank of New York Mellon Trust Company, N. A., as successor trustee (the “Trustee”), and the Fourth Supplemental Trust Indenture dated as of August 1, 2016 (the “Fourth Supplemental Indenture”) by and between the Issuer and the Trustee (the Master Indenture of Trust, as so supplemented and amended, and as it may hereafter be supplemented and amended in accordance with its terms, the “Indenture”) to renovate and expand as hereinafter described the Kentucky International Convention Center, a convention center located in the central business district of Louisville, Kentucky, owned by the Commonwealth of Kentucky (the “Commonwealth”), and operated by the Kentucky State Fair Board, an agency of the Commonwealth.

DEFINITIONS

Capitalized terms not otherwise defined in this Official Statement are used as defined in “**APPENDIX A -- SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE**”.

Generic references herein to “hotels” include hotels, motels, inns, lodges, bed and breakfast establishments, and other lodging facilities regardless of how designated.

THE ISSUER

The Louisville and Jefferson County Visitors and Convention Commission (the “Commission” or the “Issuer”), doing business as Louisville Convention & Visitors Bureau, was created in 1968 pursuant to the Act for the purpose of promoting recreational, convention, and tourist activity in the City of Louisville, Kentucky (the “City”) and Jefferson County, Kentucky (the “County”). The City and the County consolidated in 2003 to form a single consolidated local government named

* Estimated, subject to change.

Louisville/Jefferson County Metro Government (“Metro Government”). See **“METRO GOVERNMENT”** below.

The Commission is composed of nine members. The Mayor of Metro Government appoints six members of the Commission for a term of three years each. The Governor of the Commonwealth appoints three members of the Commission for a term of three years each. Members of the Commission appointed by the Governor serve at the pleasure of the Governor. Members of the Commission appointed by the Mayor may be removed from office by the Mayor, after notice and a hearing, for inefficiency, neglect of duty, malfeasance, or conflict of interest.

The incumbent members and officers of the Commission are identified on page (iii) of this Official Statement. There is currently one vacancy on the Commission, from among the members appointed by the Governor.

METRO GOVERNMENT

The City of Louisville and Jefferson County consolidated on January 6, 2003 to form a consolidated local government named Louisville/Jefferson County Metro Government (“Metro Government”). Metro Government replaced and superseded the governments of the City and the County. The City no longer exists as a separate legal entity. The County continues to exist as a geographical unit under the Kentucky Constitution but Metro Government has succeeded to substantially all of its powers and duties. The Mayor of Metro Government is elected for a term of four years to serve as the chief executive of Metro Government. The Legislative Council of Metro Government (“Metro Council”), consisting of twenty-six council members elected by geographical districts for a term of four years each, is the legislative body of Metro Government. Metro Council has adopted an ordinance approving the Commission’s issuance of the Series 2016 Bonds and the Commission’s pledge of the Pledged Receipts (as hereinafter defined) to secure the payment of the Series 2016 Bonds.

THE STATE FAIR BOARD

The Kentucky State Fair Board (the “State Fair Board”) is an administrative body within the Tourism, Arts and Heritage Cabinet of the Commonwealth (the “Tourism Cabinet”) established pursuant to the provisions of KRS 247.090 through 247.230. The State Fair Board is responsible for operating and maintaining the Kentucky International Convention Center (the “Convention Center”). See **“THE CONVENTION CENTER”** below. Title to the Convention Center is vested in the Commonwealth for the use and benefit of the State Fair Board.

In addition to the Convention Center, the State Fair Board operates and maintains the Kentucky Exposition Center, the state fairgrounds formerly known as the Kentucky Fair and Exposition Center, which is also owned by the Commonwealth and is located south of downtown Louisville approximately six miles from the Convention Center.

THE CONVENTION CENTER

The Kentucky International Convention Center (the “Convention Center”), formerly known as the Commonwealth Convention Center, located in downtown Louisville, Kentucky with its main entrance at 221 S. Fourth Street, is a multi-purpose meeting facility designed to host conventions, expositions, trade shows, banquets, and other events. The Convention Center occupies two full city blocks bounded by Second Street on the east, Fourth Street on the west, Jefferson Street on the north, and Market Street on the south. It was originally constructed between November 1974 and December 1976 and opened in 1977. An expansion completed in December 1999 extended the facility eastward from

Third Street to Second Street and added brick and glass elements to the original concrete facade and a new ballroom with a canopied entrance from Market Street. At present, before the renovation and expansion described below, the Convention Center contains approximately 285,000 square feet of total floor space on two floors, including 147,000 square feet of column-free exhibit space, a 30,000 square foot ballroom, and 51 meeting rooms, all under one roof.

The Convention Center is owned by the Commonwealth and is operated and managed by the State Fair Board.

THE ISSUER HAS NO RESPONSIBILITY WITH REGARD TO THE OPERATION AND MAINTENANCE OF THE CONVENTION CENTER. WHILE ANY SERIES 2016 BONDS ARE OUTSTANDING, NO PROCEEDS OF THE DEDICATED TAXES (AS HEREINAFTER DEFINED) MAY BE USED TO PAY COSTS OF OPERATING OR MAINTAINING THE CONVENTION CENTER. THE BONDS ARE NOT SECURED BY THE REVENUES OR RENTAL INCOME FROM THE OPERATION OF THE CONVENTION CENTER OR BY A MORTGAGE OR OTHER LIEN ON THE CONVENTION CENTER.

THE PROJECT

Proceeds of the Series 2016 Bonds will be used to finance the Issuer's contribution to the renovation and expansion of the Convention Center (the "Project"). The Project will include expanding the existing 147,000 square feet of contiguous exhibit hall space to approximately 200,000 square feet, expanding the existing ballroom from 30,000 to approximately 40,000 square feet, and renovating the kitchens and the existing 51 meeting rooms – all within the existing building footprint of the Convention Center. The Project is also planned to include improvements to heating, ventilation, air conditioning, and other mechanical systems and communications equipment, improving pedestrian flow and signage, converting the exterior façade from concrete to glass and the installation of other exterior finishes, and improvements to promote efficiency in the use of energy and water and to reduce greenhouse gas emissions. To accommodate the Project, the Convention Center will close for approximately two years, from August 2016 to August 2018.

The total cost of the Project is estimated to be \$207,000,000, of which the Commonwealth has committed to pay \$56,000,000 and the Commission has committed to pay the balance from the proceeds of the Series 2016 Bonds. For additional information with regard to the application of the proceeds of the Series 2016 Bonds, see "**PLAN OF FINANCING**" below.

The Finance and Administration Cabinet of the Commonwealth (the "Finance Cabinet"), Metro Government, and the Commission have entered into a memorandum of agreement outlining the responsibilities of each party with respect to the Project. The Finance Cabinet agrees that the Commonwealth will issue \$56 million of bonds for the Project and bid and award contracts for construction of the Project. Metro Government agrees to enact ordinances authorizing issuance of the Series 2016 Bonds and the imposition of the transient room taxes hereinafter described to remain in effect as the source of payment and security for the Series 2016 Bonds as long as any of such bonds remain outstanding. The Commission agrees to (i) issue the Series 2016 Bonds to generate \$151 of net proceeds to be used to construct the Project; (ii) pledge up to one-half of the 3% Operations Tax (as hereinafter defined) as additional security for the Series 2016 Bonds; (iii) allocate \$1 million from its annual operating budget to a Capital Improvement Fund for the Convention Center, to be used to pay debt service on Dedicated Tax Revenue Bonds as hereinafter defined and, if not needed therefor, to be applied to the following purposes in the following order: (a) to replenish any deficit in the Reserve Account for the Series 2016 Bonds as hereinafter described, (b) to replenish any withdrawals from the

Tax Stabilization Fund for the Series 2016 Bonds as hereinafter described or to fund up to a minimum balance of \$500,000 in the Tax Stabilization Fund if not accumulated therein by December 31, 2017 from the Dedicated Taxes as hereinafter defined, and (c) for capital improvements from time to time at the Convention Center as approved by the Commission.

The Project is intended to expand and revitalize the Convention Center and thereby enhance its competitive position as a venue for regional, national, and international conventions and meetings with resulting benefits for the local economy, including potential increased demand for local hotel rooms generating additional transient room tax revenues.

The Finance Cabinet, the State Fair Board, and the Commission, in consultation with the architects, engineers, and other consultants for the Project, have determined that keeping the Convention Center open during the construction of the Project might risk the safety and adversely affect the experience of the users of the Convention Center, which in turn might jeopardize long-term relationships with users and potential users of the Convention Center. The Finance Cabinet, the State Fair Board, and the Commission therefore decided that the Convention Center would be closed entirely in order to expedite the construction, and reduce the cost, of the Project. To mitigate the adverse effects of the closure, the staff of the State Fair Board and the Commission have been meeting with local hotel operators and affected users and potential users of the Convention Center to arrange alternative local meeting venues during the construction of the Project, including the Kentucky Exposition Center, and KFC Yum! Center and the Kentucky Center for the Performing Arts in downtown Louisville, as well as local hotels. Other smaller events, such as meetings, banquets, and concerts and shows, are also expected to be relocated to other venues within the local area. Additionally, the State Fair Board and the Commission are working to attract additional events to the Kentucky Exposition Center and other venues in Louisville, both within and outside the downtown area, during the closure. Thus, during the closure of the Convention Center, conventions, meetings, and other events will continue to be held in downtown Louisville and throughout the local area and transient room taxes generated by such events will continue to be collected.

TRANSIENT ROOM TAXES

The Series 2016 Bonds are not a general obligation of the Issuer, Metro Government, or the Commonwealth but rather a special revenue obligation of the Issuer payable solely from, and secured solely by a pledge to and security interest of the Trustee in, the Pledged Receipts as defined in the Indenture (See “**APPENDIX A -- SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE-Definitions**”). As further described herein under the caption “**SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2004B BONDS, THE SERIES 2016 BONDS, AND ANY ADDITIONAL BONDS**”, the Pledged Receipts consist primarily of a portion of the transient room taxes imposed by Metro Government, as well as any interest earnings thereon while held by the Trustee.

The following transient room taxes are imposed by Metro Government within its boundaries, pursuant to the Tourism and Conventions Commission Act and ordinances of Metro Government, at a total rate of 9.50% of the rent charged for the occupancy of a hotel room (the “room charge”).¹ In addition, the 6% Kentucky state sales tax is imposed on the sum of (i) the room charge and (ii) the local and state transient room taxes. Accordingly, the total tax on the room charge is as follows:

¹ As further described below, the Commission pledges pursuant to the Fourth Supplemental Indenture 4.50% of this total 9.50% to secure the payment of the Series 2016 Bonds.

Metro Government transient room taxes (<i>described in paragraphs a – e below</i>)	8.50%
1% Statewide Transient Room Tax (<i>described in paragraph f below</i>)	<u>1.00%</u>
Total Transient Room Taxes	<u>9.50%</u>
6% Kentucky state sales tax on the room charge	6.00%
6% Kentucky state sales tax on the transient room taxes (6.00% x 9.50%)	<u>0.57%</u>
Total Kentucky state sales tax	<u>6.57%</u>
Total Transient Room Tax and Sales Tax on Room Charge	<u>16.07%</u>

(a) The Tourism and Conventions Commission Act provides that a tourist and convention commission established thereunder shall submit annually to the local government which established the commission a request for funds for the operation of the commission and that the local government shall provide funds for the operation of the commission by imposing a transient room tax at a rate (in the case of a consolidated local government²) of not more than three percent (3%) of the rent on every occupancy of a suite, room, or rooms charged by all persons, companies, corporations, or other like or similar persons, groups, or organizations doing business as motor courts, motels, hotels, inn, or like or similar accommodations businesses (the “3% Operations Tax”).³ As further described below, the Commission pledges pursuant to the Fourth Supplemental Indenture one half of the 3% Operations Tax (the “Pledged 1½% Operations Tax”) to secure the payment of the Series 2016 Bonds.

The Act provides that transient room taxes shall not apply to the rental or leasing of an apartment supplied by an individual or business that regularly holds itself out as exclusively providing apartments. The Act defines an “apartment” to mean a room or set of rooms, in an apartment building, fitted especially with a kitchen and usually leased as a dwelling for a minimum period of thirty (30) days or more.

The Act provides that a portion of the money collected from the imposition of the 3% Operations Tax, as determined by the local government levying the tax, upon the advice and consent of the tourist and convention commission, may be used to finance the cost of acquisition, construction, operation, and maintenance of facilities useful in the attraction and promotion of tourist and convention business and that the balance of the money collected from the imposition of the tax shall be used for the purpose of promoting convention and tourist activity. Proceeds of the tax shall not be used as a subsidy in any form to any hotel, motel, or restaurant, except as authorized by statute for the “Signature Project Program” described below. Money not expended by the commission during any fiscal year shall be used to make up a part of the commission's budget for its next fiscal year.

² Metro Government is the only “consolidated local government” in Kentucky.

³ References in this Official Statement to a transient room tax imposed at a specified percentage rate mean that percentage of the room charge.

(b) The Tourism and Conventions Commission Act further provides that, in addition to the 3% Operations Tax, a consolidated local government may levy an additional transient room tax at a rate of not more than 2% (the “2% Dedicated Tax”) and that all amounts collected from such tax shall be applied toward the retirement of bonds issued under the Tourism and Conventions Commission Act to finance the expansion, construction, or operation of a governmental convention center useful to the promotion of tourism located in the central business district of the consolidated local government. As further described below, the Commission pledges the 2% Dedicated Tax pursuant to the Fourth Supplemental Indenture to secure the payment of the Series 2016 Bonds.

(c) The Tourism and Conventions Commission Act further provides that, in addition to the taxes described above, a consolidated local government may impose a transient room tax at a rate of not more than 1.5% for the purpose of funding additional promotion of tourism and convention business.

(d) The Tourism and Conventions Commission Act further provides that, in addition to the taxes described above, on or after August 1, 2014 a consolidated local government may impose a special transient room tax at a rate of not more than 1% (the “1% Additional Dedicated Tax”) for the purpose of meeting the operating expenses of a convention center and financing the renovation or expansion of a convention center that is government-owned and located in the central business district of the consolidated local government, except that revenue derived from the 1% Additional Dedicated Tax shall not be used to meet the operating expenses of a convention center until any debt issued for financing such renovation or expansion is retired. As further described below, the Commission pledges the 1% Additional Dedicated Tax pursuant to the Fourth Supplemental Indenture to secure the payment of the Series 2016 Bonds.

(e) KRS 153.440 provides that, in addition to the transient room taxes described above, a consolidated local government may levy an additional transient room tax at a rate of not more than 1% and that all amounts collected from such tax shall be turned over to the Kentucky Center for the Arts Corporation, an agency of the Commonwealth, to defray the operating costs of the Kentucky Center for the Arts, a performing arts center located in the central business district of Louisville, owned by the Commonwealth and operated by the Kentucky Center for the Arts Corporation. KRS 153.440 provides that the tax authorized by KRS 153.440 shall not apply to the rental or lease of any room or set of rooms that is equipped with a kitchen, in an apartment building, and that is usually leased as a dwelling for a period of thirty (30) days or more by an individual or business that regularly holds itself out as exclusively providing apartments.

Pursuant to the Louisville/Jefferson County Metro Government Code of Ordinances (“LMCO”), Metro Government levies all of the transient room taxes described above at the maximum authorized rates and covenants that, as long as any revenue bonds of the Commission issued under the Tourism and Conventions Commission Act which are payable from and secured by (i) the 2% Dedicated Tax or the 1% Additional Dedicated Tax (collectively, the “Dedicated Taxes”, so called because the proceeds thereof are dedicated exclusively to the payment of debt service on bonds issued by the Commission under the Act while any such bonds (“Dedicated Tax Revenue Bonds”) remain outstanding) or (ii) any portion of the 3% Operations Tax⁴, such taxes shall remain in full force and effect. LMCO

⁴ Unlike the 2% Dedicated Tax and the 1% Additional Dedicated Tax (the “Dedicated Taxes”), the 3% Operations Tax is not restricted by the Act exclusively to the payment of debt service on outstanding bonds issued by the Commission under the Act.

further provides that the 2% Dedicated Tax shall remain in full force and effect while any Dedicated Tax Revenue Bonds remain outstanding, that all moneys collected from the 2% Dedicated Tax shall be applied for the sole and exclusive purpose of retiring Dedicated Tax Revenue Bonds to finance the expansion, construction, or operation of the Convention Center, and that upon the earlier of (i) thirty years from the last date of issuance of any Dedicated Tax Revenue Bonds or (ii) the retirement of all Dedicated Tax Revenue Bonds, such tax shall be void and terminate and Metro Council shall take appropriate action to repeal such tax. LMCO further provides that the 1% Additional Dedicated Tax shall remain in full force and effect while any Dedicated Tax Revenue Bonds remain outstanding and that all revenues collected from the 1% Additional Dedicated Tax shall be used for the purpose of financing the renovation or expansion of the Convention Center, including retiring Dedicated Tax Revenue Bonds issued to finance the renovation or expansion of the Convention Center, provided that the revenues derived from the 1% Additional Dedicated Tax may, upon the approval of Metro Council, be used to meet the operating expenses of the Convention Center after all Dedicated Tax Revenue Bonds have been retired.

The Louisville/Jefferson County Revenue Commission (the "Revenue Commission"), an administrative body of Metro Government, is responsible for collecting taxes, including transient room taxes, imposed by Metro Government. LMCO provides that each lodging business responsible for collecting transient room taxes shall submit to the Revenue Commission the taxes due, together with a form prescribed by the Revenue Commission, by the last day of the month following the month the taxes are collected. A penalty of 5% of the amount of the tax due and interest at the rate of 12% per annum until the date of payment is imposed on a lodging business that fails to pay the tax on or before the due date.

(f) In addition to the transient room taxes imposed by Metro Government, KRS 142.400 imposes a tax (the "1% Statewide Transient Room Tax") at the rate of 1% of the rent (exclusive of any other local or state taxes paid by the person or entity renting the accommodations) for every occupancy of any suite, room, rooms, or cabins charged by all persons, companies, corporations, groups, or organizations doing business as motor courts, motels, hotels, inns, tourist camps, or like or similar accommodations businesses. Receipts from the 1% Statewide Transient Room Tax are deposited into the Tourism, Meeting and Convention Marketing Fund administered by the Tourism Cabinet, with the approval of the Governor's Office for Policy and Management, and used for the sole purpose of marketing and promoting tourism in the Commonwealth, including expenditures (except expenditures for capital construction projects) to market and promote events and venues related to meetings, conventions, trade shows, cultural activities, historical sites, recreation, entertainment, natural phenomena, areas of scenic beauty, craft marketing, and any other economic activity that brings tourists and visitors to the Commonwealth. The Tourism Cabinet distributes a portion of the 1% Statewide Transient Room Tax to tourism and convention commissions established under the Act, including the Commission, based on the amount of the commission's expenses each year for marketing and promoting tourism in the Commonwealth, subject to an annual maximum amount determined by the Tourism Cabinet.

Signature Project Program

KRS 154.30-050 established a "Signature Project Program" to encourage private investment in the development of major economic development projects that will have a significant impact on the Commonwealth and are determined to be of such a magnitude as to warrant extraordinary public support. The statute authorizes Metro Government to "release" and dedicate, to the payment of debt service on financing incurred to pay the costs of public infrastructure improvements for an eligible project, in addition to other state and local tax revenues, up to eighty percent (80%) of the incremental taxes generated within the project development area from the transient room taxes levied under KRS 91A.390, for a period of not more than thirty years or, if earlier, the date when the cumulative sum of the

released taxes equals the total cost of the public infrastructure improvements approved by Metro Government. Metro Government has agreed to such a release of incremental transient room taxes, in the amount of not more than \$400,000 in the first year and increased by 4% in each subsequent year (the “Annual Maximum”), generated within the defined geographic area of an economic development project in the Louisville central business district known as the “Center City Project”, located one city block from the Convention Center and consisting of the development of a 612-room convention hotel expected to open in Spring 2018 under the name Omni Louisville, 225 rental apartment units, retail stores and restaurants, an approximately 820-space public parking garage, and related public infrastructure improvements. The amount of incremental transient room taxes released to finance public infrastructure costs of the Center City Project, up to the Annual Maximum, will not be remitted to the Commission or the Trustee and will not be available to pay any obligations of the Commission, including the Series 2016 Bonds. The Center City Project is currently under construction and is projected to generate annual incremental transient room taxes within the development area exceeding the Annual Maximum. The release of incremental transient room taxes for the benefit of the Center City Project is expected to begin by December 2017 and to continue for a maximum term of thirty years thereafter or, if earlier, until the date when the cumulative sum of the released taxes equals the total cost of the public infrastructure improvements approved by Metro Government. Metro Government is not currently planning to undertake any additional projects under the Signature Project Program.

See “**SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2004B BONDS, THE SERIES 2016 BONDS, AND ANY ADDITIONAL BONDS**” below for a discussion of the portions of the transient room taxes imposed by Metro Government that are pledged to pay the debt service on, respectively, (i) the Commission’s outstanding Dedicated Tax Refunding Revenue Bonds (Kentucky International Convention Center Expansion Project), Variable Rate Series 2004B, (ii) the Series 2016 Bonds offered by this Official Statement, and (iii) any Additional Bonds hereafter issued by the Commission under and as defined in the Indenture.

Online Travel Companies and Short-Term Rentals

Online Travel Companies. In *Louisville/Jefferson County Metro Government v. Hotels.Com*, 590 F.3d 381 (6th Cir. 2009), Metro Government sued online travel companies (OTCs) that agreed to pay lodging establishments a contractually agreed “wholesale” room rate and rented the rooms to consumers at a higher “retail” rate for failing to pay the applicable transient room taxes on the retail room rate rather than the wholesale room rate. The court held in favor of the OTCs on the grounds that the OTCs were not “like or similar accommodations businesses” within the meaning of the statutes and ordinances described above pursuant to which Metro Government imposes transient room taxes. Accordingly, hotels are required to collect and pay Metro Government transient room taxes based on the “wholesale” room rate the hotels charge the OTCs rather than the higher “retail” room rate the OTCs charge their customers.

Short Term Rentals. In January 2016 Metro Government enacted an ordinance regulating “short-term rentals”, defined as “[a] dwelling unit that is rented, leased or otherwise assigned for a tenancy of less than thirty (30) consecutive days duration, where no meals are served. This term does not include hotel or motel rooms, extended stay lodging facilities, bed and breakfast inns or boarding and lodging house rooms”. Effective August 1, 2016, the ordinance requires persons owning or operating short-term rentals, among other requirements, to register annually with Metro Government and to collect and remit to the Revenue Commission the transient room taxes imposed by Metro Government.

The Commission has not incorporated into its budget for the fiscal year ending June 30, 2017 the additional transient room tax collections that may result from the short-term rental ordinance described above, because the impact of the ordinance is difficult to determine at this point.

THE SERIES 2016 BONDS

General

The Series 2016 Bonds will be dated on original issuance as of the date of delivery and will bear interest at the rates and mature in the amounts and on the dates set forth on the inside cover page of this Official Statement. The Series 2016 Bonds are issuable as fully registered bonds (initially in book-entry only form as described below in “Book Entry Only System”) in denominations of \$5,000 or integral multiples thereof. Interest will be payable on June 1, 2017, and semiannually thereafter on June 1 and December 1 of each year, by check of the Paying Agent mailed to such registered owner who shall appear as of the close of business on the fifteenth day (or if such day shall not be a business day, the preceding business day) of the calendar month next preceding such interest payment date on the registration books of the Commission maintained by the Bond Registrar, or if the registered owner shall be the registered owner of Bonds in the aggregate principal amount of \$1,000,000 or more, by wire transfer, if the registered owner has requested payment in such manner at such wire address as shall have been furnished by the registered owner on or prior to the fifteenth day next preceding such interest payment date (or if such date shall not be a business day, the next succeeding business date). Principal and premium, if any, on the Series 2016 Bonds are payable to the registered owner thereof upon presentation and surrender at the designated corporate trust office in Louisville, Kentucky of The Bank of New York Mellon Trust Company, N. A., as Paying Agent for the Series 2016 Bonds.

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Series 2016 Bonds. The Series 2016 Bonds will be initially issued exclusively in book-entry only form and the ownership of the Series 2016 Bonds will be registered in the name of Cede & Co., as nominee for DTC. Except as otherwise provided herein, so long as Cede & Co., as nominee of DTC, is the registered owner of the Series 2016 Bonds, any references herein to the registered owners or the owners of the Series 2016 Bonds shall mean Cede & Co. and shall not mean the Beneficial Owners (as defined herein) of the Series 2016 Bonds. Upon the discontinuance of the book-entry only system described herein under “**THE SERIES 2016 BONDS — Book-Entry Only System**”, the payment provisions described in the following paragraph will become applicable to Beneficial Owners who become registered owners. Information regarding DTC and the book-entry only system contained herein has been obtained from DTC.

Mandatory Redemption

The Series 2016 Bonds maturing on June 1, 20__ are subject to redemption, by operation of the Bond Fund, to satisfy the sinking fund installments required by the Indenture, on June 1 in each of the years and in the respective principal amounts set forth below, at 100% of the principal amount of the Series 2016 Bonds to be redeemed plus accrued interest to the redemption date.

Year	Principal Amount

The Series 2016 Bonds maturing on June 1, 20__ are subject to redemption, by operation of the Bond Fund, to satisfy sinking fund installments required by the Indenture, on June 1 in each of the years and in the respective principal amounts set forth below, at 100% of the principal amount of the Series 2016 Bonds to be redeemed plus accrued interest to the redemption date.

Year	Principal Amount

In determining the amount of any sinking fund installment due on any date specified above, there shall be deducted the principal amount of any Series 2016 Bonds to which such sinking fund installment applies, where such Series 2016 Bonds have been (1) redeemed or purchased on a date more than 60 days preceding the date on which such installment is due, from amounts accumulated in the Debt Service Account with respect to such sinking fund installment or (2) purchased during the period from 40 to 60 days prior to the due date of the installment, from any amount (exclusive of amounts deposited from the proceeds of the Series 2016 Bonds) in the Debt Service Account. In addition, upon the redemption or purchase of the Series 2016 Bonds for which sinking fund installments have been established, unless

otherwise provided by the Commission, each such sinking fund installment thereafter to become due (other than that next due) shall be credited with an amount which bears the same relation to the sinking fund installment to be credited as the total principal amount of the Series 2016 Bonds purchased or redeemed bears to the total amount of sinking fund installments to be credited.

Optional Redemption

The Series 2016 Bonds maturing on or after June 1, 2027, are subject to redemption prior to maturity at the option of the Commission, from time to time in whole or in part on any date, on or after June 1, 2026, and, if less than all Series 2016 Bonds of a maturity are called, the selection of such bonds shall be by lot in any customary manner of selection as designated by the Bond Registrar, and any such redemption shall be made at the redemption price of 100% of the principal amount of the Series 2016 Bonds to be redeemed plus accrued interest to the redemption date.

Notice of Redemption

The Trustee will give notice of redemption, identifying the Series 2016 Bonds (or portions thereof) to be redeemed, by mailing a copy of the redemption notice by first class mail not less than 30 days prior to the date fixed for redemption to the registered owner of each Bond (or portion thereof) to be redeemed at the address shown on the registration books maintained by the Bond Registrar. Failure to give such notice by mail to any registered owner of the Series 2016 Bonds (or portion thereof) or any defect therein shall not affect the validity of any proceedings for the redemption of the Series 2016 Bonds (or portions thereof). All Series 2016 Bonds (or portions thereof) so called for redemption will cease to bear interest from and after the specified redemption date, provided funds for their redemption are on deposit at the place of payment at that time.

Exchange and Transfer

The registration of any Series 2016 Bond may be transferred only upon the books of the Issuer kept by the Bond Registrar, by the owner thereof, in person or by his or her attorney duly authorized in writing, upon surrender of such Series 2016 Bond at the designated corporate trust office of the Bond Registrar accompanied by a written instrument of transfer satisfactory to the Bond Registrar and duly executed by the owner or by his or her duly authorized attorney. Any Series 2016 Bond may be exchanged at the designated corporate trust office of the Bond Registrar for new Series 2016 Bonds of any authorized denomination and of the same aggregate principal amount and maturity as the surrendered Series 2016 Bond. The Bond Registrar will not charge for any new bond issued upon any transfer or exchange, but may require the owner requesting such exchange to pay any tax, fee or other governmental charge required to be paid with respect to such exchange or transfer. Neither the Issuer nor the Bond Registrar is required (a) to exchange or transfer any Series 2016 Bond during the period commencing on the fifteenth day of the month preceding an interest payment date and ending on such interest payment date, or during the period commencing fifteen days prior to the date of any selection of Series 2016 Bonds to be redeemed and ending on the day after the mailing of the notice of redemption, or (b) to transfer or exchange any Series 2016 Bond called for redemption.

Defeasance

If the Issuer pays or causes to be paid, or there is otherwise paid, to the owners of all outstanding Series 2016 Bonds or Series 2016 Bonds of a particular maturity, the principal or redemption price, if applicable, and interest due or to become due thereon, at the times and in the manner stipulated therein and in the Indenture, such Series 2016 Bonds will cease to be entitled to any lien, benefit or

security under the Indenture, and all covenants, agreements and obligations of the Issuer to the owners of such Series 2016 Bonds will thereupon cease, terminate and become void and be discharged and satisfied.

Subject to the provisions of the Indenture, any outstanding Series 2016 Bonds will be deemed to have been paid within the meaning and with the effect expressed in the foregoing paragraph if (a) in the case of any Series 2016 Bonds to be redeemed on any date prior to their maturity, the Issuer has instructed the Trustee to mail a notice of redemption of such Series 2016 Bonds on said date, (b) there has been deposited with an escrow agent appointed for such purpose either money in an amount which will be sufficient, or Defeasance Obligations the principal of and the interest on which when due will provide money which, together with the money, if any, deposited with the escrow agent at the same time, will be sufficient, to pay when due the principal or redemption price, if applicable, and interest due and to become due on such Series 2016 Bonds on or prior to the redemption date or maturity date thereof, as the case may be, and (c) in the event such Series 2016 Bonds are not by their terms subject to redemption within the next succeeding 60 days, the Issuer has given the Trustee instructions in writing to mail a notice to the owners of such Series 2016 Bonds that the deposit required by (b) above has been made with the escrow agent and that such Series 2016 Bonds are deemed to have been paid in accordance with the Indenture, and stating the maturity or redemption date upon which money is expected to be available for the payment of the principal or redemption price, if applicable, on such Series 2016 Bonds.

Book-Entry Only System

Unless otherwise stated, the following description of the procedures and recordkeeping with respect to beneficial ownership interests in the Series 2016 Bonds, payment of interest and other payments on the Series 2016 Bonds to DTC Participants or Beneficial Owners (as defined herein) of the Series 2016 Bonds, confirmation and transfer of beneficial ownership interests in the Series 2016 Bonds and other bond-related transactions by and between DTC, the DTC Participants and Beneficial Owners of the Series 2016 Bonds is based solely on information furnished by DTC to the Issuer for inclusion herein. Accordingly, the Issuer, the Paying Agent and the Underwriters do not and cannot make any representations concerning these matters.

When the Series 2016 Bonds are issued, ownership interests will be available to purchasers only through a book-entry only system maintained by DTC. Beneficial ownership in the Series 2016 Bonds may be acquired or transferred only through book entries made on the records of DTC and DTC Participants. If the Series 2016 Bonds are taken out of the book-entry only system and delivered to Bondowners in physical form, as described below, the following discussion will not apply.

DTC will act as securities depository for the Series 2016 Bonds. DTC is a limited-purpose trust company organized under the laws of the State of New York, 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 to hold securities of its participants (the “DTC Participants”) and to facilitate the clearance and settlement of securities transactions among DTC Participants in such securities through electronic book-entry changes in accounts of the DTC Participants, thereby eliminating the need of physical movement of securities certificates. DTC Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations, some of whom (and/or their representatives) own DTC. Access to the DTC system is also available to others, including without limitation, banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a DTC Participant, either directly or indirectly (the “Indirect Participants”).

SO LONG AS CEDE & CO., AS NOMINEE OF DTC, IS THE REGISTERED OWNER OF THE SERIES 2016 BONDS, REFERENCES HEREIN TO THE OWNERS, THE BONDHOLDERS,

OR THE REGISTERED OWNERS OF THE SERIES 2016 BONDS SHALL MEAN CEDE & CO. AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE SERIES 2016 BONDS. When reference is made to any action which is required or permitted to be taken by a Beneficial Owner, such reference shall only relate to action by such Beneficial Owner or those permitted to act (by statute, regulation, or otherwise) on behalf of such Beneficial Owner for such purposes. When notices are given, they shall be sent by the Paying Agent to DTC only.

The ownership of each fully registered Series 2016 Bond will be registered in the name of Cede & Co., as nominee for DTC. The DTC Participants shall receive a credit balance in the records of DTC of their ownership interests. The ownership interest of each actual purchaser of each 2016 Bond (the "Beneficial Owner") will be recorded through the records of the DTC Participant. Beneficial Owners will receive a written confirmation of their purchases providing details of the Series 2016 Bonds acquired. Beneficial Owners will not receive certificates representing their ownership interest in the Series 2016 Bonds other than upon the occurrence of certain events, as hereinafter described.

Principal and redemption price of, and interest payments on, the Series 2016 Bonds will be paid by the Paying Agent to DTC or its nominee, Cede & Co., as registered owner of the Series 2016 Bonds, and then paid by DTC to the DTC Participants and thereafter paid by the DTC Participants and Indirect Participants to the Beneficial Owners when due. Upon receipt of moneys, DTC's current practice is to credit immediately the account of the DTC Participants in accordance with their respective holdings shown on the records of DTC. Payments by DTC Participants and Indirect Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is now the case with municipal securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such DTC Participant or Indirect Participant and not of DTC, the Issuer, or the Paying Agent, subject to any statutory or regulatory requirements as may be in effect from time to time.

THE ISSUER AND THE PAYING AGENT WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC PARTICIPANTS, TO INDIRECT PARTICIPANTS OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DTC PARTICIPANT, OR ANY INDIRECT PARTICIPANT; (2) THE PAYMENT BY DTC OR ANY DTC PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE SERIES 2016 BONDS; (3) ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO BONDHOLDERS UNDER THE INDENTURE; OR (4) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS BONDOWNER.

DTC may determine to discontinue providing its services with respect to the Series 2016 Bonds at any time by giving notice to the Issuer and discharging its responsibilities with respect thereto under applicable law. In addition, the Issuer may determine that continuation of the system of book-entry transfers through DTC (or a successor securities depository) is not in the best interests of the Beneficial Owners. If for either reason the book-entry only system as described herein is discontinued, Series 2016 Bond certificates will be delivered as described in the Indenture and the Beneficial Owner, upon registration of certificates held in the Beneficial Owner's name, will become the registered owner of the Series 2016 Bonds. Thereafter, Series 2016 Bonds may be exchanged for an equal aggregate principal amount of Bonds in authorized denominations upon surrender thereof at the designated office of the Paying Agent. For every such exchange of Series 2016 Bonds, the Issuer and the Paying Agent may make a charge sufficient to reimburse them for any tax, fee or other governmental charge required to be paid with respect to such exchange, but no other charge may be made to the Beneficial Owner for any exchange of the Series 2016 Bonds.

SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2004B BONDS, THE SERIES 2016 BONDS, AND ANY ADDITIONAL BONDS

Series 2004B Bonds

There are presently issued and outstanding under the Act and the Indenture \$5,500,000 principal amount of the Commission's Dedicated Tax Refunding Revenue Bonds (Kentucky International Convention Center Expansion Project), Variable Rate Series 2004B (the "Series 2004B Bonds). The Series 2004B Bonds are payable from, and secured solely by a pledge to and security interest of the Trustee in, the 2% Dedicated Tax and one-third of the receipts from the 3% Operations Tax (the "Pledged 1% Operations Tax").

Under the Act, the Additional 1% Dedicated Tax may not be used to pay the Series 2004B Bonds. Accordingly, the Additional 1% Dedicated Tax is not pledged to pay and will not be used to pay the Series 2004B Bonds. Although the Commission may consistent with the Act use available receipts from the 3% Operations Tax to pay the Series 2004B Bonds, only one-third of the 3% Operations Tax (the "Pledged 1% Operations Tax") has been pledged as security for the payment of the Series 2004B Bonds.⁵

The 2004B Bonds were issued to refund bonds issued by the Commission to finance expansions of and improvements to the Convention Center; bear interest at a variable rate; mature on December 1, 2022; are subject to redemption at the option of the Commission, on any Business Day prior to maturity, at a redemption price equal to the principal amount thereof plus accrued interest to the date of redemption; and the principal amount thereof remaining outstanding as of the date of this Official Statement is subject to mandatory sinking fund redemption prior to maturity at a redemption price equal to the principal amount thereof plus accrued interest to the date of redemption, on December 1 of the following years and in the following principal amounts:

2016	\$675,000
2017	710,000
2018	745,000
2019	785,000
2020	820,000
2021	860,000
2022 (maturity)	<u>905,000</u>
	<u>\$5,500,000</u>

⁵ As further described below, one-half of the 3% Operations Tax is pledged under the Fourth Supplemental indenture to secure the payment of the Series 2016 Bonds.

Upon the issuance of the Series 2004B Bonds, the Commission entered into an interest rate swap agreement to hedge the Commission's exposure to interest rate fluctuations with respect to a portion of the principal amount of the Series 2004B Bonds. The Commission terminated the swap agreement on July 1, 2016.

Upon the issuance of the Series 2016 Bonds, the only Parity Obligations outstanding under the Indenture will be the outstanding Series 2004B Bonds and the Series 2016 Bonds. Pursuant to the Fourth Supplemental Indenture, following the issuance of the Series 2016 Bonds, the 2% Dedicated Tax will be accumulated in the Special Annual Redemption Fund established under the Indenture until applied to the redemption of all of the outstanding Series 2004B Bonds and the accrued interest thereon when the sum of such accumulated amount, the \$400,000 on deposit in the Balancing Reserve established under the Indenture for the security of the Series 2004B Bonds, and the amount of approximately \$1,200,000 on deposit in the Reserve Account established under the Indenture is sufficient to effect such redemption. All of the outstanding Series 2004B Bonds are expected to be retired no later than December 1, 2016.

Series 2016 Bonds

Pursuant to the provisions of the Fourth Supplemental Indenture, the Series 2016 Bonds are payable from, and secured solely by a pledge to and security interest of the Trustee in, (i) on a parity with the Series 2004B Bonds, the 2% Dedicated Tax and the Pledged 1% Operations Tax, (ii) the Additional 1% Dedicated Tax, and (iii) in addition to the Pledged 1% Operations Tax, an additional one-sixth of the receipts from the 3% Operations Tax (together with the Pledged 1% Operations Tax, the "1½% Pledged Operations Tax"). Although the Commission may consistent with the Act and the Louisville Metro Code of Ordinance use all available receipts from the 3% Operations Tax to pay the Series 2016 Bonds, only a portion of the 3% Operations Tax (namely, the Pledged 1½% Operations Tax) has been pledged as security for the payment of the Series 2016 Bonds. The Revenue Commission will remit directly to the Trustee on a monthly basis as collected the 2% Dedicated Tax, the 1% Additional Dedicated Tax, and the Pledged 1½% Operations Tax.

Additional Bonds

Subject to the satisfaction of certain debt service coverage requirements and certain other financial conditions, Additional Bonds may be issued on a parity with the Series 2016 Bonds to finance the Cost of Acquisition and Construction of Additional Facilities (as defined in the Indenture) upon the satisfaction of certain conditions. Also, Refunding Bonds may be issued to refund outstanding Bonds. For additional information relating to Additional Bonds, see **"APPENDIX A -- SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE - Additional Bonds"**.

The outstanding Series 2004B Bonds, the Series 2016 Bonds, and any Additional Bonds hereafter issued under the Indenture are hereinafter collectively referred to as the "Bonds".

COLLECTION OF TRANSIENT ROOM TAX

The transient room tax, while a tax of general application, is by its nature a limited and narrow source of revenue. Such a stream of revenue is subject to numerous risk factors. Economic recession, the closure of existing hotels, prolonged inclement weather, or bankruptcy of a hotel could have a significant impact on transient room tax revenues. See **"APPENDIX B - GENERAL INFORMATION ABOUT LOUISVILLE METRO, THE LOUISVILLE AND JEFFERSON COUNTY VISITORS AND CONVENTION COMMISSION, AND THE LOUISVILLE CONVENTION AND HOTEL MARKET- Louisville Convention And Hotel Market"**.

Although the closure of the Convention Center during the construction of the Project may adversely affect transient room tax revenues, the Commission has developed strategies to mitigate the effect, including enhancing its focus on leisure visitors, maximizing opportunities at the Kentucky Exposition Center, and further targeting smaller meetings that can be accommodated within existing hotel meeting spaces. The Commission has engaged a hotel market consultant to provide a rolling 18-month projection on a quarterly basis in order to facilitate a rapid response to changing conditions during the construction period.

The Revenue Commission collects the transient room taxes, remits the portions allocated to the 2% Dedicated Tax, the 1% Additional Dedicated Tax, and the Pledged 1½% Operations Tax directly to the Trustee, and remits the balance of the 3% Operations Tax to the Commission. Payments received by the Revenue Commission are remitted to the Trustee and the Commission during the third week of the month following receipt by the Revenue Commission. The transient room tax is typically collected by each hotel as customers are billed. Payment of the tax by each hotel to the Revenue Commission is due on or prior to the last day of the month succeeding the month of collection. This collection process creates the possibility of cash flow interruption arising solely from the timing of payments. For example, if all hotels mailed their January tax collections on the last day of February, the Revenue Commission would not receive these collections until March, and the Trustee and the Commission would not receive their respective shares of the January tax collections until the third week of April. The Balancing Reserve established for the benefit of the Series 2004B Bonds only, now funded in the required amount of \$400,000, and the Tax Stabilization Account established for the benefit of the Series 2016 Bonds only and funded with excess revenues of the Commission, each as further described below in “**FUNDS AND ACCOUNTS; APPLICATION OF PLEDGED RECEIPTS**”, are intended to be used to make up unexpected interruptions in cash flow because of variations in the timing of the Trustee’s receipt of transient room tax revenues.

Historical Transient Room Tax Collections

The following table shows the respective amounts of the 2% Dedicated Tax and the 3% Operations Tax⁶ collected by the Revenue Commission (on an accrual basis of accounting) in each of the Commission’s ten most recent fiscal years, (i) *including* late payment penalties and the interest earned on the tax and penalties during the period of approximately one month the amounts are held by the Revenue Commission until remitted to the Trustee or the Commission and (ii) *net of* 1.25% of the tax and penalties collected and retained by the Revenue Commission as its collection fee.

⁶ By definition, the amount of the 1% Pledged Operations Tax, which is pledged to secure the 2004B Bonds, equals one-third of the amount of the 3% Operations Tax and the amount of the 1½% Pledged Operations Tax (consisting of the 1% Pledged Operations Tax and an additional one-sixth of the 3% Operations Tax), which is pledged to secure the Series 2016 Bonds on a parity with the outstanding Series 2004B Bonds, equals one-half of the amount of the 3% Operations Tax.

Fiscal Year Ended June 30,	2% Dedicated Tax	3% Operations Tax	% Change from Preceding Year
2006	\$ 4,291,417	\$6,437,126	--
2007	4,949,903	7,424,855	15.3%
2008	5,275,811	7,913,717	6.6
2009	5,170,364	7,755,546	-2.0
2010	4,666,717	7,000,076	-9.7
2011	4,904,151	7,356,227	5.1
2012	5,593,359	8,390,039	14.1
2013	5,793,492	8,690,238	3.6
2014	6,303,838	9,455,757	8.8
2015	6,823,593	10,235,390	8.2

Commencing August 1, 2014, Metro Government has imposed, in addition to the 2% Dedicated Tax and the 3% Operations Tax, the 1% Additional Dedicated Tax⁷. Collections of the 1% Additional Dedicated Tax amounted to \$3,129,948 during the period from August 1, 2014 to June 30, 2015.

BANKRUPTCY

The U.S. Bankruptcy Code (the “Bankruptcy Code”) permits a “municipality”, defined therein as a “political subdivision or public agency or instrumentality of a State”, to file a petition for relief under Chapter 9 of the Bankruptcy Code (“Chapter 9”) if, among other requirements, the laws of the state expressly authorize the municipality to file such a petition. KRS 66.400 expressly authorizes a “municipality” such as the Commission to file a petition under Chapter 9.

If the Commission were to file a petition under Chapter 9 and become a debtor in a proceeding thereunder, it is possible that the application of the Pledged Receipts to pay the Series 2016 Bonds could be stayed during the proceeding and that the terms of Series 2016 Bonds and the Indenture (including the outstanding principal amount, interest rate, security, and tax-related covenants) could be altered by a plan of adjustment of its debts proposed by the Commission, if the bankruptcy court determines that the alterations are fair and equitable and otherwise comply with the requirements of the Bankruptcy Code.

Although the Commission can provide no assurances and there is no binding judicial precedent dealing with facts similar to those supporting the Commission’s position, the Commission believes that the Pledged Receipts pledged by the Commission under the Indenture to secure the payment of the Series 2016 Bonds constitute “special revenues”, as defined in Section 902(2) of the Bankruptcy Code and, consequently, (i) pursuant to Section 928(a) of the Bankruptcy Code, any and all of such Pledged Receipts collected on behalf of the Commission after the commencement of the case under Chapter 9 would remain subject to the lien of the Indenture and could not lawfully be used by the Commission other than in compliance with the Indenture and (ii) under Section 922(d) of the Bankruptcy Code, the application by the Commission of the Pledged Receipts under the terms of the Indenture would

⁷ By definition, commencing August 1, 2014, the amount of the 1% Additional Dedicated Tax equals one-half of the amount of the 2% Dedicated Tax and one-third of the amount of the 3% Operations Tax.

not be subject to stay after the commencement by the Commission of a case under Chapter 9. The Commission intends that the Pledged Receipts be treated as special revenues.

The legal opinions to be delivered in connection with the issuance of the Series 2016 Bonds will be qualified as to bankruptcy and similar events and as to the application of equitable principles relating to the enforcement of creditors rights generally. However, because of the lack of judicial precedent and the resulting uncertainty of the question, no opinion of counsel has been provided regarding the treatment of the Pledged Receipts in the event of the Commission's commencement of a bankruptcy proceeding.

FUNDS AND ACCOUNTS; APPLICATION OF PLEDGED RECEIPTS

Funds and Accounts

The following Funds and Accounts are to be held by the Trustee except the Construction and Acquisition Fund, which is to be held by the Finance Cabinet:

- (1) Construction and Acquisition Fund;
- (2) Revenue Fund;
- (3) Bond Fund, consisting of a Debt Service Account, a Reserve Account, and a Tax Stabilization Account;
- (4) Senior Subordinated Debt Fund;
- (5) Renewal and Replacement Account; and
- (6) Special Annual Redemption Fund.

The Commission may, for accounting or allocation purposes, (i) establish one or more additional accounts or subaccounts within the Construction and Acquisition Fund, the Revenue Fund, the Bond Fund, the Senior Subordinated Debt Fund, or the Renewal and Replacement Account, or (ii) to the extent not expressly prohibited by other provisions of the Indenture, commingle amounts between or among any or all of such Funds or Accounts except the Senior Subordinated Debt Fund.

The Series 2016 Bonds are not subject to Special Annual Redemption, and therefore no Special Annual Redemption Fund is established for the Series 2016 Bonds under the Fourth Supplemental Indenture.

Application of Pledged Receipts

All Pledged Receipts shall be promptly deposited with the Trustee by or on account of the Commission upon receipt thereof into the Revenue Fund.

From and after the issuance of the Series 2016 Bonds, all amounts of the 2% Dedicated Tax received by the Commission or the Trustee shall be deposited in a "Series 2004B Subaccount" established within the Debt Service Account of the Bond Fund and applied to the payment of interest accrued on the Series 2004B Bonds and the redemption of Series 2004B Bonds. The redemption of the last outstanding Series 2004B Bonds and the interest accrued thereon shall be paid with amounts on deposit, first, in the Balancing Reserve and, then, with amounts on deposit in the Reserve Account allocable to outstanding Series 2004B Bonds. Upon the payment and retirement of all outstanding Series 2004B Bonds, any amount remaining on deposit in the Series 2004B Subaccount shall be transferred to a

“Series 2016 Subaccount” established within the Debt Service Account of the Bond Fund and applied to the payment of the principal of and interest on the Series 2016 Bonds when due.

There shall be withdrawn, on the fourth (4th) Business Day preceding the last Business Day of each month, so long as any Bonds are outstanding, from the Revenue Fund the following amounts, for deposit as set forth below and in the order of priority set forth below; provided, however, as long as the Series 2004B Bonds remain outstanding the 2% Dedicated Tax receipts shall be deposited as described above and there shall be maintained in the Balancing Reserve the amount of \$400,000.

In order to fulfill the payment priorities below, Pledged Receipts shall be spent by the Trustee in the following order: (1) the 2% Dedicated Tax, (2) the 1% Additional Dedicated Tax, and (3) the Pledged 1½% Operations Tax.

(i) First, to the Bond Fund, for credit to the Debt Service Account, the amount of Pledged Receipts, if any, required so that the balance in such Account shall equal the accrued aggregate debt service as of the last day of the then current month or, if interest or principal are required to be paid to Holders of Bonds during the next succeeding month on a day other than the first day of such month, accrued aggregate debt service as of the day through and including which such interest or principal is required to be paid; and

(ii) Second, for credit to the Reserve Account, the amount of Pledged Receipts, if any, required for such Account, after giving effect to any surety bond, insurance policy, letter of credit or other similar obligation deposited in such Account pursuant to the Indenture, to equal the difference between [a] the amount then in the Reserve Account immediately preceding such deposit and [b] the actual Debt Service Reserve Requirement; and

(iii) Third, for credit back to the Revenue Fund (to be retained therein), the amount of 2% Dedicated Tax receipts, if any, required for the Balancing Reserve to equal \$400,000 (such Balancing Reserve to be maintained in order to allow for seasonal variances in the collection of the 2% Dedicated Tax and the Pledged 1% Operations Tax until used *pro tanto* by the Commission for payment of interest and/or principal due on the last outstanding Series 2004B Bonds at maturity or earlier redemption); and

(iv) Fourth, to the payment of any amounts due or to become due to the Insurer; and

(v) Fifth, each month the Trustee shall release remaining funds from the Pledged 1½% Operations Tax to the Commission; and

(vi) Sixth, for credit to the Tax Stabilization Account, while the Series 2004B Bonds are outstanding, the amount of 1% Additional Dedicated Tax receipts, if any, required for the Tax Stabilization Account to equal the greater of 50% of maximum aggregate debt service for the Series 2016 Bonds or \$5,000,000; thereafter, the amount, if any, of the Dedicated Taxes receipts required for the Tax Stabilization Account to equal the greater of 50% of maximum aggregate debt service for the Series 2016 Bonds or \$5,000,000; and

(vii) Seventh, for credit to the Senior Subordinated Debt Fund, the amount, if any, of Dedicated Taxes receipts required to pay the debt service or fund payments when due on the Senior Subordinated Debt and make deposits, if any, for reserves therefor; and

(viii) Eighth, for credit back to the Commission (whereupon they may be used by the Commission for any lawful purpose relating to the System) the amount, if any, of the Dedicated Taxes receipts that shall be sufficient to reimburse the Commission for any Pledged 1½% Operations Tax receipts theretofore utilized by the Commission (and not previously reimbursed from 2% Dedicated Tax receipts, pursuant to this subsection) to make the deposits described in subsections (viii) through (x) below due to the lack of adequate Dedicated Taxes receipts to make such deposits when originally due; provided, however, that none of the monies so reimbursed to the Commission shall be used for any purpose other than those specified in subsections (i) through (vi) above and subsections (viii) through (xiv) below, unless all current payments and including all deficiencies in prior payments, if any, have been made or paid in full, and unless the Commission shall also have complied fully with all the covenants and provisions of the Indenture; and

(ix) Ninth, each month the Commission shall then pay, from any receipts or other amounts remaining after making the deposits described in subsections (i) through (viii) above, from the Revenue Fund to the Renewal and Replacement Account, a sum equal to 1/12 of the amount, if any, determined by the Commission to be deposited in the Renewal and Replacement Account during the then current Fiscal Year; provided that, if any such monthly allocation to the Renewal and Replacement Account shall be less than the required amount, the amount of the next succeeding monthly payment shall be increased by the amount of such deficiency; and

(x) Tenth, if there are receipts from the Dedicated Taxes remaining in the Revenue Fund after the deposits described in subsections (i) through (ix) above have been made, then such receipts may be applied to call Outstanding Bonds through the Special Annual Redemption Fund, if any such Bonds are at the time callable (with or without premium) in accordance with their terms.

The balance, if any, of monies remaining in the Revenue Fund after the above required payments or deposits have been made may be used by the Commission for any lawful purpose relating to the System (including the setting aside of such monies into escrow pursuant to the Indenture, for the future redemption prior to maturity, or for payment up to or including the final maturity date of debt service on such Bonds, all to the extent designated and identified for such purposes by the Commission; provided, however, that if any such Bonds are not by their terms subject to redemption or will not be redeemed within the next succeeding 60 days, then the transfer of such monies from the Revenue Fund to an escrow fund established for the partial or complete redemption or defeasance of any such Bonds shall be accompanied by instructions to the escrow agent described in the Indenture, satisfactory to it, to mail the notice provided for to the Holders of the Bonds being refunded or defeased); provided, however, that none of the remaining monies shall be used for any purpose other than those hereinabove specified, unless all current payments and including all deficiencies in prior payments, if any, have been made or paid in full, and unless the Commission shall also have complied fully with all the covenants and provisions of the Indenture.

Reserve Account

Amounts in the Reserve Account in the Bond Fund are to be applied to make up any deficiencies in the Debt Service Account in the Bond Fund. The Debt Service Reserve Requirement with respect to the Series 2016 Bonds is defined in the Fourth Supplemental Indenture to mean, as of any particular date of computation, an amount equal to the maximum Aggregate Net Debt Service (as of the computation date) on the Series 2016 Bonds in the current or any future Fiscal Year, provided that no more than ten percent (10%) of the proceeds of the Series 2016 Bonds may be used for such purpose. The Issuer's obligations to maintain the Debt Service Reserve Requirement may be satisfied by depositing therein a surety bond, insurance policy or letter of credit.

Senior Subordinated Debt Fund

Amounts in the Senior Subordinated Debt Fund are to be applied to the payment of the amounts required to pay scheduled base and additional rentals when due on any Senior Subordinated Debt outstanding under the Indenture and to make any required deposits for any reserve accounts therefor. Amounts in the Senior Subordinated Debt Fund shall also be applied to make up any deficiencies in the Debt Service Account or the Reserve Account. See “**APPENDIX A -- SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE - Senior Subordinated Debt Fund**” for additional information regarding the Senior Subordinated Debt Fund.

Special Annual Redemption Fund

The monies on deposit in the Special Annual Redemption Fund may be applied to prevent a default in the payment of the regularly scheduled payments of debt service on the Bonds if funds are not available in the Bond Fund.

Prior to June 1 of each year, the Trustee shall calculate the balance available in the Special Annual Redemption Fund after a determination that the balances in the Bond Fund are sufficient to meet the regularly scheduled payments of debt service on the Bonds becoming due on the ensuing July 1. The balance so determined (rounded to a multiple of \$5,000) shall be considered as Surplus Revenues and shall (except to the extent otherwise provided for a Series of Bonds, in the Supplemental Indenture authorizing such Series or as otherwise provided for in the Indenture) be applied to the redemption of Bonds on the ensuing July 1 in accordance with the Prepayment Ratio.

All sums on deposit in the Special Annual Redemption Fund shall be continuously invested by the Trustee in permitted investments as directed by the Issuer until utilized as hereinabove set forth. Monies on deposit in the Special Annual Redemption Fund may be applied in order to pay any federal income tax arbitrage rebate amounts due to the United States, if necessary, prior to the calculation of Surplus Revenues in any year.

Renewal and Replacement Account

Moneys to the credit of the Renewal and Replacement Account may be applied to the cost of major replacements, repairs, renewals, maintenance, betterments, improvements, reconstruction or extensions of the Convention Center as may be determined by the Commission. If at any time the moneys in the Debt Service Account, the Reserve Account, and the Revenue Fund shall be insufficient to pay the interest and Principal Installments becoming due on the Bonds, then the Trustee shall transfer from the Renewal and Replacement Account for deposit in the Debt Service Account the amount necessary (or all the moneys in said Fund if less than the amount necessary) to make up such deficiency. See “**APPENDIX A -- SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE - Renewal and Replacement Account**” for additional information regarding the Renewal and Replacement Account.

Investment of Funds

Moneys held in the Bond Fund, the Revenue Fund, the Senior Subordinated Debt Fund, the Renewal and Replacement Account, and the Construction and Acquisition Fund may be invested and reinvested to the fullest extent practicable in Investment Securities, maturing not later than such times as will be necessary to provide moneys when needed for payments to be made from such Fund or Account. The Fiduciaries shall make investments of moneys held by them in accordance with written instructions from time to time received from an Authorized Officer of the Issuer.

Provisions Specific to the Series 2016 Bonds

Construction and Acquisition Fund

A portion of the proceeds of the Series 2016 Bonds will be deposited in the Construction and Acquisition Fund, to be held and administered by the Finance Cabinet, or its trustee, to pay or reimburse costs of the Project. Upon the transfer of proceeds of the Series 2016 Bonds to the Finance Cabinet, or its trustee, for deposit in the Construction and Acquisition Fund, neither the Issuer nor the Trustee shall have any interest in such amounts and the disbursement thereof shall be exclusively under the control of the Finance Cabinet (or its designee, including but not limited to the State Fair Board), subject to the requirement to pay any federal income tax arbitrage rebate amounts due to the United States.

Tax Stabilization Account

As Fifth priority for the application of Pledged Receipts, there shall be deposited into a Tax Stabilization Account established within the Bond Fund the amount, if any, of Pledged Receipts required for the Tax Stabilization Account to equal the greater of 50% of maximum Aggregate Net Debt Service for the Series 2016 Bonds or \$5,000,000. Amounts on deposit in the Tax Stabilization Account are to be applied to make up any deficiencies in the Debt Service Account or the Reserve Account in the Bond Fund.

Special Annual Redemption

The Fourth Supplemental Indenture pursuant to which the Series 2016 Bonds are issued provides that the Series 2016 Bonds are not subject to Special Annual Redemption.

Senior Subordinated Debt Fund

No subordinated debt is now outstanding under the Indenture.

Renewal and Replacement Fund

There are no amounts presently on deposit in the Renewal and Replacement Fund established under the Indenture and the Commission does not have any present intention to direct that any available amounts of the Pledged Receipts be deposited therein.

PLAN OF FINANCING

The proceeds of the Series 2016 Bonds will be used, together with other available funds, to (i) finance a portion of the costs of the Project, (ii) fund the Reserve Account in the amount of the Debt Service Reserve Requirement for the Series 2016 Bonds, and (iii) pay the costs of issuance of the Series 2016 Bonds.

Estimated Sources and Uses of Funds

The estimated sources and uses of the proceeds of the Series 2016 Bonds are summarized below:

SERIES 2016 BONDS

Sources⁽¹⁾:

Commission Cash Contribution ⁽²⁾	\$ 7,000,000
Par Amount of Series 2016 Bonds	\$ _____
Original Issue (+/-) Premium/Discount	\$ _____
Total Sources.....	\$ _____

Uses⁽¹⁾:

Construction and Acquisition Fund	\$ _____
Bond Fund (Reserve Account).....	\$ _____
Costs of Issuance ⁽³⁾	\$ _____
Underwriter's Discount.....	\$ _____
Total Uses	\$ _____

-
- (1) Estimated, subject to change.
(2) From the Commission's accumulated 1% Additional Dedicated Tax collections.
(3) Includes legal fees and expenses, printing costs, the fees of the Trustee and the Financial Advisor, and miscellaneous costs.

DEBT SERVICE REQUIREMENTS

The following table shows the scheduled annual debt service requirements of the Series 2016 Bonds.

Bond Year Ending June 1,	Series 2016 Bonds		
	Interest	Principal	Total

PROJECTED DEBT SERVICE COVERAGE

(1) 2% Dedicated Tax*	\$7,857,407
(2) Additional 1% Dedicated Tax*	3,928,704
(3) Pledged 1.5% Operations Tax*	<u>5,893,055</u>
(4) Total Pledged Receipts*	<u>\$17,679,166</u>
(5) Maximum Annual Debt Service (MADS)**	<u>\$7,985,000</u>
(6) MADS Coverage [(4) ÷ (5)]	<u>2.21</u>

*Trailing 12-month collections (June 2015 - May 2016).

**Preliminary, subject to change.

TAX TREATMENT

In the opinion of Wyatt, Tarrant & Combs, LLP, Bond Counsel, under existing law and as of the date of issuance thereof, (i) interest on the Series 2016 Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference in determining alternative minimum taxable income, although such interest is included in adjusted current earnings for purposes of determining the alternative minimum taxable income of a corporation and (ii) under the Constitution and laws of the Commonwealth of Kentucky, the Series 2016 Bonds are exempt from ad valorem taxation, and the interest thereon is exempt from income taxation, by the Commonwealth and all of its political subdivisions and taxing authorities.

For the purpose of rendering their opinion described above, Bond Counsel will assume compliance by the Issuer with the requirements of the Code that must be met subsequent to the issuance of the Series 2016 Bonds in order that interest thereon be and remain excluded from gross income for federal income tax purposes. Failure to comply with such requirements could cause the interest on the Series 2016 Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2016 Bonds. The Issuer has covenanted to comply with such requirements in a Tax Compliance Agreement executed by the Issuer and the Trustee upon the issuance of the Series 2016 Bonds.

Although interest on the Series 2016 Bonds is not an item of tax preference in determining “alternative minimum taxable income” under the Internal Revenue Code (the “Code”), interest on the Series 2016 Bonds, as well as all other interest excluded from gross income under the Code (“tax-exempt interest”), is includable in computing “adjusted current earnings” for purposes of determining the alternative minimum taxable income of a corporation (as defined in the Code).

The Code disallows as a deduction 100% of the interest expense incurred by commercial banks, thrift institutions, and other financial institutions, to the extent such interest expense is allocable to tax-exempt obligations, including the Series 2016 Bonds. The Series 2016 Bonds are not eligible for a limited exception provided under the Code from this 100% disallowance rule.

For purposes of determining their taxable income under the Code, property and casualty insurance companies must reduce their losses incurred in any taxable year by an amount equal to 15% of the tax-exempt interest they receive or accrue during such taxable year, including interest on the Series 2016 Bonds.

Interest on the Series 2016 Bonds, as well as all other tax-exempt interest, may be taken into account in computing a foreign corporation's branch profits tax under the Code.

Recipients of Social Security benefits must include tax-exempt interest income, including interest on the Series 2016 Bonds, in computing their "modified adjusted gross income" for purposes of determining to what extent, if any, such benefits are includable in their gross income under the Code.

Tax-exempt interest income, including interest on the Series 2016 Bonds, is taken into account in determining whether certain taxpayers are denied the earned income credit under the Code by reason of having excessive investment income.

The Code requires gain on the sale or other disposition of tax-exempt obligations, including the Series 2016 Bonds, to be included in gross income as ordinary income, and not as capital gain, to the extent of accrued market discount. Accrued market discount in the case of tax-exempt obligations, such as the Series 2016 Bonds, originally issued at a price equal to their principal amount is generally equal to the difference, if any, between such principal amount and the price at which the taxpayer purchased such obligations in the secondary market.

Some of the Series 2016 Bonds ("Discount Bonds") may be offered and sold to the public at an original issue discount ("OID"). OID is the excess of the stated redemption price at maturity over the issue price of each maturity of the Discount Bonds. The issue price of a Discount Bond is the initial offering price to the public set forth on the cover page of this Official Statement, assuming that a substantial amount of the Discount Bonds of the same maturity are sold to the public (other than to bond houses, brokers or similar persons acting in the capacity of underwriters or wholesalers) at such price pursuant to the initial public offering.

For federal income tax purposes, OID accrues to the holder of a Discount Bond on a daily basis over the period to maturity based on the constant interest rate method, compounded semiannually. With respect to a Discount Bond purchased at the issue price pursuant to the initial public offering, the portion of OID that accrues during the period the initial holder owns the Discount Bond (i) is tax-exempt interest to the same extent and subject to the same considerations discussed above and (ii) is added to the holder's tax basis for purposes of determining gain or loss on the maturity, redemption, prior sale or other disposition of the Discount Bond.

Some of the Series 2016 Bonds ("Premium Bonds") may be offered and sold to the public at prices in excess of the respective stated redemption prices thereof at maturity. For federal income tax purposes, the excess of the cost to the holder of a Premium Bond over the amount payable at maturity constitutes amortizable bond premium. The holder of a Premium Bond will realize gain or loss upon the sale or other disposition of the Premium Bond equal to the difference between the amount realized and the adjusted basis of the Premium Bond determined by accounting for reductions due to the amortization

of the bond premium during the holder's period of ownership. No deduction is allowable in respect of any amount of amortizable bond premium on the Premium Bonds.

Purchasers of the Series 2016 Bonds should consult their own tax advisors for a further description of the federal income tax rules mentioned above and for an analysis of the effect on their individual tax situations of their ownership of and receipt of interest on the Series 2016 Bonds.

ABSENCE OF MATERIAL LITIGATION

There is no litigation or other legal proceeding pending or, to the knowledge of the Issuer, threatened to restrain or enjoin the issuance, sale, or delivery of the Series 2016 Bonds or in any way contesting or affecting the validity of the Series 2016 Bonds or any proceedings of the Issuer taken with respect to the issuance or sale of the Series 2016 Bonds, the pledge or application of any moneys or securities provided for the payment of the Series 2016 Bonds, or the existence or powers of the Issuer, or wherein an unfavorable decision, ruling or finding would have a materially adverse effect on the operations or financial condition of the Issuer.

APPROVAL OF LEGAL PROCEEDINGS

Certain legal matters incident to the authorization of the Series 2016 Bonds are subject to the approval of Wyatt, Tarrant & Combs, LLP, Louisville, Kentucky, Bond Counsel to the Issuer. The approving legal opinion of Bond Counsel, dated and speaking only as of the date of original delivery of the Series 2016 Bonds, will be delivered to the Underwriters at the time of the original delivery of the Series 2016 Bonds. Certain legal matters will be passed upon for the Issuer by its General Counsel, Zielke Law Firm, PLLC, Louisville, Kentucky.

FINANCIAL STATEMENTS

The financial statements of the Issuer for the years ended June 30, 2015 and June 30, 2014, included in this Official Statement, have been audited by Mountjoy Chilton Medley, LLP, independent auditors, as stated in their report, and are included in Appendix C, which is an integral part of this Official Statement.

UNDERWRITING

_____, as managers of a group of underwriters, submitted the successful bid at the public sale of the Series 2016 Bonds on _____, 2016, and have thereby agreed to purchase the Series 2016 Bonds at an aggregate price of _____% and to make a bona fide offering of the Series 2016 Bonds to the public (excluding brokers, bond houses and other intermediaries) at a price of _____%.

FINANCIAL ADVISOR

Raymond James & Associates, Inc. Memphis, Tennessee, has acted as Financial Advisor to the Issuer in connection with the Series 2016 Bonds. The information set forth herein was obtained from the Issuer and other sources believed to be reliable but is not guaranteed as to accuracy or completeness, and is not to be construed as a representation, by the Financial Advisor.

RATINGS

Moody's Investors Service, Inc. and Standard & Poor's Ratings Services have assigned the ratings of "___" and "A", respectively, to the Series 2016 Bonds. Such ratings reflect only the respective views of such rating agencies. An explanation of the significance of such ratings may be obtained from the respective rating agencies. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by either or both of such rating agencies if, in the judgment of either or both, circumstances so warrant. Any downward revision or withdrawal of any such ratings could have an adverse effect on the market price of the Series 2016 Bonds.

CONTINUING DISCLOSURE UNDERTAKING

The Issuer has entered into with Digital Assurance Certification, L.L.C. ("DAC"), as Disclosure Dissemination Agent (the "Disclosure Dissemination Agent"), a Disclosure Dissemination Agent Agreement dated as of the date of original issuance of the Series 2016 Bonds (the "Continuing Disclosure Agreement"), for the benefit of the Holders of the Series 2016 Bonds and in order to assist the Underwriters in assuring continuing disclosure with respect to the Series 2016 Bonds in accordance with Rule 15c2-12 of the U.S. Securities and Exchange Commission promulgated under the Securities Exchange Act of 1934, as the same may be amended from time to time (the "Rule").

Except to the extent otherwise permitted pursuant to the Rule, the Issuer undertakes in the Continuing Disclosure Agreement to provide through the Disclosure Dissemination Agent:

(i) To each Repository (as defined below), annual financial information for the Issuer with respect to the fiscal year of the Issuer ending June 30, 2016, and each fiscal year thereafter;

(ii) If not submitted as part of the annual financial information, then when and if available, to each Repository, audited financial statements for the Issuer with respect to the fiscal year of the Issuer ending June 30, 2016, and each fiscal year thereafter;

(iii) In a timely manner, not in excess of ten business days after the occurrence of the event, to each Repository, notice of any of the following events with respect to the Series 2016 Bonds, if material:

- [a] Principal and interest payment delinquencies
- [b] Non-payment related defaults, if material
- [c] Unscheduled draws on debt service reserves reflecting financial difficulties
- [d] Unscheduled draws on credit enhancements reflecting financial difficulties
- [e] Substitution of credit or liquidity providers, or their failure to perform
- [f] Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Series 2016 Bonds, or other material events affecting the tax status of the Series 2016 Bonds
- [g] Modifications to the rights of security holders, if material

- [h] Bond calls, if material, and tender offers
- [i] Defeasances
- [j] Release, substitution or sale of property securing repayment of the Bonds, if material
- [k] Rating changes
- [l] Bankruptcy, insolvency, receivership or similar event of the obligated person

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

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

[n] Appointment of a successor or additional trustee or the change of name of a trustee, if material.

(iv) In a timely manner, to each Repository, notice of a failure of the Issuer to provide required annual financial information, on or before any applicable date, if any, specified in the Continuing Disclosure Certificate.

“National Repository” means the Municipal Securities Rulemaking Board (<http://emma.msrb.org>).

“Repository” means National Repository and each State Repository.

“State Repository” shall mean any public or private repository or entity designated by the Commonwealth of Kentucky as a state repository for the purpose of the Rule and recognized as such by the Commission. As of the date hereof, there is no State Repository.

The Continuing Disclosure Agreement provides that annual financial information and notices of material events will be provided under the Continuing Disclosure Agreement only with respect to the Issuer.

The Continuing Disclosure Agreement requires continuing disclosure thereunder of the types of financial information and operating data with respect to the Series 2016 Bonds contained in this Official Statement under the caption “Historical Transient Room Tax Collections”.

The Continuing Disclosure Agreement describes the accounting principles pursuant to which financial statements of the Issuer will be prepared, and provides that the financial statements will be audited.

The Continuing Disclosure Agreement provides that the date on which the annual financial information for the preceding fiscal year will be provided is each January 1. The annual financial information will be provided to each Repository, to the extent, if any, described above.

Notwithstanding the foregoing provisions, the Continuing Disclosure Agreement provides that the obligations of the Issuer thereunder will terminate, effective upon the payment and retirement or defeasance of the Series 2016 Bonds.

The Continuing Disclosure Agreement provides that any right to enforce it shall be limited to obtaining specific enforcement of the Issuer's obligations thereunder. The Continuing Disclosure Agreement provides that failure by the Issuer to comply with it shall not be an event of default under the Series 2016 Bonds or under the Indenture.

The Continuing Disclosure Agreement provides that the Issuer from time to time may elect (but is not contractually bound) to provide other periodic reports or financial information, or notice of the occurrence of other events, in addition to those described in the Continuing Disclosure Agreement.

During its five fiscal years immediately preceding the date of this Official Statement, the Issuer failed to timely file with the Repository certain financial and operating data required to be disclosed on an annual basis pursuant to its continuing disclosure undertaking under the Rule with respect to its Series 2004 Bonds⁸. Prior to the publication of this Official Statement, the Issuer through the Disclosure Dissemination Agent has filed with the Repository the information that should have been previously filed with the Repository with respect to the Series 2004 Bonds and has adopted policies and procedures, including entering into the Continuing Disclosure Agreement with the Disclosure Dissemination Agent, intended to assure future compliance in all material respects with its continuing disclosure obligations under the Rule.

MISCELLANEOUS

The Chairman of the Issuer and its Secretary/Treasurer will deliver a certificate on behalf of the Issuer, simultaneously with the issuance of the Series 2016 Bonds, to the effect that as of the date of issuance of the Series 2016 Bonds, and after due inquiry of responsible officers, employees, agents, and contractors of the Issuer, this Official Statement did not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements contained therein, in the light of the circumstances under which there were made, not misleading and that there has been no material adverse change in the financial condition of the Issuer from the date of the sale of the Series 2016 Bonds to and including the date of issuance of the Series 2016 Bonds.

The references to, and excerpts of, the Act, the Indenture, and all other statutes, ordinances, resolutions, agreements, and other documents referred to herein do not purport to be complete

⁸ The Series 2004B Bonds were issued under the Indenture concurrently with the Issuer's Dedicated Tax Revenue Refunding Bonds (Kentucky International Convention Center Expansion Project), Fixed Rate Series 2004A (the "Series 2004A Bonds" and, together with the Series 2004B Bonds, the "Series 2004 Bonds"). The Series 2004A Bonds have been paid and retired and are no longer outstanding.

statements of the provisions of such documents, and reference is directed to all such documents, copies of which are available at the offices of the Issuer, for the full and complete statements of the provisions thereof relating to the Series 2016 Bonds, the security and sources of payment for the Series 2016 Bonds, and the rights of the holders thereof.

Any statements made in this Official Statement involving matters of opinion or of estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized. Neither this Official Statement nor any statement which may have been made verbally or in writing is to be construed as a contract with the holders of the Series 2016 Bonds.

The execution and delivery of this Official Statement by the Chairman of the Issuer and its Secretary/Treasurer have been duly authorized by the Issuer.

**LOUISVILLE AND JEFFERSON COUNTY
VISITORS AND CONVENTION COMMISSION**

By _____
Chairman

By _____
Secretary/Treasurer

61446893.21

APPENDIX A

SUMMARY OF THE INDENTURE

APPENDIX A

Summary of Certain Provisions of the Indenture

The descriptions and summaries set forth herein are not intended to be comprehensive or definitive, and reference is made to the Master Indenture of Trust dated as of January 1, 2004 between the Issuer and J.P. Morgan Trust Company, National Association, as the original trustee (the “Original Trustee”), as amended and supplemented by the First Supplemental Trust Indenture and Second Supplemental Trust Indenture, both dated as of January 1, 2004 between the Issuer and the Original Trustee, the Third Supplemental Trust Indenture dated as of October 31, 2014 between the Issuer and The Bank of New York Mellon Trust Company, N.A. as successor trustee (the “Trustee”) and the Fourth Supplemental Indenture dated as of August 1, 2016 between the Issuer and the Trustee (the “Fourth Supplemental Indenture”, (the Master Indenture of Trust as so supplemented being referred to herein as the “Indenture”) for the complete provisions thereof. All statements herein are qualified in their entirety by reference to the Indenture. Copies of the Indenture are available from the Issuer. Reference also is made to the main text of this Preliminary Official Statement for definitions of certain additional terms used herein and additional descriptions and summaries of the provisions of the Indenture.

Definitions

“1% Additional Dedicated Tax” means the 1% transient room tax authorized under KRS 91A.390 (or any successor provision) and ordinances of Metro Government, which 1% Additional Dedicated Tax is pledged to the payment of the Series 2016 Bonds.

“2% Dedicated Tax” means the 2% transient room tax authorized under KRS 91A.392 (or any successor provision) and ordinances of Metro Government, which 2% Dedicated Tax is pledged to the payment of the Bonds, including the Series 2016 Bonds.

“Account” means an Account established pursuant to the Indenture.

“Accreted Value” means, with respect to any Capital Appreciation Bond, an amount equal to the principal amount of such Capital Appreciation Bond (determined on the basis of the principal amount per \$5,000 at maturity thereof) plus the amount assuming semi-annual compounding of earnings which would be produced on the investment of such principal amount, beginning on the dated date of such Capital Appreciation Bond and ending at the maturity date thereof, at a yield which, if produced until maturity, will produce \$5,000 at maturity. As of any Valuation Date, the Accreted Value of any Capital Appreciation Bonds shall mean the amount set forth for such date in the Supplemental Indenture authorizing such Capital Appreciation Bonds and as of any date other than a Valuation Date, the sum of (a) the Accreted Value on the preceding Valuation Date and (b) the product of (1) a fraction, the numerator of which is the number of days having elapsed from the preceding Valuation Date and the denominator of which is the number of days from such preceding Valuation Date to the next succeeding Valuation Date and (2) the difference between the Accredited Values for such Valuation Dates.

“Act” means Kentucky Revised Statutes Chapters 58 and 91A, inclusive, as the same may be from time to time amended, and successor provisions.

“Additional Bonds” means Bonds authenticated and delivered upon original issuance pursuant to the Indenture and any Bonds thereafter authenticated and delivered in lieu of or in substitution for such Bonds pursuant to the Indenture.

“Aggregate Debt Service” for any period means, as of any date of calculation and with respect to all Bonds, the sum of the amounts of Debt Service for such period.

“Aggregate Net Debt Service” for any period means, as of any date of calculation and with respect to all Bonds, the Aggregate Debt Service for such period, less any capitalized interest available in the Bond Fund (including the Reserve Account) in the ordinary course for the payment of Debt Service during such period pursuant to the Indenture. Without limiting the generality of the foregoing, in computing Aggregate Net Debt Service there shall not be subtracted any amounts constituting Net Pledged Receipts; provided, however that for purposes of computing Aggregate Net Debt Service on Variable Rate Bonds, there shall be subtracted Qualified Swap Revenues arising from a Qualified Swap Agreement which is certified by an Authorized Officer of the Commission to have been integrated with any Variable Rate Bonds for purposes of computing “arbitrage yield” for Federal income tax purposes (but only to the extent of such integration for federal tax purposes).

“Appreciated Value” means, with respect to any Capital Appreciation and Income Bond up to the Interest Commencement Date, an amount equal to the principal amount of such Capital Appreciation and Income Bond (determined on the basis of the principal amount per \$5,000 at the Interest Commencement Date thereof) plus the amount, assuming semi-annual compounding of earnings which would be produced on the investment of such principal amount, beginning on the dated date of such Capital Appreciation and Income Bond and ending on the Interest Commencement Date, at a yield which, if produced until the Interest Commencement Date, will produce \$5,000 at the Interest Commencement Date. As of any Valuation Date, the Appreciated Value of any Capital Appreciation and Income Bond shall mean the amount set forth for such date in the Supplemental Indenture authorizing such Capital Appreciation Bonds and as of any date other than a Valuation Date, the sum of (a) the Appreciated Value on the preceding Valuation Date and (b) the product of (1) a fraction, the numerator of which is the number of days having elapsed from the preceding Valuation Date and the denominator of which is the number of days from such preceding Valuation Date to the next succeeding Valuation Date and (2) the difference between the Appreciated Values for such Valuation Dates.

“Authorized Officer of the Issuer” means the Chairman of the Issuer, the Secretary/Treasurer of the Issuer, or any person authorized by the Issuer to perform the act or sign the document in question.

“Balancing Reserve” means the sum of \$400,000 which shall be established and maintained in the Revenue Fund in order to insure that seasonal fluctuations will not affect the required revenue stream.

“Board” means the Board of the Issuer, or such board, commission or agency as may succeed to the duties and responsibilities of such Board.

“Bond” or “Bonds” means any bonds, notes or other evidences of indebtedness, including but not limited to Parity Obligations (other than Subordinated Debt), as the case may be, authenticated and delivered pursuant to the Indenture.

“Bond Counsel” means a nationally recognized municipal bond attorney or firm of municipal bond attorneys, acceptable to the Issuer.

“Bond Fund” means the Bond Fund established in the Indenture.

“Bondholder” or “Holder of Bonds” or “Holder” means any person who shall be the registered owner of any Bond or Bonds. Notwithstanding this definition, with respect to any Bonds

which are registered in Book-Entry Form, the Paying Agent shall be entitled to rely upon written instructions from a majority of the beneficial owners of the Bonds with reference to consent, if any, required from Bondholders under the Indenture.

“Bond Register” means the form or system or document in which the ownership of Bonds is recorded by the Bond Registrar.

“Bond Registrar” means The Bank of New York Mellon Trust Company, N.A., Louisville, Kentucky, and any other bank or trust company organized under the laws of any state of the United States of America or national banking association appointed by the Commission to perform the duties of Bond Registrar under the Indenture.

“Book-Entry Form” or “Book-Entry System” means, with respect to the Bonds, a form or system, as applicable, under which (i) the ownership of beneficial interests in Bonds and bond service charges may be transferred only through a book entry and (ii) physical Bond certificates in fully registered form are registered only in the name of a Securities Depository or its nominee as Holder, with the physical Bond certificates in the custody of a Securities Depository.

“Business Day” means any day other than a Saturday, Sunday or legal holiday in the Commonwealth or a day on which either Bond Registrar, the Paying Agent, the Trustee or the Issuer is legally authorized to close.

“Capital Appreciation Bonds” means any Bonds issued under the Indenture as to which interest is payable only at the maturity or prior redemption of such Bonds, as further described in the Indenture.

“Capital Appreciation and Income Bonds” means any Bonds issued under the Indenture as to which interest is deferred prior to the Interest Commencement Date, as further described in the Indenture.

“Chairman” means the Chairman of the Issuer, or such officer of the Issuer as may succeed to the duties and responsibilities of the Chairman.

“Commission” or the “Issuer” means the Louisville and Jefferson County Visitors and Convention Commission, a public body corporate and political subdivision, created and established pursuant to the Act.

“Commonwealth” means the Commonwealth of Kentucky.

“Construction and Acquisition Fund” means the Construction and Acquisition Fund established under the Indenture.

“Cost of Construction and Acquisition” means, with respect to a Project, the Issuer’s costs, expenses and liabilities paid or incurred or to be paid or incurred by the Issuer in connection with the planning, engineering, designing, acquiring, constructing, installing and financing, of a Project and the obtaining of all governmental approvals, certificates, permits and licenses with respect thereto, including, but not limited to, all costs relating to the acquisition, construction and installation of a Project and the cost of any demolitions or relocations necessary in connection therewith, any good faith or other similar payment or deposits required in connection with the purchase of a Project, the cost of acquisition by or for the Issuer of real and personal property or any interests therein, and costs of the Issuer incidental to such construction, acquisition or installation all costs relating to injury and damage claims relating to a Project,

the cost of any indemnity or surety bonds and premiums on insurance, preliminary investigation and development costs, engineering fees and expenses, contractors' fees and expenses, the costs of labor, materials, equipment and utility services and supplies, legal and financial advisory fees and expenses, interest and financing costs, including, without limitation, bank commitment, line of credit, and letter of credit fees, bond insurance and indemnity premiums, and any other means of providing credit enhancement or credit support, appropriate costs incurred in connection with interest rate exchanges, futures contracts, Qualified Swap Agreements, Hedge Agreements, or other similar financing arrangements, fees and expenses of the Fiduciaries, including reasonable fees and expenses of counsel to the Fiduciaries, amounts not included in the foregoing but otherwise properly payable to a Qualified Swap Provider or Hedge Provider, administration and general overhead expense and costs of keeping accounts and making reports required by the Indenture prior to or in connection with the completion of construction of a Project, amounts, if any, required by the Indenture to be paid into the Bond Fund to provide, among other things, for interest accruing on Bonds and to provide for the Debt Service Reserve Requirement or to be paid into the Renewal and Replacement Account for any of the respective purposes thereof, payment when due (whether at the maturity of principal or the due date of interest or upon redemption or purchase) on any indebtedness of the Issuer, including Bonds, notes and Subordinate Debt, incurred in respect of any of the foregoing, and working capital and reserves therefor, and all federal, state and local taxes and payments in lieu of taxes legally required to be paid in connection with a Project and shall include reimbursements to the Issuer for any of the above items theretofore paid by or on behalf of the Issuer. It is intended that this definition of Cost of Construction and Acquisition be broadly construed to encompass all costs, expenses and liabilities of the Issuer related to a Project which on the date of adoption of the Indenture or in the future shall be permitted to be funded with the proceeds of Bonds pursuant to the provisions of the laws of the Commonwealth.

“Credit Facility” means, a letter of credit, surety bond, loan agreement, standby purchase agreement or other credit agreement, facility or insurance or guaranty arrangement which has been rated (without giving effect to any gradations within a rating category) not lower than “A” by Moody’s or S&P’s, or which is issued by an entity whose unsecured long term debt r claims paying ability is rated (without giving effect to any gradations within a rating category) not lower than “A” by Moody’s or S&P’s, in either case, pursuant to which the Issuer or another person is entitled to obtain funds to pay Bonds and interest thereon tendered to the Issuer or a third party for payment, purchase or redemption in accordance with the Indenture.

“Debt Service” for any period means, as of any date of calculation and with respect to any Series, an amount equal to [i] the interest accruing during such period on Bonds of such Series plus [ii] the portion of each Principal Installment for such Series which would accrue during such period if such Principal Installment were deemed to accrue periodically in equal amounts from the next preceding Principal Installment due date for such Series (or, if there shall be no such preceding Principal Installment due date, from a date one year preceding the due date of such Principal Installment or from the date of issuance of the Bonds of such Series, whichever date is later). For Variable Interest Rate Bonds, the annual interest rate thereon and the resulting Debt Service shall be calculated by an Authorized Officer of the Issuer and evidenced by a certificate from such Authorized Officer of the Issuer in accordance with the following procedure: for any Variable Interest Rate Bonds Outstanding on the date such certificate is delivered, an Authorized Officer of the Issuer shall estimate the Debt Service on such Bonds upon reliance upon a written estimate of such Debt Service by the Issuer’s financial advisor which estimate shall include assumptions with respect to the interest rate or rates to be borne by such Bonds and the amounts and due dates of the Principal Installments for such Bonds; provided, however, that the interest rate assumed to be borne by any Variable Interest Rate Bonds shall be calculated at no less than the greater of [i] the Bond Buyer Revenue Bond Index (published by The Bond Buyer no more than two weeks prior to the date on which the Authorized Officer of the Commission delivers such certificate), plus One Hundred 100 Basis Points; or [ii] the average interest rate actually borne by such Variable Rate

Bonds, beginning on the date which is one year the preceding the date on which the Authorized Officer of the Commission delivers such certificate (or beginning on the date of issuance of the Bonds of such Series, if later) and ending on the date such certificate is delivered. The principal and interest portions of the Accreted Value and Appreciated Value of Capital Appreciation Bonds and Capital Appreciation and Income Bonds, respectively, becoming due at maturity or by virtue of a Sinking Fund Installment shall be included in the calculations of accrued and unpaid and accruing interest or Principal Installments in such manner and during such period of time as is specified in the Supplemental Indenture authorizing such Bonds.

“Debt Service Account” means the Debt Service Account of the Bond Fund.

"Debt Service Reserve Requirement" means, as to the Series 2016 Bonds, as of any particular date of computation, an amount equal to the maximum Aggregate Net Debt Service (as of the computation date) on the Series 2016 Bonds in the current or any future Fiscal Year.

“Dedicated Taxes” means, collectively the 2% Dedicated Tax and the 1% Additional Dedicated Tax.

“Defeasance Obligations” means only (i) cash, (ii) United States Treasury Obligations, (iii) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by the United States of America, (iv) obligations which are 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, including State and Local Government Series - "SLGS" and direct obligations of the United States Treasury which have been stripped by the Treasury itself (CATS, TIGRS and similar securities), (v) 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, (vi) pre-refunded municipal obligations rated "AAA" and "Aaa" by S&P and Moody's, respectively, (vii) any other securities eligible for "AAA" defeasance under then existing criteria of S & P, or (viii) any other investments or obligations approved in writing by the Insurer.

“Event of Default” shall have the meaning given to such term herein under the caption “Events of Default.”

“Fiduciary” or “Fiduciaries” means the Trustee, the Bond Registrar, the Paying Agents, or any or all of them, as may be appropriate or any bank, trust company, national banking association, savings and loan association, savings bank or other banking association selected by the Issuer as a depository of monies and securities held under the provisions of the Indenture, and may include the Bond Registrar.

“Finance Cabinet” means the Finance and Administration Cabinet of the Commonwealth, its successors and assigns.

“Fiscal Year” means each twelve (12) month period commencing on July 1 and ending on the succeeding June 30.

“Fiscal Period” means the “Fiscal Year” defined above, regardless of any other fiscal period utilized by the Commission for its financial operations, which shall also govern the definition of “Surplus Revenues” under the Indenture.

"Fitch" means Fitch, Inc., and its successors and assigns, and, if such firm shall be dissolved or liquidated or shall no longer perform the functions of a securities rating service, Fitch shall be deemed to refer to any other nationally recognized securities rating service designated by the Issuer with the consent of the Insurer, with notice to the Trustee.

"Fund" or "Funds" means, as the case may be, each or all of the Funds established in the Indenture.

"Government Obligations" means (i) United States Treasury Obligations, (ii) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by the United States of America, (iii) 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, including State and Local Government Series - "SLGS" and direct obligations of the United States Treasury which have been stripped by the Treasury itself (CATS, TIGRS and similar securities), or (iv) 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.

"Hedge Agreement" shall mean any agreement or agreements, other than a Qualified Swap Agreement, entered into from time to time between the Issuer and any Hedge Provider which is an interest rate exchange agreement, currency exchange agreement, interest rate floor or cap agreement, float agreement, forward agreement, option, put or call or other similar agreement or arrangement intended to hedge payment, currency, interest rate, spread or similar exposure on or relating to any Series of Bonds.

"Hedge Agreement Obligations" shall mean all amounts payable by the Issuer under any Hedge Agreement.

"Hedge Provider" shall mean any Person that enters into a Hedge Agreement with the Issuer.

"Insurer" means, with respect to the Bonds of any particular Series, any nationally recognized company engaged in the business of insuring bonds which may from time to time insure the payment of the principal of and interest on all or a portion of the Bonds of such Series.

"Interest Commencement Date" means, with respect to any particular Capital Appreciation and Income Bond, the date specified in the Supplemental Indenture authorizing such Bonds, (which date must be prior to the maturity date for such Bonds) after which interest ceases to be deferred and compounds and the interest becomes currently payable.

"Investment Securities" means, following the payment and retirement of all outstanding Series 2004B Bonds, any of the following securities, to the extent legal for investment of the Commission's funds:

[a] Government Obligations and, to the extent from time to time permitted by law;

[b] Federal Housing Administration debentures;

[c] the listed obligations of government-sponsored agencies which are not backed by the full faith and credit of the United States of America: [i] Federal Home Loan Mortgage Corporation

(FHLMC) -- participation certificates (excluding stripped mortgage securities which are purchased at prices exceeding their principal amounts) and senior debt obligations, [ii] Farm Credit Banks (formerly: Federal Land Banks, Federal Intermediate Credit Banks and Banks for Cooperatives) -- consolidated system-wide bonds and notes, [iii] Federal Home Loan Banks (FHL Banks) -- consolidated debt obligations, [iv] Federal National Mortgage Association (FNMA) -- senior debt obligations and mortgage-backed securities (excluding stripped mortgage securities which are purchased at prices exceeding their principal amounts), [v] Student Loan Marketing Association (SLMA) -- senior debt obligations (excluding securities that do not have a fixed par value and/or whose terms do not promise a fixed dollar amount at maturity or call date), [vi] Financing Corporation (FICO) -- debt obligations and [vii] Resolution Funding Corporation (REFCORP) -- debt obligations;

[d] unsecured certificates of deposit, time deposits, and bankers' acceptances (having maturities of not more than 30 days) of any bank (including but not limited to the Trustee or any of its affiliates) the short-term obligations of which are rated 'A-1' or better by S&P;

[e] deposits the aggregate amount of which are fully insured by the Federal Deposit Insurance Corporation (FDIC);

[f] commercial paper (having original maturities of not more than 270 days) rated 'A-1' by S&P or 'Prime-1' by Moody's;

[g] money market funds rated 'Aam' by S&P, or better, including, without limitation, any mutual fund for which the Trustee or an affiliate of the Trustee serves as investment manager, administrator, shareholder servicing agent, and/or custodian or subcustodian, notwithstanding that [i] the Trustee or an affiliate of the Trustee receives fees from such funds for services rendered, [ii] the Trustee charges and collects fees for services rendered pursuant to the Indenture, which fees are separate from the fees received from such funds, and [iii] services performed for such funds and pursuant to the Indenture may at times duplicate those provided to such funds by the Trustee or its affiliates;

[h] "State Obligations", which means: [i] 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 'A3' by Moody's and 'A-' by S&P, or better, or any obligation fully and unconditionally guaranteed by any state, subdivision or agency whose unsecured general obligation debt is so rated, [ii] direct general short-term obligations of any state agency or subdivision or agency thereof described in (i) above and rated 'A-1' by S&P and 'MIG-1' by Moody's, or [iii] Special Revenue Bonds (as defined in the United States Bankruptcy Code) of any state, state agency or subdivision described in (A) above and rated 'AA' or better by S&P and 'Aa2' or better by Moody's;

[i] pre-refunded municipal obligations rated "A-" by S&P and "A3" by Moody's meeting the following requirements: [i] the municipal obligations are (1) not subject to redemption prior to 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; [ii] the municipal obligations are secured by cash or United States Treasury Obligations which may be applied only to payment of the principal of, interest and premium on such municipal obligations; [iii] the principal of and interest on the United States Treasury Obligations (plus any cash in the escrow) has been verified by the report of independent certified public accountants to be sufficient to pay in full all principal of, interest, and premium, if any, due and to become due on the municipal obligations ("Verification"); [iv] the cash or United States 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; [v] no substitution of a United

States Treasury Obligation shall be permitted except with another United States Treasury Obligation and upon delivery of a new Verification; and [vi] the cash or United States Treasury Obligations are not available to satisfy any other claims, including those by or against the trustee or escrow agent; and

[j] 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-" or "A3" or "A-" by S&P or Moody's or Fitch, respectively; or (2) any broker-dealer 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-" or "A3" or "A-" by S&P or Moody's or Fitch, respectively, which broker-dealer falls under the jurisdiction of the Securities Investors Protection Corporation or is regulated by FINRA; or (3) any other entity rated "A-" or "A3" or "A-" or better by S&P or Moody's or Fitch, respectively, provided that: [i] the market value of the collateral is maintained at a market value equal to at least 102% of the amount on deposit plus accrued interest; [ii] the Trustee or a third party acting solely as agent therefor or for the Issuer (the "Holder of the Collateral") has possession of the collateral or the collateral has been transferred to the Holder of the Collateral in accordance with applicable state and federal laws (other than by means of entries on the transferor's books); and [iii] the repurchase agreement shall provide that if during its term the provider's rating is withdrawn or suspended or falls below "A-" by S&P and "A3" by Moody's and "A-" by Fitch, as appropriate, the provider must either increase collateral to 104% or assign the agreement to a qualifying counterparty, or if it fails to do so, repurchase all collateral and terminate the agreement, with no penalty or premium to the Issuer or Trustee.

"Maximum Interest Rate" means, with respect to any particular Variable Interest Rate Bond, an annual rate of interest, which shall be set forth in the Supplemental Indenture authorizing such Bond, that shall be the maximum rate of interest such Bond may at any time bear.

"Moody's" means Moody's Investors Service, Inc., a corporation organized and existing under the laws of the State of Delaware, and its successors and their assigns, and, if such firm shall be dissolved or liquidated or shall no longer perform the functions of a securities rating service, Moody's shall be deemed to refer to any other nationally recognized securities rating service designated by the Commission with the consent of the Insurer, with notice to the Trustee.

"Month" means a calendar month.

"Net Pledged Receipts" for any period shall mean Pledged Receipts, less Operating Expenses for such period.

"Operating Expenses" means the Issuer's reasonable, ordinary, usual or necessary current expenses of maintenance, repair and operation of the System, determined in accordance with generally accepted accounting principles and the enterprise basis of accounting. Operating Expenses shall include, without limiting the generality of the foregoing, [i] expenses not annually recurring, [ii] administrative and engineering expenses, appropriate costs incurred in connection with interest rate exchanges, futures contracts, Qualified Swap Agreements (acknowledging for this purpose that the Commission shall not incur any obligation to make a Qualified Swap Termination Payment - or other termination obligation, under an interest rate exchange agreement - relating to the Bonds or otherwise, unless such obligation is subordinate to the Bonds or unless the Commission first obtains the written consent of the Insurer), Hedge Agreements, or other similar financing arrangements, fees and expenses of the Fiduciaries, including reasonable fees and expenses of counsel to the Fiduciaries, amounts not included in the foregoing but otherwise properly payable to a Qualified Swap Provider or Hedge Provider, (in each such case to the extent not paid or reimbursed as a Cost of Construction and Acquisition), payments to pension or retirement funds properly chargeable to the System, insurance premiums, fees and expenses of Paying Agents and legal expenses, [iii] to the extent not included in the foregoing, interest on, redemption

premium on, or principal of, Subordinated Debt, [iv] any other expenses required to be paid by the Issuer under the provisions of the Indenture or by law and [v] amounts reasonably required to be set aside in reserves for operating items or expenses the payment of which is not then immediately required. However, Operating Expenses do not include [i] reserves for extraordinary maintenance or repair, or any allowance for depreciation, or any deposits or transfers to the credit of the Bond Fund or the Renewal and Replacement Account, nor any amounts paid or required to be paid to the United States of America pursuant to the Indenture (except to the extent such rebate amounts must be paid from Pledged Receipts other than the investment income that generated the liability to the United States), [ii] non-capital Costs of Acquisition and Construction or other costs, to the extent composed of non-capital expenses, salaries, wages and fees that are necessary or incidental to capital improvements for which debt has been issued and which may be paid from proceeds of such debt or [iii] losses from the sale, abandonment, reclassification, revaluation or other disposition of properties of the System nor such property items, including taxes and fuel, which are capitalized pursuant to the then existing accounting practice of the Issuer.

“Operations Tax” means the 3% transient room tax authorized by KRS 91A.390 (or any successor provision) utilized by the Commission to fund its operating budget and which is specifically excluded from the Pledged Receipts as the security or source of payment for the Bonds, except that one-half (1/2) of the 3% Operations Tax, as received by the Commission (defined as the “Pledged 1½% Operations Tax”), is pledged to the security and payment of the Series 2016 Bonds.

“Opinion of Counsel” means an opinion signed by an attorney or firm of attorneys of nationally recognized standing in the field of law relating to municipal bonds (who may be counsel to the Issuer) selected by the Issuer.

“Option Bonds” means Bonds which by their terms may be tendered by and at the option of the Holder thereof for payment or purchase by the Issuer or a third party prior to the stated maturity thereof, or the maturities of which may be extended by and at the option of the Holder thereof.

“Outstanding” when used with reference to Bonds, means, as of any date, Bonds theretofore or thereupon being authenticated and delivered under the Indenture except:

- (i) Bonds cancelled pursuant to the Indenture at or prior to such date;
- (ii) Bonds (or portion of Bonds) for the payment or redemption of which monies, equal to the principal amount or Redemption Price thereof, as the case may be, with interest to the date of maturity or redemption date shall be held in trust under the Indenture and set aside for such payment or redemption (whether at or prior to the maturity or redemption date), provided that if such bonds (or portion of Bonds) are to be redeemed, notice of such redemption shall have been given or provision satisfactory to the Issuer shall have been made for the giving of such notice as provided in the Indenture;
- (iii) Bonds in lieu of or in substitution for which other Bonds shall have been authenticated and delivered pursuant to the Indenture;
- (iv) Bonds deemed to have been paid as provided in the Indenture; and
- (v) Option Bonds deemed tendered in accordance with the provisions of the Supplemental Indenture authorizing such Bonds on the applicable adjustment or conversion date if interest thereon shall have been paid through such applicable date and the purchase price thereof shall have been paid or amounts are available for such payment as provided in the Indenture.

“Paying Agent” means any bank or trust company organized under the laws of any state of the United States of America or any national banking association designated as paying agent for the Bonds of any Series, and its successor or successors hereafter appointed in the manner provided in the Indenture.

“Parity Obligations” shall mean any debt or other obligation of the Issuer which is on a parity as to security and source of payment with the Bonds, including without limitation any Qualified Swap Obligations and Hedge Agreement Obligations which are designated in any Supplemental Indenture or otherwise as being payable from, and secured by, a pledge and assignment of the Pledged Receipts which is on a parity as to security and source of payment with the Bonds.

“Person or Persons” shall mean any one or more individuals, corporations, partnerships, limited liability companies, joint ventures, trusts, unincorporated organizations, governmental agencies or political subdivisions.

“Pledged 1% Operations Tax” means one-third of the 3% Operations Tax, authorized under KRS 91A.390(1)(or any successor provision) and ordinances of Metro Government, which Pledged 1% Operations Tax is specifically pledged and dedicated by the Commission to the payment of the Bonds.

“Pledged 1½% Operations Tax” means one-half of the 3% Operations Tax, authorized under KRS 91A.390(1) (or any successor provision) and ordinances of Metro Government, which Pledged 1½% Operations Tax is specifically pledged and dedicated by the Commission to the payment of the Series 2016 Bonds.

"Pledged Receipts" means and includes as to the Series 2016 Bonds, the following property, as and when received by or for the account of the Commission, in each case pending the application or expenditure thereof in accordance with the Indenture: (i) the Dedicated Taxes and any and all other funds dedicated by the Commission or by any other governmental unit to the extent not otherwise required to be applied, nor otherwise committed and budgeted by the Commission during any fiscal period of the Commission; but specifically excluding the Operations Tax (except that the Commission has pledged the Pledged 1½% Operations Tax and as received by the Commission, for the security and payment of the Series 2016 Bonds); (ii) all interest earned and gains realized on investments permitted by the Indenture unless the terms of the Indenture specifically require such interest earned or gains realized to be paid to the United States of America; (iii) all amounts on deposit in all Funds or Accounts established under the Indenture, including but not limited to the proceeds (pending their expenditure for the purposes permitted by the Indenture) of sale of Series 2016 Bonds issued hereunder (provided that series-specific funds or accounts shall be permitted to secure only the applicable specific series), including capitalized interest, provided that proceeds of any Credit Facility shall be held and applied only for the benefit of the particular Series of Bonds for which such Credit Facility has been provided to the extent set forth in the Supplemental Indenture pursuant to which such Series of Bonds has been issued; (iv) subject to the aforementioned specific exclusion of the Operations Tax (other than the Pledged 1½% Operations Tax), any other rates, fees, rents, charges and other income and receipts, if any, as derived by or for the account of the Commission from or for the operation, use or services of the System or from any other source, determined in accordance with generally accepted accounting principles and the enterprise basis of accounting (not including customer deposits and contributions in aid of construction, except to the extent the same would constitute income of the Commission in accordance with such generally accepted accounting principles), and any other amounts as may be permitted to be pledged from time to time by the Commission as security for the payment of the Series 2016 Bonds, the Parity Obligations or the Subordinated Obligations or received from any other source by the Commission or the Trustee and pledged by the Commission as security for the payment of the Bonds, the Parity

Obligations or the Subordinated Obligations, including but not limited to any Qualified Swap Revenues; and (v) all proceeds of the foregoing.

"Principal Installment" means, as of the date of calculation and with respect to any Series, so long as any Bonds thereof are Outstanding, [i] the principal amount of Bonds of such Series due on a certain future date for which no Sinking Fund Installments have been established (including the principal amount of Option Bonds tendered for payment and not purchased), [ii] the Sinking Fund Installment due on a certain future date for Bonds of such Series and [iii] if such future dates coincide, the sum of such principal amount and such Sinking Fund Installment.

"Project" means any project directly or indirectly related to the facilities provided or to be provided by the Commission which is to be included as part of the System and is permitted by the Act, including but not limited to the facilities financed with the Prior Bonds, and any modification or substitution of such facilities by the Commission.

"Qualified Swap Agreement" shall mean, to the extent from time to time permitted by applicable law and approved by the applicable Insurer, any financial arrangement (i) that is entered into by the Commission with any Person that is a Qualified Swap Provider at the time the arrangement is entered into; (ii) which provides that one counterparty shall pay to the other counterparty an amount equal to the interest accruing at a fixed rate set forth in such financial arrangement on a notional amount equal to all or a portion of the aggregate principal amount of the Outstanding Bonds of a Series, and that the other counterparty shall pay to the first counterparty an amount equal to the interest accruing on an amount initially equal to the same (or equal to a specified percentage of the same) aggregate principal amount as the Outstanding Bonds of such Series, at a variable rate of interest computed according to a formula set forth in such arrangement (which variable rate of interest need not be the same as the actual rate of interest borne by the Bonds of such Series) or that one shall pay to the other any net amount due under such arrangement; and (iii) which has been designated in writing to the Trustee by an Authorized Officer of the Commission as a Qualified Swap Agreement with respect to the Outstanding Bonds of such Series.

"Qualified Swap Obligations" shall mean all net amounts payable by the Commission to another party and any Qualified Swap Termination Payments required to be paid by the Commission, plus all other amounts, if any, payable by the Commission pursuant to the terms of any Qualified Swap Agreement, except in each case as may be set forth to the contrary in a Supplemental Indenture.

"Qualified Swap Provider" shall mean any Person that enters into a Qualified Swap Agreement with the Commission whose senior long term debt obligations, other senior unsecured long term obligations or claims paying ability, or whose payment obligations under the Qualified Swap Agreement are guaranteed by a Person whose senior long term debt obligations, other senior unsecured long term obligations or claims paying ability, are assigned a rating (at the time the Qualified Swap Agreement is entered into) no lower than the "A" category established by each Rating Agency then rating the Bonds.

"Qualified Swap Revenues" shall mean all net amounts received by the Commission from a Qualified Swap Provider and any Qualified Swap Termination Payments received by the Commission, plus all other amounts, if any, received by the Commission pursuant to the terms of any Qualified Swap Agreement, except in each case as may be set forth to the contrary in a Supplemental Indenture.

"Qualified Swap Termination Payment" shall mean, with respect to any Qualified Swap Agreement, any settlement amount payable by the Qualified Swap Provider or the Commission by reason

or on account of the early termination of such Qualified Swap Agreement. The term “Qualified Swap Termination Payment” shall not include net unpaid amounts which would have been payable by the Qualified Swap Provider or the Commission pursuant to the terms of the Qualified Swap Agreement irrespective of the early termination of such Qualified Swap Agreement.

“Rating Agency” shall mean severally or collectively, if applicable (i) S&P’s and any successor thereto, if it has assigned a rating to any Bonds, Parity Obligation or Subordinated Debt, (ii) Moody’s and any successor thereto, if it has assigned a rating to any Bonds, Parity Obligation or Subordinated Debt, and (iii) Fitch and any successor thereto, if it has assigned a rating to any Bonds, Parity Obligation or Subordinated Debt. If any such Rating Agency shall no longer perform the functions of a securities rating service for whatever reason, the term “Rating Agency” shall thereafter be deemed to refer to the others, but if both of the others shall no longer perform the functions of a securities rating service for whatever reason, the term “Rating Agency” shall thereafter be deemed to refer to any other nationally recognized rating service or services as shall be designated in writing by the Commission to the Trustee and approved by the Insurer.

“Record Date” means a Regular Record Date or a Special Record Date.

“Redemption Price” means, with respect to any Bond, the principal amount thereof plus the applicable premium, if any, payable upon redemption thereof pursuant to such Bond.

“Refunding Bonds” means all Bonds, whether issued in one or more Series or as part of a Series, authenticated and delivered on original issuance pursuant to the Indenture.

“Renewal and Replacement Account” means the account of that name which is maintained pursuant to the Indenture.

“Reserve Account” means the Reserve Account of the Bond Fund.

“Revenue Fund” means the Revenue Fund which is maintained pursuant to the Indenture.

“S&P” means Standard & Poor’s Ratings Services, a division of The McGraw-Hill Companies, Inc., and its successors and assigns, and, if such firm shall be dissolved or liquidated or shall no longer perform the functions of a securities rating service, S&P’s shall be deemed to refer to any other nationally recognized securities rating service designated by the Commission and approved by the Insurer, with notice to the Trustee.

“Secretary/Treasurer” means the Secretary/Treasurer of the Issuer, or such officer of the Issuer as may succeed to the duties and responsibilities of the Secretary/Treasurer.

“Securities Exchange Act” means the Securities Exchange Act of 1934, as amended.

“Securities Depository” means any securities depository that is 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, operating and maintaining, with its participants or otherwise, a Book-Entry System to record ownership of beneficial interests in bonds and bond service charges, and to effect transfers of bonds in Book-Entry Form, and means, initially, The Depository Trust Company (a limited purpose trust company), New York, New York.

“Securities Depository Nominee” means any nominee of a Securities Depository and shall initially mean Cede & Co., New York, New York, as nominee of The Depository Trust Company.

“Senior Subordinated Debt” means any debt or other obligation of the Commission subordinated to the Bonds and payable from the Senior Subordinated Debt Fund, including without limitation any Qualified Swap Obligations and Hedge Agreement Obligations which are designated in any Supplemental Indenture or otherwise as being payable from, and secured by, a pledge and assignment of the Pledged Receipts which is subject to, and subordinate and junior in all respects to, the pledge and assignment of the Pledged Receipts created by the Indenture as security for the Bonds and any Parity Obligations.

“Senior Subordinated Debt Fund” means the Senior Subordinated Debt Fund which is maintained pursuant to the Indenture.

“Series” means all of the Bonds authenticated and delivered on original issuance and identified pursuant to the Indenture or any Supplemental Indenture authorizing such Bonds as a separate Series of Bond, and any Bonds thereafter authenticated and delivered in lieu of or in substitution for such Bonds pursuant to the Indenture, regardless of variations in maturity, interest rate, Sinking Fund Installments, or other provisions.

“Series 2016 Bonds” means the Commission’s Dedicated Tax Revenue Bonds, Series 2016 authorized by the Indenture.

“Sinking Fund Installment” means an amount so designated which is established pursuant to the Indenture.

“Special Annual Redemption” means the application of Surplus Revenues to the prepayment of the Bonds, in accordance with the terms of the Indenture (except to the extent, if any, that Bonds of a Series may be specified in the applicable Supplemental Indenture as not being subject to Special Annual Redemption, in which case such Bonds shall be redeemable prior to maturity in accordance with the terms specified in the applicable Supplemental Indenture, on such dates, upon payment of such pre-payment or redemption premium or premiums, if any, and otherwise subject to such terms as may be specified in the applicable Supplemental Indenture).

“Special Annual Redemption Fund” means the Special Annual Redemption Fund which is maintained pursuant to the Indenture.

“Subordinated Debt” means any debt or other obligation of the System which is subordinate to the Bonds issued under the Indenture and which may include or be subordinate to the Senior Subordinated Debt.

“Supplemental Indenture” means any Indenture supplemental to the Indenture adopted by the Issuer in accordance with the Indenture.

“Surplus Revenues” means, while any of the Bonds remain outstanding and unpaid, as to either principal or interest, those monies remaining in the Revenue Fund at the end of the Commission’s Fiscal Period after the payment of the full, current debt service requirements of the Bonds, any payments required to be made into the Reserve Account in order to maintain the Debt Service Reserve Requirement, the payments required to maintain the Balancing Reserve, any amounts owed to the Insurer and any required transfer to the Senior Subordinated Debt Fund, which Surplus Revenues shall be applied in accordance with the Indenture.

“System” means [i] the facilities and all appurtenant facilities or any other facilities owned, operated or controlled by the Commission from time to time, [ii] any Project and [iii] all

improvements, additions, extensions and betterments to the foregoing which may be hereafter acquired by the Commission by any means whatsoever.

“Tax Stabilization Account” means the Tax Stabilization Account which is established and maintained within the Bond Fund in order to insure that seasonal fluctuations will not affect the required revenue stream.

“Tax Stabilization Account Requirement” initially, means \$0, with a maximum on deposit requirement equal to the greater of (i) 50% of maximum aggregate debt service for the Series 2016 Bonds or (ii) \$5,000,000; amounts so deposited shall be used to pay Debt Service on the Series 2016 Bonds on the date such debt service is due, when sufficient funds for that purpose are not available in the Bond Fund – Debt Service Account established for the Series 2016 Bonds.

“Trustee” The Bank of New York Mellon Trust Company, N.A., Louisville, Kentucky, and any other bank or trust company organized under the laws of any state of the United States of America or national banking association appointed by the Commission to perform the duties of Trustee enumerated in the Indenture.

“United States Treasury Obligations” means direct obligations (other than an obligation subject to variation in principal repayment) of the United States of America.

“Valuation Date” means with respect to any Capital Appreciation Bonds and Capital Appreciation and Income Bonds, the date or dates set forth in the Supplemental Indenture authorizing such Bonds on which specific Accreted Values or Appreciated Values are assigned to the Capital Appreciation Bonds and Capital Appreciation and Income Bonds, as the case may be.

“Variable Interest Rate” means a variable interest rate to be borne by a Series of Bonds or any one or more maturities within a Series of Bonds.

“Variable Interest Rate Bonds” for any period means bonds which during such period bear a Variable Interest Rate, provided that Bonds the interest rate on which shall have been fixed for the remainder of the term thereof shall no longer be Variable Interest Rate Bonds.

The Pledge Effected by the Indenture. The Bonds, the Parity Obligations and Subordinated Debt are special and limited obligations of the Commission payable, solely from and secured as to the payment of the principal and Redemption Price thereof, and interest thereon, in accordance with their terms and the provisions of the Indenture, solely from the Pledged Receipts. There is pledged and assigned to the Trustee, its successors and assigns, as security for the payment of the principal and Redemption Price of, and interest on, the Bonds in accordance with their terms and the provisions of the Indenture, and for the payment of the Parity Obligations and the Subordinated Debt in accordance with their terms and the provisions of the Indenture, in each case subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture, the Pledged Receipts which shall immediately be subject to the lien of this pledge without any physical delivery thereof or further act, and the lien of this pledge shall be valid and binding as against all persons having claims of any kind in tort, contract or otherwise against the Commission, irrespective of whether such persons have notice thereof; *provided, however*, that the Series 2016 Bonds are issued on a parity with the outstanding Series 2004B Bonds as to the 2% Dedicated Tax and the Pledged 1% Operations Tax. Without limiting the generality of the foregoing, the Commission does pledge and assign pursuant to the Indenture to the Trustee for the benefit of the Series 2016 Bonds all of the Commissions’ right, title and interest in and to the Dedicated Taxes and the Pledged 1½% Operations Tax which, upon collection, shall be transferred directly to the Trustee for application as

provided in the Indenture, the Commission agrees that it shall cause any and all payments of the Dedicated Taxes and Pledged 1½% Operations Tax to be made directly to the Trustee, to be held, treated and applied by the Trustee in strict accordance with the terms of the Indenture.

Special Annual Redemption. Except as may be otherwise specified by the Commission in writing to the Trustee pursuant to the Indenture or as may be otherwise specified for any particular Series of Bonds in the Supplemental Indenture authorizing such Series of Bonds, all of the Bonds issued pursuant to the Indenture shall be subject to Special Annual Redemption, without premium in the direct (as opposed to inverse) order of their maturities (less than all of a single maturity to be selected by lot), on each July 1, to the extent there are Surplus Revenues remaining in the Revenue Fund at the end of the Commission's Fiscal Period after the payment of the full, current debt service requirements of the Bonds, any payments required to be made into the Reserve Account in order to maintain the Debt Service Reserve Requirement, the payments required to maintain the Balancing Reserve, and any required transfer to the Senior Subordinated Debt Fund.

The Series 2016 Bonds are not subject to Special Annual Redemption, and no Special Annual Redemption Fund is established as to the Series 2016 Bonds under the Indenture.

Extraordinary Redemption. Bonds issued pursuant to the Indenture shall also be subject to extraordinary redemption in full prior to maturity, without premium, on any Business Day in the event the Commonwealth or its agencies determine to abandon the Project and return the Commission's contribution thereto. Bonds that are otherwise subject to redemption prior to maturity pursuant to a Supplemental Indenture, if applicable, shall be redeemable, upon notice as provided in the Indenture, at such times, at such Redemption Prices and upon such terms in addition to the terms contained in Article 4 of the Indenture as may be specified in the Supplemental Indenture authorizing such Series.

Establishment of Funds and Accounts. The following Funds and Accounts are established by the Indenture and are held by the Trustee except the Construction and Acquisition Fund, which is to be held by the Finance Cabinet:

- (1) Construction and Acquisition Fund;
- (2) Revenue Fund;
- (3) Bond Fund, consisting of a Debt Service Account, a Reserve Account, and a Tax Stabilization Account;
- (4) Senior Subordinated Debt Fund;
- (5) Renewal and Replacement Account; and
- (6) Special Annual Redemption Fund.

The Issuer may, for accounting or allocation purposes, (i) establish one or more additional accounts or subaccounts within the Construction and Acquisition Fund, the Revenue Fund, the Bond Fund, the Senior Subordinated Debt Fund, or the Renewal and Replacement Account, or (ii) to the extent not expressly prohibited by other provisions of the Indenture, commingle amounts between or among any or all of such Funds or Accounts except the Senior Subordinated Debt Fund.

The Series 2016 Bonds are not subject to Special Annual Redemption, and therefore no Special Annual Redemption Fund is created or established as to the Series 2016 Bonds under the Fourth Supplemental Indenture.

Construction and Acquisition Fund. There shall be paid into the Construction and Acquisition Fund the amounts required to be so paid by the provisions of the Indenture, and there may be paid into the Construction and Acquisition Fund, at the option of the Issuer, any monies received by the Issuer from any source, unless required to be otherwise applied as provided by the Indenture. Amounts in the Construction and Acquisition Fund shall be applied to pay the Cost of Construction and Acquisition in the manner provided in the Indenture and the Supplemental Indenture authorizing a Series of Bonds to finance the Cost and Acquisition of a Project.

There shall be established within the Construction and Acquisition Fund a separate account for each Project.

The proceeds of insurance, if any, maintained pursuant to the Indenture against physical loss of or damage to the System, or of contractors' performance bonds or other assurances of completion with respect thereof, or pertaining to the period of construction thereof, shall be paid into the appropriate separate account in the Construction and Acquisition Fund.

The Secretary/Treasurer of the Issuer shall make payments from the Construction and Acquisition Fund, except payments and withdrawals pursuant to the Indenture as described in the next paragraph, in the amounts, at the times, in the manner, and on the other terms and conditions set forth in the Indenture. The Secretary/Treasurer or other Authorized Officer of the Issuer shall maintain adequate records in respect of all payments made, including [a] the particular account established within the Construction and Acquisition Fund from which such payment is to be made, [b] the name and address of the person, firm or corporation to whom payment is due, [c] the amount to be paid and [d] the particular item of the Cost of Construction and Acquisition to be paid and that the cost or the obligation in the stated amount is a proper charge against the Construction and Acquisition Fund which has not been previously paid. The Secretary/Treasurer shall issue a check for each payment required by such requisition or shall by interbank transfer or other method arrange to make the payment required by such requisition.

Notwithstanding any of the provisions of the Indenture, except as provided below, to the extent that other monies are not available therefor, amounts in the Construction and Acquisition Fund shall be applied to the payment of Principal Installments of and interest on Bonds when due; provided, however, that proceeds (and investment earnings thereon) from the issuance by the Issuer of Senior Subordinated Debt shall not be subject to the priority in favor of the Bonds created by the Indenture, but may instead be pledged by the Issuer as security and a source of payment first for the Senior Subordinated Debt pursuant to the Indenture or Indentures of the Issuer authorizing such Senior Subordinated Debt, in which event such amounts shall be applied to the payment of debt service on the Senior Subordinated Debt when due to the extent that other monies are not available therefor, and shall not be used to pay debt service on any Bonds if there is any Senior Subordinated Debt which remains outstanding and unpaid.

An adequate record of the completion of construction of a Project financed in whole or in part by the issuance of Bonds shall be maintained by an Authorized Officer of the Issuer. The balance in the separate account in the Construction and Acquisition Fund established therefor shall be transferred to the Reserve Account in the Bond Fund, if and to the extent necessary to make the amount of such Account equal to the Debt Service Reserve Requirement, and any excess amount shall be paid over or transferred to the Issuer for deposit in the Revenue Fund.

Notwithstanding any of the foregoing provisions of the Indenture, the Construction and Acquisition Fund shall be held and administered by the Finance Cabinet or its trustee, at the direction of (and as shall be more particularly specified and determined upon written instructions of) an Authorized Officer of the Commission. Upon the transfer of any proceeds of the Bonds for the Construction and Acquisition Fund to the Finance Cabinet or its trustee as aforesaid, neither the Commission nor the

Trustee shall have any interest in said monies and the disbursement thereof shall be exclusively under the control of the Finance Cabinet (or its designee, including but not limited to the Fair Board), except to the extent of any unexpended surplus remaining therein and the observation of the requirements to pay over any rebate amounts payable to the United States.

Application of Pledged Receipts. All Pledged Receipts shall be promptly deposited with the Trustee by or on account of the Commission upon receipt thereof into the Revenue Fund.

From and after the issuance of the Series 2016 Bonds, all amounts of the 2% Dedicated Tax received by the Issuer or the Trustee shall be deposited in a "Series 2004B Subaccount" established within the Debt Service Account of the Bond Fund and applied to the payment of interest accrued on the Series 2004B Bonds and the redemption of Series 2004B Bonds. The redemption of the last outstanding Series 2004B Bonds and the interest accrued thereon shall be paid with amounts on deposit, first, in the Balancing Reserve and, then, with amounts on deposit in the Reserve Account allocable to outstanding Series 2004B Bonds. Upon the payment and retirement of all outstanding Series 2004B Bonds, any amount remaining on deposit in the Series 2004B Subaccount shall be transferred to a "Series 2016 Subaccount" established within the Debt Service Account of the Bond Fund and applied to the payment of the principal of and interest on the Series 2016 Bonds when due.

There shall be withdrawn, on the fourth (4th) Business Day preceding the last Business Day of each month, so long as any Bonds are outstanding, from the Revenue Fund the following amounts, for deposit as set forth below and in the order of priority set forth below; provided, however, as long as the Series 2004B Bonds remain outstanding the 2% Dedicated Tax receipts shall be deposited as described above and there shall be maintained in the Balancing Reserve the amount of \$400,000.

In order to fulfill the payment priorities below, Pledged Receipts shall be spent by the Trustee in the following order: (1) the 2% Dedicated Tax, (2) the 1% Additional Dedicated Tax, and (3) the Pledged 1½% Operations Tax.

(i) First, to the Bond Fund, for credit to the Debt Service Account, the amount of Pledged Receipts, if any, required so that the balance in such Account shall equal the accrued aggregate debt service as of the last day of the then current month or, if interest or principal are required to be paid to Holders of Bonds during the next succeeding month on a day other than the first day of such month, accrued aggregate debt service as of the day through and including which such interest or principal is required to be paid; and

(ii) Second, for credit to the Reserve Account, the amount of Pledged Receipts, if any, required for such Account, after giving effect to any surety bond, insurance policy, letter of credit or other similar obligation deposited in such Account pursuant to the Indenture, to equal the difference between [a] the amount then in the Reserve Account immediately preceding such deposit and [b] the actual Debt Service Reserve Requirement; and

(iii) Third, for credit back to the Revenue Fund (to be retained therein), the amount of 2% Dedicated Tax receipts, if any, required for the Balancing Reserve to equal \$400,000 (such Balancing Reserve to be maintained in order to allow for seasonal variances in the collection of both the 2% Dedicated Tax and the Pledged 1% Operations Tax until used *pro tanto* by the Commission for payment of interest and/or principal due on the last outstanding Series 2004B Bonds at maturity or earlier redemption); and

(iv) Fourth, to the payment of any amounts due or to become due to the Insurer; and

(v) Fifth, each month the Trustee shall release remaining funds from the Pledged 1½% Operations Tax to the Commission; and

(vi) Sixth, for credit to the Tax Stabilization Account, while the Series 2004B Bonds are outstanding, the amount of 1% Additional Dedicated Tax receipts, if any, required for the Tax Stabilization Account to equal the greater of 50% of maximum aggregate debt service for the Series 2016 Bonds or \$5,000,000; thereafter, the amount, if any, of the Dedicated Taxes receipts required for the Tax Stabilization Account to equal the greater of 50% of maximum aggregate debt service for the Series 2016 Bonds or \$5,000,000; and

(vii) Seventh, for credit to the Senior Subordinated Debt Fund, the amount, if any, of Dedicated Taxes receipts required to pay the debt service or fund payments when due on the Senior Subordinated Debt and make deposits, if any, for reserves therefor; and

(viii) Eighth, for credit back to the Commission (whereupon they may be used by the Commission for any lawful purpose relating to the System) the amount, if any, of the Dedicated Taxes receipts that shall be sufficient to reimburse the Commission for any Pledged 1½% Operations Tax receipts theretofore utilized by the Commission (and not previously reimbursed from 2% Dedicated Tax receipts, pursuant to this subsection) to make the deposits described in subsections (viii) through (x) below due to the lack of adequate Dedicated Taxes receipts to make such deposits when originally due; provided, however, that none of the monies so reimbursed to the Commission shall be used for any purpose other than those specified in subsections (i) through (vi) above and subsections (viii) through (xiv) below, unless all current payments and including all deficiencies in prior payments, if any, have been made or paid in full, and unless the Commission shall also have complied fully with all the covenants and provisions of the Indenture; and

(xi) Ninth, each month the Commission shall then pay, from any receipts or other amounts remaining after making the deposits described in subsections (i) through (viii) above, from the Revenue Fund to the Renewal and Replacement Account, a sum equal to 1/12 of the amount, if any, determined by the Commission to be deposited in the Renewal and Replacement Account during the then current Fiscal Year; provided that, if any such monthly allocation to the Renewal and Replacement Account shall be less than the required amount, the amount of the next succeeding monthly payment shall be increased by the amount of such deficiency; and

(x) Tenth, if there are receipts from the Dedicated Taxes remaining in the Revenue Fund after the deposits described in subsections (i) through (ix) above have been made, then such receipts may be applied to call Outstanding Bonds through the Special Annual Redemption Fund, if any such Bonds are at the time callable (with or without premium) in accordance with their terms.

The balance, if any, of monies remaining in the Revenue Fund after the above required payments or deposits have been made may be used by the Issuer for any lawful purpose relating to the System (including the setting aside of such monies into escrow pursuant to the Indenture, for the future redemption prior to maturity, or for payment up to or including the final maturity date of debt service on such Bonds, all to the extent designated and identified for such purposes by the Commission; provided, however, that if any such Bonds are not by their terms subject to redemption or will not be redeemed within the next succeeding 60 days, then the transfer of such monies from the Revenue Fund to an escrow fund established for the partial or complete redemption or defeasance of any such Bonds shall be accompanied by instructions to the escrow agent described in the Indenture, satisfactory to it, to mail the notice provided for to the Holders of the Bonds being refunded or defeased); provided, however, that

none of the remaining monies shall be used for any purpose other than those hereinabove specified, unless all current payments and including all deficiencies in prior payments, if any, have been made or paid in full, and unless the Issuer shall also have complied fully with all the covenants and provisions of the Indenture.

Bond Fund — Debt Service Account. The Paying Agent, from amounts deposited therein, shall pay out of the Debt Service Account, [i] on or before each interest payment date for any of the Bonds, the amount required for the interest payable on such date, [ii] no later than each Principal Installment due date, the amount required for the Principal Installment payable on such due date and [iii] no later than any redemption date for the Bonds, the amount required for the payment of interest on the Bonds then to be redeemed. In the case of Variable Interest Rate Bonds, the Issuer shall furnish the Paying Agent with a certificate setting forth the amount to be paid on such Bonds on each interest payment date, such certificate shall be furnished on or prior to the appropriate Record Date with respect to any interest payment date. Such amounts shall be applied by the Paying Agents on or after the due dates thereof. The Paying Agent shall also pay out of the Debt Service Account, from amounts deposited therein, the accrued interest included in the purchase price of Bonds purchased for retirement.

Amounts accumulated in the Debt Service Account with respect to any Sinking Fund Installment may be applied on or prior to the 40th day next preceding the due date of such Sinking Fund Installment, to [i] the purchase of Bonds of the Series and maturity for which such Sinking Fund Installment was established or [ii] the redemption at the applicable sinking fund Redemption Price of such Bonds, if then redeemable by their terms. All purchases of any Bonds pursuant to the Indenture as described in this paragraph shall be made at prices not exceeding the applicable sinking fund Redemption Price of such Bonds plus accrued interest. The applicable sinking fund Redemption Price (or principal amount of maturing Bonds) of any Bonds so purchased or redeemed shall be deemed to constitute part of the Debt Service Account until such Sinking Fund Installment date, for the purpose of calculating the amount of such Account. As soon as practicable after the 40th day preceding the due date of any such Sinking Fund Installment, the Issuer shall proceed to call for redemption, by giving notice as provided in the Indenture, on such due date Bonds of the Series and maturity for which such Sinking Fund Installment was established (except in the case of Bonds maturing on a Sinking Fund Installment date) in such amount as shall be necessary to complete the retirement of the unsatisfied balance of such Sinking Fund Installment. The Issuer shall pay out of the Debt Service Account to the appropriate Paying Agents, on or before such redemption date (or maturity date), the amount required for the redemption of the Bonds so called for redemption (or for the payment of such Bonds then maturing), and such amount shall be applied by such Paying Agents to such redemption (or payment).

Unless otherwise provided by the Issuer, upon any purchase or redemption pursuant to the Indenture of Bonds of any Series and maturity for which Sinking Fund Installments shall have been established, there shall be credited, in increments of \$5,000 to the extent practicable, toward each succeeding Sinking Fund Installment thereafter to become due on Bonds, of the same Series and maturity (other than the Sinking Fund Installment next coming due) an amount bearing the same ratio, to the Sinking Fund Installment, as the total principal amount of Bonds purchased or redeemed bears to the total principal amount of all the Sinking Fund Installments to be credited. The portion of any principal Sinking Fund Installment remaining after the deduction of any such amounts are credited toward the same shall constitute the unsatisfied balance of such Sinking Fund Installment for the purpose of calculation of Sinking Fund Installments due on a future date.

The amount, if any, deposited in the Debt Service Account from the proceeds of each Series of Bonds shall be set aside in such Account and applied to the payment of interest on Bonds as provided in the Indenture or in accordance with certificates of the Issuer delivered pursuant to the

Indenture or, if the Issuer shall modify or amend any such certificate by a subsequent certificate signed by an Authorized Officer of the Issuer, then in accordance with the most recent amended certificate.

In the event of the refunding of any Bonds, the Issuer may withdraw from the Debt Service Account in the Bond Fund all, or any portion of, the amounts accumulated therein with respect to Debt Service on the Bonds being refunded and deposit such amounts with itself to be held for the payment of the principal or Redemption Price, if applicable, and interest on the Bonds being refunded; provided that such withdrawal shall not be made unless (a) immediately thereafter Bonds being refunded shall be deemed to have been paid pursuant to the Indenture as described herein under the caption "Defeasance," and (b) the amount remaining in the Debt Service Account in the Bond Fund, after giving effect to the issuance of Refunding Bonds and the disposition of the proceeds thereof, shall not be less than the requirement of such Account pursuant to the Indenture in the second paragraph under this caption. In the event of such refunding, the Issuer may also withdraw from the Debt Service Account in the Bond Fund all, or any portion of, the amounts accumulated therein with respect to Debt Service on the Bonds being refunded and deposit such amounts in any fund or Account under the Indenture; provided, however, that such withdrawal shall not be made unless items (a) and (b) referred to hereinabove have been satisfied and provided, further, that, at the time of such withdrawal, there shall exist no deficiency in any Fund or Account held under the Indenture, as confirmed in writing to the Trustee by the Secretary/Treasurer.

Bond Fund — Tax Stabilization Account and Reserve Account. If twenty days prior to any interest or Principal Installment due date with respect to any Series of Bonds payment for such interest or Principal Installment in full has not been made or provided for, the Commission shall forthwith withdraw first from the Tax Stabilization Account an amount not exceeding the amount required to provide for such payment in full and deposit such amount in the Debt Service Account for application to such payment. If the funds in the Tax Stabilization Account are not sufficient to provide for the full payment of such interest or Principal Installment, the Commission shall withdraw from the Reserve Account the amount required to make such payment in full.

Whenever the amount in the Reserve Account shall exceed the Debt Service Reserve Requirement, after giving effect to any surety bond, insurance policy or letter of credit deposited in such Account pursuant to the Indenture, such excess shall be deposited in the Debt Service Account.

Whenever the amount in the Reserve Account (exclusive of any surety bond, letter of credit or insurance policy therein), together with the amounts in the Tax Stabilization Account and Debt Service Account is sufficient to pay in full all Outstanding Bonds in accordance with their terms (including principal or applicable sinking fund Redemption Price and interest thereon), the funds on deposit in the Tax Stabilization Account and the Reserve Account shall be transferred to the Debt Service Account. Prior to said transfer, all investments held in the Tax Stabilization Account and the Reserve Account shall be liquidated to the extent necessary in order to provide for the timely payment of principal and interest (or Redemption Price) on the Bonds.

In lieu of the required transfers or deposits to the Reserve Account, the Commission may cause to be deposited into the Reserve Account a surety bond or an insurance policy for the benefit of the holders of the Bonds or a letter of credit in an amount equal to the difference between the Debt Service Reserve Requirement and the sums then on deposit in the Reserve Account, if any, after the deposit of such surety bond, insurance policy or letter of credit. Such difference may be withdrawn by the Commission and be deposited in the Revenue Fund. The surety bond, insurance policy or letter of credit shall be payable (upon the giving of notice as required thereunder) on any due date on which monies will be required to be withdrawn from the Reserve Account and applied to the payment of a Principal Installment of or interest on any Bonds and such withdrawal cannot be met by amounts on deposit in the

Reserve Account. If a disbursement is made pursuant to a surety bond, an insurance policy or a letter of credit provided pursuant to this paragraph, the Commission shall be obligated either (i) to reinstate the maximum limits of such surety bond, insurance policy or letter of credit or (ii) to deposit into the Reserve Account, funds in the amount of the disbursement made under such surety bond, insurance policy or letter of credit, or a combination of such alternatives, as shall provide that the amount in the Reserve Account equals the Debt Service Reserve Requirement. Any other provision of the Indenture to the contrary notwithstanding, for each particular Series of Bonds or portion thereof which is insured by an Insurer, the right of the Commission hereunder to cause a surety bond or an insurance policy to be deposited into the Reserve Account in lieu of the required transfers or deposits thereto shall be subject to the condition that the Commission obtain the prior written consent of the Insurer as to the structure and the issuer of such surety bond or insurance policy.

In the event of the refunding of any Bonds, the Commission may withdraw from the Tax Stabilization Account and the Reserve Account in the Bond Fund all, or any portion of, the amounts accumulated therein with respect to the Bonds being refunded and deposit such amounts with itself to be held for the payment of the principal or Redemption Price, if applicable, and interest on the Bonds being refunded; provided that such withdrawal shall not be made unless (a) immediately thereafter the Bonds being refunded shall be deemed to have been paid pursuant to the Indenture, and (b) the amounts remaining in the Tax Stabilization Account and the Reserve Account in the Bond Fund, after giving effect to the issuance of the Refunding Bonds and the disposition of the proceeds thereof, shall not be less than the Debt Service Reserve requirement.

If any withdrawals are made from the Tax Stabilization Account or Reserve Account pursuant to the Indenture, the resulting deficiency, if any, shall be remedied by the application of monthly payments into the Tax Stabilization Account or Reserve Account, as applicable, or by transfers from the Renewal and Replacement Account or both, until the amounts on deposit in the Tax Stabilization Account or Reserve Account, as applicable, are equal to the Tax Stabilization Account Requirement or Debt Service Reserve Requirement, respectively, whereupon such deposits shall be discontinued until such time, if any, that there is again a deficiency.

Renewal and Replacement Account. Monies to the credit of the Renewal and Replacement Account may be applied to the cost of major replacements, repairs, renewals, maintenance, betterments, improvements, reconstruction or extensions of the System or any part thereof as may be determined by the Board.

If at any time the monies in the Debt Service Account, the Reserve Account and the Revenue Fund shall be insufficient to pay the interest and Principal Installments becoming due on the Bonds, then the Issuer shall transfer from the Renewal and Replacement Account for deposit in the Debt Service Account the amount necessary (or all the monies in said Fund if less than the amount necessary) to make up such deficiency.

Any balance of monies and securities in the Renewal and Replacement Account not required to meet a deficiency as set forth above or for any of the purposes for which the Renewal and Replacement Account was established, may, on direction of the Issuer, be transferred from the Renewal and Replacement Account to the Reserve Account, if and to the extent necessary to make the amount in such Account equal to the Debt Service Reserve Requirement, and any balance may be deposited in the Debt Service Account or the Revenue Fund.

Senior Subordinated Debt Fund. Subject to the provisions of the Indenture, the Commission shall apply amounts in the Senior Subordinated Debt Fund to the payment of subordinated debt obligations as specified by the corresponding series indenture for such subordinate debt obligation.

Notwithstanding any of the other provisions of the Indenture described under this caption, if at any time the amount on deposit in the Reserve Account shall be less than the Debt Service Reserve Requirement, the Issuer shall forthwith transfer from the Senior Subordinated Debt Fund for deposit in the Reserve Account the amount necessary (or all moneys in said Senior Subordinated Debt Fund, if necessary) to make up such deficiency.

Amounts in the Senior Subordinated Debt Fund which the Issuer at any time determines to be in excess of the requirements of such fund may, at the discretion of the Issuer, be transferred to the Debt Service Account or the Renewal and Replacement Account.

Investments. In making any investment in any Investment Securities with monies in any Fund or Account established under the Indenture, the Issuer may combine, to the extent permitted by law, or instruct such Fiduciary to combine, such monies with monies in any other Fund or Account, but solely for purposes of making such investment in such Investment Securities.

Monies held in the Bond Fund, the Revenue Fund, the Renewal and Replacement Account, the Senior Subordinated Debt Fund and the Construction and Acquisition Fund shall be invested and reinvested to the fullest extent practicable in Investment Securities, maturing not later than such times as shall be necessary to provide monies when needed for payments to be made from such Fund or Account. The Fiduciary, shall make all such investments of monies held by it in accordance with written instructions from time to time received from an Authorized Officer of the Issuer.

Interest (net of that which represents a return of accrued interest) or gain realized on investments in such Funds and Accounts other than the Reserve Account of the Bond Fund, shall be paid into the Revenue Fund, provided that gain realized from the liquidation of an investment shall be governed by the provisions described below. Interest earned or gain realized on investments in the Reserve Account shall be transferred to the Debt Service Account, provided that gain realized from the liquidation of an investment shall be governed by the provisions of the Indenture as described in the first paragraph under the caption "Valuation and Sale of Investments" herein.

Nothing in the Indenture shall prevent any Investment Securities acquired as investments of or security for funds held under the Indenture from being issued or held in book-entry form on the books of the Department of the Treasury of the United States.

Nothing in the Indenture shall preclude any Fiduciary from investing or reinvesting monies through its respective trust department; provided, however, that the Issuer may, in its discretion, direct that such monies be invested or reinvested in a manner other than through such respective trust department.

Valuation and Sale of Investments. Obligations so purchased as an investment of moneys in any such Fund or Account shall be deemed at all times to be part of such Fund or Account, and the interest accruing thereon and profit realized from such investment shall be credited to such Fund or Account, except as otherwise provided, and any loss resulting from such investment shall be charged to such Fund or Account. The Trustee or an Authorized Officer, as the case may be, shall sell at the best price obtainable by it or present for redemption any obligations so purchased whenever it shall be necessary so to do in order to provide moneys to meet any payment or transfer from any such Fund or Account. Neither the Trustee nor an Authorized Officer shall be liable or responsible for any loss, fee, tax or other charge resulting from any such investment, reinvestment or liquidation of an investment.

In computing the amount in any Fund or Account held under the provisions of the Indenture, excepting the Reserve Account, obligations purchased as an investment of monies therein shall

be valued at par plus accrued interest. In computing the amount of the Reserve Account obligations purchased as an investment of monies therein shall be valued at par if purchased at par or at Amortized Value if purchased at other than par. Amortized Value, when used with respect to an obligation purchased at premium above or discount below par, means the obligation purchased at value as of any given date obtained by dividing the total amount of the premium or discount at which such obligation was purchased by the number of days remaining to maturity on such obligation at the time of such purchase and by multiplying the amount so calculated by the number of days having passed since the date of such purchase; and in the case of an obligation purchased at premium, by deducting the product thus obtained from the purchase price, and in the case of an obligation purchased at discount by adding the product thus obtained to the purchase price. Valuation on any particular date shall include the amount of interest then earned or accrued to such date on any monies or investments in the Reserve Account.

Additional Bonds. In the case of each Series of Bonds other than a Series of Refunding Bonds, the Series 2004B Bonds and the Series 2016 Bonds, a certificate of an Authorized Officer of the Commission setting forth (i) for the Fiscal Year (or the twelve calendar months) immediately preceding the date of the authentication and delivery, the Pledged Receipts for such period, and (ii) the estimated maximum aggregate debt service in the current or any future Fiscal Year with respect to [a] all Series of Bonds which are then Outstanding and [b] the Additional Bonds then proposed to be authenticated and delivered (and for this purpose all Series of Bonds Outstanding plus such proposed Additional Bonds shall be treated as a single Series; that is, the maximum aggregate debt service shall be computed collectively with respect to all such Bonds, and not computed cumulatively or separately for each particular Series), and showing that the amount set forth in (i) is equal to or greater than 200% of the amount set forth in (ii).

For purposes of computing the amount set forth in (i) of the first paragraph of this Section, the Pledged Receipts (excluding (iii) of the definition of Pledged Receipts) may be increased, in order to reflect any estimated increases in such Dedicated Taxes receipts and the Pledged 1½% Operations Tax receipts or other additional revenue pledge by the Commission; provided, however, that no such estimated increases in Dedicated Taxes receipts shall be taken into account under this paragraph unless the Metro Government by Ordinance has theretofore found and declared that such Dedicated Taxes shall remain in full force and effect while any Bonds (including but not limited to the proposed Additional Bonds to be issued) remain Outstanding hereunder; and provided, further, that no such estimated increases in the Pledged 1½% Operations Tax receipts shall be taken into account under this paragraph unless the Metro Government by Ordinance has theretofore found and declared that such Pledged 1½% Operations Tax shall remain in full force and effect while any Bonds (including but not limited to the proposed Additional Bonds to be issued) remain Outstanding hereunder.

In estimating the aggregate debt service for each of the Fiscal Years covered by any certificate required to be delivered by it, an Authorized Officer of the Commission shall include the aggregate debt service on all Bonds estimated to be Outstanding during each such Fiscal Year.

With respect to (a) any Bonds which are not Outstanding on the date such certificate is delivered but which are projected to be issued during the period covered by such certificate, and (b) any Variable Interest Rate Bonds Outstanding on the date such certificate is delivered, an Authorized Officer of the Commission shall estimate the Debt Service on such Bonds upon reliance upon a written estimate of such Debt Service by the Commission's Financial Advisor which estimate shall include assumptions with respect to the interest rate or rates to be borne by such Bonds and the amounts and due dates of the Principal Installments for such Bonds; provided, however, that the interest rate or rates assumed to be borne by any Variable Interest Rate Bonds shall be calculated at no less than the greatest of [i] the Bond Buyer Revenue Bond Index (published by The Bond Buyer no more than two weeks prior to the scheduled date of sale for such Variable Interest Rate Bonds), plus One Hundred (100) Basis Points; [ii]

the average interest rate actually borne by Variable Rate Bonds previously issued and outstanding hereunder, beginning on the date which is one year preceding the scheduled date of sale for such Variable Interest Rate Bonds (or beginning on the date of issuance of the applicable Bonds, if later) and ending on such scheduled date of sale; and [iii] the interest rate borne by such Variable Interest Rate Bonds at the time that an Authorized Officer of the Commission delivers such certificate. Notwithstanding the above, the interest rate or rates assumed to be borne by any Variable Interest Rate Bonds hedged with a Qualified Swap Obligation shall be equal to the rate of the Qualified Swap Obligation plus any liquidity costs.

Refunding Bonds. One or more Series of Refunding Bonds may be issued at any time to refund [i] Outstanding Bonds of one or more Series or [ii] one or more maturities within a Series of any Bonds. Refunding Bonds shall be issued in a principal amount sufficient, together with other monies available therefor, to accomplish such refunding and to make the deposits in the Funds and Accounts under the Indenture required by the provisions of the Supplemental Indenture authorizing such Bonds.

Refunding Bonds of each Series shall be authenticated and delivered by the Trustee only upon satisfaction of the following conditions (in addition to the other documents required by the Indenture) of: [i] Instructions to the Trustee, satisfactory to it, to give due notice of redemption, if applicable, of all the Bonds to be refunded on a redemption date or dates specified in such instructions, subject to the provisions of the Indenture described hereinafter under the caption “Defeasance”; [ii] if the Bonds to be refunded are not by their terms subject to redemption or will not be redeemed within the next succeeding 60 days, instructions to the escrow agent described in the Indenture, satisfactory to it, to mail the notice provided for in the Indenture described hereinafter under the caption “Defeasance” to the Holders of the Bonds being refunded; [iii] either (a) cash (including cash withdrawn and deposited pursuant to the Indenture as described herein under the captions “Bond Fund — Debt Service Account” and “Bond Fund — Reserve Account,” respectively) in an amount sufficient to effect payment at the applicable Redemption Price of the Bonds to be refunded, together with accrued interest on such Bonds to the redemption date, which monies shall be held by the escrow agent described in the Indenture or any one or more of the Paying Agents in a separate account irrevocably in trust for and assigned to the respective Holders of the Bonds to be refunded or (b) Defeasance Obligations in such principal amounts, of such maturities, bearing such interest, and otherwise having such terms and qualifications and any monies, as shall be necessary to comply with the provisions of the Indenture as described herein under the caption “Defeasance”, which Defeasance Obligations and monies shall be held in trust and used only as provided in the Indenture described hereinafter under the caption “Defeasance”; and [iv] such further documents and monies as are required by the provisions of the Indenture or any Supplemental Indenture adopted pursuant to the Indenture.

The proceeds, including accrued interest, of the Refunding Bonds of each Series shall be applied simultaneously with the delivery of such Bonds for the purposes of making deposits in such Funds and Accounts under the Indenture as shall be provided by the Supplemental Indenture authorizing such Series of Refunding Bonds and shall be applied to the refunding purposes thereof in the manner provided in such Supplemental Indenture.

Subordinated Debt. The Issuer may, at any time, or from time to time, issue debt or enter into a contract, lease, installment sale agreement or other instrument or lend credit to or guarantee debts, claims or other obligations of any person for any of its corporate purposes payable out of, and which may be secured by a pledge of, such amounts as may from time to time be available for the purpose of payment thereof; provided, however, that such pledge shall be, and shall be expressed to be, subordinate and junior in all respects to the pledge and lien created by the Indenture as security for the Bonds.

Creation of Liens; Sale and Lease of Property. The Issuer shall not issue any bonds, notes, debentures or other evidences of indebtedness of similar nature, other than the Bonds, payable out

of or secured by a pledge or assignment of the Pledged Receipts and shall not create or cause to be created any lien or charge on the Pledged Receipts; provided, however, that nothing contained in the Indenture shall prevent the Issuer from issuing, if and to the extent permitted by law [i] evidences of indebtedness (a) payable out of monies in the Construction and Acquisition Fund as part of the Cost of Construction and Acquisition of the System or (b) payable out of, or secured by a pledge or assignment of, Pledged Receipts to be received on and after such date as the pledge of the Pledged Receipts provided in the Indenture shall be discharged and satisfied as provided in the Indenture or [ii] subject to the Insurer's consent, Subordinated Debt.

Facilities of the System shall not be sold, leased, mortgaged or otherwise disposed of, except as follows:

A. The Issuer may sell or exchange at any time and from time to time any property or facilities constituting part of the System, at such consideration as the Issuer in its sole discretion deems reasonable or appropriate under all the circumstances, but only if it shall determine that ownership by the Issuer of such property or facilities is not necessary or is not material for the purposes of the Issuer in the operation of the System as a whole; or

B. The Issuer may lease or make contracts or grant licenses for the operation of, or make arrangements for the use of, or grant easements or other rights with respect to, any part of the System, provided that any such lease, contract, license, arrangement, easement or right [i] does not materially impede the operation by the Issuer or its agents of the System and [ii] does not materially impair or adversely affect the rights or security of the Bondholders under the Indenture.

Operation and Maintenance of System. The Issuer shall at all times use its best efforts to operate or cause to be operated the System properly and in an efficient and economical manner, and shall use its best efforts to maintain, preserve and keep the same or cause the same to be so maintained, preserved and kept, with the appurtenances and every part and parcel thereof, in good repair, working order and condition, and shall from time to time make or cause to be made, all necessary and proper repairs, replacements and renewals so that at all times the operation of the System may be properly and advantageously conducted. In rendering any report, certificate or opinion requested pursuant to the Indenture, an Authorized Officer of the Issuer may rely upon information, certificates, opinions or reports required to be provided by others pursuant to the Indenture, and upon other sources which an Authorized Officer of the Issuer considers reliable, and other considerations and assumptions as deemed appropriate by an Authorized Officer of the Issuer.

Accounts and Reports. The Commission shall annually prepare an audit in accordance with generally accepted accounting principles and shall maintain such books and records as required by law in relation to the operations of the Commission and the payment of any debt service related to the Projects.

Tax Covenants Relating to the Internal Revenue Code. The Issuer shall do the following with respect to Bonds which, when initially issued, are the subject of an Opinion of Counsel to the effect that interest thereon is excluded from gross income for Federal income tax purposes pursuant to the Internal Revenue Code of 1986 or any successor thereto (the "Code"): [a] in order to maintain the exclusion of interest on the Bonds from gross income for Federal income tax purposes, and for no other purpose, the Issuer shall comply with the Code; [b] in furtherance of the covenant contained in the preceding paragraph, the Issuer shall make any and all payments required to be made to the United States Department of the Treasury in connection with the Bonds pursuant to Section 148(f) of the Internal Revenue Code; and [c] Notwithstanding any other provision of the Indenture to the contrary, so long as necessary in order to maintain the exclusion from gross income of interest on the Bonds for Federal

income tax purposes, the covenants contained in this paragraph shall survive and continue to apply for all periods prior to and after any payment or defeasance of the Bonds pursuant to the Indenture.

Events of Default. Each of the following events is hereby declared an “event of default”; that is, if: [a] payment of the principal of any of the Bonds is not made on the date therein specified for payment thereof, or payment of any installment of interest is not made on the date specified for such payment, or [b] default shall be made in the due and punctual observance or performance of any of the covenants, conditions and agreements on the part of the Issuer, in the Bonds or in the Indenture, or in any pertinent law contained, and such default shall continue for a period of forty-five (45) days after written notice thereof by the Trustee, by the Insurer, or by the holder or holders of not less than twenty percent (20%) in aggregate principal amount of the outstanding Bonds.

Rights Arising Upon Occurrence of Event of Default. That upon the happening of any event of default specified in the Indenture, the Trustee may, and if requested by the holder or holders of fifty-one percent (51%) in principal amount or more of the Bonds then outstanding pursuant to the Indenture shall, in his or its name, (a) by mandamus or other suit, action or proceeding at law, or in equity, including mandatory injunction, enforce all rights of the Commission to collect rates, rentals and other charges adequate to carry out any agreement as to, or pledge of, the Pledged Receipts, and to require the Commission and its officers to carry out any other agreement with the Bondholders and to perform its and their duties imposed by law; (b) bring suit upon the Bonds; (c) by action or suit in equity require the Commission to account as if it were the trustee of an express trust for the Bondholders; (d) by action or suit in equity enjoin any acts or things which may be unlawful or in violation of the rights of Bondholders; (e) declare all Bonds due and payable; and (f) pursue any other rights or remedies available at law or in equity. For any Bonds registered in Book-Entry Form, notwithstanding the above definition of “Bondholder”, the Trustee shall be entitled to rely upon written instructions from a majority of the beneficial owners of the Bonds with reference to consent, if any, required from Holders pursuant to the terms of the Indenture.

The Trustee, whether or not all Bonds have been declared due and payable, shall be entitled as of right upon application to such Court to the appointment of a receiver, who may take possession of the Pledged Receipts and collect and receive Pledged Receipts of the Commission, thereafter arising therefrom, in the same manner as the Commission and its officers might do, and shall deposit all such monies in a separate account and apply the same in such manner as such Court shall direct. In any suit, action or proceeding, by the Trustee, the fees, counsel fees and expenses of the Trustee and of the receiver, if any, shall constitute disbursements taxable as costs. Such Trustee shall, in addition to the foregoing, have and possess all of the powers necessary or appropriate for the exercise of any functions specifically set forth herein or incident to the general representation of the Bondholders in the enforcement and protection of their rights.

Rights of Insurer. Any other provision of the Indenture to the contrary notwithstanding, and to the extent permitted by law (including the Act), for each particular Series of Bonds or portion thereof that is insured by an Insurer, the exercise by the Trustee, by a court appointed trustee or by the Bondholders of any rights, powers or privileges granted thereto in the Indenture shall require the written direction or consent of the Insurer, if the Insurer is not then in breach or default of its payment obligations under its insurance policy.

With respect to each particular Series of Bonds or portion thereof that is insured by an Insurer, the registered Holders shall not be deemed to be the actual Holders of such Bonds, but instead the Insurer, for so long as it is the Insurer as to such Bonds and is not at the time in breach or default of its payment obligations under its insurance policy or its surety bond relating to the Reserve Account, shall be deemed to be the sole Holder of such Bonds for the purpose of exercising any voting right or privilege or

giving any consent or direction or taking any other action that the holders of the Bonds insured by such Insurer are entitled to take (including, but not limited, to exercising, or directing the exercise of, any right, remedy, power or privilege or giving or withholding any approval or consent) pursuant to Article 8 and Article 9 of the Indenture.

Amounts paid by an Insurer under an insurance policy with respect to any Series of Bonds shall not cause such Bonds to be deemed paid for purposes of the Indenture, and such Bonds shall remain Outstanding and continue to be due and owing until paid by the Commission in accordance with the Indenture. The Indenture shall not be discharged, unless all amounts due or to become due to each Insurer have been paid in full or duly provided for.

If, on the third Business Day prior to the related scheduled interest payment date or principal payment date ("Payment Date") there is not on deposit with the Trustee, after making all transfers and deposits required under the Indenture, moneys sufficient to pay the principal of and interest on the Bonds insured by any particular Insurer due on such Payment Date, the Trustee shall give notice to such Insurer and to its designated agent (if any) (the "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 prior to the related Payment Date, there continues to be a deficiency in the amount available to pay the principal of and interest on such Bonds due on such Payment Date, the Trustee shall make a claim under the applicable insurance policy and give notice to such Insurer and the 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 such Bonds and the amount required to pay principal of such Bonds, confirmed in writing to the Insurer and the Insurer's Fiscal Agent by 12:00 noon, New York City time, on such second Business Day.

In the event the claim to be made on a particular Insurer's insurance policy pursuant to the preceding paragraph is for a mandatory sinking fund redemption installment, upon receipt of the moneys due, the Trustee shall authenticate and deliver to affected Bondholders who surrender their Bonds a new Bond or Bonds in an aggregate principal amount equal to the unredeemed portion of the Bond surrendered. The Trustee shall designate any portion of payment of principal on Bonds paid by the 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 the Depository Trust Company or its nominee or otherwise, and shall issue a replacement Bond to the Insurer, registered in the name of the Insurer, in a principal amount equal to the amount of principal so paid (without regard to authorized denominations); provided that the 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 Commission on any Bond or the subrogation rights of such Insurer.

The Trustee shall keep a complete and accurate record of all funds deposited by each Insurer into a "Policy Payments Account" (defined below) and the allocation of such funds to payment of interest on and principal paid in respect of any Bond. Each Insurer shall have the right to inspect such records relating to such Insurer, at reasonable times upon reasonable notice to the Trustee.

Upon payment of a claim under an insurance policy the Trustee shall establish a separate special purpose trust account for the benefit of the relevant Bondholders referred to herein as the "Policy Payments Account" and over which the Trustee shall have exclusive control and sole right of withdrawal. The Trustee shall receive any amount paid under such insurance policy in trust on behalf of such Bondholders and shall deposit any such amount in the relevant 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 Trustee to such Bondholders in the same manner as principal and interest payments are to be made with respect to the relevant Bonds under the sections hereof regarding payment of 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 to the contrary otherwise set forth in the Indenture, and to the extent permitted by law, in the event amounts paid under an insurance policy are applied to claims for payment of principal of or interest on the Bonds of any Series, interest on such principal of and interest on such Bonds shall accrue and be payable from the date of such payment at the greater of: (i) the per annum rate of interest, publicly announced from time to time by J.P. Morgan Chase Bank or the largest bank with which it is affiliated or its successor at its principal office in the City of New York, New York (or such other domestic banking corporation or trust company, or national banking association, as an Insurer may designate from time to time for purposes of the Indenture) as its prime or base lending rate plus 3%, and (ii) the then applicable rate of interest on the Bonds provided that in no event shall such rate exceed the maximum rate permissible under applicable usury or similar laws limiting interest rates.

Funds held in a Policy Payments Account shall not be invested by the Trustee and may not be applied to satisfy any costs, expenses or liabilities of the Trustee. Any funds remaining in a Policy Payments Account following the relevant Bond payment date shall promptly be remitted to the relevant Insurer.

An Insurer shall, to the extent it makes any payment of principal of (or, in the case of Capital Appreciation Bonds, Accreted Value or Appreciated Value) or interest on the Bonds, become subrogated to the rights of the recipients of such payments in accordance with the terms of the relevant Insurance Policy. The obligations of the Commission and Fiduciaries to such Insurer under the Indenture shall survive discharge or termination of any related documents.

References to the Insurer apply only so long as any insurance policy is in effect for the Bonds and the Insurer is not in default of its payment obligations under any insurance policy.

Trustee; Bond Registrar; Paying Agents. The Indenture permits the appointment by the Issuer of a Trustee, a Bond Registrar and one or more Paying Agents. Any Trustee, Paying Agent or Bond Registrar may at any time resign and be discharged of the duties and obligations created by the Indenture by giving at least 60 days written notice to the Issuer and the other Trustees, Paying Agents or Bond Registrars. Any Trustee, Paying Agent or Bond Registrar may be removed at any time by an instrument filed with such Trustee, Paying Agent or Bond Registrar and signed by an Authorized Officer of the Issuer. Any successor Trustee, Paying Agent or Bond Registrar shall be appointed by the Issuer and shall be a bank or trust company organized under the laws of any state of the United States or a national banking association, having capital stock, surplus and undivided earnings aggregating at least \$10,000,000, and willing and able to accept the office on reasonable and customary terms and authorized by law to perform all the duties imposed upon it by the Indenture.

Amendments and Supplemental Indentures. Any modification or amendment of the Indenture and of the rights and obligations of the Commission and of the Holders of the Bonds thereunder, in any particular, may be made by a Supplemental Indenture, with the written consent given as provided in the Indenture of the Holders of at least a majority in principal amount of the Bonds Outstanding at the time such consent is given. If one or more Series of Bonds then Outstanding are not affected by the modification or amendment or if such modification or amendment will, by its terms, not take effect so long as any Bonds of any specified like Series and maturity remain Outstanding, the consent of the Holders of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds. No such modification or amendment shall permit a change in the terms of redemption (including Sinking Fund Installments) or maturity of the principal of any Outstanding Bond or of any installment of interest thereon or a reduction in the principal amount or the Redemption Price thereof or in the rate of interest thereof without the consent of the Holder

of such Bond, or shall reduce the percentages or otherwise affect the classes of Bonds the consent of the Holders of which is required to effect any such modification or amendment, or shall change or modify any of the rights or obligations of any Fiduciary without its written assent thereto. For the purpose of this Section, a Series shall be deemed to be affected by a modification or amendment of the Indenture if the same adversely affects or diminishes the rights of the Holders of Bonds of such Series. The Commission may in its sole discretion determine whether or not, in accordance with the foregoing powers of amendment, Bonds of any particular Series or maturity would be affected by any modification or amendment of the Indenture and any such determination shall be binding and conclusive on the Commission and all Holders of Bonds.

For any one or more of the following purposes and at any time or from time to time, a Supplemental Indenture of the Issuer may be adopted, which, when adopted, shall be fully effective in accordance with its terms upon the written consent of the Insurer, which consent shall not be unreasonably withheld: [1] to close the Indenture against, or provide limitations and restrictions in addition to the limitations and restrictions contained in the Indenture on, the authentication and delivery of Bonds or the issuance of other evidences of indebtedness; or [2] to add to the covenants and agreements of the Issuer in the Indenture, other covenants and agreements to be observed by the Issuer which are not contrary to or inconsistent with the Indentures as theretofore in effect; or [3] to add to the limitations and restrictions in the Indenture, other limitations and restrictions to be observed by the Issuer which are not contrary to or inconsistent with the Indenture as theretofore in effect; or [4] to authorize Bonds of a Series; or [5] to authorize one or more Series of Subordinated Debt; or [6] to authorize, in compliance with all applicable law, Bonds of each Series to be issued in the form of coupon Bonds; or [7] to authorize, in compliance with all applicable law, Bonds of each Series to be issued in the form of Bonds issued and held in book-entry form on the books of the Issuer or any Fiduciary appointed for that purpose by the Issuer; or [8] notwithstanding any other provisions of the Indenture, to authorize Bonds of a Series having terms and provisions different than the terms and provisions theretofore provided in the Indenture; or [9] to confirm, as further assurance, any pledge or assignment under, and the subjection to any security interest, pledge or assignment created or to be created by, the Indenture of the Pledged Receipts and Credit Facilities or other agreements; or [10] to comply with the provisions of any federal or state securities law, including, without limitation, the Trust Indenture Act of 1939, as amended or comply with Section 103 of the Internal Revenue Code of 1986 or 1954, as applicable, as amended, or successor provisions; or [11] to modify any of the provisions of the Indenture in any other respect whatever, provided that [i] such modification shall be, and be expressed to be, effective only after all Bonds of each Series Outstanding at the date of the adoption of such Supplemental Indenture shall cease to be Outstanding and [ii] such Supplemental Indenture shall be specifically referred to in the text of all Bonds of any Series authenticated and delivered after the date of the adoption of such Supplemental Indenture and of Bonds issued in exchange therefore or in place thereof; or [12] to cure any ambiguity, defect or inconsistency provided that there is no material adverse impact on Bondholders.

Consent of the Insurer; Notice. In any cases where the consent of the Insurer shall be necessary for the execution and delivery of any Supplemental Indenture or any amendment, change or modification of the Indenture, the Commission shall be required to send a copy of such amendment to S&P's and any other rating agency which is rating any of the Bonds.

Defeasance. If the Issuer shall pay or cause to be paid, or there shall otherwise be paid, to the Holders of all Bonds the principal or Redemption Price, if applicable, and interest due or to become due thereon, at the times and in the manner stipulated in the Bonds and in the Indenture, then the pledge of the Pledged Receipts and all covenants, agreements and other obligations of the Issuer to the Bondholders, shall thereupon cease, terminate and become void and be discharged and satisfied.

Bonds or interest installments, or portions thereof, for the payment or redemption of which monies shall have been set aside and shall be held in trust by the Trustee (through deposit by the Issuer of funds for such payment or redemption or otherwise) at the maturity or redemption date thereof shall be deemed to have been paid within the meaning and with the effect expressed in the Indenture. Subject to the provisions of the Indenture, any Outstanding Bonds shall prior to the maturity or redemption date thereof be deemed to have been paid within the meaning and with the effect expressed in the Indenture if the following conditions are met: (a) if any of such Bonds are to be redeemed on any date prior to their maturity, the Issuer shall have instructed the Trustee to mail as provided in the Indenture notice of redemption of such Bonds (other than Bonds which have been purchased or otherwise acquired by the Issuer and delivered to the Trustee as hereinafter provided prior to the mailing of notice of redemption), (b) there shall have been deposited with an escrow agent either cash (including amounts, if any, withdrawn and deposited pursuant to the Indenture as described herein under the captions "Bond Fund--Debt Service Account" and "Bond Fund--Reserve Account") in an amount which shall be sufficient, or Defeasance Obligations (including any Defeasance Obligations issued or held in book-entry form on the books of the Department of the Treasury of the United States) the principal of and the interest on which when due will provide cash which, together with any other cash on deposit with the escrow agent, shall be sufficient, to pay when due the principal or Redemption Price, if applicable, and interest due and to become due on the Bonds on or prior to the redemption date or maturity date thereof, as the case may be and (c) if the Bonds are not by their terms subject to redemption within the next succeeding 60 days, the Issuer shall have instructed the Trustee to mail a notice to the Holders of such Bonds to be paid or redeemed, that the deposit required by (b) above has been made and that the Bonds are deemed to have been paid in accordance with the Indenture and stating the maturity or redemption date upon which monies are expected to be available for the payment.

Such escrow agent shall, as and to the extent necessary, apply amounts held by it to the retirement of Bonds in amounts equal to the unsatisfied balances (determined as provided in the Indenture as described herein under the caption "Bond Fund--Debt Service Account") of any Sinking Fund Installments with respect to such Bonds, all in the manner provided in the Indenture. The escrow agent shall, if so directed by the Issuer prior to the maturity or redemption date, as applicable, of Bonds deemed to have been paid in accordance with the provisions of the Indenture described under this caption, apply cash, redeem or sell Defeasance Obligations so deposited with such escrow agent and apply the proceeds thereof, together with any cash on deposit with the escrow agent, to the purchase of such Bonds (and the Bond Registrar shall immediately thereafter cancel all such Bonds so purchased and delivered to it); provided, however, that the cash and Defeasance Obligations remaining on deposit with such escrow agent after the purchase and cancellation shall be sufficient to pay when due the principal or Redemption Price, as applicable, and interest due or to become due on all remaining Bonds in respect of which such cash and Defeasance Obligations are being held by such escrow agent on or prior to the redemption date or maturity date thereof, as the case may be. Except as otherwise provided in the Indenture, neither Defeasance Obligations nor cash deposited with such escrow agent pursuant to the Indenture nor principal or interest payments on any such Defeasance Obligations shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal or Redemption Price, as applicable, and interest on the Bonds with respect to which such cash and Defeasance Obligations have been deposited. Any excess cash received from such principal or interest payments on such Defeasance Obligations shall be paid over to the Issuer as received by such escrow agent, free and clear of any trust, lien or pledge.

APPENDIX B

**GENERAL INFORMATION ABOUT METRO LOUISVILLE, THE
LOUISVILLE AND JEFFERSON COUNTY VISITORS AND CONVENTION COMMISSION,
AND THE METRO LOUISVILLE CONVENTION AND HOTEL MARKET**

The discussion below is based on official records, public reports and announcements and actions of public officials, as well as publicly available news reporting services, and is provided for the purpose of affording the reader with certain background information that is familiar to the local and regional community. The Commission does not and cannot guarantee the accuracy of such official records, public reports, news reporting or other announcements or actions of officials (other than officials of the Commission itself) on which the following discussion is based. The discussion below also includes some brief analysis or description by the Commission of certain possible future events or developments, the precise details of which cannot currently be known as described below. This Appendix supplements the information contained within the main text of the Official Statement.

Without limiting the generality of the foregoing, it should be noted that the discussion below contains certain projections and forward looking statements. These statements address events or developments that will or may occur in the future and are based on assumptions and analyses made in light of the Commission's experience and perception of historical trends, current conditions, expected future developments and other factors. Actual results and developments are subject to a number of risks and uncertainties, including general economic, market or business conditions, changes in law or regulations, and other factors which arise from time to time. Many of the risks and uncertainties are beyond the control of the Commission. Accordingly, readers are cautioned not to place undue reliance on such projections and forward looking statements, which speak only as of the date made.

Generic references herein to "hotels" include hotels, motels, inns, lodges, bed and breakfast establishments, and other lodging facilities regardless of how designated.

METRO LOUISVILLE

Jefferson County, Kentucky is the most populous of the 120 counties in the Commonwealth of Kentucky. Jefferson County is located in the north-central portion of Kentucky on the south bank of the Ohio River and covers a land area of approximately 400 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 and is close to the population center of the United States. Louisville is the commercial, industrial, medical, educational, cultural and financial center for the greater metropolitan area.

Louisville is the primary city in the Louisville/Jefferson County KY-IN Metropolitan Statistical Area (MSA), the 43rd most populous metropolitan statistical area in the United States. The MSA consists of Jefferson County and seven other surrounding counties in Kentucky and five in southern Indiana.

The 2000 Census population for Jefferson County was 693,604. The U.S. Census Bureau estimates that the population of the Louisville KY-IN MSA as of July 1, 2015 was 1,278,413.

Three major interstate highways pass directly through Louisville. Interstates 65 and 71 are north-south routes. Interstate 64 is an east-west route. Interstate 264 (Watterson Expressway) and Interstate 265 (Snyder Freeway) serve as limited-access bypasses around the city. Louisville is served by six railroad companies, which provide freight service to principal markets throughout the United States. Scheduled commercial airline service is available at Louisville International Airport, four miles south of downtown Louisville. Bowman Field, five miles east of downtown, maintains three paved runways for private airplane use. The Louisville and Jefferson County Riverport and several privately owned facilities provide public-use port facilities. Louisville also serves as a U.S. Customs Port of Entry.

The Ohio River Bridges Project, expected to be completed in late 2016, will increase cross-river mobility by improving safety, alleviating traffic congestion and connecting highways. The Downtown Crossing (the new Abraham Lincoln Bridge) connects downtown Louisville and Jeffersonville, Indiana, parallel to the existing John F. Kennedy Memorial Bridge. The East End Crossing will be located eight miles upstream and will extend Interstate 265 across the Ohio River from Prospect, Kentucky to Utica, Indiana.

LOUISVILLE AND JEFFERSON COUNTY VISITORS AND CONVENTION COMMISSION

General Description

In 1968, the Commonwealth of Kentucky's General Assembly enacted legislation which authorized the establishment of tourist and convention commissions. This legislation is now codified at KRS 91A.350 et seq. The Commission was established in 1968 pursuant to this legislation. The Commission provides for the use of the proceeds from the transient room tax as imposed under KRS 91A.390 for the purpose of promoting convention and tourist activity in the City of Louisville and Jefferson County (now consolidated as Louisville/Jefferson County Metro Government and known as "Metro Louisville"). The Commission operates to enhance Metro Louisville's economy through tourism by positioning and marketing the community worldwide, in partnership with the public and private sector, as a premier destination for conventions, trade shows, corporate meetings, group tours and individual leisure travel. In pursuit of its mission, the Commission generates increased visitor spending, local tax receipts and job development. The Commission has an operating budget of approximately \$18 million and approximately 60 full-time and 20 regular part-time employees.

Governance

The Commission is composed of nine members appointed by the Mayor of Louisville/Jefferson County Metro Government and the Governor of the Commonwealth. The Mayor appoints six (6) members of the Commission for a term of three (3) years each and the Governor appoints three (3) members of the Commission for a term of three (3) years each. The Commission submits its annual budget to the Legislative Council of the Louisville/Jefferson County Metro Government and works closely with the Kentucky State Fair Board ("KSFB") and the Tourism, Arts and Heritage Cabinet of the Commonwealth of Kentucky.

The KSFB operates and manages the Kentucky International Convention Center ("KICC") and the Kentucky Exposition Center ("KEC"). The Commission and KSFB work together closely to attract conventions, trade shows and events to both the KICC and KEC. Of the seventeen members of the KSFB, the Governor of the Commonwealth appoints one member from a list of nominees submitted by the Commission to represent the hospitality and tourism industry.

Executive Officers/Board of Directors

The officers of the Commission are the Chair, the Vice Chair, and the Secretary/Treasurer. The Chair serves as the Chair of the Commission and of the Executive Committee, presides at all meetings of the Commission and the Executive Committee, appoints all committees and committee members, and performs all duties as may be from time to time incident to said office. The Vice Chair serves in the absence of the Chair and performs all duties during such absence as are normally ascribed to the Chair. The Secretary/Treasurer ensures an annual audit is made of the Commission's financial records by its designated certified public accountants and ensures the timely preparation and annual submission of the Commission's budget to Metro Government. The Secretary/Treasurer or his/her designee keeps the

minutes of all Commission meetings and Executive Committee meetings. In addition, the Secretary/Treasurer performs all duties incident to the office of the Secretary/Treasurer and such other duties as from time to time may be assigned by the Chair.

The Chair, Vice Chair and Secretary/Treasurer serve for a term of one (1) year unless reelected for successive terms. The President is the Chief Executive Officer of the Commission and has specific charge and supervision of the employed staff and offices of the Commission, responsibility for recommending and implementing the policies and practices of the Commission and for performing all other reasonable duties assigned by the Chair and/or Commission.

Financial Policies

The Commission has approved the following financial policies.

Debt Management Policy

The debt management policy serves as a guide to the Commission as to how it may issue debt, the types of acceptable debt it may issue, and the appropriate level of debt it may support. The debt management policy contains seven objectives, each assisting the Commission in the maintenance of its outstanding debt and management of future debt. The seven objectives are: credit quality; purposes for issuing bond debt; types of debt permitted and criteria for issuance; debt structures; methods of sale; refunding of debt; and legal debt limits. The Vice President of Finance & Administration is responsible for the implementation and administration of this debt management policy.

Operating Reserve Policy

The operating reserve fund policy serves to ensure the long-term financial stability of the Commission and position it to respond to varying economic conditions and changes affecting the Commission's financial position and ability to carry out its mission. The operating reserve fund policy sets a target amount to be maintained, outlines the process for approving use of the fund, and describes the management and reporting obligations for the fund.

Investment Policy

The investment policy serves as a guide to the Commission as to how debt service fund assets may be invested. The investment policy defines the primary investment objectives as security, liquidity, and return on investment. The investment policy outlines the authorized investments, discusses diversification of investments, and addresses other applicable areas including authorized dealers and institutions, safekeeping and custody, and collateral. The Vice President of Finance and Administration is responsible for management of the investment program.

Awards/Accreditations

The Commission, doing business as Louisville Convention & Visitors Bureau (LCVB), is the recipient of several awards and/or accreditations. LCVB has been awarded the Destination Marketing Accreditation Program (DMAP) seal by Destination Marketing Association International (DMAI). This seal recognizes commitment to industry excellence and ability to meet the industry standard for performance and accountability of destination marketing organizations (DMO) around the world. LCVB is one of over 200 DMO's that have attained DMAP recognition. The DMAP recognition shows that LCVB has been successful across sixteen disciplines, made up of fifty-three mandatory standards.

Recipients of the award are globally recognized by the destination marketing industry for the highest achievement in destination excellence.

LOUISVILLE CONVENTION AND HOTEL MARKET

Visitor Market Overview

Approximately 3 million transient rooms were rented in Louisville/Jefferson County in 2015, an increase of 6% over 2014. Roughly 20% of the rooms rented can be attributed to convention business booked through the Commission with the remaining 80% being leisure, corporate and other meetings. The Commission utilizes a variety of services to analyze and understand the overall convention/hotel market, including Smith Travel Research, Inc. (“STR”). STR has been engaged through January 2017, which date may be extended, as an independent third-party to project the occupancy and average daily rates (“ADR”) of local hotels on a quarterly basis. The Commission has developed a written action plan covering the disruption, transformation and re-launch phases of the Convention Center renovation and expansion project. The Commission completes a marketing plan annually to incorporate key market strategies. These market strategies include (i) minimizing the disruption to the marketplace and community due to the closure of KICC during expansion/construction, (ii) targeting regional leisure visitors by partnering with qualified festivals and events to increase attendance and overnight stays, (iii) enhancing social media efforts and launching campaigns focused on music, bourbon, the LGBT community, and culinary opportunities, (iv) targeting certain sports and athletic, corporate and health and medical market segments and (v) expanding direct selling efforts with major industry groups with a particular focus on distressed calendar dates.

Overview of Conference Market in Metro Louisville

Top Convention and Events

The following are the major conventions/events regularly held in Metro Louisville:

<u>Convention/Event</u>	<u>Room Nights⁽¹⁾</u>	<u>Years in Louisville</u>
National Farm Machinery Expo	36,757	1965-indefinite
North American International Livestock Expo	26,550	1974-indefinite
Mid-America Trucking Show	36,120	1972-2020
National Street Rod Association	29,000	1998-2020
GIE + Expo	18,470	1984-2018
SkillsUSA	30,175	2015-2020
International Construction Utility Equipment Expo ⁽²⁾	23,705	1987-2017
Ironman	13,710	2007-2019
VEX Robotics	12,100	2015-2019
Recreational Vehicle Industry Association	14,486	1962-2016
Educational Testing Service	<u>22,750</u>	2007-2016
TOTAL	<u>263,823</u>	

(1) A “Room Night” is one hotel room occupied for one night, a statistical unit of occupancy. The above table shows the total of Room Nights requested by a convention or event.

(2) The International Construction Utility Equipment Expo is held every other year.

Source: Louisville and Jefferson County Visitors and Convention Commission

Future Conference/Event Commitments

The Commission has confirmed commitments for the following conferences and events.

<u>Convention/Event</u>	<u>Meeting Dates</u>	<u>Room Nights⁽¹⁾</u>
2016		
Street Rod Nationals Plus	August 4-7	29,000
Fall Leadership Convention	October 14-16	2,995
GIE + Expo	October 19-21	18,470
Annual Expo	November 4-18	26,550
Annual Convention & Trade Show	November 29- December 1	14,486
WSF All-Star Cheer and Dance Championship	December 10- 11	6,760
2017		
Annual Trade Show	March 23-25	36,120
World Challenge	April 7-9	12,075
VEX Robotics World Championship	April 17-23	12,584
SkillsUSA National Leadership & Skills Conference	June 19-23	30,175
Street Rod Nationals Plus	August 3-6	26,390
NGAUS General Conference	September 7-10	14,250
2018		
Together for the Gospel	April 11-14	6,115
VEX Robotics World Championship	April 23-29	13,068
SkillsUSA National Leadership & Skills Conference	June 25-29	30,175
Street Rod Nationals Plus	August 2-5	22,620

(1) A "Room Night" is one hotel room occupied for one night, a statistical unit of occupancy. The above table shows the total of Room Nights requested by a convention or event.

Source: Louisville and Jefferson County Visitors and Convention Commission

General Overview of Hotel Market in Metro Louisville

Hotel Room Supply in Metro Louisville

The strength of the hotel market in Metro Louisville is demonstrated by the growth in available hotel rooms from approximately 14,170 in Fiscal Year 2011 to 15,290 in Fiscal Year 2016. Even with the increase of more than 1,000 hotel rooms during this period, occupancy rates and average daily room rates have continued to grow.

**Louisville/Jefferson County
Total Hotel Room Inventory**

	<u>Number of Hotels</u>	<u>Total Number of Available Rooms</u>
Jefferson County, Kentucky		
Airport	41	4,832
Downtown	17	4,836
East Suburban	51	5,622
Total for Jefferson County	<u>109</u>	<u>15,290</u>

Source: Louisville and Jefferson County Visitors and Convention Commission, as of March 31, 2016.

**Louisville/Jefferson County
Top Fifteen Hotels by Inventory of Available Rooms**

The following top fifteen hotels by number of available rooms account for approximately 38% of the total available rooms in Jefferson County, Kentucky.

<u>Hotel</u>	<u>Number of Available Rooms</u>
1. Galt House Hotel & Suites	1310
2. Louisville Marriott Downtown	616
3. Crowne Plaza Airport	588
4. Fern Valley Hotel & Conference Center	406
5. Hyatt Regency Hotel	393
6. Ramada Plaza	347
7. Seelbach Hilton Hotel	321
8. Embassy Suites	304
9. Brown Hotel	287
10. Marriott Louisville East	252
11. Hilton Garden Inn Airport	210
12. Springhill Suites Downtown	198
13. Budgetel	192

14. Holiday Inn Hurstbourne	186
15. Aloft	175

Source: Louisville and Jefferson County Visitors and Convention Commission

Hotel Occupancy and Average Daily Room Rates

The following chart is derived from information provided by Smith Travel Research, Inc. (“STR”), a leading provider of competitive benchmarking information services and research to the hotel and convention industry. Set forth below is information presented on a calendar year basis for hotels located within the boundaries of Louisville/Jefferson County.

Calendar Year	Occupancy Rate	% Annual Growth in Occupancy Rate		ADR ⁽¹⁾	% Annual Growth in ADR
2009	54.1%	--		\$88.62	--
2010	56.5	4.4%		89.97	1.5%
2011	59.3	4.9		91.81	2.0
2012	62.5	5.4		93.84	2.2
2013	64.6	3.4		99.72	6.3
2014	67.1	3.9		103.61	3.9
2015	67.7	0.8		110.39	6.5

Source: STR

(1) Hotels use benchmarks that include average daily room rate (“ADR”) per occupied room. The ADR calculation is room revenue for the period divided by the number of rooms occupied.

Future Hotel Development

During the next two years, the Commission expects the inventory of hotel rooms in Louisville/Jefferson County to increase by 995 new rooms as a result of five new hotels currently under construction within Jefferson County.

- Aloft East 130 rooms (estimated completion by August 2016)
- Home2Suites 93 rooms (estimated completion by February 2018)
- Omni Hotel 612 rooms (estimated completion by Spring 2018)
- TownePlace Suites 125 rooms (estimated completion by April 2017)
- Vu Guest House 35 rooms (estimated completion by Summer 2016)

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APPENDIX C

FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Financial Statements

**LOUISVILLE AND JEFFERSON COUNTY VISITORS AND
CONVENTION COMMISSION**

June 30, 2015

**LOUISVILLE AND JEFFERSON COUNTY VISITORS AND
CONVENTION COMMISSION**

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Independent Auditor's Report

The Board of Commissioners
Louisville and Jefferson County Visitors and
Convention Commission
Louisville, Kentucky

Report on the Financial Statement

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit and each major fund of the Louisville and Jefferson County Visitors and Convention Commission ("the Commission") as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprises the Commission'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 conducted our audit 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 of 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 opinion.

Kentucky
Indiana
Ohio

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Independent Auditor's Report (Continued)

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, and each major fund of the Commission as of June 30, 2015, 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.

Emphasis of Matter - New GASB Implementation

As discussed in Note K to the financial statements, the Commission adopted Statement No. 68, *Accounting and Financial Reporting for Pensions* - an amendment of GASB Statement No. 27. (GASB 68) The implementation resulted in restatement of prior year net position (See Note W).

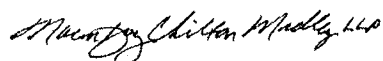
Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 7 and budgetary comparison information on page 31 and GASB 68 schedules on page 32 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the 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 30, 2015 on our consideration of the Commission'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 the 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 Commission's internal control over financial reporting and compliance.



Louisville, Kentucky
October 30, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

This MD&A is provided as a supplement to the accompanying financial statements and footnotes to help provide an understanding of the financial position, changes in financial position, and results of operations of the Louisville and Jefferson County Visitors and Convention Commission (the "Commission"). MD&A should be read in conjunction with the accompanying financial statements and footnotes.

The Commission was established pursuant to KRS 91A.350. The mission of the Commission is to enhance Greater Louisville's economy through tourism - to position and sell the community worldwide, in partnership with the public and private sector, as a premier destination for conventions, trade shows, corporate meetings, group tours and individual leisure travel. In pursuit of its mission, the Commission generates increased visitor spending, local tax receipts and job development.

OVERVIEW OF THE FINANCIAL STATEMENTS

This overview and analysis is intended to serve as an introduction to the Commission's basic financial statements, which include two components: (1) the financial statements and (2) notes to the financial statements. This report also contains other supplementary information, which is a budgetary comparison schedule and net pension obligation required supplementary information. These components are described below.

FINANCIAL STATEMENTS

The financial statements provide both short-term and long-term information about the Commission's financial position and consist of (1) government-wide financial statements, (2) fund financial statements and (3) notes to the financial statements. The Commission's government-wide financial statements are prepared on an accrual basis. The fund financial statements are prepared on a modified accrual basis, in accordance with generally accepted accounting principles for governmental units.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The Statement of Net Position (page 8) presents the Commission's assets and liabilities, with the difference between the two reported as "Total Net Position." Over time, increases or decreases in the Commission's net position serve as an indicator of whether the financial position of the Commission is improving or deteriorating. The Statement of Activities (page 9) reports information on all Commission revenues and expenses in a manner similar to that used by most private-sector companies and presents information regarding how net position changed during the fiscal year. All changes in net position are reported when the underlying event occurs, regardless of the timing of the related cash flow.

The Greater Louisville Sports Commission (the "GLSC") is included as a discretely presented component unit of the Commission as it is dependent upon the Commission for the majority of its funding. In the fiscal year ended June 30, 2015, the Commission provided \$450,000 of operating funds to the GLSC without which the GLSC would have been unable to continue operations. It is the Commission's intention to continue to fund GLSC in future years. However, because the GLSC is a separate organization with a separate board that is not controlled by the Commission, the GLSC financial information has been intentionally omitted from this discussion.

FUND FINANCIAL STATEMENTS

The Balance Sheet - Governmental Funds (page 10) consists of two fund types, the General Fund and the Debt Service Fund. The General Fund is used to record the general operations of the Commission and the Debt Service Fund is used to account for the accumulation of resources for payment of general long term debt principal and interest.

Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position (page 11) provides a summary and explanation of differences between the fund financial statements and the government-wide financial statements.

FUND FINANCIAL STATEMENTS - CONTINUED

The Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds (page 12) reports actual operations of both the General and Debt Service funds.

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds to the Statement of Activities (page 13) provides a summary and explanation of differences between the fund financial statements and the government-wide financial statements.

NOTES TO THE FINANCIAL STATEMENTS

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements may be found immediately following the financial statements and preceding the supplementary information, on pages 14 through 30.

FINANCIAL ANALYSIS OF THE COMMISSION

Condensed Statement of Net Position: The assets and deferred outflows of resources of the Commission exceeded its liabilities and deferred inflows of resources at June 30, 2015 resulting in a net position of \$789,147. The net position was impacted by the Commission's dedicated tax revenue bonds, which were issued in prior years to fund the construction and expansion of the Kentucky International Convention Center ("KICC"). KICC is owned by the Commonwealth of Kentucky and therefore not recorded as an asset by the Commission. The net position at June 30, 2015 was impacted by the net bonds and note payable of \$11,483,897 being reflected as a liability with no recognition of a corresponding asset. The condensed information below was derived from the Commission's Statement of Net Position at June 30, 2015 and June 30, 2014.

	6/30/2015	6/30/2014	Variance	% Change
Assets				
Other assets, net	\$ 22,102,640	\$ 18,344,844	\$ 3,757,796	20.5%
Capital assets, net	454,943	555,755	(100,812)	-18.1%
Total Assets	22,557,583	18,900,599	3,656,984	19.3%
Deferred Outflows of Resources	2,708,476	2,339,040	369,436	15.8%
Total Assets and Deferred Outflows of Resources	\$ 25,266,059	\$ 21,239,639	\$ 4,026,420	19.0%
Liabilities				
Long-term liabilities, net (Restated)	\$ 13,429,041	\$ 25,264,602	\$ (11,835,561)	-46.8%
Other liabilities, net	9,187,483	1,499,328	7,688,155	512.8%
Total Liabilities (Restated)	22,616,524	26,763,930	(4,147,406)	-15.5%
Deferred Inflows of Resources	1,860,388	1,238,322	622,066	50.2%
Total Liabilities and Deferred Inflows of Resources (Restated)	\$ 24,476,912	\$ 28,002,252	\$ (3,525,340)	-12.6%
Net Position				
Invested in capital assets, net of related debt	\$ 452,510	\$ 543,841	\$ (91,331)	-16.8%
Restricted for debt service	996,023	6,448,926	(5,452,903)	-84.6%
Unrestricted (Restated)	(659,386)	(13,755,380)	13,095,994	-95.2%
Total Net Position (Restated)	\$ 789,147	\$ (6,762,613)	\$ 7,551,760	-111.7%

FINANCIAL ANALYSIS OF THE COMMISSION - CONTINUED

Change in Net Position. The total net position increased by \$7,551,760 for the year ended June 30, 2015. On September 29, 2014, the Commission signed a Note Purchase Agreement with a bank for a Senior Subordinated Bond Anticipation Note ("Series 2014 Note") in the amount of \$6,335,000 to refund a portion of the outstanding balance of the Series 2004A Bonds. The Commission used accumulated assets on-hand and proceeds from the Series 2014 Note to call \$11,450,000 of the Series 2004A Bonds on November 1, 2014, which fully redeemed the Series 2004A Bonds and resulted in a decrease of \$11,450,000 in long-term liabilities, net. The Series 2014 Note is reported under other liabilities, net as it matures on May 1, 2016. The Commission made a principal payment on the Series 2014 Note of \$2,100,000 on May 1, 2015, which reduced the balance to \$4,235,000 at June 30, 2015.

On July 24, 2014, Louisville/Jefferson County Metro Government (Louisville Metro) levied a special 1.0% Transient Room Tax on hotels and motels in Jefferson County, Kentucky. Monies collected from the special 1.0% Transient Room Tax must be used for the purposes of financing the renovation or expansion of KICC. Monies collected and due from the special 1.0% Transient Room Tax at June 30, 2015 were \$3,129,948 and increased other assets, net. These monies collected and due under the special 1.0% Transient Room Tax are payable to another governmental unit to support the renovation or expansion of KICC and thereby also increased other liabilities, net.

The Commission adopted Governmental Accounting Standards Board ("GASB") Statement No. 68, Accounting and Financial Reporting for Pensions. The adoption of this Statement resulted in the recognition of a net pension liability of \$6,199,000 and a restated net position of (\$6,762,613) at June 30, 2014. The adoption of this Statement also resulted in the recognition of a net pension liability of \$6,009,000 at June 30, 2015 along with a deferred outflow of resources of \$574,316 for contributions made subsequent to the measurement date of June 30, 2014 and a deferred inflow of resources of \$671,000 for the net difference between projected and actual earnings on pension plan investments. Net pension liability is reported under long-term liabilities, net.

Also contributing to the change in the net position were stronger transient room tax revenues, which were the result of improvements in both occupancy and average daily rate coupled with additional hotel room inventory. This led to growth in the General Fund and Debt Service Fund assets.

Condensed Statement of Activities: The Commission's revenues exceeded expenses by \$7,551,560 for the fiscal year ended June 30, 2015. The condensed information below was derived from the Commission's Statement of Activities for the years ended June 30, 2015 and June 30, 2014.

	6/30/2015	6/30/2014	Variance	% Change
Expenses				
Operating	\$ 15,363,603	\$ 15,219,152	\$ 144,451	0.9%
Interest	336,803	972,249	(635,446)	-65.4%
Other	555,466	593,024	(37,558)	-6.3%
Total Expenses	\$ 16,255,872	\$ 16,784,425	\$ (528,553)	-3.1%
General Revenues				
Taxes	\$ 22,159,167	\$ 20,428,766	\$ 1,730,401	8.5%
Matching funds	578,503	725,543	(147,040)	-20.3%
Membership dues	286,658	262,925	23,733	9.0%
Advertising	348,728	330,919	17,809	5.4%
Investment income	18,480	105,468	(86,988)	-82.5%
Other income	416,096	326,911	89,185	27.3%
Total General Revenues	\$ 23,807,632	\$ 22,180,532	\$ 1,627,100	7.3%
Changes in Net Position	\$ 7,551,760	\$ 5,396,107	\$ 2,155,653	39.9%

FINANCIAL ANALYSIS OF THE COMMISSION - CONTINUED

Revenues of the Commission consist primarily of four sources of funding. These sources are: the Transient Room Tax charged on hotel and motel room nights sold in Jefferson County, Kentucky; Matching Funds received from the Commonwealth of Kentucky Statewide Lodging Tax; Membership Dues from various partners in the hospitality industry and local business community; and Advertising Revenues from various publications produced by the Commission.

The Transient Room Tax is 9.5% per night, per room sold in Jefferson County, Kentucky. It is collected by the Louisville Metro Revenue Commission (the "Revenue Commission") and remitted to the Commission on a monthly basis. The 9.5% Transient Room Tax is comprised of the following components: 4.5% for the Commission's operations; 2.0% for debt service of the Commission's outstanding bonds and notes; 1.0% for the renovation or expansion of KICC; 1.0% for the Kentucky Center for the Arts; and 1.0% for the Statewide Lodging Tax as further described below. Transient room tax revenue accounted for 93% of the Commission's total funding for the year ended June 30, 2015. Transient room tax revenue for operations and for debt service was \$15,335,574 and \$6,823,593, respectively, for the year ended June 30, 2015. Transient room tax revenue was \$1,730,401 over the prior year as a result of improvements in both occupancy and average daily rate coupled with additional hotel room inventory.

Effective June 1, 2005, the Kentucky Tourism, Meeting, and Convention Marketing Act, (the "Act") was enacted as part of the Commonwealth of Kentucky tax modernization plan. The Act imposes an additional transient room tax of 1.0% (known as the "Statewide Lodging Tax") on rent for every occupancy of any room, suite, or cabin charged by all persons, companies, corporations, groups, or organizations doing business as motor courts, motels, hotels, inns, tourist camps or like or similar accommodations businesses. The Commission's portion of the 1.0% tax is based on the allowable expenses submitted and is subject to a maximum cap determined annually by the Commonwealth of Kentucky. The revenues earned under the Act totaled \$578,503 for the year ended June 30, 2015.

The Commission generates membership dues revenue by offering tangible benefits to member partners including access to sales leads, client referrals for business, listing in official publications and on the website, and opportunities to participate in cooperative sales and marketing initiatives (e.g. sales calls, tradeshow, etc.). Membership dues totaled \$286,658 for the year ended June 30, 2015.

The Commission generates advertising revenue by offering marketing and advertising opportunities in various marketing collateral pieces that are produced and distributed to Convention & Tourism industry professionals as well as to the general public. Advertising revenue generated \$348,728 for the year ended June 30, 2015.

Expenses of the Commission consist primarily of operating costs and interest expense. Operating expenses include personnel costs, occupancy costs, sales and marketing expenses, as well as general and administrative costs. Operating expenses were generally consistent with the prior year. Operating expenses were \$15,363,603 for the year ended June 30, 2015. Interest expense decreased compared to the prior year as a result of the redemption of the Series 2004A Bonds as previously discussed. Interest expense was \$336,803 for the year ended June 30, 2015. Excess revenues over expenses were primarily used to pay down debt during the year.

BUDGETARY CONTROLS

The Commission adopts a budget, which is approved by its Board of Commissioners prior to the start of each new fiscal year. Budgets are a measure of the Commission's financial performance and accountability and are compared with actual revenues and expenses by the Board of Commissioners on a bi-monthly basis.

The Commission reviews unbudgeted expenditures that may arise due to unforeseen opportunities and that may also result in significant variations from the original budget amounts. Budget exceptions for sponsorships and events, advertising, website marketing, and research expenditures totaling \$180,000 were approved by the Commission during the year. A budget exception for payment of additional bond principal of \$9,770,000 was also approved by the Commission during the year. In addition, interest expense was below budget as a result of the redemption of the Series 2004A Bonds as previously discussed.

The Commission had certain revenues whose actual results varied notably from budget amounts. Specifically, transient room tax exceeded budget by \$957,126 as a result of improvements in both occupancy and average daily rate coupled with additional hotel room inventory.

ECONOMIC CONDITION AND OUTLOOK

For year ending June 30, 2016, the Commission prepared a budget based on current and forecasted economic conditions. Management is not aware of any changes in conditions that are expected to have a significant effect on the Commission's budgeted financial performance for that period. It should be noted that management is aware of a plan to close KICC on or about August 2016 for renovation and expansion of the facility. Management will consider this planned closure when developing any budgets related to the affected period(s). Management will actively monitor the Commission's financial performance and will adjust to changes in the economic landscape as necessary.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the finances of the Commission to interested persons. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

Vice President of Finance and Administration
Louisville Convention & Visitors Bureau
One Riverfront Plaza
401 W. Main Street - Suite 2300
Louisville, KY 40202

The GLSC prepares separately issued annual financial statements. Requests for a copy of the GLSC audit report or other questions concerning the GLSC should be addressed to:

Executive Director
Greater Louisville Sports Commission
One Riverfront Plaza
401 W. Main Street - Suite 2200
Louisville, KY 40202

GOVERNMENT-WIDE FINANCIAL STATEMENTS

**LOUISVILLE AND JEFFERSON COUNTY VISITORS AND
CONVENTION COMMISSION**

STATEMENT OF NET POSITION

June 30, 2015

	Louisville and Jefferson County Visitors and Convention Commission	Component Unit Greater Louisville Sports Commission, Inc.
ASSETS		
Cash and cash equivalents	\$ 7,445,695	\$ 28,785
Cash and cash equivalents restricted	6,150,511	-
Investments	1,032,192	-
Due from other governmental units	5,739,401	-
Other receivables, net	566,318	207,591
Inventory	117,201	-
Prepaid expenses	1,051,322	55,372
Capital assets, net of depreciation	454,943	28,449
Total Assets	22,557,583	320,197
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflow - pension (Note K)	574,316	-
Deferred amount on refunding	2,134,160	-
Total Assets and Deferred Outflow of Resources	25,266,059	320,197
LIABILITIES		
Accounts payable and accrued expenses	1,753,250	101,007
Deferred revenue	59,440	64,978
Interest payable	7,412	-
Current lease payable	2,433	-
Current note payable	4,235,000	-
Due to other governmental units	3,129,948	-
Compensated absences	171,144	-
Net pension liability	6,009,000	-
Long-term bonds payable, net	7,248,897	-
Total Liabilities	22,616,524	165,985
DEFERRED INFLOWS OF RESOURCES		
Deferred inflow - pension (Note K)	671,000	-
Interest rate swap liability	1,189,388	-
Total Liabilities and Deferred Inflow of Resources	24,476,912	165,985
NET POSITION		
Net investment in capital assets	452,510	-
Restricted for debt service	996,023	-
Unrestricted	(659,386)	154,212
Total Net Position	\$ 789,147	\$ 154,212

See accompanying independent auditor's report
and notes to financial statements.

**LOUISVILLE AND JEFFERSON COUNTY VISITORS AND
CONVENTION COMMISSION**

STATEMENT OF ACTIVITIES

Year ended June 30, 2015

	Louisville and Jefferson County Visitors and Convention Commission	Component Unit Greater Louisville Sports Commission, Inc.
EXPENSES		
Operating	\$ 15,363,603	\$ 1,813,374
Interest	336,803	-
Depreciation and amortization	145,338	6,427
Loss on interest rate swap	251,885	-
Other bond fees	158,243	-
Total Expenses	16,255,872	1,819,801
GENERAL REVENUES		
Transient room tax	22,159,167	-
Membership dues	286,658	12,450
Advertising	348,728	-
Merchandise, net	93,304	-
Services and fees	268,918	-
Matching funds	578,503	10,000
Investment income	18,480	-
Agency funding	-	450,000
Program service revenue	-	1,318,591
Other income	53,874	-
Total General Revenues	23,807,632	1,791,041
Change In Net Position	7,551,760	(28,760)
Net Position, Beginning of Year (Restated)	(6,762,613)	182,972
Net Position, End of Year	\$ 789,147	\$ 154,212

See accompanying independent auditor's report
and notes to financial statements.

FUND FINANCIAL STATEMENTS

**LOUISVILLE AND JEFFERSON COUNTY VISITORS AND
CONVENTION COMMISSION**

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2015

	General Fund	Debt Service Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 7,445,695	\$ -	\$ 7,445,695
Cash and cash equivalents restricted	2,384,772	3,765,739	6,150,511
Investments	1,032,192	-	1,032,192
Due from other governmental units	4,249,234	1,490,167	5,739,401
Other receivables	566,318	-	566,318
Inventory	117,201	-	117,201
Prepaid expenses	1,051,322	-	1,051,322
Total Assets	\$ 16,846,734	\$ 5,255,906	\$ 22,102,640
LIABILITIES AND FUND BALANCE			
LIABILITIES			
Accounts payable and accrued expenses	\$ 1,728,367	\$ 24,883	\$ 1,753,250
Deferred revenue	59,440	-	59,440
Due to other governmental units	3,129,948	-	3,129,948
Note payable	-	4,235,000	4,235,000
Total Liabilities	4,917,755	4,259,883	9,177,638
FUND BALANCE			
Nonspendable:			
Inventory	117,201	-	117,201
Prepaid expenses	1,051,322	-	1,051,322
Restricted for:			
Debt service	-	996,023	996,023
Committed	400,000	-	400,000
Unassigned	10,360,456	-	10,360,456
Total Fund Balance	11,928,979	996,023	12,925,002
Total Liabilities and Fund Balance	\$ 16,846,734	\$ 5,255,906	\$ 22,102,640

See accompanying independent auditor's report
and notes to financial statements.

**LOUISVILLE AND JEFFERSON COUNTY VISITORS AND
CONVENTION COMMISSION**

**RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL
FUNDS TO THE STATEMENT OF NET POSITION**

June 30, 2015

Total fund balance for governmental funds \$ 12,925,002

Total net assets reported for governmental activities in the statement of net
assets is different because:

Capital assets, net of depreciation, used in governmental activities are
not financial resources and, therefore, not reported in the general fund. 454,943

Long-term liabilities, including bonds payable, are not due in the
current period and, therefore, not reported in governmental funds.

Bonds payable	\$ (7,248,897)	
Net pension liability	(6,009,000)	
Deferred amount on refunding	2,134,160	
Deferred outflow - pension (Note K)	574,316	
Interest payable	(7,412)	
Lease payable	(2,433)	
Interest rate swap liability	(1,189,388)	
Deferred inflow - pension (Note K)	(671,000)	
Compensated absences	(171,144)	(12,590,798)
Total Net Position of Governmental Activities		\$ 789,147

See accompanying independent auditor's report
and notes to financial statements.

**LOUISVILLE AND JEFFERSON COUNTY VISITORS AND
CONVENTION COMMISSION**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS**

Year ended June 30, 2015

	General Fund	Debt Service Fund	Total Governmental Funds
REVENUES			
Transient room tax	\$ 15,335,574	\$ 6,823,593	\$ 22,159,167
Membership dues	286,658	-	286,658
Advertising	348,728	-	348,728
Merchandise, net	93,304	-	93,304
Services and fees	268,918	-	268,918
Matching funds	578,503	-	578,503
Investment income	18,346	134	18,480
Other income	53,874	-	53,874
Total Revenues	16,983,905	6,823,727	23,807,632
EXPENDITURES			
Rent	424,303	-	424,303
Parking	64,607	-	64,607
Maintenance	50,080	-	50,080
Utilities	5,533	-	5,533
Telephone	76,016	-	76,016
Supplies	88,487	-	88,487
Postage	122,303	-	122,303
Data processing	66,503	-	66,503
Payroll, full-time	3,814,843	-	3,814,843
Payroll, part-time	372,368	-	372,368
Payroll taxes	333,104	-	333,104
Commissions and incentive pay	756,284	-	756,284
Pension plan	795,933	-	795,933
Employee relations	116,711	-	116,711
Employee benefits	340,136	-	340,136
Professional fees	173,614	-	173,614
Insurance	47,911	-	47,911
Dues and subscriptions	109,391	-	109,391
Printing	514,849	-	514,849
Advertising	1,311,150	-	1,311,150
Promotional items	428,777	-	428,777
Photography and video	36,326	-	36,326
Website marketing	438,670	-	438,670
Mass marketing	351,752	-	351,752
Client events and site visits	206,346	-	206,346
Travel and trade show s	815,427	-	815,427
Entertainment	123,041	-	123,041
Sponsorships and events	3,242,367	-	3,242,367
Capital expenditures	54,007	-	54,007
Research	224,110	-	224,110
Loss on interest rate sw ap	-	300,819	300,819
Bond principal	-	11,450,000	11,450,000
Interest expense	-	367,568	367,568
Other bond fees	-	158,243	158,243
Total Expenditures	15,504,949	12,276,630	27,781,579
Net Change in Fund Balances	1,478,956	(5,452,903)	(3,973,947)
Fund Balance, Beginning of Year	10,450,023	6,448,926	16,898,949
Fund Balance, End of Year	\$ 11,928,979	\$ 996,023	\$ 12,925,002

See accompanying independent auditor's report
and notes to financial statements.

**LOUISVILLE AND JEFFERSON COUNTY VISITORS AND
CONVENTION COMMISSION**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

Year ended June 30, 2015

Net change in fund balances - total governmental funds \$ (3,973,947)

The change in net assets reported for governmental activities in the
statement of activities is different because:

Governmental funds financial statements report capital outlays as (91,331)
expenditures. However, in the Statement of Activities, the cost of
those assets is allocated over their estimated useful lives and
reported as depreciation expense. This is the amount by which
depreciation (\$145,338) exceeded capital outlays (\$54,007) in the
current period.

Payments of bond principal are reflected as expenditures in the 11,450,000
fund financial statements. However, principal payments are
reflected as a reduction in the related liability in the Statement of
Net Assets.

Deferred amount on refunding is reported as a deferred outflow on (204,879)
the Statement of Net Position and amortized over the terms of the
defeased bonds. It is not reflected on the fund financial
statements. Deferred amount on refunding was amortized and
increased interest expense by \$204,879.

Pension expense related to long-term Net Pension Obligation that 93,315
is not included in the Governmental Funds.

Bond issuance premium is netted with bonds payable on the 199,104
Statement of Net Position and amortized over the term of the
bonds. It is not reflected on the fund financial statements. Bond
issuance premium was amortized and reduced interest expense
by \$199,104.

Various expenses in the statement of activities do not require the
use of current financial resources and, therefore are not reported
as expenditures in governmental funds.

Change in compensated absences	\$	(5,976)	
Change in interest payable		36,540	
Change in interest rate swap liability		48,934	79,498

Change in Net Position of Governmental Activities \$ 7,551,760

See accompanying independent auditor's report
and notes to financial statements.

LOUISVILLE AND JEFFERSON COUNTY VISITORS AND
CONVENTION COMMISSION

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity: In 1968, the Commonwealth of Kentucky's General Assembly enacted legislation which authorized the establishment of tourist and convention commissions. This legislation is now codified at KRS 91A.350 et seq. The Commission was established in 1968 pursuant to this legislation and operates to enhance Greater Louisville's economy through tourism - to position and sell the community worldwide, in partnership with the public and private sector, as a premier destination for conventions, trade shows, corporate meetings, group tours and individual leisure travel. In pursuit of its mission, the Commission generates increased visitor spending, local tax receipts and job development.

As required by generally accepted accounting principles, these financial statements present the Commission (the primary government) and its component units. The component units, as discussed in Notes S and T, are included in the Commission's reporting entity because of the significance of their operational and financial relationship with the Commission.

The Commission does not own the Kentucky International Convention Center ("KICC"), although it is authorized to issue bonds and pledge tax revenue used to finance its construction and renovation. As a result, the net book value of KICC is not reflected in these financial statements.

Government-Wide Financial Statements: In accordance with Governmental Accounting Standards Board ("GASB") Statement No. 34, the Commission has presented a Statement of Net Position and Statement of Activities for the Commission as a whole. These statements include the primary government, its blended component unit (Note T), and its discretely presented component unit (Note S). Government-wide accounting is designed to provide a more comprehensive view of the Commission's operations and financial position as a single economic entity.

Government-wide statements distinguish between governmental-type and business-type activities. Governmental-type activities are those financed through taxes, intergovernmental revenues, and other non-exchange revenues and are usually reported in governmental and internal service funds. The Commission has no business-type activities.

Policies specific to the government-wide statements are as follows:

- **Capitalizing Assets** - Tangible assets greater than \$1,000 that are used in operations and have an initial useful life that extends beyond one year are capitalized. Capital assets are recorded at their historical cost and are depreciated using the straight-line method of depreciation over their estimated useful lives. They are reported net of accumulated depreciation on the Statement of Net Position.

Fund Financial Statements: The Commission uses funds to report on its financial position and the result of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain government functions or activities.

A Fund is a separate entity with a self-balancing set of accounts. Funds of the Commission are classified as governmental. This category, in turn, is divided into separate fund types. The fund classifications and a description of each existing fund type follow:

Governmental Funds - Governmental funds account for all or most of the Commission's general activities, including the collection of legally restricted monies, administrative expenses, and the acquisition or construction of capital assets. Governmental funds include:

General Fund - The general operating fund accounts for all financial resources, except those required to be accounted for in other funds.

Debt Service Fund - The debt service fund accounts for the resources accumulated and payments made for principal and interest on general long-term debt.

LOUISVILLE AND JEFFERSON COUNTY VISITORS AND
CONVENTION COMMISSION

NOTES TO FINANCIAL STATEMENTS--CONTINUED

June 30, 2015

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Measurement Focus and Basis of Accounting: The accounting and financial treatment applied to a fund is determined by the type of financial statement presentation.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of related cash flows in the statement of activities. In these financial statements, capital assets are reported and depreciated.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Revenues are recognized when they are both measurable and available. Revenues are considered measurable when the dollar amount is known or reasonably estimable. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when incurred, as under accrual accounting. Expenditures for capital assets are reported as current expenses, and such assets are not depreciated.

Budgetary Accounting: The budget information reflected in the financial statements is the annual budget adopted by the Commission in accordance with the provisions of Commonwealth of Kentucky law. The budget is prepared on a basis consistent with generally accepted accounting principles.

Management's Use of Estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts in the financial statements and accompanying notes. Actual results could differ from those estimates.

Cash and Cash Equivalents: Cash and cash equivalents include cash on-hand and highly liquid investments with an original maturity of three months or less.

Investments: Investments consist of mutual funds and are stated at fair market value.

Allowance for Doubtful Accounts: The Commission evaluates the collectability of receivables by considering a number of factors including historical loss rates, the age of the accounts receivable, changes in collection patterns, the status of ongoing disputes with third party payors, and general industry conditions. An allowance for doubtful accounts is recorded, if necessary, based on management's evaluation based on these criteria. Accounts receivable reflects the net realizable value of the receivables, and approximates fair value.

Inventory: Inventory is presented at the lower of cost or market value. Cost is determined using the first-in, first-out (FIFO) method.

Capital Assets: Capital assets owned by the Commission, including leaseholds improvements, furniture and fixtures, office equipment, trademarks and intangibles are reported in the governmental activities column in the government-wide financial statements. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are expensed as incurred.

All capital assets are depreciated using the straight-line depreciation method over the following estimated useful lives:

Leasehold improvements	2 - 10 years
Furniture and fixtures	10 - 15 years
Office equipment	3 - 10 years
Trademarks	Indefinite
Intangibles	5 years

Derivative Financial Instruments: Generally accepted accounting principles require the Commission to recognize all derivative financial instruments on the Statement of Net Position at fair value with the changes in fair value reported in the Statement of Activities.

LOUISVILLE AND JEFFERSON COUNTY VISITORS AND
CONVENTION COMMISSION

NOTES TO FINANCIAL STATEMENTS--CONTINUED

June 30, 2015

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Pensions: For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources, and pension expense, information about the Commission's participation in the County Employees Retirement System (CERS) of the Kentucky Retirement Systems (KRS) have been determined on the same basis as they are reported by the KRS for the CERS plan. For this purpose, benefits including refunds of employee contributions are recognized when due and payable in accordance with the benefit terms of the CERS plan of KRS. The liability was measured at June 30, 2014.

Net Position/Fund Balances: In the Statement of Net Position, the difference between the Commission's assets and liabilities is recorded as net position. The three components of net position are as follows:

Unrestricted Net Position - This category represents net assets not appropriated for expenditures or legally segregated for a specific future use.

Invested in Capital Assets, Net of Related Debt - This category records capital assets net of accumulated depreciation and reduced by any outstanding balances of bonds, mortgages, notes, or other borrowing attributable to the acquisition, construction, or improvement of capital assets.

Restricted for Debt Service - This category represents net assets that are restricted by external sources such as banks or by law are reported separately as restricted net assets. When assets are required to be retained in perpetuity, these non-expendable net assets are recorded separately from expendable net assets. The Commission's restricted net assets consist of cash equivalents held by a trustee for future debt service.

In the Balance Sheet - Governmental Funds, fund balances are segregated as follows:

Nonspendable - This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted - This classification includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

Committed - This classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority.

Assigned - This classification includes amounts that are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed.

Unassigned - This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

The highest level of decision-making authority is the Board of Commissioners, which is comprised of nine (9) commissioners who function as the board of directors. In order to establish (and modify or rescind) amounts of fund balance as committed, a formal vote by the Commission outlining the specific purposes for which the amounts can only be used is required.

The Board of Commissioners is authorized to assign amounts to a specific purpose.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Commission considers restricted amounts to have been spent.

When an expenditure is incurred for purposes for which committed, assigned, or unassigned fund balance is available, the Commission first considers committed amounts to have been spent followed by assigned and then unassigned.

New Accounting Pronouncements: In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*. This pronouncement revises and establishes new financial reporting requirements for most governments that provide their employees with pension benefits. GASB Statement No. 68 is effective for fiscal years beginning after June 15, 2014. The Commission adopted GASB Statement No. 68 for the fiscal year ended June 30, 2015. The adoption of this standard resulted in a restatement of fiscal year 2015 beginning net position as further outlined in Note W.

LOUISVILLE AND JEFFERSON COUNTY VISITORS AND
CONVENTION COMMISSION

NOTES TO FINANCIAL STATEMENTS--CONTINUED

June 30, 2015

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

In November 2013, GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to Measurement Date - An Amendment of GASB Statement No. 68*. This pronouncement relates to amounts associated with contributions, if any, made by a state or local government employer to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. GASB Statement No. 71 is required to be applied simultaneously with the provisions of GASB Statement No. 68. The Commission adopted GASB Statement No. 71 for the fiscal year ended June 30, 2015. The adoption of this standard resulted in a restatement of fiscal year 2015 beginning net position as further outlined in Note W.

In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application*. This pronouncement provides guidance for determining a fair value measurement and for applying fair value to certain investments and disclosures related to all fair value measurements. GASB Statement No. 72 is effective for fiscal years beginning after June 15, 2015. The impact of this statement on the financial statements has not yet been determined.

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This pronouncement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this pronouncement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed. GASB Statement No. 75 is effective for fiscal years beginning after June 15, 2017. The impact of this statement on the financial statements has not yet been determined.

Subsequent Events: Subsequent events for the Commission have been considered through the date of the Independent Auditor's Report, which represents the date the financial statements were available to be issued. See Note I.

NOTE B -- CASH AND CASH EQUIVALENTS

At June 30, 2015, restricted cash equivalents in the amount of \$3,765,739 were held by financial institutions in accordance with bonded and other indebtedness trust agreements which do not require that the trustee provide collateral for the cash equivalents. These cash equivalents were held in money market funds that invest only in United States Treasury securities, which are backed by the full faith and credit of the United States government. These cash equivalents were held by the trustee for the benefit of the Commission and can be used only for debt service.

At June 30, 2015, restricted cash deposits in the amount of \$2,384,772 and unrestricted cash deposits in the amount of \$7,880,303 were held by financial institutions, of which \$3,173,052 was collectively insured by the Federal Deposit Insurance Corporation ("FDIC") and the remainder was collateralized by securities held by the pledging financial institution.

Custodial Credit Risk - For a deposit, custodial credit risk is the risk that the deposit may not be returned to the Commission in the event of a bank failure. Consistent with the Commission's deposit policy, all unrestricted cash deposits were covered by FDIC insurance or a properly executed collateral security agreement at June 30, 2015.

NOTE C -- INVESTMENTS

At June 30, 2015, the Commission's investment balances were as follows:

	<u>Amortized Cost</u>	<u>Fair Value</u>
Mutual Funds		
Federated Government Cash Trust Series	\$1,032,192	\$1,032,192

LOUISVILLE AND JEFFERSON COUNTY VISITORS AND
CONVENTION COMMISSION

NOTES TO FINANCIAL STATEMENTS--CONTINUED

June 30, 2015

NOTE C -- INVESTMENTS - CONTINUED

Interest Rate Risk - Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of a financial instrument. The Commission's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from a change in interest rates.

Credit Risk - Credit risk is the risk of a loss of principal stemming from a borrower's failure to repay a loan or otherwise meet a contractual obligation. KRS 66.480 of Commonwealth of Kentucky law limits the investment of public funds to obligations of the United States Government, obligations backed by the full faith and credit of the United States Government, obligations of any corporation or agency of the United States Government, certificates of deposits, commercial paper, bonds or securities issued by a state or local government, and shares of mutual funds. The Commission's written investment policy does not further limit its investment choices beyond those defined in KRS 66.480.

Concentration Risk - Concentration risk is the risk of loss arising from lopsided exposure to a particular group of counterparties. The Commission places no limit on the amount it may invest in any one issuer or type of investment except that the collective amount invested at any one time in uncollateralized certificates of deposit, bankers' acceptances, commercial paper, and securities issued by a state or local government may not exceed 20% of the total amount of funds invested.

Custodial Credit Risk - For an investment, custodial credit risk is the risk that in the event of failure of the counterparty or bank, the Commission will not be able to recover the value of its investments held in the possession of an outside party. Investments are held for the benefit of the Commission by a registered broker/dealer that is a member of the Financial Industry Regulatory Authority and the Securities Investors Protection Corporation (SIPC).

NOTE D -- FAIR VALUE MEASUREMENTS

The fair value provisions of the Accounting Standards Codification ("ASC") define fair value as the price that would be received by the entity for an asset or paid by the entity to transfer a liability (an exit price) in an orderly transaction between market participants on the measurement date in the entity's principal or most advantageous market for the asset or liability. The ASC also established a fair value hierarchy which requires the entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The hierarchy places the highest priority on unadjusted quoted market prices in active markets for identical assets or liabilities (level 1 measurements) and gives the lowest priority to unobservable inputs (level 3 measurements). The following provides a description of the three levels of inputs that may be used to measure fair value under generally accepted accounting principles, the types of entity investments that fall under each category, and the valuation methodologies used to measure these investments at fair value.

- Level 1--Quoted prices in active markets for identical assets or liabilities.
- Level 2--Observable inputs such as quoted prices in active markets for similar assets or liabilities or quoted prices for identical or similar assets or liabilities in markets that are not active, or unobservable inputs that are derived principally from or corroborated by observable market data.
- Level 3--Unobservable inputs that are based on the Commission's own assumptions as to how knowledgeable parties would price assets or liabilities that are not corroborated by market data.

Fair values of assets/liabilities measured on a recurring basis at June 30, 2015:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments (See Note C)	\$1,032,192	\$ 1,032,192	\$ -	\$ -
Interest rate swap (See Note Q)	\$1,189,388	\$ -	\$ 1,189,388	\$ -

NOTE E -- DUE FROM OTHER GOVERNMENTAL UNITS

The amount due from other governmental units consists of transient room tax due from the Revenue Commission and matching funds due from the Commonwealth of Kentucky.

LOUISVILLE AND JEFFERSON COUNTY VISITORS AND
CONVENTION COMMISSION

NOTES TO FINANCIAL STATEMENTS--CONTINUED

June 30, 2015

NOTE F -- NOTES AND ACCOUNTS RECEIVABLE

During the year ended June 30, 2009, the Commission loaned Waterfront Development Corporation \$350,000 to be used for improvements to the Belle of Louisville. Provided certain stated terms are met by the Waterfront Development Corporation, this non-interest bearing note will be forgiven at the rate of \$75,000 annually beginning with the year ended June 30, 2011 and continuing until forgiven in full in the year ended June 30, 2015. The balance of this note receivable at June 30, 2015 was \$0.

Other receivables are stated at the amount the Commission expects to collect from balances outstanding at year-end. Accounts receivable reflects the net realizable value of the receivables, and approximate fair value.

NOTE G -- INVENTORY

Inventory is presented at the lower of cost or market value. Cost is determined using the FIFO method. Inventory consists of merchandise and expendable advertising supplies such as convention brochures.

In the fund financial statements, inventory is recorded as an asset upon transfer of title and risk of loss. Recorded inventories are equally offset by a fund balance reserve since they do not constitute "available spendable resources", even though they are a component of fund equity.

NOTE H -- CAPITAL ASSETS

	Beginning Balance	Additions	Disposals	Ending Balance
Louisville and Jefferson County Visitors and Convention Commission:				
Cost				
Leasehold improvements	\$ 1,064,365	\$ -	\$ -	\$ 1,064,365
Furniture and fixtures	445,899	-	-	445,899
Office equipment	789,706	39,936	(60,863)	768,779
Intangible assets	111,154	4,590	(8,425)	107,319
Total cost	2,411,124	44,526	(69,288)	2,386,362
Less Accumulated Depreciation				
Leasehold improvements	978,260	24,602	-	\$ 1,002,862
Furniture and fixtures	301,767	29,631	-	331,398
Office equipment	575,342	82,680	(60,863)	597,159
Intangible assets	-	8,425	(8,425)	-
Total accumulated depreciation	1,855,369	145,338	(69,288)	1,931,419
Net Book Value	\$ 555,755	\$ (100,812)	\$ -	\$ 454,943

LOUISVILLE AND JEFFERSON COUNTY VISITORS AND
CONVENTION COMMISSION

NOTES TO FINANCIAL STATEMENTS--CONTINUED

June 30, 2015

NOTE H -- CAPITAL ASSETS - CONTINUED

	Beginning Balance	Additions	Disposals	Ending Balance
The Greater Louisville Sports Commission:				
Cost				
Equipment	\$ 9,706	\$ 7,799	\$ -	\$ 17,505
Intangible assets	20,000	-	-	20,000
Total cost	29,706	7,799	-	37,505
Less Accumulated Depreciation				
Equipment	2,629	2,427	-	5,056
Intangible assets	-	4,000	-	4,000
	2,629	6,427	-	9,056
Net Book Value	\$ 27,077	\$ 1,372	\$ -	\$ 28,449

NOTE I -- DEDICATED TAX REVENUE BONDS PAYABLE AND DEFERRED REFUNDING

The Commission issued Dedicated Tax Revenue Bonds consisting of its Series A, B, BB, BBB, and C Bonds (collectively hereinafter referred to as the "Prior Bonds") to fund the 1995 expansion of KICC.

2004 Defeasance and Escrow Restructuring: In January 2004, the Commission issued Dedicated Tax Revenue Refunding Bonds Series 2004A and 2004B (collectively, the "Series 2004 Bonds") in order to achieve substantial debt service savings. As it relates to the Commission's Prior Bonds, an in-substance defeasance occurred on January 28, 2004 whereby \$34,482,578 of bond proceeds was irrevocably deposited into the Escrow Account of the escrow agent and trustee. Amounts deposited were to be used solely for satisfying future scheduled payments of both interest and principal until the Prior Bonds were retired. The escrow agent was legally required under the escrow agreement to make future principal and interest payments until the Prior Bonds were fully retired. The Series BBB and C Bonds were retired on March 1, 2004 and the Series A Bonds were retired on July 1, 2005. The Series BB and B Bonds were retired on January 1, 2010 and July 1, 2010, respectively.

The advanced refunding and in-substance defeasance that occurred on January 28, 2004 resulted in a difference between the reacquisition price and the net carrying amount of the Commission's Prior Bonds. This difference is reported as deferred amount on refunding with the unamortized balance reflected as a reduction to net bonds payable. The deferred amount on refunding is being amortized using the straight-line method over the remaining term of the defeased bonds, which runs through December 1, 2025. The unamortized balance at June 30, 2015 was \$2,134,160.

Dedicated Tax Revenue Refunding Bonds Series 2004A: The Series 2004A Bonds (the "Series 2004A Bonds"), dated January 1, 2004, are fully registered bonds without coupons in denominations of \$5,000 and integral amounts thereof. The Series 2004A Bonds, which accrue interest from the date of delivery, pay interest semi-annually on December 1 and June 1 of each year. The Series 2004A Bonds are subject to optional redemption provisions at a premium prior to maturity beginning June 1, 2014 at the option of the Commission. The Commission fully redeemed \$11,450,000 of the Series 2004A Bonds on November 1, 2014 under the optional redemption provisions.

LOUISVILLE AND JEFFERSON COUNTY VISITORS AND
CONVENTION COMMISSION

NOTES TO FINANCIAL STATEMENTS--CONTINUED

June 30, 2015

NOTE I -- DEDICATED TAX REVENUE BONDS PAYABLE AND DEFERRED REFUNDING - CONTINUED

Dedicated Tax Revenue Refunding Bonds Series 2004B: The Series 2004B Bonds (the "Series 2004B Bonds"), dated January 27, 2004, are fully registered demand bonds without coupons in a minimum denomination of \$100,000 and integral multiples of \$5,000 in excess of such denomination. Bonds bear interest at a daily rate (0.10% annualized at June 30, 2015), as determined by the remarketing agent, with interest paid monthly. The Series 2004B Bonds are subject to optional redemption provisions at a price of 100% of the principal amount plus accrued interest.

The Commission entered into a Standby Bond Purchase Agreement (the "SBPA") with the remarketing agent on January 1, 2004 to enhance the liquidity of the Series 2004B Bonds. Under the SBPA, the remarketing agent will remarket the Series 2004B Bonds and purchase any Series 2004B Bonds that are unable to be remarketed. The SBPA had an expiration date of January 28, 2007. On December 22, 2006, the Commission entered into the First Amendment to the SBPA, which extended the expiration date of the SBPA to January 28, 2012. On June 30, 2011, the Commission entered into the Second Amendment to the SBPA, which extended the expiration date of the SBPA to January 28, 2015. On October 31, 2014, the Commission entered into the Third Amendment to the SBPA, which extended the expiration date of the SBPA to January 1, 2017.

The Series 2004B Bonds outstanding at June 30, 2015 consist of the following:

<u>Description</u>	<u>Due to be Redeemed Or Repaid During Year Ending June 30</u>	<u>Interest Rate</u>	<u>Outstanding Balance</u>
Term Bonds	2017 - 2023	Daily Variable Rate	\$ 7,125,000

In January 2004, the Commission entered into an interest rate swap agreement with a bank whereby the Commission will pay interest at a fixed rate and will receive interest at a variable rate on \$7,000,000 of the Series 2004B Bonds (see Note Q).

Senior Subordinated Bond Anticipation Note Series 2014: On September 29, 2014, the Commission signed a Note Purchase Agreement with a bank for a Senior Subordinated Bond Anticipation Note, Series 2014 (the "Series 2014 Note") to refund a portion of the outstanding balance of the Series 2004A Bonds. The Series 2014 Note is in the principal amount of \$6,335,000, bears interest at an annual rate of 0.96%, and matures on May 1, 2016. The Series 2014 Note is subject to prepayment prior to maturity at the option of the Commission on November 1, 2015 or any date thereafter, at a prepayment price equal to the principal amount thereof, plus accrued interest to the prepayment date.

The Series 2014 Note outstanding at June 30, 2015 was for the following:

<u>Description</u>	<u>Due to be Redeemed Or Repaid During Year Ending June 30</u>	<u>Interest Rate</u>	<u>Outstanding Balance</u>
Series 2014 Note	2016	0.96%	\$ 4,235,000

On October 29, 2015, the Commission gave notice to the trustee of the Commission's election to redeem as of December 1, 2015 (the "Redemption Date") the Commission's outstanding Series 2014 Note at the principal amount thereof plus accrued and unpaid interest to the Redemption Date.

LOUISVILLE AND JEFFERSON COUNTY VISITORS AND
CONVENTION COMMISSION

NOTES TO FINANCIAL STATEMENTS--CONTINUED

June 30, 2015

NOTE I -- DEDICATED TAX REVENUE BONDS PAYABLE AND DEFERRED REFUNDING - CONTINUED

Debt service for the next five years and to maturity on all outstanding bonds and notes based on the terms at June 30, 2015 and assuming extension of the current SBPA is as follows:

Payable During Year Ending June 30	Principal	Interest	Total
2016	\$ 4,235,000	\$ 37,701	\$ 4,272,701
2017	875,000	6,615	881,615
2018	920,000	5,713	925,713
2019	965,000	4,767	969,767
2020	1,015,000	3,773	1,018,773
2021-2023	3,350,000	4,851	3,354,851
Total	\$ 11,360,000	\$ 63,420	\$ 11,423,420

* Annualized interest rate of 0.10% at June 30, 2015 used to calculate future interest payments on the Series 2004B Bonds.

Security and Guarantee: The Series 2004 Bonds and the Series 2014 Note are secured by a lien against the special 2.0% Transient Room Tax (the "Dedicated Tax") levied by Louisville Metro for the exclusive purpose of repaying these outstanding debts. The Dedicated Tax is to remain in effect until September 25, 2033 or until the date on which all of the Series 2004 Bonds and the Series 2014 Note are retired or no longer outstanding, whichever occurs first. The Series 2004 Bonds and the Series 2014 Note are also secured by a lien against 1.0% of the 4.5% Transient Room Tax levied annually by Louisville Metro. Both the Dedicated Tax and the 4.5% Transient Room Tax are further described in Note O.

The Series 2004 Bonds are guaranteed by a municipal bond insurance policy and a debt service reserve insurance policy issued by a financial guaranty insurance company.

NOTE J -- BOND ISSUANCE PREMIUM

In connection with the issuance of the Series 2004 Bonds, the Commission recognized a bond issuance premium of \$939,007. This bond issuance premium is being amortized using the effective interest method over the term of the Series 2004B Bonds with the unamortized balance reflected as an increase to net bonds payable. The Commission amortized an additional portion of the bond issue premium during the year ended June 30, 2015 as a result of the early redemption of the Series 2004A Bonds. The unamortized balance of the bond issuance premium at June 30, 2015 was \$123,897.

LOUISVILLE AND JEFFERSON COUNTY VISITORS AND
CONVENTION COMMISSION

NOTES TO FINANCIAL STATEMENTS--CONTINUED

June 30, 2015

NOTE K -- RETIREMENT PLAN

General Information

Plan description. Employees of the Commission are provided a defined benefit pension plan through the CERS, a cost-sharing multiple-employer defined pension plan administered by the Kentucky Retirement System ("KRS"). The KRS was created by state statute under Kentucky Revised Statute Section 61.645. The KRS Board of Trustees is responsible for the proper operation and administration of the KRS. The KRS issues a publically available financial report that can be obtained by writing to Kentucky Retirement System, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky 40601, or by telephone at (502) 564-4646.

Benefits provided. 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. Tier 1 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. A description of benefits for members of other tiers can be obtained by contacting the Kentucky Retirement System at the address or telephone number outlined above.

Prior to July 1, 2009, 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 of 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.

Contributions. Contributions for employees are established in the statutes governing the KRS and may only be changed by the Kentucky General Assembly. Employees contribute 5% of salary if they were plan members prior to September 1, 2008. Employees that entered the plan after September 1, 2008 are required to contribute 6% of their annual creditable compensation. Five percent (5%) of the contribution was deposited to the member's account while the 1% was deposited to an account created for the payment of health insurance benefits under 26 USC Section 401(h) in the Pension Fund (see Kentucky Administrative Regulation 105 KAR 1:420E). The Commission makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2015, employer contributions for the Commission were \$795,933 based on a rate of 17.67% of covered payroll. By law, employer contributions are required to be paid. The KRS may intercept the Commission's state shared taxes if required employer contributions are not remitted. The employer's actuarially determined contribution (ADC) and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

LOUISVILLE AND JEFFERSON COUNTY VISITORS AND
CONVENTION COMMISSION

NOTES TO FINANCIAL STATEMENTS--CONTINUED

June 30, 2015

NOTE K -- RETIREMENT PLAN - CONTINUED

Net Pension Liability

The Commission's net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate net pension liability was determined by an actuarial valuation as of that date. (See Note W for a restatement related to the net pension liability.)

Actuarial assumptions. The total pension liability as of June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	4.0%
Salary increases	Representative values of the assumed annual rates of future salary increases from 4.75%-13.0% for nonhazardous members and 4.5%-20.0% for hazardous members, including inflation.
Investment rate of return	7.75% per annum, compounded annual for retirement and insurance benefits.

The rates of mortality for the period after service retirement are according to the 1983 Group Annuity Mortality Table for all retired members and beneficiaries as of June 30, 2006 and the 1994 Group Annuity Table for other members. The Group Annuity Mortality Table set forward five years is used for the period after disability retirement.

The actuarial assumptions used in the June 30, 2014 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2005 through June 30, 2008. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on plan assets is reviewed as part of the regular experience study prepared every five years for KRS. The most recent analysis, performed for the period covering fiscal years 2005 through 2008, is outlined in a report dated August 25, 2009. 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 assumptions are intended to be long term assumptions and are 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.

LOUISVILLE AND JEFFERSON COUNTY VISITORS AND
CONVENTION COMMISSION

NOTES TO FINANCIAL STATEMENTS--CONTINUED

June 30, 2015

NOTE K -- RETIREMENT PLAN - CONTINUED

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>
Domestic Equity	8.45%	30.00%
International Equity	8.85%	22.00%
Emerging Market Equity	10.50%	5.00%
Private Equity	11.25%	7.00%
Real Estate	7.00%	5.00%
Core US Fixed Income	5.25%	10.00%
High Yield US Fixed Income	7.25%	5.00%
Non US Fixed Income	5.50%	5.00%
Commodities	7.75%	5.00%
TIPS	5.00%	5.00%
Cash	3.25%	1.00%
		100.00%

The long-term expected rate of return on pension plan investments was established by the KRS Board of Trustees as 7.75% based on a blending of the factors described above.

Discount rate. The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from the Commission will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the KRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension liability (asset) to changes in the discount rate. The following presents the net pension liability (asset) of the Commission calculated using the discount rate of 7.75%, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
Commission's net pension liability	\$ 7,907,442	\$ 6,009,000	\$ 4,331,682

LOUISVILLE AND JEFFERSON COUNTY VISITORS AND
CONVENTION COMMISSION

NOTES TO FINANCIAL STATEMENTS--CONTINUED

June 30, 2015

NOTE K -- RETIREMENT PLAN - CONTINUED

Pension Expense (Income) and Deferred Outflows of Resources and
Deferred Inflows of Resources Related to Pensions

Pension expense. For the year ended June 30, 2015, the Commission recognized pension expense of \$481,000.

Deferred outflows of resources and deferred inflows of resources. For the year ended June 30, 2015, the Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ (671,000)
Contributions subsequent to the measurement date of June 30, 2014	574,316	-
Total	<u>\$ 574,316</u>	<u>\$ (671,000)</u>

The amount shown above for "Contributions subsequent to the measurement date of June 30, 2014," will be recognized as a reduction to net pension liability in the following measurement period.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30	
2016	\$ (167,750)
2017	(167,750)
2018	(167,750)
2019	(167,750)
	<u>\$ (671,000)</u>

In the table shown above, positive amounts will increase pension expense while negative amounts will decrease pension expense.

Payable to the Pension Plan

At June 30, 2015, the Commission reported a payable of \$76,789 (included in accounts payable and accrued expenses amount on the Statement of Net Position and on the Balance Sheet - Governmental Funds) for the outstanding amount of contributions to the pension plan required at June 30, 2015.

GLSC

The GLSC adopted a simple Individual Retirement Account on January 1, 2004 for the benefit of its full-time employees. The GLSC matches contributions up to 3% of each participant's compensation. The GLSC matching contributions related to the Plan were \$9,299 for the year ended June 30, 2015.

LOUISVILLE AND JEFFERSON COUNTY VISITORS AND
CONVENTION COMMISSION

NOTES TO FINANCIAL STATEMENTS--CONTINUED

June 30, 2015

NOTE L -- LEASES

The Commission is obligated under an operating lease for office space that expires in September 2023. The lease allows for cancellation in September 2018 with payment of the unamortized portion of any tenant improvements plus three months' rent. However, the Commission does not intend to cancel the lease and the full lease term is disclosed below. The Commission is obligated under an operating lease for retail space that expires in February 2017. Rental expense under continuing obligations was \$425,057 for the year ended June 30, 2015.

At June 30, 2015, obligations under operating leases with initial or remaining non-cancellable lease terms longer than one year were as follows:

Year Ending June 30	<u>Operating Leases</u>
2016	\$ 400,800
2017	372,900
2018	317,100
2019	334,722
2020	340,596
2021-2024	<u>1,106,937</u>
Total	<u>\$ 2,873,055</u>

Sublease income was \$17,921 for the year ended June 30, 2015. The total amount of minimum rentals to be received in the future under non-cancellable subleases was \$22,572 as of June 30, 2015.

The Commission is obligated under a capital lease for office equipment. The lease expires in August 2015. The obligation under the capital lease has been recorded in the accompanying financial statements at the present value of the future minimum lease payments. The equipment under the capital lease is pledged as collateral for the lease.

At June 30, 2015, obligations under the capital lease were as follows:

Year Ending June 30	<u>Capital Leases</u>
2016	\$ 2,450
Amount representing interest	<u>(17)</u>
Present value of minimum lease payments	<u>\$ 2,433</u>

The gross amount of assets under capital lease was \$44,129 with accumulated amortization of \$39,716 at June 30, 2015.

NOTE M -- VACATION AND PTO

All full-time employees are eligible for paid vacation based on the number of years of service. Vacation days may be carried over to the succeeding fiscal year, up to a maximum of five (5) days. No payment can be made in lieu of vacation, except in the event of termination, resignation, or retirement. Accrued vacation was \$44,740 at June 30, 2015. Accrued vacation is reported in the statement of net position under accrued expenses.

All full-time employees are eligible for paid time off ("PTO") based on the number of months worked during the year. PTO is earned as service is performed and days may be accumulated and carried over year-to-year, up to a maximum of 60 days. PTO is not payable upon termination of employment with the only exception being an employee who retires from the Commission. The Commission will compensate a retiring employee any unused PTO time to a maximum of 60 days upon retirement from the Commission. Accrued PTO was \$171,144 at June 30, 2015. PTO is reported in the statement of net position under compensated absences.

LOUISVILLE AND JEFFERSON COUNTY VISITORS AND
CONVENTION COMMISSION

NOTES TO FINANCIAL STATEMENTS--CONTINUED

June 30, 2015

NOTE N -- DUE TO OTHER GOVERNMENTAL UNITS

The amount due to other governmental units consists of monies collected and due from the Revenue Commission for the special 1.0% Transient Room Tax, which are payable to another governmental unit to support the renovation or expansion of the Kentucky International Convention Center.

NOTE O -- TRANSIENT ROOM TAX

The primary source of the Commission's revenue is a 4.5% Transient Room Tax levied on hotel and motel rooms sold in Jefferson County, Kentucky. Monies collected from this transient room tax support the operations of the Commission. A fee of 1.25% of tax collected is retained by the Revenue Commission for collection services. Net tax collected and interest are remitted to the Commission on a monthly basis.

In 1995, Louisville Metro levied a special 2.0% Transient Room Tax (the "Dedicated Tax") on hotel and motel rooms sold in Jefferson County, Kentucky. Monies collected from the Dedicated Tax are applied exclusively toward the payment of the Commission's Series 2004 Bonds and Series 2014 Note, which are described in Note I. The Dedicated Tax is to remain in effect until September 25, 2033 or until the date on which all of the Series 2004B Bonds and the Series 2014 Note are retired or no longer outstanding, whichever occurs first.

In 2014, Louisville Metro levied a special 1.0% Transient Room Tax on hotel and motel rooms sold in Jefferson County, Kentucky. Monies collected from the special 1.0% Transient Room Tax must be used for the purposes of financing the renovation or expansion of the Kentucky International Convention Center and are reported in the governmental funds balance sheet and the statement of net position under restricted cash. Monies due from the Revenue Commission for the special 1.0% Transient Room Tax at year-end are reported in the governmental funds balance sheet and the statement of net position under due from other governmental units. Both the monies collected and the monies due from the Revenue Commission for the special 1.0% Transient Room Tax are collectively reported as a liability in the governmental funds balance sheet and the statement of net position under due to other governmental units (Note N).

NOTE P -- STATE MATCHING FUNDS

The Commission is eligible to receive funding under the Kentucky Tourism, Meeting, and Convention Marketing Act. The Act imposes an additional Transient Room Tax of 1.0% on rent for occupancy of any room, suite, or cabin throughout the Commonwealth of Kentucky.

The Commission's portion of the 1.0% tax is based on the allowable expenses submitted and is subject to an annual maximum cap determined by the Commonwealth of Kentucky. The revenues earned under the Act totaled \$578,503 for the year ended June 30, 2015.

NOTE Q -- DERIVATIVE FINANCIAL INSTRUMENTS

The Commission entered into an interest rate swap agreement with a bank on January 28, 2004 to reduce its exposure to adverse fluctuations in market interest rates on a portion of the Series 2004B Bonds. The notional amount of the swap agreement is \$7,000,000. The agreement requires the Commission to pay the bank interest calculated at a fixed rate of 4.34%. The bank is required to pay the Commission interest calculated using a variable rate based on the Bond Market Association Municipal Swap Index (0.10% annualized at June 30, 2015). Payments between the Commission and the bank are netted and a net settlement amount is paid monthly. The agreement contains an interest rate cap whereby the bank's interest rate risk exposure is limited, which precludes the use of hedge accounting. The agreement expires on December 1, 2020.

LOUISVILLE AND JEFFERSON COUNTY VISITORS AND
CONVENTION COMMISSION

NOTES TO FINANCIAL STATEMENTS--CONTINUED

June 30, 2015

NOTE Q -- DERIVATIVE FINANCIAL INSTRUMENTS - CONTINUED

The fair value of the interest rate swap represented a deferred inflow of resources of \$1,189,388 at June 30, 2015. The Commission recorded a net loss on its interest rate swap of \$251,885 for the year ended June 30, 2015. The net loss on the interest rate swap includes losses of \$300,819 for the monthly swap settlement, which were partially offset by a gain from the change in fair market value for the year of \$48,934.

Credit risk is the risk that a counterparty will be unable to fulfill its obligation. The counterparty to the interest rate swap has a senior unsecured credit rating issued by S&P of A+ and Moody's of Aa3. As the interest rate swap was in a liability position at June 30, 2015, the Commission was not exposed to any loss on the interest rate swap due to credit risk at year-end.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of a financial instrument. The Commission is exposed to interest rate risk through the interest rate swap. The fair value of the interest rate swap will generally decline with a decrease in interest rates and increase when interest rates rise. This change in valuation does not affect the Commission's cash flow.

NOTE R -- CHANGES IN LONG-TERM LIABILITIES AND DEFERRED INFLOWS OF RESOURCES

Long-term liability and deferred inflow of resources activity for the year ended June 30, 2015 was as follows:

	Balance 6/30/2014	Additions	Reductions	Balance 6/30/2015	Due within one year
Dedicated tax revenue bonds	\$ 18,575,000	\$ -	\$(11,450,000)	\$ 7,125,000	\$ -
Less bond issuance premium	323,001	-	(199,104)	123,897	-
Total bonds payable	18,898,001	-	(11,649,104)	7,248,897	-
Interest rate swap liability	1,238,322	-	(48,934)	1,189,388	-
Interest payable	43,952	-	(36,540)	7,412	7,412
Lease payable	11,914	-	(9,481)	2,433	2,433
Compensated absences	165,168	5,976	-	171,144	-
Net pension liability	6,199,000	-	(190,000)	6,009,000	-
Deferred inflow - pension	-	671,000	-	671,000	167,750
	<u>\$ 26,556,357</u>	<u>\$ 676,976</u>	<u>\$(11,934,059)</u>	<u>\$ 15,299,274</u>	<u>\$ 177,595</u>

LOUISVILLE AND JEFFERSON COUNTY VISITORS AND
CONVENTION COMMISSION

NOTES TO FINANCIAL STATEMENTS--CONTINUED

June 30, 2015

NOTE S -- DISCRETELY PRESENTED COMPONENT UNIT

The Greater Louisville Sports Commission (the "GLSC") is a legally separate, tax-exempt 501(c)(3), component unit of the Commission. The GLSC acts primarily to foster national and international amateur sports competition, and for other charitable purposes to make the Greater Louisville area a hub of amateur sports and promote the general welfare and common good of amateur sports in the Greater Louisville area. Although it is legally separate from the Commission, the GLSC is fiscally dependent upon the Commission. This causes the relationship between the Commission and the GLSC to be that of related entities resulting in the need for inclusion as a discretely presented component unit in the financial statements of the Commission.

NOTE T -- BLENDED COMPONENT UNIT

The Louisville Tourism Foundation (the "Foundation") is a legally separate, tax-exempt 501(c)(3), component unit of the Commission. The Foundation acts primarily to promote tourism and to raise funds for such purpose. Although it is legally separate from the Commission, the Foundation is reported as a blended component unit of the Commission because the Foundation is governed by the same Board of Directors. The Foundation had \$9,076 of total assets and net position as of June 30, 2015. No revenues or expenses were recorded during the year ended June 30, 2015. Additional information regarding this blended component unit may be obtained through the Commission.

NOTE U -- RELATED PARTY TRANSACTIONS

Operating Expenses on the Statement of Activities includes \$450,000 that was paid to the GLSC to support its operations.

NOTE V -- CONTINGENCIES

The Commission has entered into various contracts which require future payments to organizations for future conventions and meetings to be held in Louisville; however if such conventions and meetings are cancelled by the respective organizations, no payments are due.

NOTE W -- RESTATEMENT OF BEGINNING NET POSITION RELATED TO FISCAL YEAR 2014

Beginning net position for governmental activities for fiscal year 2015 was restated to implement GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* - an amendment of GASB Statement No. 27 and to record the beginning net pension liability. The net position for June 30, 2013 was not restated as information was not available to allow the restatement of the 2014 financial statements as the retirement plan did not measure the pension liability as of June 30, 2013. As such, the liability has only been restated as of June 30, 2014.

Statement of Net Position

Net position - Governmental Activities, June 30, 2014 (Prior to Restatement)	\$ (563,613)
Impact of GASB Statement No. 68 Implementation, June 30, 2014	<u>(6,199,000)</u>
Net position - Governmental Activities, June 30, 2014 (Restated)	<u><u>(6,762,613)</u></u>

SUPPLEMENTARY INFORMATION

**LOUISVILLE AND JEFFERSON COUNTY VISITORS AND
CONVENTION COMMISSION**
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUE AND EXPENDITURES - BUDGET AND ACTUAL

Year ended June 30, 2015

	Original Budget	Final Budget	Actual	Over (Under) Budget
REVENUES				
Transient room tax	\$ 21,202,041	\$ 21,202,041	\$ 22,159,167	\$ 957,126
Membership dues	260,000	260,000	286,658	26,658
Advertising	323,000	323,000	348,728	25,728
Merchandise, net	89,650	89,650	93,304	3,654
Services and fees	147,735	147,735	268,918	121,183
Matching funds	430,000	430,000	578,503	148,503
Investment income	72,900	72,900	18,480	(54,420)
Other income	37,532	37,532	53,874	16,342
Total Revenues	22,562,858	22,562,858	23,807,632	1,244,774
EXPENDITURES				
Rent	426,720	426,720	424,303	(2,417)
Parking	62,000	62,000	64,607	2,607
Maintenance	67,298	67,298	50,080	(17,218)
Utilities	23,400	23,400	5,533	(17,867)
Telephone	86,100	86,100	76,016	(10,084)
Supplies	84,060	84,060	88,487	4,427
Postage	120,008	120,008	122,303	2,295
Data processing	79,164	79,164	66,503	(12,661)
Payroll, full-time	3,839,371	3,839,371	3,814,843	(24,528)
Payroll, part-time	347,776	347,776	372,368	24,592
Payroll taxes	354,147	354,147	333,104	(21,043)
Commissions and incentive pay	751,087	751,087	756,284	5,197
Pension plan	811,134	811,134	795,933	(15,201)
Employee relations	94,590	94,590	116,711	22,121
Employee benefits	355,605	355,605	340,136	(15,469)
Professional fees	174,000	174,000	173,614	(386)
Insurance	50,600	50,600	47,911	(2,689)
Dues and subscriptions	119,826	119,826	109,391	(10,435)
Printing	604,500	604,500	514,849	(89,651)
Advertising	1,280,000	1,340,000	1,311,150	(28,850)
Promotional items	441,523	441,523	428,777	(12,746)
Photography and video	77,000	77,000	36,326	(40,674)
Website marketing	365,850	385,850	438,670	52,820
Mass marketing	423,820	423,820	351,752	(72,068)
Client events and site visits	245,100	245,100	206,346	(38,754)
Travel and trade shows	946,735	946,735	815,427	(131,308)
Entertainment	122,775	122,775	123,041	266
Sponsorships and events	3,154,764	3,229,764	3,242,367	12,603
Capital expenditures	47,700	47,700	54,007	6,307
Research	200,000	225,000	224,110	(890)
Loss in interest rate swap	303,800	303,800	300,819	(2,981)
Bond principal	1,680,000	11,450,000	11,450,000	-
Interest expense	989,453	989,453	367,568	(621,885)
Other bond fees	125,000	125,000	158,243	33,243
Total Expenditures	18,854,906	28,804,906	27,781,579	(1,023,327)
Change in Fund Balance	3,707,952	(6,242,048)	(3,973,947)	2,268,101
Fund Balance, Beginning of Year	16,898,949	16,898,949	16,898,949	-
Fund Balance, End of Year	\$ 20,606,901	\$ 10,656,901	\$ 12,925,002	\$ 2,268,101

**LOUISVILLE AND JEFFERSON COUNTY VISITORS AND
CONVENTION COMMISSION**

REQUIRED SUPPLEMENTARY INFORMATION

**SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AND RELATED RATIOS AND
SCHEDULE OF EMPLOYER CONTRIBUTIONS**

Year ended June 30, 2015

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AND RELATED RATIOS

Year Ended June 30,	Proportion of the Net Pension Liability (Asset)	Proportionate Share of the Net Pension Liability (Asset)	Actual Covered Member Payroll	Net Pension Liability (Asset) as a Percentage of Covered Payroll	Fiduciary Net Position as a Percentage of Total Pension Liability
2014	0.18521%	\$ 6,009,000	\$ 4,504,431	133.40%	66.80%

Note: This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

The data provided in the schedule is as of the measurement date of KRS's net pension liability, which is June 30, 2014.

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ended June 30,	Statutorily Required Contribution	Actual Employer Contribution	Contribution Excess/(Deficiency)	Actual Covered Member Payroll	Contributions as a Percentage of Covered Payroll
2015	\$ 574,316	\$ 574,316	\$ -	\$ 4,504,431	12.75%

Note: This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

**LOUISVILLE AND JEFFERSON COUNTY VISITORS AND
CONVENTION COMMISSION**
NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION

Year ended June 30, 2015

Actuarial valuation date	June 30, 2014
Actuarial cost method	Entry age
Amortization method	Level of percentage of payroll, closed
Remaining amortization period	29 years
Asset valuation method	5-year smoothed market
Inflation	3.50%
Projected salary increases	4.50%, average, including inflation
Investment rate of return	7.75%, net of investment expense, including inflation



**Independent Auditor's Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards**

Board of Commissioners
**Louisville and Jefferson County Visitors and
Convention Commission**
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 governmental activities, the discretely presented component unit and each major fund of the Louisville and Jefferson County Visitors and Convention Commission ("the Commission") as of and for the year ended June 30, 2015 and the related notes to the financial statements which collectively comprise the Commission's basic financial statement and have issued our report thereon dated October 30, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Commission'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission'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 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. 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's financial statements are free from 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*.

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Kentucky
Indiana
Ohio

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**Independent Auditor's Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards (Continued)**

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 results 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 *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Louisville, Kentucky
October 30, 2015

APPENDIX D

FORM OF LEGAL OPINION OF BOND COUNSEL

_____, 2016

Louisville and Jefferson County
Visitors and Convention Commission
401 West Main Street, Suite 2300
Louisville, KY 40202

The Bank of New York Mellon Trust Company, N.A., as Trustee
614 W. Main Street, Suite 2600
Louisville, KY 40202

Re: \$ _____
 Louisville and Jefferson County Visitors and Convention Commission
 Dedicated Tax Revenue Bonds, Series 2016
 (Kentucky International Convention Center Expansion Project)

Ladies and Gentlemen:

As bond counsel to the Louisville and Jefferson County Visitors and Convention Commission (the "Issuer"), we have examined the transcript of proceedings (the "Transcript") relating to the authorization, sale, and issuance of the above-referenced bonds of the Issuer (the "Series 2016 Bonds"), dated on original issuance of even date herewith and in the aggregate principal amount of \$ _____.

The Series 2016 Bonds are issued pursuant to the provisions of (i) Chapter 58 and Sections 91A.350 through 91A.370 of the Kentucky Revised Statutes (collectively, the "Act"), (ii) the Bond Resolution adopted by the Issuer on May 26 2016 (the "Bond Resolution") and (iii) the

Master Indenture of Trust dated as of January 1, 2004 (the "Master Indenture") by and between the Issuer and J.P. Morgan Trust Company, National Association, as trustee (the "Original Trustee"), as supplemented by the First Supplemental Trust Indenture and the Second Supplemental Trust Indenture, both dated as of January 1, 2004 and by and between the Issuer and the Original Trustee, the Third Supplemental Trust Indenture dated as of October 31, 2014 by and between the Issuer and The Bank of New York Mellon Trust Company, N. A., as successor trustee (the "Trustee"), and the Fourth Supplemental Trust Indenture dated as of August 1, 2016 (the "Fourth Supplemental Indenture") by and between the Issuer and the Trustee (the Master Indenture of Trust, as so supplemented and amended, the "Indenture"). Terms which are capitalized and not defined herein are used as defined in the Indenture.

The Series 2016 Bonds and the interest thereon do not constitute a general obligation or indebtedness of the Issuer, Louisville/Jefferson County Metro Government ("Metro Government"), or the Commonwealth of Kentucky (the "Commonwealth") within the meaning of the Constitution and laws of the Commonwealth and are not a charge against the general credit or the taxing power, if any, of the Issuer, Metro Government, or the Commonwealth but are a special revenue obligation of the Issuer secured solely by and payable solely from the Pledged Receipts as defined in the Indenture.

In addition to the Transcript, we examined such documents and matters and conducted such research as we have deemed necessary to enable us to express the opinions set forth below. We have also relied on the opinion of even date herewith of Zielke Law Firm, PLLC, Louisville, Kentucky, as general counsel to the Issuer, with respect to the valid creation, organization, and existence of the Issuer and the due adoption by the Issuer of the Bond Resolution. As to certain questions of fact, we have relied on statements and certifications of certain officers, employees, and agents of the Issuer and other public officials. In rendering our opinions set forth below, 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 other than the Issuer had the requisite power and authority to enter into and perform all obligations of all 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 documents, and the validity and binding effect thereof on such other parties. We have relied for purposes of the opinions set forth below on the representations and warranties made in such documents by all parties thereto.

Based on the foregoing examination, it is our opinion that:

1. The Issuer is a special purpose governmental entity of the Commonwealth, validly existing under the Act, with the right and power under the Act to adopt the Bond Resolution and to execute and deliver the Indenture and to issue the Series 2016 Bonds.

2. The Indenture is the valid and binding obligation of the Issuer enforceable in accordance with its terms.

3. The Series 2016 Bonds have been duly and validly authorized, executed, and delivered by the Issuer and are the valid and binding special revenue obligations of the Issuer, enforceable in accordance with their terms and entitled to the benefit and security of the Act and the Indenture.

4. Under the laws of the Commonwealth as presently enacted and construed, the Series 2016 Bonds are exempt from ad valorem taxation, and the interest thereon is exempt from income taxation, by the Commonwealth and all of its political subdivisions and taxing authorities.

5. Based on existing laws, regulations, and judicial decisions, interest on the Series 2016 Bonds is excluded from gross income for federal income tax purposes, subject to the condition that the Issuer comply with the requirements of the Internal Revenue Code that must be satisfied subsequent to the original issuance of the Series 2016 Bonds in order that interest thereon be and remain excluded from gross income for federal income tax purposes. Failure to comply with such requirements could cause the interest on the Series 2016 Bonds to be included in gross income for federal income tax purposes retroactive to the date of original issuance of the Series 2016 Bonds. The Issuer has covenanted to comply with such requirements.

The foregoing opinions are qualified to the extent that the enforceability of the Series 2016 Bonds and the Indenture may be limited by bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditors' rights generally and by the exercise of judicial discretion in accordance with general equitable principles.

Louisville and Jefferson County
Visitors and Convention Commission
The Bank of New York Mellon Trust Company, N.A., as Trustee
_____, 2016
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Yours truly,

WYATT, TARRANT & COMBS, LLP